

## **Human Resource Planning in Organisations**

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### **Abstract**

*This study examines if Human Resource Planning (HRP) is used effectively in organisations to achieve organisational goals. The aims and objectives are to explore HRP as useful in achieving organising goal and improving business performance and as important in forecasting on employees, the origins of and Conceptual frameworks for HRP. It discusses key perspectives of HRP, approaches to forecasting future HR demands and its internal and external supply. The purpose of HRP and its importance to organisations are explored. It argues the need for futuristic, scientific HRP, driven by increased technology and globalization of the economy, suggesting factors relevant for consideration by way of recommendations and conclusion.*

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### **Introduction**

Rahman bin Idris, A Eldridge D (1998), state, HRP according to UK's *Department of Employment* (1970), is "A strategy for the acquisition, utilisation, improvement, and retention of an enterprise's human resources". This definition was criticised by Stainer (1971) as being too detached from the objectives of the whole organisation. He states, "Human resource planning aims to maintain and improve the ability of the organisation to achieve corporate objectives, through the development of strategies to enhance the contribution of personnel at all times in the foreseeable future". Organizations need people just as they need raw materials, equipment and others in order to function successfully. In fact, it is not uncommon to hear managers acknowledge: "Our people are our most important asset." Organizations undertake human *resource planning* to enable them meet their future "people" needs just as they plan for their non-human resources.

A revolution of change occurring in organizations has been well documented in the extant literature over the past 20 years. This, according to Block(2000), stems largely from the growing realization that strict controls, greater work pressure, more clearly defined jobs, effective planning and tighter supervision have yielded productivity gains in the past years. Buchanan and McCalman (1989) also noted that the strategic imperative of the 1990s has heightened the argument for a more comprehensive approach to organizational design and work structuring. This set it within a new macro context defined by developments in labour and product markets, trading conditions and

manufacturing technology. Today, human resource (HR) managers do not have the luxury of operating and performing in a stable, predictable environment. Political, social and economic changes are affecting organizations and their management activities, particularly the environmental uncertainties and socio-economic trends considerably influencing HR planning needs. Apedoe-Dzidza (2006), state, the HR is an organisation's most valuable asset is no longer a question of debate. The ability of the organisation to perform diligently to successfully realise its vision could be seen as directly proportional to the deployment of the right human resource and the contribution of this resource. Since it is that critical with direct bearing on satisfactory performance, profitability and sustainability, this resource must be planned for. It is essential that jobs within the organisation are continually and adequately staffed with qualified personnel to perform them, hence the need for HR planning.

Torrington and Hall (1995) state that, "The human resource of any organisation is a complex resource, unlike other resources. People are different from each other in characteristics personality, educational level, abilities and have willed of their own". They explain the resources of people that are in constant demand but not easily moved around like finance. It is needed only in adequate numbers. Too much will be a drain on the organisation and too little will affect productivity in the end such resource must not be treated casually. It may be the most complex resource, yet, also the most valuable. It has the advantage of being creative, able to think for and improve itself. Organisational effectiveness depends on getting its right balance, hence the high importance of HRP.

### **Aims and Objectives of the Study**

The study aims at finding out if HRP is effectively used to achieve organisational goals. This should stir up proactive management, short, medium and long term. As Holden and Beardwell (2001) put it, "To have the right labour in the right place at the right time is cost". This paper also seeks to find out if effective HR planning does help to improve businesses' performance. Additionally, the study will emphasize how important forecasting on employees is to organisations and practitioners.

### **Literature Review**

Rousseau and Arthur (1999) see a new HR function in the current economic era. This consists of the simultaneous positioning of organizations and workers to respond flexibly to market changes, while seeking stability by recruiting, developing and retaining talents critical to the organization. Evidently, planning should play one of the key roles in such a process. In the light of such realities, it seems that rather than being anachronistic, HR planning may be more important now than ever. Constant awareness of employees' strengths and weaknesses and catering for them in planning future needs should, therefore, be a primary thrust for HR management (Margerison, 1991; Mayo, 1990). Gill (1996) argues workforce planning to be of vital importance in a service that is predominantly provided by people.

### **The Origins of and Conceptual frameworks for HRP**

According to Rahman bin Idris and Eldridge (1998), modern human resource (HR) planning dates from the 1940s, used in staff allocation and developing career structures in conditions of acute skills shortage. They traced its conceptual development as a discipline to Bartholomew's 1967 work on stochastic models for social processes and Smith's 1971 models of manpower systems. This development was further reinforced by the corporate view of the mid-1970s (Bowey, 1975; Bramham, 1975), that HRP follows from and is complementary to organisational strategy. Bowey's 1975 conceptual framework categorises HRP into three broad activities. First, is the assessment of future labour requirements, derivable from projected business expectations. Second, she refers to an assessment of the organisation's ability to retain its current workforce and necessary or effective replacements. Finally, there are predictions to be made on the organisation's ability to acquire or attract different kinds of staff from the external labour market.

On the other hand, Bramham's HRP concept (1995) comprises of four main activities - investigating, forecasting, planning, and utilising. The investigation provides an analysis of the external environment, a review of the external labour market, and an audit of the internal labour market. Forecasting refers to future and projected requirements and the potential supply of that labour from within and outside the organisation. Planning involves turning forecasts into personnel and into policies for recruitment, training and development, absence control, and motivation and reward. Lastly, utilisation requires the HR plans to be compared against defined and important measures of organisational success, such as customer satisfaction and product quality.

More recently, Khoong (1996) suggested an integrated system framework for HR planning. He claims that all the planning activities, which he calls perspectives, can interact with one another in intricate ways, though few insights have been reported on such interactions and their impact on resultant HR plans. He sees the following activities as key and basic to HR plans: establishment requirements planning; career progression planning; staff movement planning; personnel assignment; posting projection; succession planning; and recruitment, retention, staff promotions, postings and training.

### **Approaches to Human Resource Planning**

Over the years, many different approaches have been developed to accommodate different types of constraints and policies under which the planning system might operate. According to Marchington and Wilkinson (1996), these approaches broadly apply to three sets of issues: forecasts of the demand for labour; forecasts of internal supply; forecasts of external supply.

### **Approaches to forecasting Future Demand**

Generally, there are two basic types of approaches to assessing future labour needs - the objective and the subjective. The objective approach relies on the projection of past trends and needs with specific reference to shifts brought about by changes in technology and organisational goals. Simple projections to indicate the amount or type of labour required in the future can be related to results from work-study exercises or ratios of customers to staff. These often use techniques such as extrapolation/regression, work/productivity, measurement, or econometrics (Bartholomew and Forbes, 1991; Bennison and Casson,

1984; Verhoeven, 1982; Lawrence, 1980). On the other hand, the subjective approach, in its most basic form, is a managerial judgement about future needs. Marchington and Wilkinson (1996) emphasize that in some cases it can be an excuse for speculations and guesses from limited data.

### **Approaches to forecasting Internal Supply**

Walker (1999) suggests two fundamental approaches to forecasting internal supply to meet the future demands for labour. These are represented by supply “push” and demand “pull” models, although there are variants on this theme. In essence, both approaches rely, to various extents, on mathematical modelling techniques and the probability that historical movements of staff will be reproduced in the future. The supply “push” approaches are usually based on Markov analysis. Markov analysis is named after a Russian mathematician to whom its development was attributed in 1907 (Parker and Caine, 1996). It is a descriptive technique of the family of mathematical modelling techniques known as stochastic models. This approach requires large employees’ populations, relatively stable and predictable career structures, and broadly consistent aggregates wastage rates - i.e. the ratio of the number of leavers in a year to average numbers of staff in post during that year. Whilst some interaction can be modelled by treating entities, which leave the system as entering an absorbing state, the mathematics become more complex and confusing where entities also enter the system and a source term is needed. However, indications are that despite their complexity HR plans based on Markov models are being used more extensively, particularly in large organisations (Raghavendra, 1991). Some scholars even propound different versions of the basic Markov models, which are simple to use and easy to implement (McClean, 1991).

The demand “pull” approaches are based on movements out of grades and release from the organisation as a whole, such that flows of staff are triggered by vacancies or promotions. These approaches, according to Bramham (1998) in reference as 1999), can be well portrayed in the so-called “camel” model. The “camel” model (Keenay et al., 1980) plots a matrix with age distribution as one axis and grade as the other. It then assesses the proportion of staff in any one grade at a particular age. This helps establish the age distribution of the organisation as a whole or of a particular subset, to predict likely shortages and blockages within the system. This then triggers the search for viable solutions to overcome the existing problem.

### **Approaches to forecasting External Supply**

Forecasting external supply appears to gain much less attention in most texts than does the forecasting of internal supply. However, as Marchington and Wilkinson further note that there are a number of factors, which determine the supply of staff from the external labour markets at both local and national levels. Economic, social and legal issues influence these. Not surprisingly, therefore, there is a growing literature on the need to approach HR planning, especially education and skills development planning through labour market signals. This has come to be known as labour market analysis (Mugtada

and Hildeman, 1993). According to Castley (1996, p. 16), this approach is a much wider concept than HRP, since it includes not only enrolment guidance but also the unemployed and underemployed. It therefore, requires additional functions, like measuring wages as a possible cause of skill shortages, shifting training costs from the taxpayer to the direct beneficiaries, or encouraging the development of private training institutions considered to be more cost conscious and market responsive. It may be difficult to imagine how this can be achieved at an organisational level. Nevertheless, considering it may help HR planners in developing economic and environmental scenarios, allowing them to identify external factors that will affect the organisation and to calculate the impacts of such change on their HR plans.

### **Purpose of Human Resource Planning**

Torrington D. Hall L (1995) states the purpose of HR planning as “to develop schemes for the acquisition, management, organisation and use of people in the organisation so that they contribute as effectively as possible towards the achievement of organisational goals” Graham H.T. and Bennett R. (1998) believe it helps management decisions making in the areas of recruitment, avoidance of redundancies, training i.e. numbers, categories, management and development, labour costs estimates, productivity bargaining and accommodation requirements. They further assert that a company’s HRP needs continuous readjustments along the instability of goals and environmental uncertainties. This is complex because it involves many independent variables - inventions, population changes, resistance to change, consumer demand, government interventions, domestic and foreign competition etc. It requires feedbacks, as in case of plan failing, company objectives may have to be modified to those more feasible in HR terms.

Bhatti *et al.* (1998) note that organisations today operate in a world that is increasingly deregulated, instantaneous, competitive, data computer rich and Internet connected. This unprecedented rate of change produces a major reorientation of structures, systems and management methods. In other words, organisations are being forced to continue their business in conditions of cost constraints, market deregulation and structural changes such as mergers and acquisitions. As a result, HRP becomes vital for deciding essential jobs from those to be lost (Zeffane and Mayo, 1994). Likewise, others scholars as Marchington and Wilkinson (2002) see planning in today’s volatile socio-economic climate, as an emerging focal HR activity and a prominent boundary spanning function. The two criticised early 1990s writers referring to HRP as at best irrelevant, and at worst misguided and dangerous in the turbulent and increasingly insecure competitive environment of the late twentieth century. They condemned such opinions as misunderstanding the nature and uses of planning process, and as excuse for “*ad-hocery*” and reactive management, whereas planning is just as important during turbulent times, if not more so, for at least four reasons:

1. It encourages employers to develop clear and explicit links between their business and HR plans, and so integrates the two more effectively;
2. It allows for much better control over staffing costs and numbers employed;

3. It enables employers to make more informed judgments about the skills and attitudes mixed in the organization, and prepare integrated personnel and development strategies;
4. It provides a profile of current staff (e.g. gender, race and disability), as necessary for moves towards an equal opportunities organization.

### **Importance and the need for HR Planning in Organisations**

With growing recognition of humans as possibly the most important assets to an establishment, organisations are now re-orienting their attitudes towards HR as strategic in their management. This reflects in deliberate planning for acquiring, developing, utilising, retaining and disposing of staff in the most efficient and effective manner. Hussey (1982) stressed that HR is far more complex to plan for than the financial resource. He comments on the critical differences between people, the difficulty of moving them around, the costs of overstaffing, and the importance of treating people as people but not as an inanimate resource. In addition, individuals have their personal set of values and motivations. These must be accounted for in the envisaged achievement of identified plans. Despite the difficulties associated, Manzini (1988) also believes that a plan would generally get us closer to target than otherwise.

Factors that give rise to the need for HR planning in almost any organisation include seven mentioned by Bowey (1974):

1. The opening or closure of a section, department or site
2. Organisational growth or contraction
3. The imminent retirement of a large proportion of the labour force
4. The introduction of new production methods or technology
5. The re-design of large number of jobs
6. The re-organisation of departments or sections
7. The need for large numbers of employees with scarce or unusual skills

Staff motivation through career development is another necessity for HRP. Employees seek a clear career path that must be planned for. In need for succession planning, quite apart from replacing retirees, planned possible succession for key officers avoid overtaken vacancies e.g. from sudden death, resignation or movement of staff. Beach (2001) explains the mix of people employed in many organisations having shifted towards the scarcer, high talent occupations of professional personnel. Management succession is one facet of that high talent personnel problem. He sees strategic planning as a relevant reason for systematic HR planning; the latter, in fact, an essential component of strategising in the modern competitiveness enterprise.

Armstrong (2005) also notes that HR planning aims at ensuring that an organisation:

1. Obtains and retains the number of people it needs with the skills expertise and competence required.
2. Makes the best use of its human resources and is able to anticipate problems of potential surpluses or deficits of people.
3. Can develop a well-trained and flexible workforce, thus contributing to the organisation's ability to adapt to an uncertain and changing environment.
4. Reduces its dependence on external recruitment when the key skills are in short

supply. This means formulating retention as well as exploring development strategies.

These concerns reinforce the need for strategic HR management, which sustains long-term competitive advantage, though still far from reality in most enterprises.

In a nutshell, HRP assures the organisation of qualified candidates for vacancies that may occur in key positions. It gives the organisation an orderly procedure for planning transfers and promotions. It also gives a picture of the available internal resource; providing the organisation with the information needed to develop existing talent more fully with appropriately tailored training and experience.

### **Factors to consider in Human Resource Planning**

Blunt and Popoola (1990) mentioned three broad groups of activity which, according to Bowey (1974) must be carried out in order to devise a reasonable manpower plan:

- The future Manpower needs of the organisation must be assessed.
- The organisation's ability to retain the current labour force must be considered
- The organisations ability to attract different types of personnel must also be considered.

In assessing the man power needs of the organisation Bowey suggests that the plans for expansion or contraction must be considered. An organisation about to expand, whether from vertical or horizontal integration or through increase in sheer size, must necessarily boost her HR. On the other hand, a plan size down will call for lay-offs, declaration of redundancies and inducements towards early retirement. Changes or anticipated changes in the demand of products and services also affect the future manpower needs, according to Bowey. These prompt for the strategic adjustments to HR strengths. Thus, the continued relevance of product or service has indirect impact on HR planning.

Akin to the above - changes in demand - is also a change in the organisation's product. A bank which increases her range of products to the public must necessarily alter her staff strength, if not in numbers then in terms of capacity, to cater adequately for the increased range of products. The inverse is true where the range of products is increased. Here the staff must be reduced for efficiency. Where the organisation strategically abandons her products for another, the change to manpower, besides numbers, also impose trainings and retraining even of existing staff. The ever increasing and rapid changes in technology also demand regular appraisal of HR capabilities and changing manpower needs, lest companies become inefficient, irrelevant and obsolete, particularly in the manufacturing sector. Finally, future manpower needs are dictated partly by productivity changes over time. A persistent reduction in productivity, for example, will make management rethink the adequacy of their manpower needs; while increasing productivity could lead to management adding on to the human resource.

### **Recommendations and Conclusions**

HR plans and planning are crucial and have positive impact on organisational success. They can therefore be used effectively to achieve organisational goals. HR Managers should adopt strategy in their planning to retain and sustain the skilled personnel needed to achieve organisational goals. Armstrong (1995) shares similar view, and it is generally

believed that this can be achieved through motivation and rewards. HR managers, knowing the values and dynamics of motivation, should devise mechanisms in their planning to its best effects. Covey (1988) supported this view when he stated that, *management of Psychological Contract is essential to the organisation's successful functioning therefore human resource managers are advised to take a careful look at it when designing their organisational plan.* Human Resource is arguably an organisation's most important asset. Like all other assets - material, machinery and equipment - HR must be adequately planned for. The planning process, whether in the short or long term, should be carefully done. Undoubtedly, there are difficulties in HR planning and the longer the plan the less accurate its projections and forecasts.

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