

Human Resource Management (HRM)

BA in BAM III.

HRM strategies and HR Planning

András Kun

University of Debrecen – Faculty of
Economics and Business



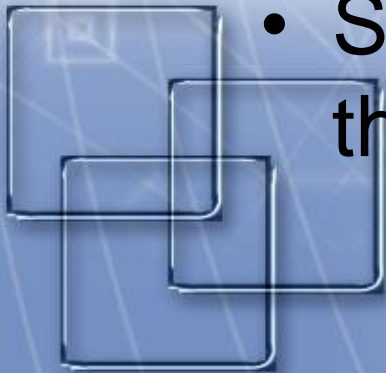
Readings

Textbook chapters (7) 8 & 25

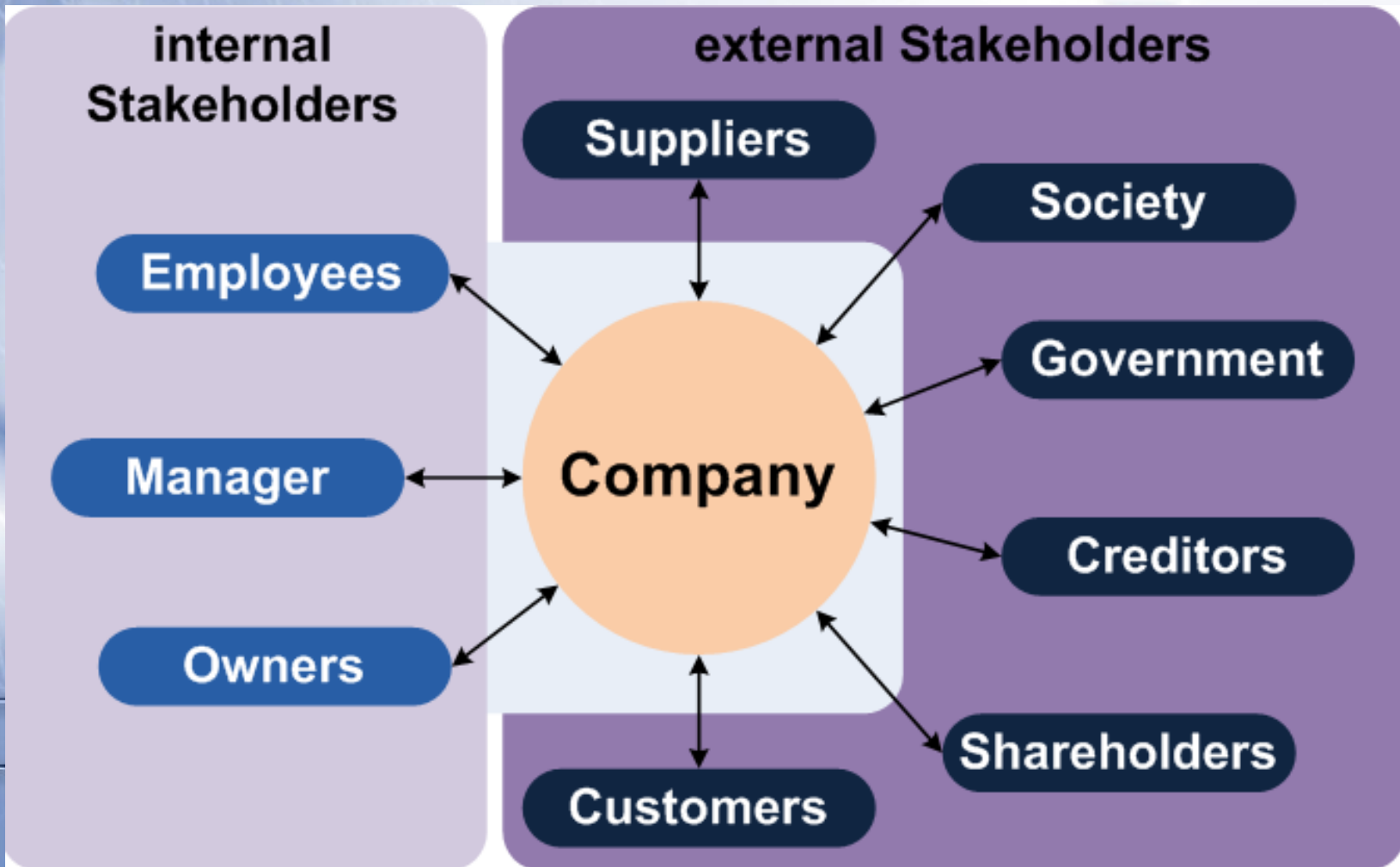


Strategy

- The direction and scope of an organization over the long term.
- It should match the resources of the organization to its changing environment (markets, customers and other stakeholders).
- Strategy determines the direction where the organization is going

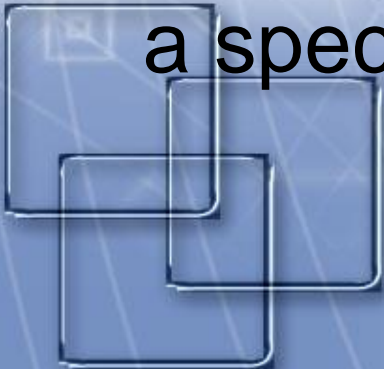


The stakeholders (the figure is from Wikipedia)



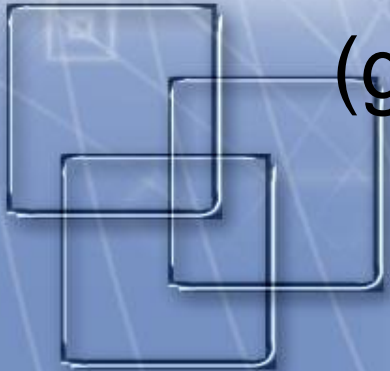
The concepts of strategy:

- It is a long term plan
- It is the pattern of the organizations' behavior over time (descriptive meaning of strategy)
- It is a perspective :
a fundamental way of doing things (mission?)
- A ploy:
a specific maneuver to outwit a competitor



The concept of strategic management

- Vision and mission
- Strategic goals
- Strategic plans
- Implementing the strategy
(business strategy via functional strategies)
- Managing strategy itself
(goals, plans, implementation)



Strategic fit

- Capabilities and resources to the environment (opportunities and threats)
- The business (or corporate) strategy to functional strategies and strategies of business units
- Every part of the strategy area should also be mutually supportive

Strategic HRM (SHRM)

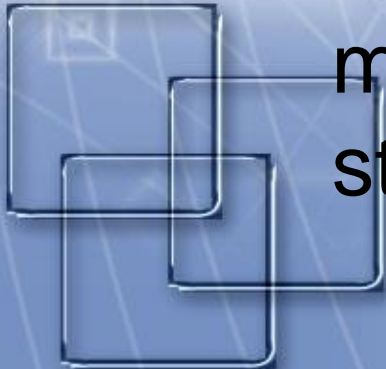
- A Strategic approach to HRM
- Focuses on:
 - (Business) strategy
 - Integration
 - Coherence
- It plans, not only reacts
(HRM strategy is vertically integrated with business strategy)
- People are strategic resources
(+ human capital approach)
- It is both integrated and integrative
(focuses on strategic fit)
- Strategic decision making
(long-term impact on success)

HR strategies (as a part of HRM)



A good HR strategy:

- satisfy business needs
- is founded on detailed analysis
- can be turned into actionable programmes
- is coherent and integrated
- takes account of the needs of line managers, employees and other stakeholders



An HR strategy can be

- Overarching (general)
- Specific: focuses on specific areas
 - Talent management
 - Development
 - Reward management
 - ...



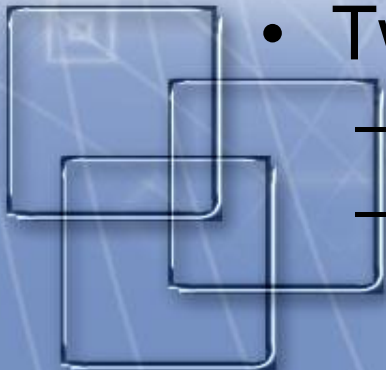
Human resource planning



Definition of HR planning

(= manpower planning)

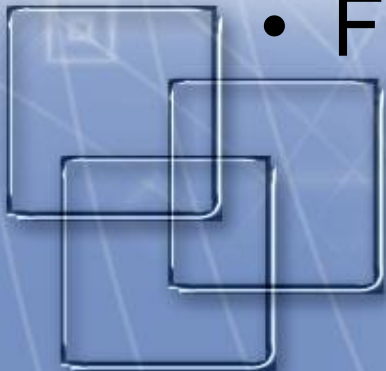
- The process for ensuring that the human resource requirements of an organization are identified and plans are made for satisfying those requirements.
- It is generally concerned with matching resources to business needs on the longer term and sometimes on the shorter term (operative planning).
- Two main questions:
 - How many people (quantity)
 - What sort of people (quality)



As an integrated part of business planning...

...it has concerns in:

- Changes in environment and activities
- Core competences
- Skill and labour requirements
- Motivation
- Focus on specific areas if it is needed

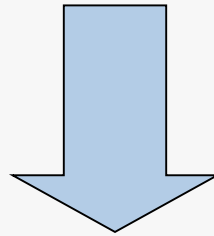


Hard & soft HR planning

- Hard (\approx manpower planning):
 - quantitative analysis
 - right number of the right sort of people
- Soft:
 - Right attitudes and motivation
 - Commitment and engagement
 - Behaviour & culture

A shift from manpower planning

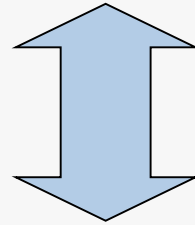
- Reconciling numbers of employees & predictable stable jobs



- Skills, competency development

Classic 3 steps model

- Demand forecasting (future jobs)
- Supply forecasting (people)
- Plans to match supply and demand



- Complexity and continuous changes
- Skills and competences instead of numbers

„Managers don't like HR planning.” Why?

- Difficulties of predictions
- Priorities and strategies are also changing
- Distrust: they simply don't like theory or planning but pragmatic solutions
- Lack of evidence that it works

Evidence on the benefits (Why should they like it more?)

- Planning for substantive reasons
 - Supporting decisions
 - Identifying potential problems
 - Optimizing resources
- Benefits from the planning process
 - Understanding the HR processes
- Planning for organizational reasons
 - Linking HR to business plans
 - Regaining control over operating units
 - Coordinating decision making

Aims of HR planning

- **Attract and retain** the number of people required with the appropriate skills
- Anticipate the problems of potential **surpluses or deficit** of manpower
- **Development** goals
- **Reduces dependence** on external factors (like external recruitment)
- Designing **work systems** to be more efficient (utilization)

Process of HR planning

- Its non-linear (feedbacking, replanning)
- Strategy is more likely to be evolutionary than deliberate in practice



The place of HR planning in the hierarchy of planning



Forecasting and analysis

- Macro and micro environment
- Labor turnover analysis:
actual and trends (part of supply forecast)
- Work environment analysis:
skill development and job satisfaction
- Operational effectiveness analysis:
productivity, utilization, flexibility

Methods of forecasting

- Subjective:
 - Expert judgment
 - Using team techniques
- Objective:
 - Ratio trend analysis (statistics)
 - Work study techniques

Labour turnover

- It is costly:
 - Money: administration, replacement (recruiting & training), opportunity cost of managing the leavings, decreasing productivity before leaving, productivity loss during the training of the replacement
 - Impact on the work environment
- It is normal (it should be measured and forecasted)

Typology of turnover

- Total, incoming, leaving
- Reasons: controlability



Usual reasons for quit

- Payment
- Career
- Job security
- Skill development
- Work conditions
- Poor relationship with the former boss
- Harassment
- Personal (not connected to the firm)

Measuring labour turnover

- Indices:
 - Labour turnover index (% of the average number of workers)
 - Survival rate (% of the total entrants)
 - Half-life index (time taken to reducing a cohort to the half of its original size)
 - Stability index (those who had at least 1 yr service / those employed 1 yr ago)
- Length of service analysis (ratios of groups with different service levels, average service time, average service time of the leavers, etc.)
- Transition analysis
- Analysing reasons of leave (e.g. exit interviews = interviewing the leavers)
- Benchmarking turnover

Calculation of labor turnover index

- Number of separations in a year: 9
- Average employees in a year: 50
- **Solution: $9/50 = 18\%$**



Calculation of labor turnover index (individual work)

- Number of separations in a year: 10
- Average employees in a year: 60
- **Solution: $10/60 = 17\%$**



Calculation of survival rate

Quit Hired	2000	2001	2002	2003	2004	2005
2000: 20	1	4	2	0	2	0
2001: 10	-	1	0	2	0	0
2002: 5	-	-	0	1	0	1
2003: 0	-	-	-	-	-	-
2004: 2	-	-	-	-	2	-

All the new hires join on 1st January, all quits happen on 31th December.

- Compute the 1 year survival rates for those hired in: 2000, 2001, 2002, 2003, 2004.***
- Compute the 5 year survival rate for the hires of year 2000.***
- Compute the 3 year survival rates for those hired in 2002.***

Solution

a) 2000: $(20-1)/20=19/20=95\%$

2001: $(10-1)/10=9/10=90\%$

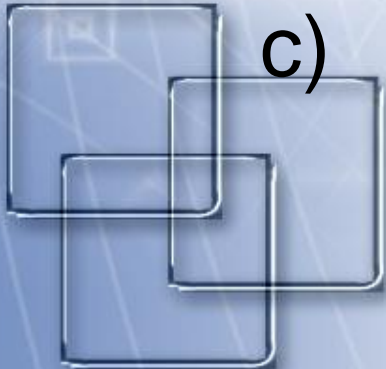
2002: $(5-0)/5=5/5=100\%$

2003: no hires in 2003, thus it is not
computable

2004: $(2-2)/2=0/2=0\%$

b) $[20-(1+4+2+0+2)]/20=11/20=55\%$

c) $[5-(0+1+0)]/5=4/5=80\%$



Calculation of survival rate

Quit Hired	2000	2001	2002	2003	2004	2005
2000: 20	5	4	2	0	2	0
2001: 20	-	6	0	2	0	0
2002: 15	-	-	2	1	5	1
2003: 0	-	-	-	-	-	-
2004: 4	-	-	-	-	2	-

All the new hires join on 1st January, all quits happen on 31th December.

- Compute the 1 year survival rates for those hired in: 2000, 2001, 2002, 2003, 2004.***
- Compute the 5 year survival rate for the hires of year 2000.***
- Compute the 3 year survival rates for those hired in 2002.***

Solution

- Calculated in class



Calculation of the half-life index

Quit Hired	2000	2001	2002	2003	2004	2005
2000: 10	1	4	2	0	2	0
2001: 10	-	3	2	2	1	0
2002: 10	-	-	0	1	3	0

All the new hires join on 1st January, all quits happen on 31th December.

Compute the half-life index for the three cohorts above.

Solution:

2000: $(1+4)=5$ thus it is two years

2001: $(3+2)=5$ thus it is two years

2002: $(0+1+3+0)<5$ thus it is more than 4 years
(the exact index is not calculatable from that data).



Calculation of the half-life index

Quit Hired	2000	2001	2002	2003	2004	2005
2000: 10	2	4	2	0	2	0
2001: 20	-	3	2	2	1	3
2002: 10	-	-	5	1	3	0

All the new hires join on 1st January, all quits happen on 31th December.

Compute the half-life index for the three cohorts above.

Solution:

2000: 2 years

2001: 5 years

2002: 1 years



Stability index calculation

- A given company has 1000 employees. Their work experience at the company:
 - 700 employees: less than 1 year
 - 100 employees: 1 years
 - 100 employees: 2 years
 - 50 employees: 3-5 years
 - 50 employees: more than 5 years
- One year ago, the total number of employees were 700. 400 with less then 1 year employment that time, 150 with 1 year, 50 with 2 years, other with more than 2 years.
- ***Calculate the stability index***

Solution: $(100+100+50+50)/700 \approx 43\%$

Stability index calculation

- A given company has 1200 employees. Their work experience at the company:
 - 300 employees: less than 1 year
 - 300 employees: 1 years
 - 400 employees: more than 1 year
- One year ago, the total number of employees were 1500. 600 with less then 1 year employment that time, 700 with 1 year, 200 with more than 1 year.
- ***Calculate the stability index***



Solution: $(300+400)/1500 \approx 47\%$

Length of service analysis

<i>Occupation</i>	<i>Leavers by length of service</i>						<i>Total number leaving</i>	<i>Average number employed</i>	<i>Index of labour turnover %</i>
	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6 months -1 year</i>	<i>1-2 years</i>	<i>3-5 years</i>	<i>5 or more years</i>			
A	5	4	3	3	2	3	20	220	12
B	15	12	10	6	3	4	50	250	20
C	8	6	5	4	3	4	30	100	30
<i>Totals</i>	28	22	18	13	8	11	100	550	18

Further development:
labor turnover analysis by cohorts

Transition Analysis Process

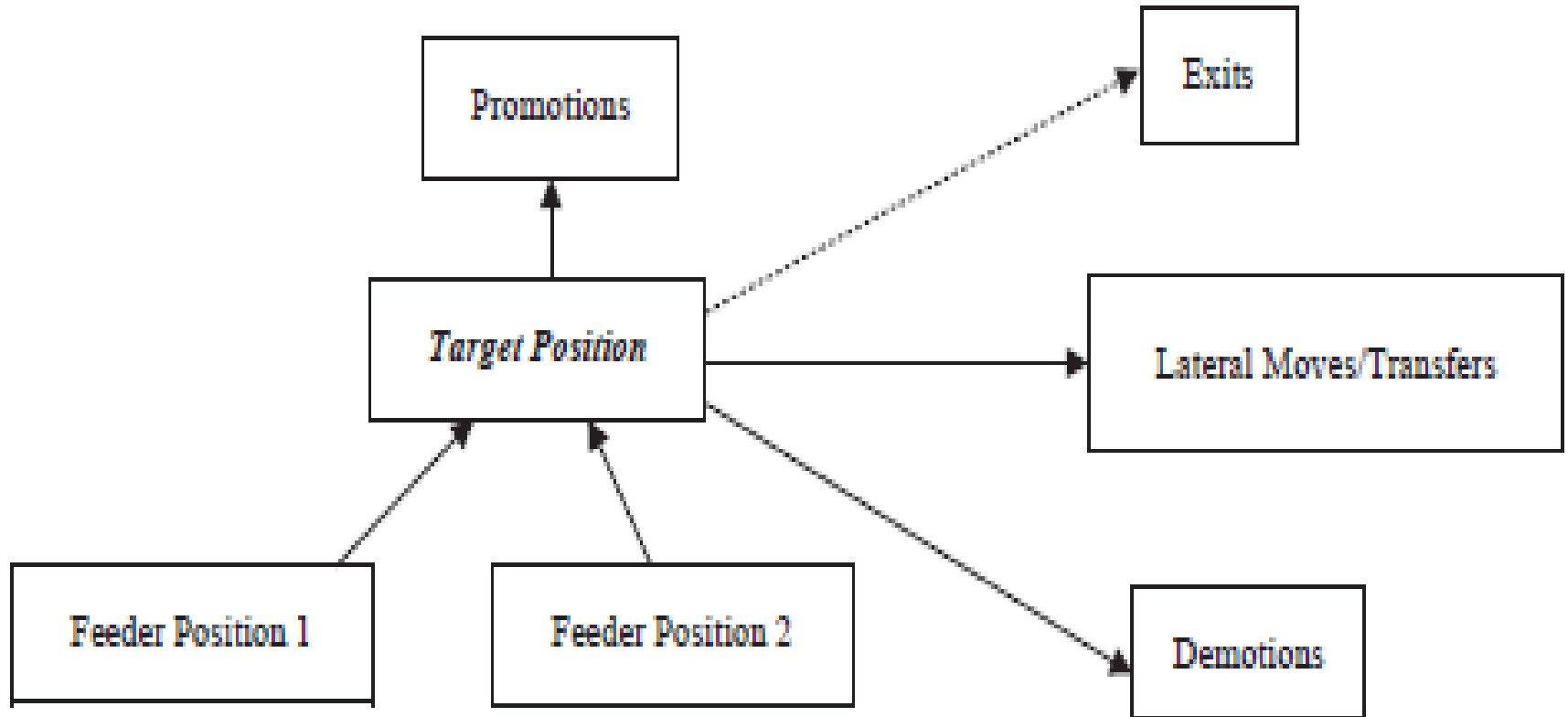


FIGURE 5-4 The Transition Analysis Process Illustrated

Transition Analysis

TABLE 5-2 An Example of a Transition Probability Matrix

Job Category (1)	Level (2)	Transition Probabilities (2011-2012)					Current (2012)
		FTCSR (3) (%)	PTCSR (4) (%)	SUP (5) (%)	MGR (6) (%)	Exit (7) (%)	Number of Employees (8)
Full-Time Customer Service Representative (FTCSR)	1	40	10	10	0	40	400
Part-Time Customer Service Representative (PTCSR)	1	20	50	5	0	25	150
Supervisor (SUP)	2	5	0	85	5	5	75
Manager (MGR)	3	0	0	0	65	35	20



Using the Transition Probability Matrix

TABLE 5-3 Forecasting Employees Using the Transition Probability Matrix

Job Category (1)	Level (2)	Forecasted Employees for 2013					Current (2012)
		FTCSR (3)	PTCSR (4)	SUP (5)	MGR (6)	Exit (7)	Number of Employees (8)
Full-Time Customer Service Representative (FTCSR)	1	160	40	40	0	160	400
Part-Time Customer Service Representative (PTCSR)	1	30	75	8	0	37	150
Supervisor (SUP)	2	4	0	64	4	3	75
Manager (MGR)	3	0	0	0	13	7	20
Forecast for 2013		194 Deficit	115 Deficit	112 Surplus	17 Deficit	207 Exits	



Retention planning

- **Analysing employee turnover (how many, in what structure, why) a firm can plan certain processes and methods to retain the workforce.**



Thank you for your attention

