Class Note on Manpower Planning 3rd Sem (HR)Electives

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Module-I

Manpower planning is the process of estimating the optimum number of people required for completing a project, task or a goal within time. Manpower planning includes parameters like number of personnel, different types of skills, time period etc. It consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. It is a never ending continuous process to make sure that the business has the optimized resources available when required taking into consideration the upcoming future projects and also the replacement of the outgoing employees. It is also called as Human Resource Planning.

Main objectives of manpower planning are enumerated as under:

The main objectives of HRP are:

(i) Proper assessment of human resources needs in future.

(ii) Anticipation of deficient or surplus manpower and taking the corrective action.

(iii) To create a highly talented workforce in the organization.

(iv) To protect the weaker sections of the society.

(v) To manage the challenges in the organization due to modernization, restructuring and re-engineering.

(vi) To facilitate the realization of the organization's objectives by providing right number and types of personnel.

(vii) To reduce the costs associated with personnel by proper planning.

(viii) To determine the future skill requirements of the organization.

(ix) To plan careers for individual employee.

(x) Providing a better view of HR dimensions to top management.

(xi) Determining the training and development needs of employees.

Human Resource Planning has both macro and micro level issues. Macro level includes demographic changes, legal central, policies and markets technology etc. Micro level includes organizational restructuring, skill, strategic objective, trade unions etc. Macro is uncontrollable factor and Micro level is controllable factor.

Micro Level HRP:-

1. Macro level HRP drives Micro level HRP
2. Which develops and implements the tactics needed to help the organization achieve its strategic objectives
3. Ensure that the business has the appropriate number of knowledge, skills and abilities in the proper areas and departments.

Micro level Basics:-

1. Demand Forecasting :- Uses historical and current operations data to identify future needs and Analyzing the current workforce to identify potential shortage and surpluses in various job categories in future
2. Manpower supply Analysis :- Scanning the current labor market to determine the workforce available and analyzing any gaps between the kind of workforce needed with what is available.
3. Manpower Planning:- Set priorities and develop plans for employee recruitment, retention and development and workforce reductions.

Macro Level HRP

1. HRP Focuses on aligning human resources administration with the organization's mission and overall strategic plan.
2. Examines employee-management policies and procedures and their effect on HRM.

HRP has always a linkage with all the HR function starting from the recruitment to Retirement.

Factors influencing HRP

(HRP) is influenced by several considerations. The more important of them are:

(i)   Type and strategy of organization :- The type of organization is an important consideration because it determines the production processes involved, number and type of staff needed, and the supervisory and managerial personnel required.(e.g. Manufacture or service, etc.)

(ii)   Organizational growth cycles and planning :- Need for planning is felt when the organization enters into the different stage like growth stage, Initiation stage, decline stage etc.

(iii)   Environmental uncertainties :- Political, social and economic changes affect all organizations. Balancing mechanisms are built into the HRM programme through succession planning, promotion channels, layoffs, flexi time, job sharing, retirement, VRS and other personnel related arrangements.

(iv)   Time horizons :- A plan cannot be for too long on a time horizon as the operating environment itself may undergo changes. On one hand, there are short-term plans spanning six months to one year. On the other hand, there are long-term plans -which spread over three to twenty years. The exact time span, however, depends on the degree of uncertainty prevailing in an organization's environment.

(v)   Type and quality of forecasting information :- The quality and accuracy of information depend upon the clarity with which the organizational decision makers have defined their strategy, organizational structure, budgets, production schedules and so forth.

(vi)   Labor market :- Labor market comprises people with skills and abilities that can be tapped as and when the need arises.   When one talks about labor supply, the following deserve due consideration:

• The size, age, sex and educational composition of the population

• The demand for goods and services in the country

• The nature of production technology

• Employability of the people

What is Human Resource Forecasting

Human resources (HR) forecasting involves projecting labor needs and the effects they'll have on a business. An HR department forecasts both short- and long-term staffing needs based on projected sales, office growth, attrition and other factors that affect a company's need for labor. In addition to forecasting the number and type of workers you'll need, HR planning includes analyzing the various costs and administrative work that go along with adding workers or downsizing

The Need of HR Forecasting

1. Human resource planning based on a calculative forecasting can improve operational efficiency and increase the profitability of a business.
2. A strategic HR policy can eliminate confusion, streamline the resourcing and save precious time for a business.
3. Forecasting as an integral part of HR planning fulfills organizational objectives by ensuring the business is neither overstaffed nor understaffed.
4. The key aspects of the Forecasting are answer to "How Many", "When" and for "What skills
5. HR department is prepared for changing requirements
6. Organization is not caught off-guard in the shifting workforce market
7. Adapt faster to the introduction of automation or advanced technologies
8. Gain competitive advantage through rapid rollout of new products or into new markets
9. Better anticipate the need for critical skills during growth phases
10. Be proactive by honing the skills of current workforce in order to move into new areas

<u>The Steps in HR Forecasting</u>

1. Assess your current human resource capacity
2. Scrutinize the Current Job Market
3. Evaluate Organizational Needs
4. Anticipate Employee Turnover
5. Forecast future HR requirements
6. Identify HR gap
7. Estimate Future HR Needs
8. Integrate the plan with your organization's overall

Demand Forecasting

Forecasting human resource demand is the process of estimating the future human resource requirement of right quality and right number.

Analysis of employment trends; replacement needs of employees due to death, resignations, retirement termination; productivity of employees; growth and expansion of organisation; absenteeism and labour turnover are the relevant factors for human resourced forecasting. Demand forecasting is affected by a number of external and internal factors.

Factors Affecting HR Demand Forecasting

Human Resosurce Demand Forecasting depends on several factors, some of which are given below.
- Employment trends
- Replacement needs
- Productivity
- Absenteeism and
- Expansion and growth

Thee are number of techniques of estimating/forecasting human resources demand :
A Managerial judgment
B. Work study Technique
C. Ratio Trend Analysis
D. Econometric Models
E. Delphi Model
F. Other Techniques

(A)Managerial Judgment :-

This technique is very common technique of demand forecasting. This approach is applied by small as well as large scale organisations. This technique involves two types of approaches i.e. "Bottom-up-approach" and "Top-down approach". Under the "Bottom-up approach, line managers send their departmental requirement of human resources to top management. Top management ultimately forecast the human resource requirement for the overall organization on the basis of proposals of departmental heads. Under the "Top-down approach", top management forecasts the human resource requirement for the entire organization and various departments. This information is supplied to various departmental heads for their review and approaval. However, a combination of both the approaches i.e. "Participative Approach" should be applied for demand forecasting. Under this approach, top management and departmental heads meet and decide about the future human resource requirement. So, demand of human resources can be forecasted with unanimity under this approach.

(B)Work-Study Technique :
This technique is also known as "work-load analysis". This technique is suitable where the estimated work-load is easily measurable. Under this method, estimated total production and activities for a specific future period are predicted. This information is translated into number of man-hours required to produce per units taking into consideration the capability of the workforce. Past-experience of the management can help in translating the work-loads into number of man-hours required. Thus, demand of human resources is forecasted on the basis of estimated total production and contribution of each employee in producing each unit items.
Example :-
Let us assume that the estimated production of an organization is 3,00,000 units. The standard man-hours required to produce each unit are 2 hours. The past experiences show that the work ability of each employee in man-hours is 1500 hours per annum. The work-load and demand of human resources can be calculated as under

i. Estimated total annual production = 3,00,000 units
ii. Standard man-hours needed to produce each unit = 2 hrs
iii. Estimated man-hours needed to meet estimated annual production = 6,00,000 hrs
iv. Work ability/contribution per employee in terms of man-hour = 1500 unit
v. Estimated no. of workers needed (iii/iv) = 6,00,000/1500 = 400 units

The example clearly shows that 400 workers are needed for the year. Further, absenteeism rate, rate of labor turnover, resignations, deaths, machine break-down, strikes, power-failure etc. should also be taken into consideration while estimating future demand of human resources/manpower.

(C) Ratio Trend Analysis :
Demand for manpower/ human resources is also estimated on the basis of ratio of production level and number of workers available. This ratio will be used to estimate demand of human resources.
Example :-
Estimated production for next year = 1,40,000 units
Estimated no. of workers needed(on the basis of ratio-trend of 1:200) will be = 700

(D) Econometrics Models :
These models are based on mathematical and statistical techniques for estimating future demand. Under these models relationship is established between the dependent variable to be predicted(i.e. manpower/human resources) and the independent variables(i.e. sales, total production, work-load etc.). Using these models, estimated demand of human resources can be predicted.

(E) Delphi Technique :

It is also a very important technique used for estimating demand of human resources. This technique takes into consideration human resources requirements given by a group of experts i.e. managers. The human resource experts collect the manpower needs, summarizes the various responses and prepare a report. This process is continued until all experts agree on estimated human resources requirement.

(F) Other Techniques:-
The other techniques of Human Resources demand forecasting as specified as under.

i.   Following the techniques of demand forecasting of human resources used by other similar organizations.
ii.   Organization-cum-succession-charts
iii. Estimation based on techniques of production
iv.   Estimates based on historical records
v.   Statistical techniques e.g. co-relation and regression analysis.

Supply Forecasting
Human Resource supply forecasting is the process of estimating availability of human resource followed after demand for testing of human resource. For forecasting supply of human resource we need to consider internal and external supply. Internal supply of human resource available by way of transfers, promotions, retired employees & recall of laid-off employees, etc. Source of

external supply of human resource is availability of labour force in the market and new recruitment.

external supply of human resource depends on some factors mentioned below.

- Supply and demand of jobs.
- literacy rate of nation.
- rate of population
- industry and expected growth rate and levels
- technological development.
- compensation system based on education, experience, skill and age.

The most important techniques for forecasting of human resource supply are succession analysis and Markov Analysis.

Succession Analysis

Once a company has forcast the demand for labor, it needs an indication of the firm's labor supply. Determining the internal labor supply calls for a detailed analysis of how many people are currently in various job categories or have specific skills within the organization. The planner then modifies this analysis to reflect changes expected in the near future as a result of reirements, promotions, transfers, voluntary turnover and terminations.

Demand forecasting helps in determining the number and type of personnel/human resources required in future. The next step in human resource planning is forecasting supply of human resources. The purpose of supply forecasting is to determine the size and quality of present and potential human resources available from within and outside the organization to meet the future demand of human resources. Supply forecast is the estimate of the number and kind of potential personnel that coud be available to the organization.
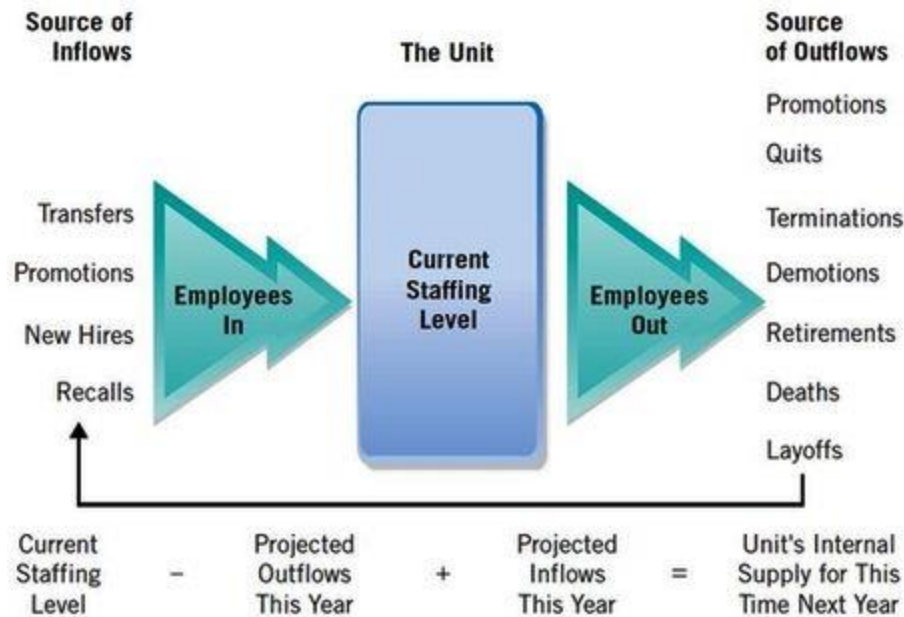
The above figure illustrates that internal supply forecasting can be estimated based on the following:

(a) Current Staffing Level
(b) Projected Outflows This Year
(c) Projected Inflows This Year

Markov Analysis—transition probability matrix is developed to determine the probabilities of job incumbents remaining in their jobs for the forecasting period.

The technique is named after Russian mathematician **Andrei Andreyevich Markov,**

A transition matrix, or Markov matrix, can be used to model the internal flow of human resources. These matrices simply show as probabilities the average rate of historical movement from one job to another. Figure 2-12 presents a very simple transition matrix. For a line worker, for example, there is a 20% probability of being gone in 12 months, a 0% probability of promotion to manager, a 15% probability of promotion to supervisor, and a 65% probability of

being a line worker this time next year. Such transition matrices form the bases for computer simulations of the internal flow of people through a large organization over time.

Transition Matrix for Twelve-Month Period

	Exit	Manager	Supervisor	Line Worker
Manager	.15	.85	.00	.00
Supervisor	.10	.15	.70	.05
Line Worker	.20	.00	.15	.65

<u>Forecasting Accuracy</u>

forecasting is always a means to an end, not the end itself. We need to keep in mind that a forecast is relevant only in its capacity of enabling us to achieve other goals, Although forecasting is an important part of any planning activity, it still represents only one cogwheel in the planning machinery, meaning that there are other factors that may have a significant impact on the outcome. Oftentimes the importance of accurate forecasting is truly crucial, but from time to time other factors are more important to attaining the desired results. However, to get truly valuable insights from measuring forecast accuracy you need to understand:

The role of demand forecasting in attaining business results.

What factors affect the attainable forecast accuracy.

 How to assess forecast quality

How the main forecast accuracy metrics work.

How to monitor forecast accuracy.

Advantages of Manpower Planning

Without proper manpower planning no enterprise can achieve its objectives fully and entirely. Sometimes, even its very existence may be handicapped. Hence, it is needless to stress its importance. However, the following benefits are worth mentioning.

1. The required number of staff shall be recruited at each level in the hierarchy.

2. <u>Staffing</u> requirements can be better balanced and movement of staff can be made easier by manpower planning.

3. Areas of <u>high labour turnover</u> are highlighted in manpower planning.

4. Implications of changes in <u>recruitment, promotion</u> and succession plans are foreseeable.

5. Improvement of Labour Productivity

6. Recruitment of Qualified Human Resources

7. Adjusting with the Rapid Technological Change

8. Reducing Labour Turnover

9. Control over Recruitment and Training Cost

10. Mobility of Labour

11. It cans Facilitate Expansion Programmes:

12. To Treat the Manpower like Real Corporate Assets

Limitations of Manpower Planning

Human resources planning is not free from defects. In fact, it is a double edged weapon. If used properly, it will lead to maximum utilization of human resources. If used faulty, manpower planning will lead to disruption in the flow of work, lower production, less job satisfaction, etc. Besides, it also has certain limitations.

The following are some of the limitations of manpower planning

1. Detailed records are needed plus expensive clerical staff.

2. Problems of forecasting changes, especially in technological and Government policy areas.

3. Manpower planning can be uncertain even for at few years ahead. Particularly, in a dynamic business situation it is really difficult to foresee the future with maximum accuracy.

In spite of these limitations, proper manpower planning is a condition precedent to perform staffing function properly and successfully.

Strategic staffing definition

Strategic staffing refers to a strategy of hiring smaller core numbers of permanent employees and using temporary employees for other, more specialized position. Lack of staff in certain job categories can lead to a decreased performance on the company level so in order to avoid these kinds of situations HR directors and managers need to plan ahead to meet future staffing need. It is a process which defines and addresses the staffing implications of strategic and operational plans.

Advantages of strategic staffing

The use of strategic staffing allows companies:

- To improve staff utilization

- To address critical HR concerns in a systematized and integrated way

- To recruit, develop and place the talent required to meet future company needs

Here are five steps for creating a staffing plan that will assist your organization to keep up with its potential and ambitions.

1. Determine Your Goals. ...
2. Identify the Factors Impacting Personnel Availability. ...
3. Determine the Organization's Functional Needs. ...
4. Conduct Gap Analysis. ...
5. Create the Plan.

Job Analysis and Human Resource Planning:-

A Job can be described as a group of tasks which assigned to the individual employees for ensuring achievement of the organizational goals. When this job is analyzed in terms of determination of the skills, duties and knowledge required for completion of tasks, it is regarded a Job Analysis. In the words of Geisler(2006), the entire process of HRP essentially involve four crucial aspects in it.

- Forecasting of Manpower requirements
- Formulating Policies
- Implementing policies effectively and

- Controlling or monitoring the policies for ensuring that the right kind of people in right numbers are selected for the right position and in right time

A sound HRP process in an organization must be strategically aligned with overall corporate strategy and essentially depends on the availability of a robust HRIS for making accurate projections regarding the manpower requirements and availability of information readily regarding crucial parameters.

Job Analysis

Job Analysis involves gathering information and analysis of crucial information about a job. In this analysis judgment are made on the data collected of a job. Job Analysis involves both Job Description and Job Specification, which includes an assessment of the nature of the job as well as the knowledge skills, and attitude of the jobholder. In other words, Job Description provides details regarding the content of the job in a written format and Job Specification is written record of the qualities and qualifications which a Jobholder should be having for handling a job.

The job analysis is useful in developing selection, training, and performance evaluation. Job analysis is the process of studying and collecting information about the responsibilities and operations of a given job. Specifically, job analysis involves the steps:

- Analyzing the Job interrelationship with the organizational strategies and vision.
- Determining the Uses of Job Analysis like Recruitment & Selection, Compensation, Training & Development, etc.
- Identification of Job which would be analyzed
- Collection of Data for Job Analysis through observation, Interviews and Questionnaire Administration.
- Preparing the Job Description which is essentially a written account of the job.
- Preparing the Job Specifications which should essentially provide details regarding the specific skills, qualities and qualifications which a job holder should possess.

- Reviewing and updating the information ideally in every three years and the interrelationship collecting job information.

Problems in HRP

1. People perceive that people are available in abundance in our labour surplus economy. Then, why to spend time and money in forecasting human resources? Surprisingly, this perception about human resource planning is also held by the top management.

2. Another problem in human resource planning is that the demand for and supply of human resources is not cent percent accurate. Experience suggests that longer the time horizon for forecasting human resource requirements, greater is the possibility of inaccuracy in estimates of human resource needs.

3. Various types of uncertainties like labour turnover, absenteeism, seasonal employment, market fluctuations and changes in technology render human resource planning ineffective. The reason being these uncertainties, make human resource forecast mere a guess far from reality.

4. Sometimes human resource planning suffers from a conflict between quantitative and qualitative approaches used for it. Some people view human resource planning as a mere numbers game to track the flow of people across the departments and in and out of the organisation. Conversely, others take a qualitative approach focusing on the quality of human resources like career planning development, skill, morale, etc.

5. Generally, human resource personnel are perceived as experts in handling personnel matters. But, they are not experts more than often. Hence, human resource requirements estimated by such people are not realistic ones. The organisational plans based on such estimates are endangered to be flopped.

6. As human resource planning is based on data relating to human resources, the same is not maintained in a proper manner in some of the industrial organisations. Then, in the absence of reliable data, it becomes difficult to develop effective human resource plans.

Guidelines for effective HRP

If you're an entrepreneur, you will find it essential to have an effective Human Resources (HR) business plan. You may have already discovered the value of a good strategic vision and overall business plan, but it's every bit as important to ensure your HR plan is effective to secure the success of your business.

1. Identify Your Employees' Abilities

Before you start thinking about what your future hiring strategies will be, you'll want to assess your current workforce's skills and abilities. You'll probably already have files with your employees' resumes, including their education history and the projects they've worked on for you.

2. Have a Succession Plan

You'll want to be ready for this when it happens by having a succession plan already in place. It will be up to you whether you want to include your employees in the creation of this succession plan. Either way, be aware of their career goals and what their plans are for the future, and don't hesitate to inform them when changes are taking place.

3. Have a Development Plan for Your Employees

From there, develop a plan for the employees to go about acquiring the skills they need and begin applying them towards the greater good of the business. Studies have shown that the main reason employees stay with the company they work for is because they feel challenged by the work they are being given.

4. Conduct a Gap Analysis

You'll want to analyze the job descriptions you use when hiring; Make sure your employee handbook is up to date as well;Your training policies may also need to be updated. Changes may also have taken place in the requirements regarding health benefits and sick leave so keep abreast of current laws

5. Increase Your Resources as Business Grows

Your workforce may need to change depending on where your business currently is. You may need to look for new employees or train your current ones.

Current Trends in HRP

The universe of work is quickly evolving. As a part of a company, **Human resource management** must be set up to in order to manage impacts of changing universe of manpower.

For the HR individuals, it implies understanding the consequences of recent human resource planning and management changes and trends:

- Globalization
- Changing ability requirements
- Corporate cutting back
- Ceaseless change activities
- Re-building
- Sudden work power and, employee involvement.

Globalization and its impacts

Business today doesn't have national limits, it stretches far and wide. The ascent of multinational companies has encouraged new requirements on human resource managers.

The HR office needs to guarantee that the proper blend of workers regarding information, abilities and social versatility is accessible to handle worldwide assignments.

Keeping in mind this objective, the companies must prepare its employees to meet the difficulties of globalization.

Human resource management should likewise create systems that will help multicultural people cooperate. The main challenge is to avoid the signs of a worker struggling with increment.

HRM is also required to prepare the administration to be more adaptable in its practices.

Since tomorrow's manpower will come in various hues, nationalities etc., managers will be required to change their way of life.

This will require managers to be prepared to gain comparisons in responsibilities and to acknowledge and even praise these distinctions.

Work-power Diversity

In the **past HRM** was significantly less difficult and the fact that the man power was strikingly homogeneous.

Today's manpower & HR Management includes individuals of various sex, age, social class sexual introduction, values, identity attributes, ethnicity, religion, training, dialect, physical appearance, military status, way of life, convictions, belief systems and foundation qualities, for example, geographic starting point, residency with the association, and financial status and the rundown can go on.

HRM must know about sexual orientation, nationality, age contrasts that exist in today's manpower and must prepare individuals of various ages to successfully manage each other and regard the qualities of perspectives that every individual offers.

Changing ability prerequisites

Enrolling and creating talented work is essential for any organization which is worried about outcomes, profitability, quality and dealing with a work drive successfully.

Education inadequacies translate into noteworthy misfortunes for the company as far as low quality work and lower profitability is concerned.

The division will need to devise reasonable planning and projects in order to connect the expertise holes and mishaps.

Corporate scaling down

At whatever point a company wishes to delay, it is attempting to make more noteworthy efficiency. The reason of cutting back is to lower the number of employees utilized and employed by the company.

The division plays a vital role in scaling the manpower down. Human resource individuals must guarantee that proper communication should happen within this time.

They should minimize the negative impacts of gossipy tidbits and guarantee that people are kept educated with authentic information.

This would ensure the management of a real cutback. The department should be critical in cutting back negative dialogues.

Module- II

Introduction :- IF YOU FAIL TO PLAN, YOU PLAN TO FAIL."

- NORMAN VINCENT PEALE

It is very natural that, the continual positive development of any business owe to its effective planning. Making all the necessary preparations and appropriate arrangements proactively basing upon what is expected to happen in future and performing a series of tasks and activities accordingly in a systematic and organized way is one of the important functions of management, which necessitates an effective and proactive planning process. Proper planning and designing an effective organizational structure by assigning an assortment of responsibilities to the concerned employees may help the business organizations to accomplish their set of objectives. Putting the right person at the right place and at the right time is essentially much important to any business as it embraces a wide and comprehensive range of activities in relation to "the management of man".

The process of manpower planning involves the following steps.

First of all the objectives and strategies regarding the diversification, expansion innovation, production, marketing and finance of the organization are analyzed.

Next step is forecasting the demand for human resources. There are many techniques available for forecasting the HR demand like managerial judgment, ratio-trend analysis, and mathematical models.

The other process of manpower plans are :-

1. Understanding the existing workforce:

2. Forecasting for the future:

3. Recruitment and selection:

4. Training the employees:

A properly conducted process of HR Planning by an HR Consulting Firm helps the organization in meeting its goals and objectives in timely manner with the right HR strength in action.

1. Quantitative Considerations

These Include

(i) The Economic Considerations relating to determination of economic situation and in the light of that future sales and production estimates are made. These estimates affect manpower requirements.

(ii) Expansion programmes in future also affect future manpower requirements.

(iii) Availability of existing manpower resources of different kinds should be kept in mind. This is helpful in forecasting future manpower requirements.

(iv) Rate of labour turnover is an important instrument with the help of which estimates with regard to future manpower requirements can be made. It provides required information statistically i.e. how many employees have left and joined the organization during a specific period of time. Labour turnover rates are calculated by applying separation method, replacement approach and flux method. In the light of labour turnover rate future manpower requirements can be estimated,

(v) Resignations and retirements, promotion, demotion, separation, transfers, dismissals and lay off etc. are other important considerations to be borne in mind before initiating the process of human resources planning.

(vi) Changes in the management thinking, philosophy and plans etc. also affect manpower plans. Technological changes and diversifications etc. bring about changes in the skills and performance of workers.

2. Qualitative Considerations

(i) Work-load analysis. It is a technical aspect of manpower planning. It includes and studies auditing of human resources, study of work standards and demand analysis etc.

(ii) Auditing of Employees Involves Preparation of Skill Inventory. Skill inventory covers data regarding skill and work priorities pertaining to work of different categories of workers. Big organizations prepare organizational charts and other employee information cards for this purpose.

(iii) Study of work standards is necessary for the quality of workers required. It is indispensable for preparing job analysis which includes job specifications and job descriptions.

Behavioral Event interviewing

Behavioral Event Interviewing (BEI) is a technique that asks the candidate to describe a situation or an experience they had in a previous job. ... Nonetheless, the interviewer gathers valuable information from experiential responses because past performance predicts future performance.

The purpose of the BEI method is to get behind what people say they do to find out what they *really* do. This is accomplished by asking people to describe how they actually behaved in specific incidents.

How to Conduct the Interview

Step 1. Explanation

Everyone will want to know why he or she is being interviewed. Your explanation might go something like this:

"I've been asked to try to figure out what competencies it takes to do your job. The best approach seems to be to ask a person who is doing a job how he or she does it. At this point you should get the permission of the interviewee for you to tape-record the interview. You can explain it this way:

Step 2. Duties and Responsibilities

It is a good idea to break the ice by getting the interviewee talking about what he or she does in a general way, that is, about what his or her duties and responsibilities are.

The objective here is to get the interviewee talking in as free and relaxed a way as possible about his or her job. Sometimes interviewees have difficulty getting started, but most of them find it easy to talk about their work and they like telling others what they do. It is wise not to push the behavioral event approach on them too soon; lead into it gradually.Step 3. First Behavioral Event

Step 4. Further Behavioral Events

You may find it easy in talking about an event in the area of supervision to move on to an example of when things didn't go well:

Step 5. Characteristics

It is often useful at the end of the interview to ask the interviewee what characteristics he or she thinks a person ought to have to do his or her job well. This serves the double purpose of establishing good relations by asking the interviewee's opinion and also of giving you some further insight into what he or she thinks is important.

Step 6. Summary and Writing

After the interview is over it is a good plan to sit down quietly for an hour and summarize what you have learned. This may include a brief characterization of the person you have just interviewed. It also helps you define things about which you are still unclear. In other words, it is a time to make your budding hypotheses explicit so that you can check them in later interviews.

Competency Mapping

Every individual and employee is unique and it's also true with modern organizations. It is very important for the organizational success that we identify key skills required by its people to succeed in the ever-changing market environment. Competency mapping is one such technique that makes use of a more systematic and organized approach to define key behaviors that will lead to organizational or project success.

To be practical, it's not easy to scientifically and objectively define behavior, that's where competency mapping proves to be a powerful tool in the hands of the human resource and key stakeholders within the organization.

The Definition of Competency Mapping

Competency mapping is the process of identifying the specific skills, knowledge, abilities, and behaviors required to operate effectively in a specific job or organization. Competency maps are often also referred to as **competency profiles** or **skills profiles.**

There are 5 key steps in any competency mapping process

These are not simply the steps but also the construct of the competency map. Each one of the step also from the elements in the competency map that you develop into a framework.

1. Classification of Competencies

Generally, the competencies are classified into two categories. Functional and Behavioral. However, the competency can be classified into more categories depending on the overall objective of developing a competency framework through the process of competency mapping.

2. Definition of Competencies

It is very important that competency is defined well. This helps in providing a clear picture of what exactly is the detail about the set of skills and abilities required to do the job. You can see the below example, where for a sales team the competency has been classified as **functional** and it has been clearly defined.

3. Identifying Behavioral Indicators (BI)

The key element of any competency mapping process and developing a competency framework is the set of behaviors that defines that competency. In the above example, we have already classified the competency as functional. Also, we have defined the competency, now the behavioral indicators will be assigned.

A **behavioral indicator** is an observable **behavior** that indicates the presence of the particular competency. It is this type of **indicator** for which a selecting manager will probe in conducting a **behavioral** interview of a candidate. **Behavioral indicators** for this would include the ability to adequately assess the situation, make sound judgment, use relevant information to support the decision, and be able to distinguish useful information from the irrelevant one when making a decision

4. Identifying Proficiency Levels (PL)

Not every person in a department will be at the same level of expertise or in the context of competency mapping, at the same level of proficiency. Therefore, it is critical that within a job role, department, level or grade of employees the desired proficiency levels are defined.

Once you assess and measure proficiency levels then you would arrive at actual proficiency levels (APL).

5.Defining Proficiency Levels

We have added the DFL(Defining Functional Levels) for Level 2 managers in sales force to give you an insight. A Scale of 1 to 5 is used where 5 is the maximum level of proficiency as 1 is the minimum

SOME OF THE TOOLS USED FOR COMPETENCY MAPPING

1. INTERVIEWS

Competency-based interviews may be structured, semi-structured or unstructured depending on the person conducting the competency mapping. Interview should be carefully designed so as to provide information about both the easily observed information and the general disposition and motivation of the employee. Questions prepared should target each competency and give an overview of the tangible skills and knowledge possessed by the employee, how he or she acts under certain conditions, and how they behave with other people. The questions focus on relating past job performance to future on the job performance. Biasness and distortion of flow should be avoided as much as possible (Balaji, 2011). If handled effectively, interviews can prove to be a powerful technique for getting accurate details and obtaining information which may otherwise be unavailable.

2. COMPETENCY-BASED QUESTIONNAIRES

Competency mapping questionnaires consist of a list of questions either standardized or prepared solely for the purpose of competency mapping which the employees are expected to fill. There may be *competency mapping questionnaire for employees* or for managers depending on the level at which the mapping is being conducted. One form of a questionnaire is the Common Metric Questionnaire (CMQ) that makes use of five domains to examine competencies to improve work performance. These five domains are as follows: background, contact with people, decision making, physical and mechanical activity and work setting. Another form is Functional Job Analysis (FJA) which is a qualitative analysis and breaks the job down to seven parts: things, data, worker instructions, reasoning, people, mathematics and language. The behavior and actions of the employees in the seven areas is a part of FJA.

3. ASSESSMENT AND DEVELOPMENT CENTERS

Assessment centers is a process (and not a location) that helps to determine the suitability of employees to specific type of employment or job role. Using validated tests, different elements of the job are simulated. The candidates or employees are expected to complete a number of assessments specifically designed to assess the key competencies required for the job role they are applying. These tests focus on assessing the individual based on their knowledge, skills, attitudes and other behaviors. An essential feature of this process is using situational test to observe job specific behavior.

4. CRITICAL INCIDENTS TECHNIQUE

This technique was developed by Flanagan (1954) and involves direct observation of the employee in specific situations. The observations should be recorded as accurately as possible since it would be used to identify behaviors that contribute to success or failure of individual or organization in a specific situation. First step, is to make a list of good and bad on the job behavior. After this, the supervisors should be trained to note down incidents when the employee

was successful or not successful in meeting the job requirements. At the end of the year, a balance sheet for each employee is created to find how well the employee has performed (Balaji, 2011).

5. PSYCHOMETRIC TESTS

These are standardized and scientific tools used to assess the mental capacities and behavioral styles of employees in an organization. The most commonly used psychometric assessment is aptitude, achievement and personality testing. Aptitude tests help to determine the capacity of the individual to acquire with training a particular type of skill or knowledge. Achievement tests help to determine the level of proficiency an individual has achieved in a given area. Personality testing gives a description of the unique traits and characteristics that drive the employee's behavior. Apart from these, competency mapping rating scale may also be used as a part of assessment.

These competency mapping methods can be used individually or as a combination to provide a comprehensive detail about the competencies of the employee and the job requirements.

Cohort Analysis :-

Cohort Analysis: Cohort means homogeneous groups. Length of the service is an important variable of wastage analysis. Eliminates the defect of labour turnover index. More accurate for a small homogenous group.

Changing social and economic conditions can invalidate this analysis Number remaining at a given time * 100 Number engaged at the start

5. ABSENTEEISM =

$$\frac{No.\,of\ Mandays\ lost\ due\,to\ Absence}{Total\ Mandays\ Planned} x\,100$$

6. COHORT ANALYSIS :

Reverse of Turnover Analysis

Also known as Survivor Analysis

Manpower Cohort is a Group of staff who are more or less Homogenous and who joined the organisation at the same time. At the end of each year the number of emp. From the Cohort who survive is calculated and expressed as a Y. age of total no. of Emp. Hired when the Cohort was formed.

COHORT ANALYSIS ON THE BASIS OF AGE :

The theory behind this method was developed by K.F. Lane and J.E. Andruo

Eg.   No. of employee engaged in the beginning of a year = 50

No. of employee leavers for different length of service as

1st Year	=	50
2nd Year	=	45
3rd Year	=	40
4th Year	=	35
5th Year	=	30

Length of service (in years)	No. of Emp. Leaving	No. of Emp. Remaining	Survival as % age of leaving
0	0	500	100.00
1	50	450	90.00
2	45	405	81.00
3	40	365	73.00
4	35	330	66.00
5	30	300	60.00

$$\text{Survivor Analysis} = \frac{No.\,of\,Remaining\,at\,a\,given\,time}{No.\,of\,engaged\,at\,the\,start} \times 100$$

Census analysis : Major deficiencies of cohort analysis is that it holds good for a small homogenous group. Census analysis can eliminate this problem taking into account a cross-section of the organization.

Census analysis requires three sets of data as under: The number of employees at the beginning of the census The number of employees at the end of the census The number of leavers during the census period.

THE CENSUS METHODS :

Here a snap shot of the total situation is taken at a particular point of time or over a short period of time and data on leavers with completed length of service is obtained.

Length of service on 01.01.95 in years	# of Emp. As on 01.01.95	# Emp. Separated during 95	Turnover Rate	Survival Rate	Survival Function
0-1	20	6	0.3	0.7	0.7
2-3	20	4	0.2	0.8	0.56
3-4	25	5	0.2	0.8	0.448
4-5	10	3	0.3	0.7	0.313

Length of service on 01.01.95 in years	# of Emp. As on 01.01.95	# Emp. Separated during 95	Turnover Rate	Survival Rate	Survival Function
5-6	18	3	0.167	0.833	0.26
6-7	24	4	0.167	0.833	0.216
7-8	10	2	0.2	0.8	0.172
8-9	15	3	0.2	0.8	0.137
9-10	8	1	0.125	0.875	0.119
10-11	16	1	0.16	0.84	0.099
11-12	18	1	0.555	0.445	0.044
12-13	10	0	0	1	0.044
13-14	17	0	0	1	0.044
14-15	7	1	0.143	0.857	0.037
Total	218	34	0.156	0.844	

Introduction to strategic human resource planning

In order to improve the strategic alignment of staff and other resources, it's essential to understand how a strategic HR planning process works. At its most basic level, strategic human resource planning ensures adequate staffing to meet your organization's operational goals, matching the right people with the right skills at the right time.

It's important to ask where your organization stands currently and where it is going in order to remain flexible. Each company's plan will look slightly different depending on its current and future needs, but there is a basic structure that you can follow to ensure you're on the right track.

The strategic human resource planning process begins with an assessment of current staffing, including whether it fits the organization's needs, and then moves on to forecasting future staffing needs based on business goals. From there, you'll need to align your organization's strategy with employment planning and implement the plan not only to hire new employees but also to retain and properly train the new hires—and your current employees—based on business changes.

Steps and process of Strategic Manpower Planning
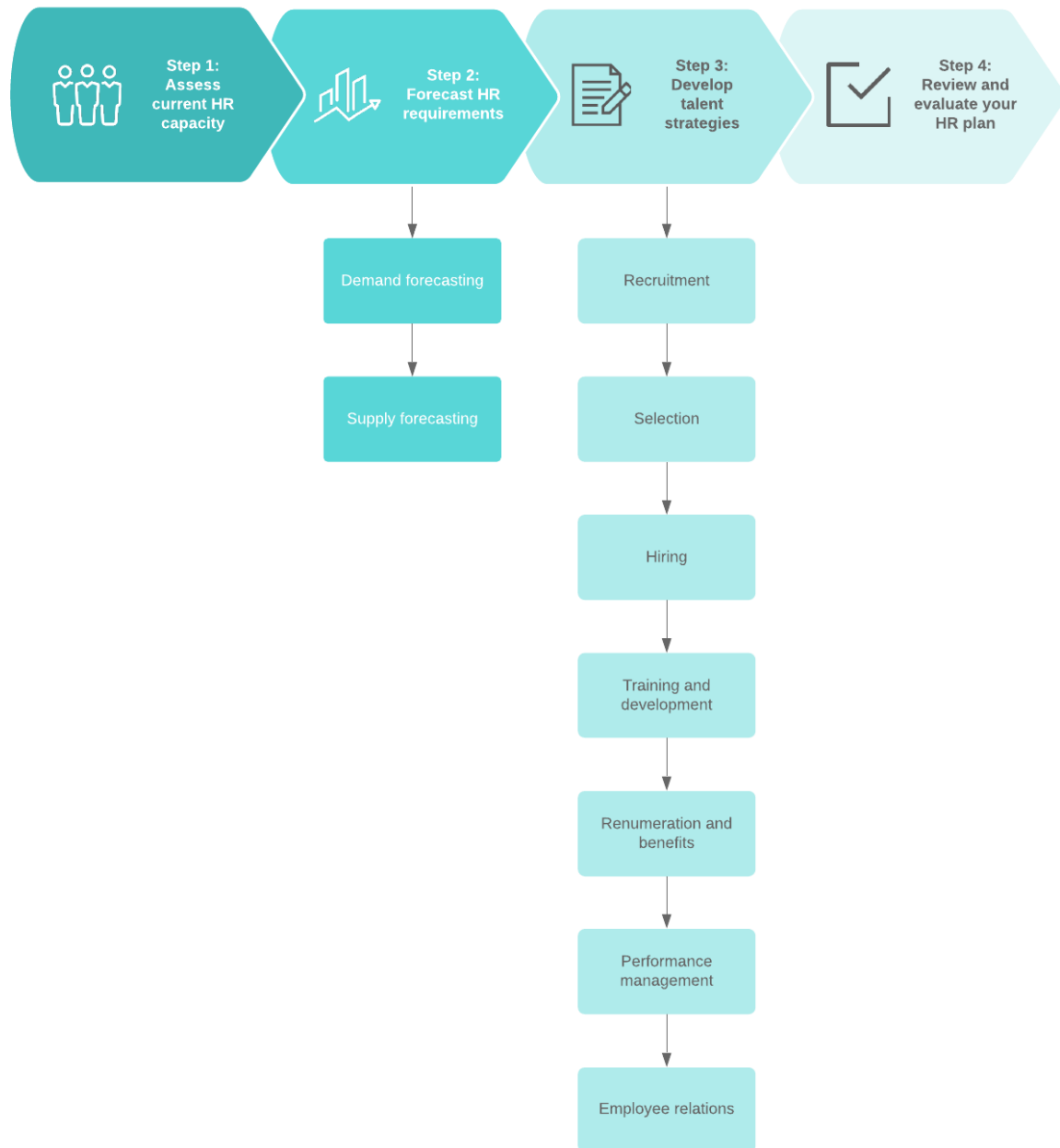
4 steps to strategic human resource planning

4 steps to strategic human resources planning

1. Assess current HR capacity
2. Forecast HR requirements
3. Develop talent strategies
4. Review and evaluate

When 71% of CEOs believe that their employees are the most important factor in their company's economic success, it's easy to understand the importance of the human resource management planning process—the process by which organizations determine how to properly staff to meet business needs and customer demands. Despite the obvious need, many organizations do not have a strategic human resource planning process in place, with nearly a third of HR professionals saying their departments need to improve strategic alignment.

If you've considered developing an HR planning process, you're in the right place. This article will explain what this process entails and how you can document your strategic plan. You'll be filling positions and growing as a company in no time.

4 Steps to Strategic Human Resources Planning

Step 1: Assess current HR capacity

Step 2: Forecast HR requirements

Step 3: Develop talent strategies

Step 4: Review and evaluate your HR plan

Demand forecasting

Supply forecasting

Recruitment

Selection

Hiring

Training and development

Renumeration and benefits

Performance management

Employee relations

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Read on to learn more about each of the steps of the process in detail to understand the strategic human resource management planning process in its entirety.

1. Assess current HR capacity

The first step in the human resource planning process is to assess your current staff. Before making any moves to hire new employees for your organization, it's important to understand the talent you already have at your disposal. Develop a skills inventory for each of your current employees.

You can do this in a number of ways, such as asking employees to self-evaluate with a questionnaire, looking over past performance reviews, or using an approach that combines the two.

Skills Inventory by Department

2. Forecast HR requirements

Once you have a full inventory of the resources you already have at your disposal, it's time to begin forecasting future needs. Will your company need to grow its human resources in number? Will you need to stick to your current staff but improve their productivity through efficiency or new skills training? Are there potential employees available in the marketplace?

It is important to assess both your company's demand for qualified employees and the supply of those employees either within the organization or outside of it. You'll need to carefully manage that supply and demand.

Demand forecasting

Demand forecasting is the detailed process of determining future human resources needs in terms of quantity—the number of employees needed—and quality—the caliber of talent required to meet the company's current and future needs.

Supply forecasting

Supply forecasting determines the current resources available to meet the demands. With your previous skills inventory, you'll know which employees in your organization are available to meet your current demand. You'll also want to look outside of the organization for potential hires that can meet the needs not fulfilled by employees already present in the organization.

Need advice on calculating your staffing needs and developing a staffing plan

Matching demand and supply

Matching the demand and supply is where the hiring process gets tricky—and where the rest of the human resources management planning process comes into place. You'll develop a plan to link your organization's demand for quality staff with the supply available in the market. You can achieve this by training current employees, hiring new employees, or combining the two approaches.

Skills Supply and Demand Chart (Click on image to modify online)

3. Develop talent strategies

After determining your company's staffing needs by assessing your current HR capacity and forecasting supply and demand, it's time to begin the process of developing and adding talent. Talent development is a crucial part of the strategic human resources management process.

Talent Development Process consists of

Recruitment

In the recruitment phase of the talent development process, you begin the search for applicants that match the skills your company needs. This phase can involve posting on job websites, searching social networks like LinkedIn for qualified potential employees, and encouraging current employees to recommend people they know who might be a good fit.

Selection

Once you have connected with a pool of qualified applicants, conduct interviews and skills evaluations to determine the best fit for your organization. If you have properly forecasted supply and demand, you should have no trouble finding the right people for the right roles.

Hiring

Decide the final candidates for the open positions and extend offers.

Bring clarity to the **hiring process** to find the best candidates for your company.

Training and development

After hiring your new employees, bring them on board. Organize training to get them up to speed on your company's procedures. Encourage them to continue to develop their skills to fit your company's needs as they change. Find more ideas on how to develop your own employee onboarding process, and then get started with this onboarding timeline template.

Employee remuneration and benefits administration

Keep your current employees and new hires happy by offering competitive salary and benefit packages and by properly rewarding employees who go above and beyond. Retaining good employees will save your company a lot of time and money in the long run.

Performance management

Institute regular performance reviews for all employees. Identify successes and areas of improvement. Keep employees performing well with incentives for good performance.

Employee relations

A strong company culture is integral in attracting top talent. Beyond that, make sure your company is maintaining a safe work environment for all, focusing on employee health, safety, and quality of work life.

4. Review and evaluate

Once your human resource management process plan has been in place for a set amount of time, you can evaluate whether the plan has helped the company to achieve its goals in factors like production, profit, employee retention, and employee satisfaction. If everything is running smoothly, continue with the plan, but if there are roadblocks along the way, you can always change up different aspects to better suit your company's needs.

What are workforce planning tools?

Workforce planning tools are instruments that help analyze current capabilities and future needs for the employee population.

These tools are data-driven instruments that help identify the gap between current capabilities of the workforce and its future needs. In addition, they help you come up with ways to fill this gap.

1. Strategic workforce planning map

The first workforce planning tool is the workforce map. This map shows how workforce planning activities align with the bigger picture, like the organizational strategy.

An often heard critique about HR policies is that it doesn't follow organizational strategy. The beauty of workforce planning is that it offers tools to add value to the latter.

The model below shows this very clearly. You don't start with strategic workforce planning (SWP, which is step 3). No, strategic workforce planning is the result of organizational strategy (step 2).

The board of directors sets a strategy for the organization. This strategy is not made up – it is derived from three key factors:

- What's happening in the market? E.g. trends in demand and supply.
- What products and/or services are we already producing?
- What is the competition doing? You don't want to just copy your competition. No, you want to outsmart them through process, product or business model innovation.
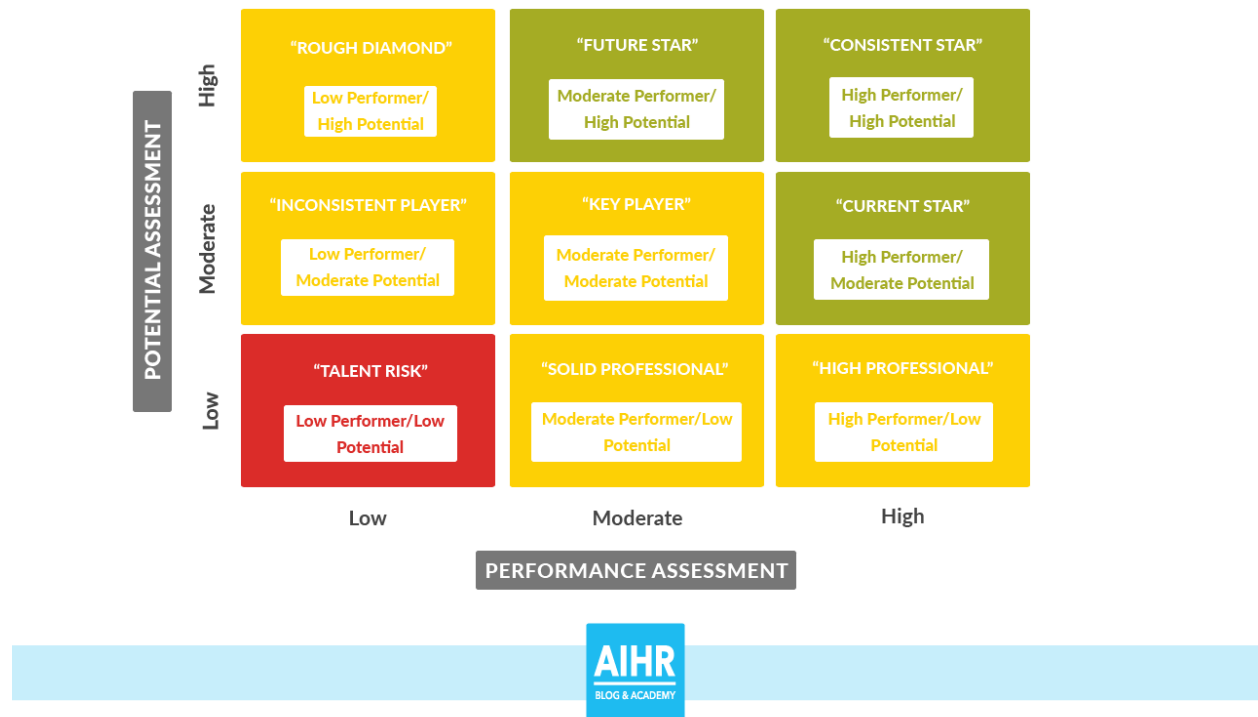
These factors influence the strategy that the board sets. This forms the beginning point of strategic workforce planning as it helps us determine where the organization wants to go in the next 3-5 years. This is the target.

The next step is to identify where we are now. This is step 3 in the model: the quality and the quantity of the workforce. An excellent tool to do this is the performance-potential matrix that we will talk about next.

Based on these insights, the HR strategy is created. This strategy is executed in all the different functional HR areas, like recruitment, performance management, rewards & promotions, etc.

2. 9-Box grid

The performance-potential matrix, also called 9-box grid or HR3P matrix, maps employees' performance and potential in one model.

	Low	Moderate	High
High	"ROUGH DIAMOND" Low Performer/ High Potential	"FUTURE STAR" Moderate Performer/ High Potential	"CONSISTENT STAR" High Performer/ High Potential
Moderate	"INCONSISTENT PLAYER" Low Performer/ Moderate Potential	"KEY PLAYER" Moderate Performer/ Moderate Potential	"CURRENT STAR" High Performer/ Moderate Potential
Low	"TALENT RISK" Low Performer/Low Potential	"SOLID PROFESSIONAL" Moderate Performer/Low Potential	"HIGH PROFESSIONAL" High Performer/Low Potential

POTENTIAL ASSESSMENT

PERFORMANCE ASSESSMENT

AIHR
BLOG & ACADEMY

As you can see, the matrix maps employees in different categories, ranging from "talent risk", which are low potential and low performance, all the way to "consistent stars", who are high potential and high performance.

This is just one of the models that visualize performance and potential. An advantage of the model is that it's easy to understand. However, this is also a disadvantage because this lower complexity has a reduced usability. Take the following matrix as an example. This is not a 3×3 9-box grid, but a 4×4.

Development potential	Current Performance			
	Insufficient	Sufficient	Good	Excellent
At full potential	Development plan or outplacement Low salaries, no growth		Development on competencies No growth in salaries, focus on PBP	
Development within job				
Promotion long-term	Education, assignments and coaching PBP & opt. growth in salary		Education & assignments PBP & salary growth	
Promotion short-term				

This model divides potential and performance in four categories. Using these categories, employees can be managed very effectively. Let me give you an example.

- Phase 1: Yellow. When new employees join the company, they don't perform optimally yet but have a lot of growth potential. They fall in the left bottom corner of the model.

Effective talent management policies are training and coaching, performance based pay (PBP) to increase productivity and a growth in base salary to retain them (they are your future stars).

- Phase 2: Dark green. After working for a year or two, these employees perform well and are still bursting with potential. In this case, they are in the right bottom corner of the model.
  In order to capitalize on their potential, they need more learning and development, challenging assignments that help them grow and a salary growth to retain them.
- Phase 3: Light green. After a few promotions, these employees may start to hit their ceiling. They are at full potential but are performing excellently!
  You want to further develop the competencies they need for their roles and focus on performance based pay so they stay focusses. You don't want to grow their salary much further as that may become a burden over time.
- Phase 4: Red. In the final phase, these employees may become disengaged and performance may lower (left top corner).
  In this case, a development plan to get their performance back on track is the best solution. Salary shouldn't increase for these people as you don't necessarily want to retain them.

To create such a four-by-four, you need to assess people on their performance and potential. The performance-potential matrix is thus a great strategic workforce planning tool, not only to assess talent but also to manage it.

3. HR Dashboarding

A third workforce planning tool that a lot of companies are actively investing in, is the HR dashboard. The HR dashboard is a very effective instrument to show current workforce capabilities.

There's a lot to tell about the HR dashboard. On a conceptual level, the dashboard is filled with information from different source systems, like a payroll system, applicant tracking system, and other Human Resources Information Systems. Based on this data, metrics are calculated and displayed.

The model below shows this process. Systems are extracted, data is transferred and loaded into a data lake or data warehouse. Reporting software uses this data to report on it.
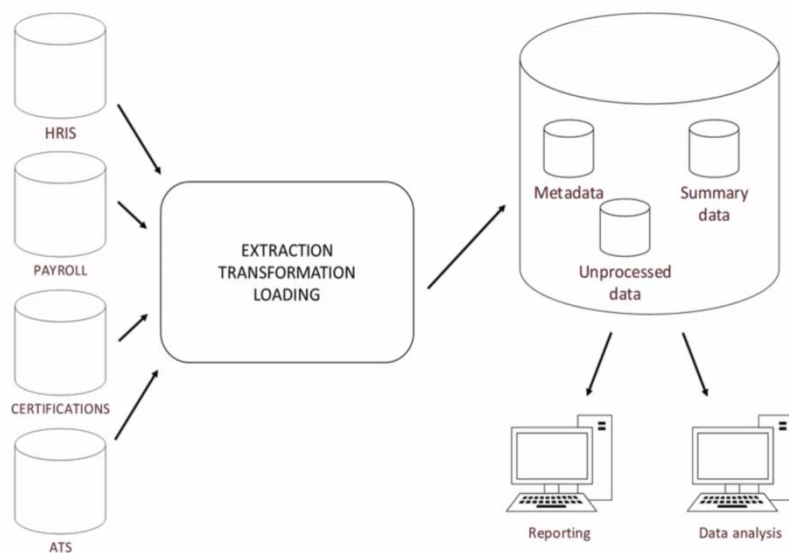
4. Compensation & benefit analysis

We haven't written a lot about compensation and benefit analysis yet. However, it does provide a number of great opportunities for data analysis. For two reasons.

First of all, compensation and benefit data is highly structured and accurate. Secondly, it is directly related to a financial outcome and thus bottom line performance.

The simplest analysis has two elements:

- Set an internal pay benchmark and group people in (severly) overpaid and (severly) underpaid categories
- Retrieve performance data and categorize people in overperforming or underperforming

You want your overperforming people to be overpaid and your underperforming people to be underpaid. If there's a difference in the two you either run the risk of losing top performers because of underpay or *not* losing bad performers because of overpay. The latter is referred to as the golden cage.

This data can be enriched by labor market statistics. You can use payment benchmarks from outside your organization to adjust for internal payment discrepancies.

You can also use job market information to control for external demand and projected demand for certain jobs. These kind of numbers are available for any industry and can be very beneficial in anticipating and adjusting to future workforce needs.

5. Scenario planning

Scenario planning is the ultimate workforce planning tool. It helps to anticipate multiple possible futures so that you won't be caught off-guard. In the words of futurist Peter Schwartz: "if you haven't thought about it, you're unlikely to see it in time".

In scenario planning, you imagine different potential futures that have a severe impact on your business and that you will be unlikely to see coming. These scenarios can involve technological innovation, new legislation, natural disasters, changes in attitudes of the general public, etc.

By thinking about these scenarios, analyzing them and describing how they will make an impact on day to day business, you can develop a strategy for unlikely but impactful events.

One of the early pioneers in this approach was Shell. According to Schwartz´s book the art of the long view, Shell used scenario planning to develop strategies for dealing with the 1973 energy crisis, the 1979 oil price shock, the fall of the Soviet Union, and the increasing pressure on companies to address environmental issues.

If you think about the figure that we started with, scenario planning is really about imagining the future – or imagining multiple possible futures. For a full overview of how to do a scenario planning exercise, check appendix A in this document. I included a summarized version below.

How does scenario planning work as a workforce planning tool?

- First of all, you want to analyze the focal issue of concern for the workforce. This is the issue that the planning exercise centers on.
- Secondly, you want to identify driving forces of change. These can be external and internal. Examples are the specific demographic driver, environmental drivers, sociopolitical drivers, market drivers, and so on. The challenge is to make these drivers as

specific as possible. For example, don't use 'global warming' as a driver but define it as the increasing of drought periods in California (or any specific region).

- Thirdly, you want to rank these specific driving forces on their importance and uncertainty. Importance refers to the impact the driver will make on the workforce. Uncertainty refers to the uncertainty of your estimation. This step is required to select the most relevant and divergent conditions.
- Next, the two most uncertain and important driving forces are selected and two polar opposites are selected. These are mapped on a 2×2 grid.
- This creates four distinctly different and impactful workforce challenges. For each of these scenarios, a name and story are created related to how they will play out and impact the workforce. In the final step, strategies are created to resolve these challenges.

This exercise is not something you do in half an hour. It usually takes a team at least half a day up to a few days, depending on the level of complexity. However, it can be a very useful one!

You have now had a description of 5 essential workforce planning tools. They are essential tools for any HR professional working in a larger organization. Most of these tools are described in much more detail in our HR analytics course. If you want to learn more about it and also practically apply them to real employee data

Gap Analysis

Definition: Gap Analysis can be understood as a strategic tool used for analyzing the gap between the target and anticipated results, by assessing the extent of the task and the ways, in which gap might be bridged. It involves making a comparison of the present performance level of the entity or business unit with that of standard established previously.
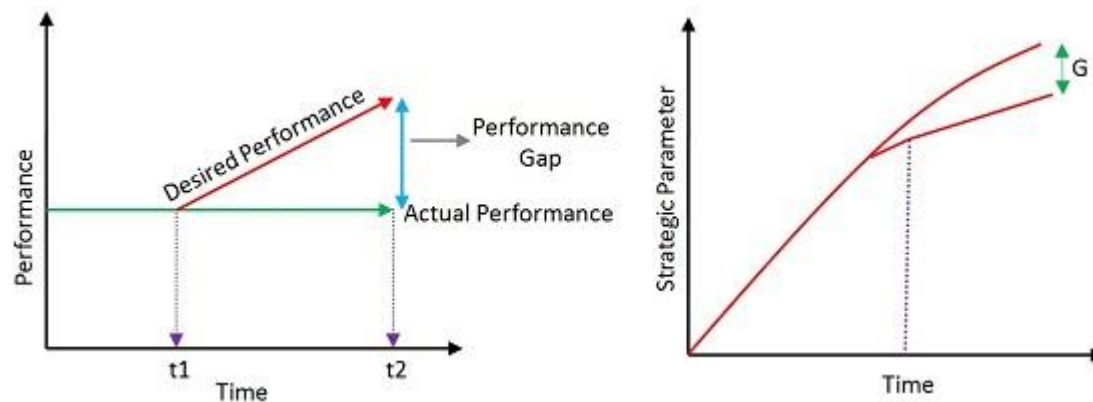
Gap Analysis is a process of diagnosing the gap between optimized distribution and integration of resources and the current level of allocation. In this, the firm's strengths, weakness, opportunities, and threats are analyzed, and possible moves are examined. Alternative strategies are selected on the basis of:

- Width of the gap

- Importance
- Chances of reduction

If the gap is narrow, stability strategy is the best alternative. However, when the gap is wide, and the reason is environment opportunities, expansion strategy is appropriate, and if it is due to the past and proposed bad performance, retrenchment strategies are the perfect option.

Types of Gap

The term 'strategy gap' implies the variance between actual performance and the desired one, as mentioned in the company's mission, objectives, and strategy for reaching them. It is a threat to the firm's future performance, growth, and survival, which is likely to influence the efficiency and effectiveness of the company. There are four types of Gap:
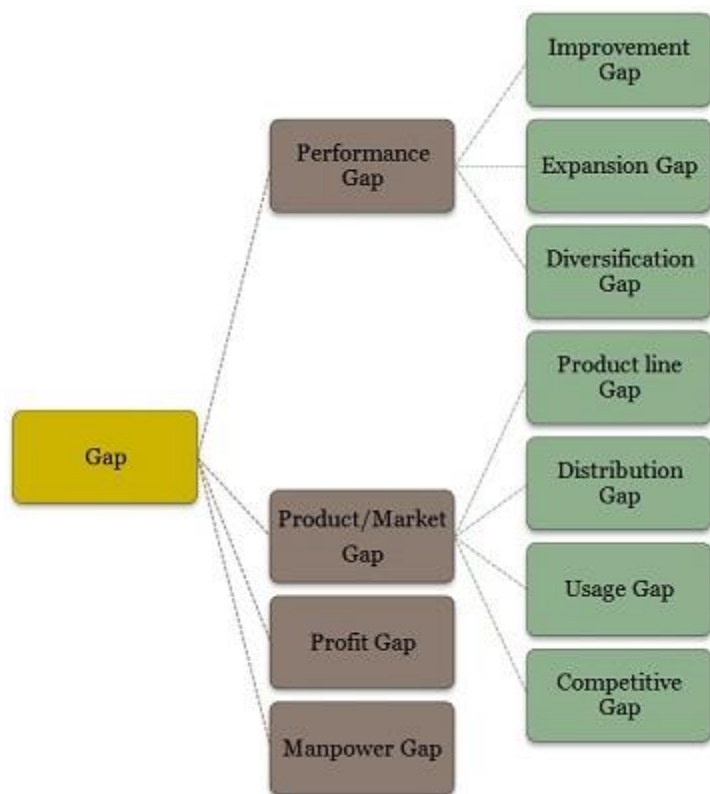
1. **Performance Gap**: The difference between expected performance and the actual performance.
2. **Product/Market Gap**: The gap between budgeted sales and actual sales is termed as product/market gap.
3. **Profit Gap**: The variance between a targeted and actual profit of the company.
4. **Manpower Gap**: When there is a lag between required number and quality of workforce and actual strength in the organization, it is known as manpower gap.

For different types of gaps, various types of strategies are opted by the firm to get over it.

Alternative Courses of Action

In case, gaps are discovered the company's management has three alternatives:

- **Redefine the objectives**: If there is any difference between objectives and forecast, first and foremost the company's top executives need to check whether the objectives are realistic and achievable or not. If the objectives are intentionally set at a high level, the company should redefine them.

- **Do nothing**: This is the least employed action, but it can be considered.

    - **Change the strategy**: Lastly, to bridge the gap between the company's objectives and forecast, the entity can go for changing strategy, if the other two alternatives are considered and rejected.

Before making any change in the strategy, one must consider that the gap exists between the present and proposed state of affairs. It is too wide to be noticed, and the organization is encouraged to reduce it. The company's management is of the opinion that something can be done to reduce it.

Stages in Gap Analysis

1. **Ascertain the present strategy**: On what assumptions the existing strategy is based?
2. **Predict the future environment**: Is there any discrepancy in the assumption?

3. **Determine the importance of gap between current and future environment**: Are changes in objectives or strategy required?

Whether it is anticipated sales, profit, capacity or overall performance, they are always based on the past, and present figures and some amount of guess are also involved in it. So, the occurrence of the gap is quite natural, but if the gap is large, then it is a point to ponder because it might have an adverse affect on the company's future.

A Business process approach to HRP.

The most reasonable approach to human resource planning begins with acquiring knowledge of the human resources function: recruitment and selection, training and development, employee relations, workplace safety, and compensation and benefits. Your organizational goals should include attention to all aspects of the human resources planning process.

Legal Framework

Beginning with the basic premise of fair employment practices, your human resources planning strategy starts with the legal framework. Companies that seek guidance from federal, state and local regulations concerning employee and employer rights are on the right track. Establishing relationships with agency staff from the U.S. Equal Employment Opportunity Commission, U.S. Department of Labor, the National Labor Relations Board and U.S. Citizen and Immigration Services will work to your advantage. These are the primary federal agencies that enforce employment actions. When you create an employee handbook, your understanding of, and commitment to, fair employment practices must be expressed in writing.

Organizational Mission and Goals

This approach to human resources planning mirrors the section in your business plan devoted to explaining why your company exists and what value it presents to the community. Human resources planning is also based on your organization's mission statement, goals and objectives because your workforce will be in alignment with the company values. "Entrepreneur" contributors Dennis Daley and colleagues state: "Combining human resource practices with a focus on the achievement of organizational goals and objectives can have a substantial effect on the ultimate success of the organization." Establishing business ethics and guidelines concerning the organization as a whole is extremely important, and thus, an integral part of your human resources planning.

Policy Development

Building upon your organization's legal framework and organizational mission and values statement, you are ready to approach the policy development. This is a logical approach because

your workplace guidelines and policies are based upon the two previous steps. You are developing policies for the workforce; however, you also must develop organization-wide policies such as customer service standards, financial controls, marketing operations, corporate governance and IT resources. This is one of the final approaches to human resources planning because you have now completed the legalities of staffing your organization and forming the values by which your workforce will operate.