(For BMS, Semester VI, Mumbai University)

Human Resource Planning and Information System

(With Case Studies)

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Himalaya Publishing House
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(With Case Studies)

(As per the New Syllabus of Mumbai University for T.Y.BMS, Semester VI)

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Preface

It gives us great pleasure to present the First Edition of the book on “Human Resource Planning and Information System” to the students of Bachelor of Management Studies. This book is written on the lines of the new syllabus prescribed by the University of Mumbai. Case studies have been included to enable the students to learn the application of the principles of Human Resource Management and Information System.

We request the students, teachers and others to provide constructive suggestions to further improve the contents and quality of the book.

We are thankful to Himalaya Publishing House Pvt. Ltd. for their kind co-operation and excellent service in bringing out the first edition of the book.

Mumbai Authors
Human Resource Planning and Information System

Course Code: UBMSFSV1.15

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Objectives

1. To Understand the Concept and Process of HRP
2. To Understand the Ways of matching Job Requirements and Human Resource Availability
3. To Explore the concept of Strategic HRP
4. To Understand the applications of HRIS

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3 **HRP Practitioner, Aspects of HRP and Evaluation**

(a) HRP Practitioner, Aspects of HRP and Evaluation:

**HRP Practitioner:**
- Meaning, Role.

**HRP Management Process:**
- Establish HRP Department Goals and Objectives
- Creating HRP Department Structure
- Staffing the HRP Department
- Issuing Orders
- Resolving Conflicts
- Communicating
- Planning for Needed Resources
- Dealing with Power and Politics – Meaning and Types of Power

**HRP as a Tool to Enhance Organisational Productivity**
- Impact of Globalisation on HRP.

**Aspects of HRP:**
- Performance Management, Career Management, Management Training and Development, Multi Skill Development.
- Return on Investment in HRP – Meaning and Importance.
- Selected Strategic Options and HRP Implications: Restructuring and its Impact on HRP, Mergers and Acquisitions and its Impact on HRP, Outsourcing and its Impact on HRP.

4 **Human Resource Information Systems**

(a) Human Resource Information Systems:

- Data Information Needs for HR Manager – Contents and Usage of Data.
- HRIS – Meaning, Features, Evolution, Objectives, Essentials, Components, Functions, Steps in Designing of HRIS, HRIS Subsystems, Mechanisms of HRIS, Benefits, Limitations, Barriers in Effective Implementation of HRIS.
- HRIS for HRP
- Trends in HRIS

**HR Books for Further Reading**

Paper Pattern

Duration: 2.5 hours  
N.B.: 5 questions of 15 marks each.  
All questions are compulsory.

Q.1. Attempt any two:  
(a) 7.5 Marks  
(b) 7.5 Marks  
(c) 7.5 Marks

Q.2. Attempt any two:  
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(b) 7.5 Marks  
(c) 7.5 Marks

Q.3. Attempt any two:  
(a) 7.5 Marks  
(b) 7.5 Marks  
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Q.4. Attempt any two:  
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Meaning of Human Resource Planning (HRP)

Human resource is one of the important factors of production and performance of the organisation is directly related to the quality of its human resource. Human Resource Planning (HRP) is concerned with the planning the future manpower requirements of an organisation. It includes replacement plans and managerial succession plans. HRP ensures that the organisation has the right number and type of people at the right places, at the right time, doing the right job for the benefit of the individual and the organisation. HRP relates to manpower availability in an organisation. It is an integral part of corporate planning. Every organisation plans for other factors of production such as money, machine and market and it should also plan for human resources.

HRP is the first step in recruitment, selection and placement of employees. HRP is also known as Manpower Planning, Personnel Planning or Employment Planning.

Definitions of Human Resource Planning

1. According to Dale S. Beach, “It is a process for determining and assuring that the organisation will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved”.

2. Coleman has defined HRP as the “process of determining manpower requirements and the means for meeting those requirements in order to carry the integrated plan of the organisation”.

3. Stainer defines HRP as “Strategy for the acquisition, utilisation, improvement and preservation of an enterprise’s human resources. It relates to establishing job specifications or the qualitative requirements of jobs, determining the number of personnel required and developing sources of manpower”.

Features of Human Resource Planning (HRP)

1. Facilitates estimation of the number and type of people required for an organisation.

2. Control of manpower cost is possible by having optimum number of people in an organisation.

3. Manpower planning helps the organisation in filling up vacancies caused by retirement, resignation etc.
4. Manpower planning ensures that the company has the right number and kind people at the right places, at the right time and doing right things.

5. Manpower planning helps in employee development through training and development programmes.

6. Manpower planning is a scientific process and employees are selected based on job requirements, without any bias. This promotes cordial relations between employees and management.

7. HRP is a part of strategic planning process.

**Objectives of Human Resource Planning**

1. **Estimate human resource requirements** of an organisation to meet present and future needs.

2. **Cope with changes in business environment:** HRP enables the organisation to cope with changes such as competition, technological changes and Government regulations. These changes may impact the number and type of people required in the organisation.

3. **Meet the needs of the enterprise:** HRP will help to avoid over staffing and under staffing.

4. **Recruitment and selection:** HRP is a scientific process and ensures that good workers are available as and when required.

5. **Maintaining production level:** Factors such as illness, absenteeism affect the production of goods and HRP considers all these factors to arrive at optimum requirement of human resources to maintain the production level as per plan.

6. **Industrial relations:** Adequate number and type of employees based on the production plan will enable the organisation to achieve the production targets. At the same time, the employees will be satisfied with their performance leading to good relations between employees and the management.

**Need for Human Resource Planning**

1. **To meet the manpower requirement** of an organisation and also forecasting the cost of labour.

2. **Expansion of an organisation** is the basic indication of the growth of the organisation and human resource planning is required to keep the production at the highest level to meet the increasing demand for the products in the marketplace.

3. Due to **technological changes**, the management may require skilled labour. Existing employees are to be provided with training and new employees are to be inducted after proper training and HRP plays a major role in this scenario.

4. Frequent labour turnover which is of course unavoidable, should be monitored and proper replacement should be available to keep the high standard of production.

5. **Each job may requires specific skills** and HRP provides manpower with the required knowledge, skills and attitude.

6. **Unproductive labour and shortage of labour** lead to production losses. Both problems are serious and HRP can overcome these problems.
7. Replacement of personnel: Existing manpower may be affected due to retirement, resignation, retrenchment etc. and HRP is required to assess the shortages and arrange for recruitment.

8. To meet department-wise manpower requirements: The organisation as a whole may have the required number of employees, but there may be surplus/shortage of staff in a particular department. HRP plays a major role in correcting such imbalances.

Importance of Human Resource Planning

1. Human resource planning works as a cost saving device. It maintains a balance between demand and supply.
2. Need for quality workforce is satisfied by effective human resource planning.
3. By imparting training, employees’ knowledge and skills are increased. It is an opportunity to develop the hidden talents of employees.
4. To increase labour productivity human resource planning required.
5. Supply of workforce without interruption is possible.
6. Government policy regarding reservation in employment brings about changes in the demand and supply of human resources.
7. To improve the Quality of Work Life of employees in the organisation.

Scope of Human Resource Planning

1. Human resource demand forecasting is a process of forecasting both the quantity and quality of manpower required by the organisation.
2. Human resource supply forecasting includes current inventory of employees and other factors such as knowledge, skills, productivity level, employee turnover, absenteeism rate etc.
3. Based on projected manpower requirements and inventory of human resources, HR department determines the quantitative and qualitative gaps in the manpower. This forms the basis for HR plans.
4. HR department develops an action plan so that supply will be equal to demand, i.e., the right number of people with desired skills will be available at specified time in the future.

Factors Affecting Human Resource Planning

The future requirements of human resource depend upon a number of factors as shown below.

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**Fig. 1.1: Human Resource Planning**

**External Factors**

1. **Government policies** with regard to liberalisation, industrial relations, religion/caste based job reservations, age exemptions, sons of the soil, etc., will affect Human Resource Planning. 
   *Example:* The Government has given licence for commercial banking operations to Microfinance Institution “Bandhan”

2. **Economic factors:** If the economic situation is encouraging, it may lead to increase in production and sales and more employment opportunities.

3. **External business environment factors** will influence product volumes and mix of production and demand for human resources.

4. **Information technology initiatives** on supply chain management, enterprise resource planning, computer aided design, etc., have influenced the quantity and quality of manpower required in the organisation.

5. **Level of technology** also affects the type of human resource required in the organisation. Computerisation in railways, postal department, banks, airlines, etc., can reduce the headcount in certain departments and at the same time provide opportunities to qualified people.

6. When the business is **highly competitive**, companies may go for lean organisation reducing the number of employees. At the same time, these companies may also look for people with critical skills to succeed in a competitive environment.

**Internal Factors**

1. **Company strategies** on expansion, diversification, acquisition, etc., will affect the requirement of human resources.

2. **HR policies** on quality of people, compensation, career prospects, organisation culture will influence human resource plan.

3. **Planning period,** i.e., short-term/long-term forecast have to be considered while planning for human resources.

4. **Job analysis** consisting of job description and job specification determines the type of human resource required.

5. **Under expansion programme,** the company normally needs more number of people in production/sales and marketing etc.
Bandhan, the leading Microfinance Institution in the country has received in principle licence for commencing commercial banking operations across the country. The proposed bank requires qualified professionals in various disciplines:

**Head – Retail Banking (Job Code 001):**
The candidate should have at least 15 years experience in the banking sector and minimum 3 years experience as retail banking head. Age should not be more than 46 years.

**In-Charge – Deposit Product and Sales (Job Code 002):**
The candidate should have at least 10 years experience in the banking sector and at least 5 years experience of driving sales of liability products. Age should not be more than 40 years.

**In-Charge – Credit (Job Code 003):**
The candidate should have at least 10 years experience in the banking sector and at least 5 years experience in credit scoring, sanction, monitoring and follow up. Age should not be more than 40 years. Chartered Accountants will be preferred.

**Head – Treasury (Job Code 004):**
The candidate should have at least 15 years experience in the banking sector and at least 5 years experience in integrated treasury functions. Age should not be more than 50 years.

**Head – Compliance (Job Code 005):**
The candidate should have at least 15 years experience in the banking sector with 5 years experience as Compliance Head of a bank. Age should not be more than 50 years.

**Head – Risk Management (Job Code 006):**
The candidate should have at least 15 years experience in the banking sector with 3 years experience as Risk Management Head of a bank. Age should not be more than 50 years.

**Head – Planning and Development (Job Code 007):**
The candidate should have at least 10 years experience in business data analysis, formation of strategy and business intelligence in the banking sector. The incumbent must have thorough knowledge of banking products and related market trends. Master in Economics will be preferred.

**Head – General Administration (Job Code 008):**
The candidate should have at least 15 years experience in leading the General Administration department of a bank. Age should not be more than 50 years.

**Head – Central Processing Centre (Job Code 009):**
The candidate should have at least 12 years experience in the banking sector and at least 5 years experience in various back-office operations like account opening, loan processing etc.

**CBS and Peripheral Banking Application Professionals (Job Code 010):**
The candidate should have at least 5 - 7 years experience in the banking domain and must have hands on experience in any CBS application.

**IT Infrastructure Professionals (Job Code 011):**
Candidate should have 6 - 8 years experience in installation and maintenance of networking, hardware, delivery channels and ATMs / switch etc.

**Vendor Management (Job Code 012):**
The candidate should have 6 – 8 years experience in procurement of IT products and services, contract management, relationship build up, performance and SLA monitoring in the banking domain.

**Branch Head (Job Code 013):**
The incumbent must have at least 5 years experience in the banking sector with thorough knowledge of retail banking functions. Key responsibilities include meeting sales targets, administration, operations, compliance etc. Age should not be more than 35 years.

**Assistant Branch Head (Job Code 014):**
The candidate must have at least 3 years experience in retail banking and day to day branch operations. Age should not be more than 30 years.

**Faculty – Learning and Development (Job Code 015):**
The candidate should have at least 15 years experience in all aspects of operational banking. Experience as faculty is essential. This position is required for Assam, Bihar, NCR, Maharashtra, Tripura and West Bengal.

CV’s may be sent within 10 days from the date of this advertisement to Head-HRD, DN - 32, Sector - V, Salt Lake, Kolkata - 700091 or mailed to recruitment@bandhamimf.com. All applications must be superscribed with the job code. Website: www.bandhamimf.com. Bandhan is an equal opportunity employer.

“Bandhan – Proposed Bank Requires Qualified Professionals”

*Source: Times of India, July 2, 2014.*
6. **Production/Sales estimates** are important inputs for determining manpower requirements.

7. **Production/Operations policies** on in-house production, third party production, changes in process, techniques or installation of new machinery or better raw material, etc., will influence the quality and quantity of manpower required.

8. The terms and conditions of working of employees under **Union Agreement** will affect human resource planning.

9. **Loss of manpower** due to leave, sickness, transfer, resignations, absenteeism, etc., are also considered.

10. **Under Workload Analysis**, the company tries to find out the number and type of people required for various jobs in relation to planned output.

11. **Type of organisation.**

12. **Organisation Cycle.**

**Human Resource Planning at different Levels**

HRP is carried at different levels by institutions as shown below:

1. At **National level**, the forecast is made for the entire nation by Government
2. **Sector level**: The requirements of manpower at sector level i.e. agriculture, industry; service is projected based on Government policy.
3. **Industry level**: Manpower planning for particular industry like textiles, chemicals etc. is predicted.
4. **Unit level** pertains to human resource needs of an organization.
5. **Department Level**, the forecast covers the manpower needs of a department or a section
6. **At Job level**, the manpower needs of a particular job family like electrical engineering are assessed.

**Timeframe:** Companies follow short term forecasting (up to one year) and long term forecasting that covers a period of five years or even more depending upon the opportunities and challenges facing the industry.

**Steps in/Process of Human Resource Planning**

Human resource planning is a management activity aimed at acquisition, utilisation, improvement and preservation of human resources of the organisation. It ensures that the organisation has right number and right type of people to deliver a particular level of output in the future. HRP is a forward looking multi-step process and involves the following:

1. **Deciding the goals/objectives**: Based on the corporate objectives, estimates on the demand and supply of human resource can be made by the HR department. HRP is carried out for varying time periods, i.e., short-term plans (upto two years) and long-term plans extending for a period of five years or even more.

2. **Estimating future organisational structure and human resource requirements**: External and internal factors such as Government policy, competition, business forecasts, expansion of business, management policies on recruitment, terms and conditions of employment, etc.
to be considered while estimating the organisational structure and human resource requirements.

3. **Inventory of present human resources:** The objective is to find out the size and quality of people within an organisation. Every organisation has two major sources of supply of manpower.

(a) **Internal supply of manpower:** Many organisations maintain ‘Skills Inventory’ of employees which contain details such as age, gender, education, experience, knowledge, skills, job level, past performance and potential of existing employees. Such information can be easily retrieved from computerised HRIS system.

(b) **External manpower supply:** When the organisation grows rapidly or when it is not able to find people internally to fill up vacancies, it has to look into outside sources for supply of manpower.

4. **Determining manpower gaps:** Existing number of employees and their skills can be compared with forecasted manpower needs to determine gaps in the workforce. Demand and supply forecast will give us the number of people to be added/separated and this forms the basis for HR action plans.

**Examples:** There can be two situations, i.e., (a) Supply of human resource more than the demand of the organisation and (b) Supply of human resource is less than the demand of the organisation. When the supply is more, we can conduct strict selection methods to weed out the inefficient candidates. When the supply is less, we can try to develop our own employees by giving them training or encourage them with incentives to shoulder higher responsibilities.

Similarly, matching of present employees with their present jobs may be required while preparing short-term HR plans. We cannot expect a perfect match between jobs and individuals. If the employee is less qualified than the present requirements, the following steps can be taken, i.e., provide training, transfer, provide some assistance to the employee and separation of the incumbent if required. When the employee is more qualified than the job requirement, adjustments such as job enlargement, additional charge, special assignments and promotion can be made.

5. **Formulating HR Plans:** Once the human resource requirement is identified, HR has to prepare a detailed plan for recruitment, training, redundancy, retention, redeployment, etc.

6. **Evaluating effectiveness of human resource planning:** The entire HR plan has to be closely monitored to remove any deficiencies. Progress of the implementation has to be compared with the original HR plan and appropriate action has to be taken to ensure that right number and type of people are available as per plan.

**Demand and Supply Forecasting of Human Resource Requirements**

Human resource requirement planning is influenced by a number of external and internal factors and it is a challenging job to predict future quantity and quality of manpower requirements.
Demand Forecasting of Human Resource Requirements

1. **Trend Analysis** involves study of an organisation’s employment needs over a period of years to predict future needs. We can study the number of employees at the end of each year for the last five years. It provides an estimate of the future human resource needs. However, changes such as expansion of business, increase in production, sales volumes, etc. will affect the manpower requirements.

2. **Ratio Analysis** involves making forecasts based on ratio. *Example:* Volume of sales in units/value and the number of sales representatives needed to achieve the sales target.

3. **Scatter Plot Method** is used to identify the relationship between two variables. *Example:* Relationship between the number of beds in a hospital and number of nurses required.

4. **Workload Analysis:** The company tries to calculate the number of persons required for various jobs with reference to planned output. *Example:* Commercial banks follow workload analysis method for assessing the human resource requirements.

5. **Workforce Analysis:** Loss of manpower due to causal, sick and privilege leave, transfer, retirement and retrenchment etc. to be considered for working out manpower requirements.

6. **Job Analysis** is carried out to find out knowledge, skills, attitude required to do the job efficiently.

7. **Managerial Judgement:** Senior managers arrive at manpower requirements based on their past experience.

8. **Computerised Forecasts:** Nowadays, many companies make use of computers to forecast human resource requirements. Such forecasts enable the manager to include more variables into his projections. *Example:* By projecting production and sales figures, future staff needs to maintain the volume of output can be determined, using software packages.

9. **Delphi Method:** In this method, the independent opinions are sought from a group of experts. The expert has to respond to a checklist of questions that are relevant to the forecast. The opinions and responses are analyzed and if there are major differences on any particular issue, further discussions take place and final forecast is prepared.

Supply Forecasting of Human Resource Requirements

1. **Staffing Table** shows number of employees in each job together with their age, gender, qualification, position, experience, etc. This helps to know whether the current employees are properly utilised or not.

2. **Historical data** on promotion, transfer and turnover is used to estimate future availability of workforce.

3. **Skills Inventory** is an assessment of knowledge, skills, experience and growth potential of current employees to be kept updated every year. We can assess the suitability of current employees for future job requirements.

4. **Age Inventory** shows age-wise number and category of employees and it is useful for future selection and promotion of employees.

5. **Personal replacement charts** show the present performance and promotability of inside candidates for important positions such as General Manager, Vice President, etc.
Human Resource Planning

6. Computerised HRIS system provides valuable information about all categories of employees in the organisation and it can be used for selection of people based on age, qualification, knowledge, skills, experience and past performance.

Barriers to Human Resource Planning

Many companies do not give importance to Human Resource Planning and the reasons are given below.

1. **Time-consuming, labourious and costly process** and requires the services of experts.
2. In our country, **there is surplus manpower** and managers do not give much importance to HRP.
3. **Predicting manpower requirements is a tough job** as it is influenced by a number of external and internal factors.
4. **Traditional management**: Traditionally managed companies are not interested in long-term planning of manpower and they recruit people as and when required.
5. **Changing Business Environment.** Lot of changes are taking place due to political, economic and technological factors and these factors can affect employment situation in the country.
6. **Manpower planning** is more relevant to industries where there is shortage of skilled manpower.
7. **Non-involvement** of departmental managers makes HRP ineffective
8. **Many HR managers** do not have good understanding of business operations and they treat HRP as a mathematical process. The effectiveness depends upon balancing between quantitative and qualitative approaches to HRP.

Guidelines for Effective Human Resource Planning

1. One of the major challenges in HRP is to change the values, beliefs and norms established by the top management. Top management support is required for effective human resource planning and implementation.
2. The organization should have a clear cut HR Policy dealing with Human Resource Planning.
3. The HR manager looking after HRP should have required knowledge and skills in manpower planning.
4. The HR should have good understanding of business operations and changes taking place in business environment due to political, social, economic, technical and ecological factors.
5. Human resource planning should be adopted to meet the organizational changes.
6. HRP plans should be prepared by all departmental managers to improve the accuracy of manpower planning. Further senior managers should be involved in implementation of Human resource planning in the organization.
7. Up-dated personnel records should be available for planning and effective implementation of HRP.
8. HRP should be centralized so that the HR manager can co-ordinate with other departments/managers in the organization.
Questions

1. How can organisations plan for human resources in an effective manner?
2. Write about the steps involved in manpower planning process in the organisation.
3. Describe the objectives and importance of HR planning.
4. Define Human Resource Planning and explain the significance of HRP.
5. What are the factors that influence HRP?
6. Write short notes on the following:
   (a) Staffing table
   (b) HRIS
   (c) Employee separation
   (d) Limitation of HR Planning
Case Study for Practice
Succession Planning

The die was cast. Prem Nath Divan, executive chairman of Vertigo, the country’s largest engineering project organisation, decided to switch tracks for a career in academics. Divan was still six years short of the company’s retirement age of 65. His premature exit was bound to create a flutter at the Vertigo board. Having joined Vertigo as a management trainee soon after college, he had gradually risen through the hierarchy to take a board position as the marketing director of the firm, he had become the President five years later and the youngest chairman of the company at 45. But, by the time he was 50, the whiz kid had acquired a larger than life image of a role model for young managers and a statesman who symbolised the best and brightest face of Indian management. On his wife’s suggestion that it would be wise to discuss the move with one of his trusted colleagues before making a formal announcement of his intention to seek premature retirement. Divan called on Ramcharan Saxena, a solicitor who has been on the Vertigo board for over a decade. Saxena was surprised at Divan’s plan. But he was unfazed. “If that is what you want to do for the rest of your life, we can only wish you well”, he told him. “The board will miss you. But the business should get down to the task of choosing successor. The sooner it is done, the better”.

“I think the choice is quite obvious,” said Divan, “Ranjan Warrior. He is good and ...” Divan was taken aback to see Saxena’s grim face. “You don’t have anything against him, do you?” he asked him. “No, no,” said Saxena, “He is good. A financial strategist and a visionary. His conceptual skills have served the company well. But he has always had staff role with no line experience. What we need is someone from operations. Like Richard Crasta”. “Richard knows things inside out alright,” said Divan, “But he is just a doer. No fire in the belly. Vertigo needs someone who understands the value of power and knows how to use it. Like me. Like Ranjan”. “That is just the problem”, said Saxena. “Prem, let me tell you something. Ranjan is a man in your own image. Everyone knows that he is your protégé. And protégés are never popular. He has generated a lot of resentment among senior Vertigo executives and there would be a revolt if he were to succeed you. An exodus is something we can’t afford to have on our hands. We should think of someone else in the interest of stability of top management”. Divan could not believe what he heard. He had always himself on his hands-on style thought he had his ear to the ground. “How could I lose touch?” he wondered, somewhat shaken.

“When you are the boss, people accept your authority without question,” continued Saxena. “In any case, you have been successful at Vertigo and it is difficult to argue with success. But the moment you announce your intention to leave, the aura begins to fade away. And in deciding on your successor, the board will seek your opinion, with due regard to your judgement. The board members must do what in their view is right for the company. Having said that, may I also mention that if there is a showdown in the boardroom, you could always choose to stay on? We would like it. Or we could bring in an outsider”. “I have finalised my career plans and there is no question of staying on beyond six months from now,” said Divan. “The board is scheduled to meet next month. Let us shelve the matter till then. In the meantime, I rely on you, Ram, to keep this discussion between the two of us”. “Of course, yes,” said Saxena.

On his way home, Divan thought about the matter in detail. Bringing an outsider would undo all his life’s work at Vertigo. There were considerations like culture and compatibility, which were paramount. The chairman had to be an inside man. “Richard lacks stature”, Divan said to himself. “Ranjan is the one I have been grooming, but heavens, the flip side of it all had missed me completely. There is no way I can allow a split at the top just before I quit. I must leave on a high note in my own interest. I must find a way out of the imminent mess”.

Question
1. What should Divan do?