

Review

Human resource planning: A key to internal and external fit

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Accepted 12 January, 2012

In winning businesses, familiarity of human side of business has been radically augmented and its evolution has high value added impact. The resource based view supporting the human resource planning can be a major source of competitiveness for the organization. It can be only achieved if human resource planning is consistent with both organizational objectives which we name internal fit and it must be flexible in nature so that through different human resource activities it can build up capabilities so that the organization will be able to respond quickly to the external environment named external fit.

Key words: Human resource planning, internal fit, external fit.

INTRODUCTION

For a long period of time the industrial sector, whether private or public, has been facing an extraordinary rate of change which is focused on making organizations more flexible in their management systems, methods, policies and strategies. Criticisms have been made of the management systems established in the early 1990s, especially, human resource planning. These criticisms were made on the basis that there was no fit of the human resource planning with the organizational objectives which lacked flexibility to have a fit with the external environment. Mello (2001) articulated that human resource planning is vital in organizational unstable periods like during mergers, amalgamation, consolidation and when labor market settings are studied or when joblessness is low. Kroger Company evaluated its employee analytical skills, how they manage stress, and how they exhibit self-control while rendering customer services; they planned to select the candidates for the evaluation on the basis of a survey which they carried out through their customers on what factors actually affect customer services (Murphy and Zandvakili, 2000). Employees in the market are lacking in the core competencies required by a particular organization. So,

more focus is on current managements' adoption of more strategic approaches towards human resource planning in such complex and contemporary employee matters.

On the basis of conceptual frame work, our objective in this study is to identify the best approaches to human resource planning and how a reorientation of human resource planning can be delineated to obtain an optimal internal fit that aligns HRP with strategic objectives and an external fit that aligns HRP to the changing external environment.

CONCEPTUAL FRAMEWORK

Here, we summarized the different approaches to human resource planning and tried to contribute to the literature what the best approach is and how human resource planning can help the organization to achieve the organization strategic objectives. A lot of educational literature supported HRP (Jackson and Schuler, 1990). Mills (1985) categorized HRP development into three different approaches, the traditional approach, moderate approach, and advanced approach. In the traditional approach, the organization's focus was only on a short-term staff forecasting with no attention given to long-term HR plan. In the moderate approach, there was long term HR plan for staff forecasting but according to the

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advanced approach the organizations are focused on the HR plans and this should be consistent with the overall objectives of the organization and all the HR activities must be an integral part of this fit. Modern HRP approaches can be categorized into three different eras after 1940's but in the early 1970's and 1990's till date (Bin and Eldridge, 1998), in the first era, HRP focused on attracting suitable candidates and how the organization ability developed their skill shortage. This approach was quite suitable till 1970's due to its theoretical background. But, a major work of Bartholomew (1967): Cambridge and Smith (1970, 1971) and lot of other studies changed the perspective of HRP.

After 1970's the old approach was combined with corporate view which means the HRP should be consistent with corporate objectives and in light of those objectives, employees skills will be developed accordingly. The credit goes to the major work done by Bell (1974), Bowey (1974) and Lynch (1982) who concluded that HRP should be consistent with corporate planning. Various practices for applying SHRM have been introduced, for example Gupta (1980) supports that the ability of the manager and the business plan must be aligned and in this perspective if the organization is pursuing the strategy of cost leadership, the managers should have the good cost and management accounting skills and if the business is one that is pursuing the strategy of differentiation or focus then the manager must have the excellent promotion and product growth skills. But critics were made on these people. Edwards et al. (1983) focused his attention on HRP influence on corporate objectives rather than being obedient to it as the last era focused attention and criticizes the traditional approaches. Bramham (1988) articulates that not only HRP should be linked to the corporate objective but practices such as staffing, training and development, performance management system and feedback, and compensation must influence corporate objectives. Another approach to SHRM focus on strategic job analysis and stress on the need of experts' opinion on the knowledge skills abilities require performing a job (Schneider and Konz, 1989). Jackson (1990) argues that HRP is typically focused on the demand of labor and supply but SHRM is focused on the strength, weaknesses, opportunities and threats for human capital to align with the business objectives. Walker (1990) adds to the literature that HRP should be flexible to the environment, the late 1990's approach focus more on both external and internal fit. These recent scholars focused more on process orientation rather than strategy orientation. Butler et al. (1991) argues that human resource plays a vital role in the formation of competitive gain within the organization and the use of HRP is very important to choose, construct, inspire and keep the human assets. In recent literature, the HRP has gotten more attention in this age of globalization and the SHRM is the key for the success of this organization. The HR

professionals are using different techniques and practices to match HRP and SHRM. In very rapidly changing environment which is not in the control of organization as greater effect on the output of the organization in order to cope with the challenging environment, the HRP is the most important driver of the organization success.

Organizational strategic objectives

Every business organizations ultimate objective is to create value to the shareholders and to maximize profitability. While performing in a highly competitive environment the area is being narrowed around the organizations to survive in a particular industry. So, more focus is required not only on profitability but on competitiveness which is becoming a major challenge for the organization. One strategy focused only on profitability may benefit the business for a short time period but harm the organization for a long period of time.

Resource based view and industrial organizational view

Where the competitiveness comes from, there are two different views: the industrial organizational view and resource based view (Peteraf, 1993; Norton and Gustafson, 1982). Competitiveness is more dependent on how the organization is externally strong as per the industrial organization view like how it responds to external threat and exploiting opportunities as compared to the resource based view in which competitiveness is more dependent on how the organization is internally strong like it utilizes their strength to overcome their weaknesses.

Human resource planning in perspective of resource based view (RBV)

Our major focus in this study is how human resource planning can contribute towards achieving competitive advantage and organization strategic objectives. Adopting a strategic approach towards the human resource is viewing human resources as assets of the organization and making investment in these assets generate high value to the organization such that human resource is one of the organization's major internal factor in this way as it supports the resource based view. Resource based view interprets that if the internal policies, actions, procedures, organizational assets, capabilities and systems are complemented and integrated, they assist a long term competitive gain. For example, Rodriguez and Pablos (2002) supporters of RBV articulate that any individual practice, procedure, policy or action may be easily identifiable but when we

have a complement, assimilation and composite of all these domestic factors then, they engender worth and display the characteristics of untailed ambiguity and social complication such that the entire system becomes a more valuable, atypical, unique and non substitutable thus becoming impossible to duplicate and reproduce for the competitors. In this way such complementarity integration and complexity becomes a major source of sustainable competitive advantage.

Objectives of human resource planning (HRP)

Major cost of the business such as salaries and administrative cost can be controlled through better planning of how much employees are required by the business and through this, the efficiency can contribute to the business, to identify whether the employees are less or more than the requirement. Recent human resource planning focuses on selecting the employee for the organization and not for a particular job, the new emerging model is centered on the fact that the employee you are going to select not only fit on the job but also fit with the overall culture of the organization (Bowen et al., 1991). Such hiring practices looking more atypical, unnecessarily extravagant, from a more conservative human resource point of view. Such approach is more consistent with hiring accurate people with accurate skills in the right place and at the accurate time. In this regard the management executives may think, make or buy decisions as to whether they can develop a particular employee for the particular job or they may let outside vendor to meet their particular job requirements (Greer et al., 1999).

A renowned retailer, Mark and Spencer earned a unique name in United Kingdom and all over the world but failed to sustain in the market because they were unable to adapt to rapid changes in the global marketplace like they were pertaining to old fashions which became totally obsolete. Like wise, Corning a well known US based conglomerate offering different products like display technologies and telecommunications specialty materials, faced a problem of surviving in the marketplace due to enlarged global competition from China, Japan and India all having the advantage of economy of production and economy of scale. To cope with this challenge, they provided extensive training to their employees converting forty seven job layers into four job layers and enjoyed more flexibility, reduction in administrative and supervision cost, and increased output. This expected loss of \$ 2.3 billion was converted into \$ 2 million profit (Hoerr, 1990). And it resulted from strategic human resource planning objective that is, the management must be proactive to the external environment which developed HR plans. The human resource program and its activities like staffing, training and development, performance management and feedback, and compensation must be

directed towards the overall goals and mission of the business, which is a major objective of the HRP. On the whole, the most important objective of human resource planning is that both line and staff management be consistent towards the organization's goal.

Human resource planning (HRP): A source of competitive advantage

The basic purpose of human resource planning is to identify the future needs and availability of human resource with the skills required in a firm. For example Delaney and Lewin (1989) and Mills (1985) articulated that the traditional frameworks that are developed for the HR planning do not focus on the business plan while developing and applying HR plans. According to the recent strategic HR approach, the human resource planning should be based on the organizational objectives. It means that we actually translate the organizational plans into particular HR plan. By considering the HRP importance for example, the market share price of Dell Company was \$ 8.50 in 1988 and was increased to \$ 4812 in 2000; the Dell executives give credit of this success to their strategic approach to human resource planning (Joinson, 1999). As we have discussed according to the recent strategic approaches to human resource, we translate the organizations strategic objectives into particular human resource planning and this is a proactive approach rather than reactive approach. It means that all human resource planning initiatives must be flexible in nature so that it will enable the organization to cope with the external changes in the environment. On one hand, we aligned HRP with the organizations objective and on the other, aligned it with the changing external environment, in this way we created an optimal internal and external fit of human resource planning. To ensure the accomplishment of organizational strategic objectives we must have clear human resource planning objectives which clearly foster the internal and external fit.

CONCLUSION AND RECOMMENDATIONS

Four developments in HR are operationally reactive HR, operationally proactive HR, strategically reactive HR and strategically proactive HR. Strategically proactive HR is the only solution today in which managers creates strategic substitutes, make the culture of the organization to be more imaginative and novel, developing potentials in the organization that constantly follow and aligns with the external environment. Today, managers are less focused on the current research made on human resource strategic perspective which can be a major source of competitive advantage for the organization. Besides the lot of successful organizations a major

drawback of today managers is, that they focus on strategic approach theoretically but do not put them into practice. As the resource based view interpret that we can coop up with the external environment if we are internally so strong, through proper human resource planning, we can develop strong opportunities so that we can properly respond to the external environment changes. One best approach to put human resource planning on the strategic roadmap is that we must plan the different HR activities including staffing, training and development, performance management system and feedback compensation in more proactive manner so that they can meet the current requirement of our objectives and create opportunities to be more responsive to the turbulent environment the organization may face in the future. Sixteen business executives died among the total casualties when United States Commerce secretary Ron Brown's aircraft crashed in 1996. This was actually not only the disaster for their families but also a disaster for their organizations they left which were actually reeling from the unexpected void in leadership. Such incidents are focusing concentration of managers to be more practical in human resource planning, both on aggregate planning and succession planning. Various key drivers related to human resource which pursue the accomplishment of organizational strategic objectives are employee motivation, loyalty, commitment, satisfaction, organizational citizenship behavior, and productivity. We can affect these factors through reliable, integrated and corresponding set of procedures and practices of human resource planning.

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