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Human Resource Planning in the Private Sector:
Discarded Assumptions and New Priorities

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Abstract

The object of this study was to investigate the state of organization and practice of human resource planning in the private sector. Emphasis was given to investigating the extent to which firms integrate their human resource planning and strategic business planning practices. The results of extensive interviews with representatives of twenty medium to large US companies are summarized. The findings suggest that some traditional human resource planning assumptions and practices have been discarded and that many firms are proceeding to more selective human resource planning priorities.

HUMAN RESOURCE PLANNING IN THE PRIVATE SECTOR:

DISCARDED ASSUMPTIONS AND NEW PRIORITIES

INTRODUCTION

The concepts of corporate human resource planning (HRP) have been well represented in the recent personnel management literature. In a Conference Board report, Janger (1977) claimed that personnel management was evolving toward more of a planning and control role in many companies. The increasing importance of the integration of HRP with strategic planning has been, indeed, a popular concept in the literature during the past few years. Exhortations that firms should involve the human resource management function in the formulation, as well as the implementation of strategic plans, have come from both practitioners and academics.

A few major companies have reported successes in linking HRP with strategic planning at both the business unit and corporate levels. However, some analysts remain skeptical of claims that HRP is an established practice in most companies (Bennett, 1972; Burack and Gutteridge, 1978). Although there have been many questionnaire-type surveys on fragments of the HRP process, they have taken, for the most part, fairly shallow views of the process. Only a few studies have attempted to distinguish between various degrees of sophistication in the HRP process. In like manner, only a few case studies exist that have undertaken an intensive analysis of specific HRP programs, technologies, organizational structures, and information flows. There is a particular dearth of case studies analyzing the process of linking the HRP function to the overall corporate strategic function.

This paper reports the results of a series of case studies of twenty medium to large U.S. companies concerning the state-of-the-art of HRP organization and practice.

RESEARCH DESIGN

Our purpose was to undertake a fairly qualitative, applied view of HRP. A structured interview was used to obtain information on over twenty five different aspects of HRP. We were able to arrange for interviews with executives and managers in twenty companies nation-wide. Within six of the firms, we interviewed the top personnel executive and the top strategic planning executive, as well as the appropriate managers or staff members concerned with HRP. In the remaining firms, we interviewed those directly involved in HRP activities. For six of the companies, our objective was to up-date an earlier investigation of HRP (Navas, Rowland, and Williams, 1965).

OVERVIEW OF FINDINGS

The initial task, of course, was to identify the existence of HRP units and activities and to determine whether they were located at the corporate, group, divisional, or profit-center levels. This required more than just taking a rudimentary look at departmental titles. Interviews with key managers were necessary in order to detect and verify major activities, mandates, and approaches; i.e., to gain some sense of reality and purpose.

Only six of the twenty firms had a formally organized and staffed HRP unit. In these firms, the HRP unit was positioned in a subdivisional role under the vice-president of personnel, human resources, or

employee relations. The major activities of these units were not always consistent with those listed by Walker and Wolfe (1978) and Walker (1980) as being performed by a comprehensive HRP unit, such as (1) formulating human resource strategies, (2) collecting and analyzing data, (3) designing and using forecasting systems, and (4) managing career development. On this basis, only two firms had a clearly identifiable HRP unit engaged in a comprehensive set of HRP practices. In most companies, HRP activities and programs were organizationally located within the personnel function. No human resource planning of significance was being initiated by the corporate strategic planning function (although some corporate planning staffs collected numerical manpower counts). None of the firms used HRP as a general framework or basis for organizing and conducting their human resource management activities.

All of the firms had implemented the standard modules of a computerized Human Resource Information System (HRIS), including general record keeping and skills inventories, but few were considered any more sophisticated than what Hennessey (1979) has described as an "integrated data processing" system. Performance appraisal ratings and promotability information were a common data component in a majority of the cases, but career planning information from the individual's perspective was rarely included on the automated system. Only one firm had implemented a corporate-level, on-line personnel data system that could provide instantaneous feedback to facilitate decision making. In this system, terminals with interactive capability were available to all line managers. Hennessey (1979) would classify this as a "decision

support" system. One firm will be implementing this type of system next year, after eight years in development and several failures.

A surprising finding, in light of the voluminous literature in the area, was that computer-assisted, position-person matching or candidate searching was seldom used. Most of the companies had abandoned efforts in this regard as they were not considered cost effective. The traditional staffing methods at the individual department, division, or profit-center level were seen as a more viable process. For career-tracking purposes, most companies relied either upon line management involvement or increased personnel staff support, which enabled more interpersonal interaction in career and promotion planning.

Forecasting and Modeling

This area of HRP was given top priority in our investigation, both because of its apparent central nature in human resource management and because of the size and preeminence of the companies visited. The findings are limited and simple to report. Only one firm was using an on-going, computerized, corporate-level demand and supply modeling process. This was described as a simulation tool, which interfaced with the annual departmental "bottom-up" six-year forecast of staffing requirements by job title and pay grade. (This firm was one of the two firms considered to have a comprehensive HRP unit.) The human resource modeling process was integrated into the annual corporate planning process and was considered a major staff responsibility within the operation. Another firm was experimenting with the forecasting of internal supply with the aid of a stochastic model, but it was deemed a "side project" and provided no direct input to top management planning.

Judgmental, "bottom-up" projections were collected up to the corporate level in ten additional firms, but the planning horizon was generally only one year, and rarely beyond two (except in the case of four of the largest firms, where it was five years). Neither personnel managers nor the corporate planners could see any need for a longer planning horizon. Along with total numbers, which were grouped into occupational categories, trainee estimates and affirmative action plans were usually included in the budget-year projections.

It was learned that corporate-level personnel departments had little or no input or control in this bottom-up process. It was almost universally part of the corporate planning cycle, administered by a different department under a different vice-president (usually corporate planning or strategic planning). In no case could this process be construed as linking HRP with strategic planning.

Beyond the issues of planning horizons and numbers projections was that question for which we repeatedly found no answer--What uses were the supervisory manpower estimates being put to by the corporate planning staff and ultimately top management? Aside from a brief, low-priority review by the corporate planning director, it was extremely doubtful that the manpower numbers were even considered in the long-range strategy development. The myth that top management uses these numbers to interactively simulate various human resource cost strategies for five or three years, or even one year, seems a little ludicrous to us. This myth has been perpetuated in the literature for at least the last decade.

Despite the continuing rhetoric in the personnel management literature, quantitative human resource forecasting, we believe, continues to be of low priority and interest to the key strategy and tactical planners. Furthermore, we see no evidence based on our extensive interviews that this situation will change in the near future. This conclusion does not encompass two other forecasting areas that will be discussed later in this paper--corporate-level environmental scanning, and key management succession or continuity planning.

None of commonly editorialized techniques of demand and supply projections were being utilized for corporate-wide analysis by firms in our sample (other than the one firm noted earlier). There is the possibility, of course, that these methodologies are being used at the division level, but we found no evidence of this in interviews with representatives from four divisions. A representative list of manpower forecasting techniques would include:

1. Markov/stochastic processes
2. Renewal models
3. Optimization models
 - a) linear programming
 - b) nonlinear programming
 - c) dynamic programming
4. Goal programming
5. Assignment models
6. Time series
7. Regression analysis

8. Computer simulations and multiple scenarios

9. Delphi

Most of the firms had attempted and implemented "top-down," aggregate demand and supply forecasting in the past fifteen to twenty years, but had subsequently abandoned this practice for lack of top management interest or apparent need. Following are two examples of the history of forecasting in the past two decades; they are illustrative of our findings:

A major manufacturer made a seven-year projection in 1960 of company-wide managerial staffing requirements based on a market forecast of sales for that period. In 1967, a projection was made for the following three-year period. A "bottom-up" supervisory estimate was also tabulated annually for the ten-year period and the two projection results (top-down and bottom-up) were compared, and appropriate adjustments made. Upon visiting this company again in 1980, it was impossible to find anyone who even knew anything about the previous forecasting program. It was later learned that these managerial manpower projections had been cancelled in the late sixties as being a superfluous paper exercise.

In 1962, another firm prepared a ten-year projection of managerial and professional staffing needs based mainly on sales. The corporate personnel department

collaborated with each division's president and staff to provide human resource plans for future plant expansions. The firm expanded far beyond the market projections during the decade of the sixties. As a result, the aggregate manpower projections were grossly incorrect, and manpower forecasting beyond one year was terminated.

Remarkably similar histories were uncovered in at least four other firms in our investigation.

Noteworthy was one major corporate headquarter's effort to provide the firm's operating divisions with access to a goal programming model. The model was developed by the operations research staff under the direction of the manager of human resource planning. It represented an excellent effort to provide a valid mathematical device which would project the effects of numerous factors on future staffing requirements and hiring policies for up to fifteen years. Three types of goals were addressed in the model: budget, affirmative action, and promotability. The output presented the best possible solution (or the one with the lowest aggregate total deviations) under the chosen constraints, and included manpower levels, hiring levels, promotions, EEO goal comparisons, promotability goal comparisons, and budget goal comparisons. Although the model was perceived as an effective, multiple-scenario contingency planning tool for division management, little interest was shown in the model. A computerized simulation model was also developed to aid in five-year decision making on staffing levels and promotability

alternatives. It was possible to interface this model with one-year projections to obtain five-year overviews of such areas as recruitment, promotion, training, and development. In accordance with the basic trend traced throughout the course of our investigation, there was again only nominal interest in this activity.

The majority of the managers we interviewed felt that long-range (beyond one year), top-down human resource forecasting probably reached its apex several years ago and may now no longer be a priority in, or even an element of, human resource management in the private sector.

Management Succession Planning

The one activity that was found to be pervasive and well-accepted in all twenty firms was managerial replacement, succession, or continuity planning. This concept has been discussed in the literature for well over fifteen years (Mahler and Wrightnour, 1978; Monroe, 1963; Ostrowski, 1968; Walker and Armes, 1979; Walker, 1980). We learned from our interviews that a significant percentage of human resource management time was spent in planning for, and developing, future managerial talent; furthermore, that the range of managerial personnel covered under succession planning was, except for one large firm, limited to a few top-level groups. These groups generally represented less than the top ten percent of all managerial personnel. A planning horizon of up to five years was common.

Extensive and detailed review meetings by management development and succession committees at the corporate level were considered a top priority, and were given full support by all top managements in our

investigation. This process had been adequately integrated into each company's strategic business planning system (which included organizational planning). This was the only area of HRP (as noted in the next section) that had a proven record of success in achieving the contemporary "linking" concept with strategic business planning.

This activity could be construed by an outsider as tending toward elitism, but the potential advantages are fairly apparent. The activity includes choosing a planning horizon, identifying replacement candidates for each key position, establishing promotability readiness, appraising performance, identifying development needs, integrating individual career goals with company goals, and doing all of this while spanning and monitoring the five-year business plan. The bottom-line mission, of course, is to assure availability of top executive talent for the future.

Even though some firms had abandoned all other HRP practices, they still promoted traditional managerial replacement planning. In a few instances, divisions had rejected the replacement concept because of a perceived lack of flexibility in line managerial decision making. For the same reason, another popular concept of the past decade, career pathing (except at the individual level and often informally), was not used by a number of firms.

HRP Integration with Strategic Business Planning

A central theme of our interviews and, indeed, an important purpose of the investigation was to ascertain the state-of-the-art in the formal and informal integration of HRP and strategic business planning. Several

relevant questions were asked, such as: How is HRP coordinated with the company's strategic planning calendar? Do human resource managers have any input at the early stages of alternative strategy formulation? Is there any type of formal human resource impact statement, planning guide, or "situational analysis" of strategic issues developed for proactive input into business strategy decisions? What is the extent of HRP input into the planning of the following: new venture, plant site selection, expansion, diversification, acquisition, divestiture, or contraction?

Only five of the firms had well-integrated systems, and just three of the four seemed to have any significant, early-stage human resource input into the selection of company business strategies. These three firms are extremely large, and currently control massive markets. Therefore, it is doubtful that any substantive inroads by human resource management into vital, long-range business planning have generally occurred in the private sector. In fact, after exhaustive in-depth probing, our investigation showed negligible amounts of interaction between personnel staffs and strategic planning committees and/or staffs. Rarely, in terms of human resource implications, was a personnel department ever asked to review new plant sites or other expansion facilities. The reactive, fire-fighting role of personnel still persists in most of the companies we visited. Recent surveys of strategic planning activities in U.S. firms (Ang and Chua, 1979; Godiwalla, Meinhart, and Warde, 1979; Kudla, 1978) tend to corroborate this conclusion.

In 1979, a comprehensive survey of the corporate planner and planning function was conducted by Stuart Matlins Associates, Inc. (1979)

with assistance from the North American Society of Corporate Planners, Inc. The survey was sent to approximately 300 of the largest companies in the U.S. that had a formal corporate planning function. The twenty largest Fortune industrials were excluded on the basis of disproportionate size. The report identified those corporate functions that reported directly to the chief corporate planner. None of the almost 200 top companies that responded to the survey reported communications between the chief corporate planner and the personnel/human resource management function.

We found in our interviews with company strategic planning VP's and/or directors that planning staffs typically had one person who reviewed a limited number of human resource forecasts once a year. Indeed, a 1979 survey of 334 major corporations by Deutsch, Shea & Evans, Inc. (1979) indicated that only four percent of the 334 respondents to the survey even projected their human resource needs for over a five-year period, and 42 percent of the firms projected their human resource needs for only one year or less. Aside from this specific planning activity, only a modicum of attention and review is usually given to human resource numbers.

We also found that a few firms had established high-status planning and control staffs for environmental scanning and surveillance of key strategic issues that impacted on human resources and thus on the contingency planning of the company.

In a 1980 update of the earlier survey by Stuart Matlins Associates, Inc. (1980), the human resource function was again not listed as reporting to the chief planner, despite the fact that there were additions of a

broad range of other functions including legislative analysis, federal government affairs, and corporate communications.

DISCUSSION AND CONCLUSIONS

This investigation sought to identify the determinants of effective HRP organization and practice in twenty companies of different sizes, industry associations, and environments. In this regard, we concur with the critical assessment of HRP by Craft (1980), who argues that an inadequate theoretical framework has been built for specifying and understanding the concepts of corporate HRP. After discovering such a dearth of HRP implementation and sophistication among the companies we visited, it may seem presumptuous on our part to attempt to identify a few of these determinants. We found, however, that size and market concentration do not seem to be relevant factors in the level of sophistication of human resource forecasting, management succession planning and development, and career planning. Size does seem to be positively related to the level and amount of coordination and integration of HRP and business planning.

After encountering a great deal of negativism from practitioners concerning the assumptions inherent in traditional, top-down, statistical forecasting, we tend to question the viability of this approach. Human resource projections, of course, are only one part of HRP, but beyond that, it is a fantasy in our opinion to believe that HRP ever was a systematic (rational) process in business decision making. Many of the HRP concepts in the literature that related to the private sector have stemmed from human resource scheduling programs developed in

the aerospace industry. Because of a reliance on government contracts, aerospace companies were forced to develop detailed, long-range staffing and occupational-mix plans as part of the contract proposal process. These HRP techniques were deemed by many to be transferable and even generalizable to all of business.

Regarding the linking of HRP and strategic business planning, there again exists great incredulousness on the need for formal integration processes. Most practitioners indicate that integration may be necessary only in times of rapid expansion or contraction, diversification, acquisition, divestiture, or various corporate "crisis" contingencies. It is presumed that HRP will help alleviate or avert "crisis" conditions, but after fifteen or more years of intellectual bantering on the subject, it is apparent that top management gives little more than lip service to the subject.

The "new wave" in HRP that does have a real possibility of formally integrating HRP and business planning concentrates around two inter-related areas, strategic issue management (Ansoff, 1980; Brown, 1979; Charan and Freeman, 1980) and environmental scanning practice (Brown, 1979; Klein and Newman, 1980; Smith and Druzic, 1976; Starling, 1980; Thomas, 1980). Simmons (1979) relates a brief history of this in general corporate planning:

Traditionally, the role of the corporate planner has been to project business trends, primarily on the basis of historical data. This perspective on the future performance of a business has become hopelessly short with the tremendous growth in communication techniques, public information technology and the effects on a company's operating environment of the social unrest of the 1960s. Planners have

had to adjust their sights to focus on external forces; thus, the twin disciplines of trend analysis and issue management came into being. Initiated in the '60s, these studies didn't begin to affect business operating policy until the early '70s. Unfortunately, when the planners began to cry "wolf" in the late '60s, "wolf" was not exactly the right cry and management was not ready to listen. Very few planners translated the impact of social and economic trends into action plans and even fewer could convince management to do so until the '70s. (p. 16)

Issue management is rapidly becoming recognized as the central theme of human resource management in the '80s. English (1980) sees that the "two critical objectives [for human resource managers] are to simultaneously optimize human resources and minimize liabilities stemming from social legislation" (p. 39). AT&T has recently released documents describing the activities of their "corporate planning emergency issues group" (American Telephone & Telegraph Co., 1980). Human resource issues play a major role in AT&T's annual cycle of "Forecasts and Assumptions."

The two other leading developments in HRP that should be mentioned are electronically automated management succession planning, and a new generation of packaged computerized analytical tools. Automated succession planning has been highly successful for a major New York-based corporation included in our investigation. Automated succession planning enables, among other things, the simulation of projected organizational charts, career pathing, mobility analysis (including projection of blocked-progression lines), identification of surplus or shortage conditions relating to a particular position, as well as replacement planning. Representative of another leading development is Comshare's revolutionary HRP computer package (Frantzreb, 1980).

One interpretation by Nkomo (1980) of the history of HRP postulates and outlines three stages of U.S. business practices. Nkomo concludes that "It was the cumulative impact of governmental, economic, socio-cultural, and demographic changes that played a large part in the end of 'manpower planning' and the emergence of the third stage--one that will . . . focus attention on strategic human resources planning" (Nkomo, 1980: 72).

Our findings concur with the notion that personnel management does seem to be moving into this "stage three" posture. This posture goes beyond employment planning; it is marked by environmental scanning practices, issue management and, ultimately, infusion into corporate strategy and tactics. It is interesting that formal business planning systems have gone through a similar evolution; from Phase I, basic financial planning, to Phase II, forecast-based planning, to Phase III, externally-oriented planning, and finally to Phase IV, which encompasses strategic management and orchestration of resources to create competitive advantage (Gluck, Kaufman, and Walleck, 1980).

The promise of increased visibility in strategic business planning is a strong career motivation for a personnel manager. This may explain some of the resurgence of interest in human resource planning practices. But, to reiterate, at this point it seems that no significant integration between human resource planning and strategic business planning has occurred on a wide scale.

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