Chapter XIII

Strategic Human Resource Forecasting for an Internal Labor Market*

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ABSTRACT

Every organization needs a staff appropriate for its tasks in order to accomplish its business objectives, both now and in the future. To gain insight in the quality and number of staff needed in the future, human resource forecasting models are being used. This chapter addresses the design of a simulation model for human resources forecasting, which is being developed for the Chief of Naval Personnel at the Royal Netherlands Navy. The aim is to provide their Director of Naval Manpower Planning with tools that give insight into the effects of strategic decisions on personnel build-up, and the effects of changes in personnel on reaching the organization’s business objectives. This chapter introduces the major aspects of human resource forecasting. After that, the kinds of models that have been developed so far are presented, together with their merits and shortcomings. It is shown that a new way to investigate the future needs of manpower in an organization might be more effective than the current practice. The new models rely heavily on the use of simulation, and actually try to imitate the internal labor market and the external influences.

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INTRODUCTION

Nowadays organizations operate in ever-changing environments. The impact of new technology, changing demands of customers, political factors and many others lead to organizations that have to transform their products, services and internal processes on a continuous basis. These changing policies imply new ways of working, new job contents and other qualifications needed to carry out the organization’s functions (Pettigrew & Whipp, 1991; Tyson, 1997). For an organization to survive in these dynamic circumstances, a long-term policy is needed. It is striking that when most organizations develop their long-term policy, they just focus on the products or services. Almost no attention is given to implications for the workforce or the allocation of employees to future tasks in the organization. When the new policy has already been carried out, many problems arise with staffing the new function structure with qualified employees.

The question is whether an organization that tries to implement a new policy has the right workforce to be able to support and sustain that policy (Batstone, Courlay, Levie & Moore, 1987; Burack, 1988). Restructuring the workforce takes much more time than implementing changes in technology, strategy, or the organization of work (Schein, 1978; Sluijs & Kluymans, 1996). In other words, having the right number of skilled employees at the right time to carry out the organizational policy is on the critical path. The success of an organization depends heavily on the availability of correctly qualified employees (Evers, Laanen & Sipkens, 1993; Rahman bin Idriis & Eldridge, 1998). According to this, it is of importance for an organization to have insight into the characteristics of its workforce and into the effects of changes in policy on its workforce.

It can therefore be easily seen that there will often be a mismatch between the business strategy executed by an organization on the one hand and lack of support on the other hand because of the organizational infrastructure. In their strategic alignment model Henderson and Venkatraman (1990) refer to the linkage between these factors as the strategic fit. Business strategy refers to business scope, business governance and the distinctive competencies of an organization, whereas organizational infrastructure consists of administrative structure, skills of employees and of processes. To improve the strategic fit more attention has to be drawn to strategic human resource planning methods.

Strategic human resource planning concerns all activities to provide the right number of employees having the right skills at the right moment in time, on the basis of the policy and plans of the organization (Zeffane & Mayo, 1994; Khoong, 1996). Within strategic human resource planning two tasks can be distinguished. First is manpower planning or short term planning, which answers questions about which employees will occupy what functions over the next couple of weeks or months. This chapter is focused on the second task, human resource forecasting. This is defined here as a forecast of the number of people per function group within an organization, their skills, and the time path of their movements between these function groups. These forecasts provide insight into the right quantity and quality of the workforce to carry out the proposed changes in the business strategy.

Over the past few decades, forecasting techniques in the field of human resources can be characterized by the addition of more and more sophisticated
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