Timeframe: 4 hours

Learning outcomes:
- Explore the human resource planning cycle
- Identify and understand the elements of the cycle

Recommended reading:

Section overview:
Human resource management (HRM) focuses on all aspects that relate to the management of work in organisations, as well as the people doing the work. The purpose of this chapter is to give you an idea of what HRM entails and the effect that it has on members of the organisation and all other stakeholders. You do not need to focus on the details of this chapter; as long as you are able to describe the broad essence and value of HRM.

Human Resource Management: An Overview

First-Year Human Resource Management provided you with a background to the basic functions of a Human Resources Unit/Department. You learnt that managing the human resources of an organisation involves much more than hiring and firing people. Human resource management involves developing a workforce for an organisation in such a way that you provide the organisation with a competitive advantage through their human capital.

Human capital refers to an approach of management that reflects the value of employees. The capacities of employees are seen as assets that can be leveraged to the organisation’s advantage. Investopedia (2013) defines human capital as follows:

A measure of the economic value of an employee's skill set. This measure builds on the basic production input of labour measure where all labour is thought to be equal. The concept of human capital recognizes that not all labour is equal and that the quality of employees can be improved by investing in them. The education, experience and abilities of an employee have an economic value for employers and for the economy as a whole.

Simply put, the human capital of an organisation is the skills of its employees. These skills can be improved on through training and development (investment), which will allow employees to become more capable of doing what they were appointed to do or to develop their potential to become more in the organisation. This process must be managed and the management of human capital is referred to as Human Capital Management.
Rouse (2012b) defines Human Capital Management as:

An approach to employee staffing that perceives people as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment.

Clearly, the employees of an organisation are more than just people doing their jobs. Human Capital Management requires that the Human Resource Department be aware of each employee’s activities throughout the Human Resource Management Cycle to allow him/her to identify possible potential in employees to ensure organisational success.

Let us have a look at the HRM cycle. It is represented in Figure 1.

**FIGURE 1: HUMAN RESOURCE CYCLE**

(Adapted from: Rouse, 2012a)

Each element of the HRM cycle will be discussed separately.
Human resource planning

Swanepoel, Erasmus and Schenk (2008: 242) explain that there are different models that can be used to plan the "people factor" in an organisation. Different models may work better for different types of organisations. The most important factor to remember, however, is that there should be a clear link between the organisation’s strategic objectives, the formulated HRM strategies and structures and the human resource plan, as such. This model (Swanepoel, Eramus and Schenk, 2008: 244) is schematically represented in Figure 2.

**FIGURE 2: HUMAN RESOURCE PLANNING MODEL**

**Step 1: Gathering, analysing and forecasting workforce and supply and demand data**
- Phase 1: Forecasting
- Phase 2: Analysing the organisation’s workforce
- Phase 3: Workforce demand forecast
- Phase 4: Budget consideration
- Phase 5: Workforce supply forecast

**Step 2: Establishing objectives and formulating action plans**
- Gain top-management approval
- Workforce objectives and action plans

**Step 3: Implementing and adapting the workforce plan**
- Recruitment
- Training and development
- Productivity analysis
- New technology
- Promotion (succession planning)
- Retrenchments
- Contract labour
- Organisational development

**Step 4: Monitoring and evaluating workforce planning**
Possible criteria:
- Actual staffing levels;
- Established staffing requirements;
- Productivity levels;
- Established goals;
- Actual personnel flow rates;
- Desired rates;
- Programmes implemented;
- Action plans;
- Programme results;
- Expected outcomes;
- Labour and programme costs;
- Budget;
- Ratios of programme results;
- Programme costs.

(Swanepoel, Erasmus and Schenk, 2008: 244)

We will discuss this in more detail in the next section of this study guide.
Recruitment and selection

Within the framework of human capital management (HCM), recruitment and selection takes on a new meaning. Employees are recruited and selected; not only for their current capabilities but also for their future potential. To introduce recruitment and selection, let us have a look at the recruitment and selection cycle (Figure 3):

![FIGURE 3: RECRUITMENT AND SELECTION CYCLE](image)

Recruitment and selection will be discussed in detail in third year of your studies.

Induction and orientation

Once employees have been employed, employers should induct and orientate them. Induction is described as:

[The] first step towards gaining an employee’s commitment, it is aimed at introducing the job and organisation to the recruit and him or her to the organisation. It involves orientation and training of the employee in the organisational culture, and showing how he or she is interconnected to (and interdependent on) everyone else in the organisation.

(businessdictionary.com, 2013a)
Businessdictionary.com (2013b) also defines orientation:

An introductory stage in the process of new employee assimilation and a part of his or her continuous socialization process in an organization. Major objectives of orientation are to:

1. Gain employee commitment;
2. Reduce his or her anxiety;
3. Help him or her understand organization's expectations; and
4. Convey what he or she can expect from the job and the organisation. It is commonly followed by training tailored to specific job positions.

The Induction and Orientation stage is a key element in the HRM cycle. Remember; the induction of an employee is only complete after the employee’s first performance appraisal (which is usually three months after the employee’s start date).

In third-year HRM, we will be discussing induction and orientation in greater detail.

**Job analysis**

A job analysis audit clarifies the strategic importance of each position in the organisation. A job analysis will typically be part of the recruitment and selection process as well (it will be part of the planning process) to assist in the appointment of the right employee. These are more focussed on individual job descriptions than the organisational workforce planning. A job analysis can be conducted before recruitment commences as well, which will assist HR managers to specify the position in detail.

**Training and development**

Training and development initiatives are essential for the development of each employee in the organisation. This is linked to the workforce planning of the organisation. Workplace training and development is planned and usually legislated. Organisations develop training and development plans linked to their strategy to ensure that the workforce fulfils the needs of the organisation. The training and development function in human resource management is usually specialised and requires HR employees to specialise in a specific field like Skills Development Facilitation, Training and Development, and so on.

**Performance appraisal**

Performance appraisals are a function of HR Management, which evaluates whether employees can fulfil the requirements of their positions. The performance appraisal of employees includes the following benefits (Table 1):