

## APPROACH OF CZECH METALLURGICAL ENTERPRISES TO HUMAN RESOURCE PLANNING

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### Abstract

The article deals with outputs from a survey conducted among Czech metallurgical and cooperating enterprises in 2014 on the labor turnover rate and human resource planning. Responses to questions showed both underestimation and, on the other hand, sophisticated systematic approaches taken towards the creation and monitoring of human resource plans, which other companies can learn from.

**Keywords:** Human resources, planning, demand-forecasting methods

### 1. INTRODUCTION

The ever-increasing dynamics of political and economic changes acting as major external factors lead (to the dislike of many companies, both in the Czech Republic and abroad) to medium and especially long-term planning instruments of human resources. However, most enterprises are well aware that planning is and always will be a fundamental managerial function and due to that fact that, human resources are considered a major source of competitiveness. Therefore, having a human resource plan in place and attracting the right people is a fundamental managerial activity of any enterprise. The extent and direction of human resource management plans always depends on the specifics of each enterprise, including the type of the required workforce, its availability, industry dynamics and the related changes in technology. [1] For example, the metallurgical industry was greatly affected by the recent global economic depression and since then it tends to resolve fluctuations in sales through agency employees. The article authors conducted a survey in 2014 among Moravian metallurgical and cooperating companies, the aim of which was to find out what attention these enterprises paid to the movement and planning of their workforce. This article aims to introduce outputs of the investigation and to draw recommendations from the responses that can be used by other companies.

### 2. HUMAN RESOURCE PLANNING

According to Armstrong [2], human resource planning combines three basic activities: hiring the right number of people with satisfactory skills, appropriately motivating them to perform and creating links between corporate goals and planning. It deals with ensuring that the enterprise has the required number of employees at the right time at a reasonable cost, with the required knowledge, skills and experiences. It is a systematic, continuous search for harmony between objectives, vision and strategy of the enterprise and the reality of the labor market. [3]

Human resource planning is a process that is based on the identification (forecasting) and comparing of current and future human resource needs. An important part of HR planning is the optimal deployment of staff in internal departments and for individual jobs. Human resource planning strategies traditionally include strategies concerning the recruitment, selection, retention, training and motivation of employees, as well as inspection tools and the management of employee absence and turnover rate.

The aim of planning should be finding and choosing the right people. But even properly selected employees must be educated, trained and developed over the course of time according to the specifications and the

current needs of the enterprise, and at the same time they shall be motivated, because only motivated employees deliver maximum and high quality performance. [2]

HR planning, as well as other business activities are affected - to varying degrees - by external and internal factors.

Internal factors include:

- The necessity to outsource some processes - which means that some employees will be released soon.
- A high fluctuation rate - which often indicates something must be changed in both HRM and related plans.
- The need for new company methods and technologies for implementing work and production - this requires revised plans for training and developing current workers or a plan for recruiting new workers.
- New skills - as mentioned, they also can be needed as a result of the previous factor. Or businesses can look to move into new foreign markets - this would mean planning languages lessons and other forms of employee education. More distribution staff may be needed if the business grows and plans must also consider this fact.
- Employee aging - knowing the age structure can help managers plan for the future and also ensures that the company can fulfil any legislation requirements.
- Workforce profiles - the company needs to update them so that managers can view and monitor the types of employees who work for the business. They usually describe details such as employee qualifications, age, gender, ethnicity and study availability. [4]

External human resource planning factors influence the business from outside its direct control and include:

- Government policies and legislation - ruling parties differ in the approaches they take towards the labor force and each option may have a significant impact on labor-legal standards.
- Labor market competition - As a business plans its workforce needs for the future, so do other businesses within the same industry. There may not be enough skilled employees for each business, so the company may need to offer more money to attract the right staff; however, it needs to properly manage its funds in order to make a profit.
- The changing nature of work - Trends such as flexible working hours, working from home, part-time jobs and a healthier working environment are now common for the workplace.
- The supply of labor - What are the trends within the area the business is operating? Are there any particular trends in that area?
- Labor costs - The cost of labor, as a percentage of the other costs within a business, will depend on whether the business is capital or labor intensive, as well as the extent to which the skills needed by that organization are available and accessible.
- The impact of automation - This addresses the changes in technology over time and how this affects organizations - such as the internet and email, no need for phone operators, customers entering their own details into an online database.[5]
- The demand for products and services - A business may have to alter or change its HR requirements or staff levels based on the natural changes that occur in the demand for goods or services.[6]

### **3. SURVEY AMONG ENTERPRISES**

#### **3.1 Survey methodology**

In the period from September to November 2014, the authors sent questionnaires to contact representatives in the HR departments of 11 Czech metallurgical enterprises. The questionnaire consisted of 17 questions; the first two identified the company and the number and structure of employees, four questions inquired about the company's labor turnover rate, five questions were dedicated to the specifically-used staffing plans and

methods and other questions were directed at monitoring the external and internal factors of human resource planning. Following telephone and email consultations, 100% of the questionnaires that were sent out were.

### **3.2 Inquiry outputs**

Seven enterprises that participated in the survey employ 200-600 employees each (hereinafter referred to as medium enterprises) and 4 enterprises employ more than 1,000 employees each. Inquiries regarding the labor turnover indicated that all enterprises monitored its level. Two medium-sized enterprises reported a labor turnover of below 1 %, 6 enterprises reported a labor turnover level of 4-10 % and 3 enterprises had a turnover level higher than 10 %, while the other two levels of labor turnover applied to both enterprise sizes. Only one company reported a slightly increasing labor turnover level, while others reported stable or even declining labor turnover levels. Enterprises in which the annual labor turnover did not even reach one per cent did not monitor their individual components; other enterprises monitored the individual components.

In all enterprises, the employees (mostly heads) of HR departments are responsible for preparing the staffing plan and are responsible for collecting all data from other departments within the enterprise.

All enterprises generate plans regarding needs of recruitment for new employees, employee compensation plans and employee training plans. At the same time, eight companies create succession plans for managerial/specialized positions and five enterprises also create plans for the career growth of their employees, retirement plans and employee layoffs, plans of caring for workers, occupational safety plans and plans concerning daily tasks and staff scheduling.

For the longest periods, succession plans for managerial/specialized positions are prepared for periods longer than one year. Most of the remaining plans are defined for a period of 6-12 months.

Medium-sized enterprises use rather intuitive methods in order to estimate their labor needs, whereas larger enterprises take into account their high number of employees and they use quantitative methods that typically reflects the respective company's production plan.

Regarding the assignment of the significance of external factors on human resource planning, the highest average ratings (on a scale of 1-10, with 10 being of the highest significance) were reported with the following factors: legislation (8.8), the qualification levels of labor in the labor market (8) and the HR policy of competitors (7). Lower values of significance (4-6) were reported with regard to Czech and EU policies, unemployment, infrastructure in the area around the enterprise and the inflation rate. Two enterprises did not differentiate between individual factors and assigned the same significance to them.

As for internal factors, the enterprises rated corporate finance (9.6), professional qualification of employees (8.6) and labor turnover (7.6) as the most important ones. On the other hand Corporate Social Responsibility (4.8) and corporate culture (5.8) were rated the least important.

### **3.3 Evaluation of outcomes of the questionnaire and recommendations**

The survey conducted among the selected companies indicated mostly positive (but also some negative) information about their approach towards monitoring and human resource planning. The positive and inspiring outputs include:

- 1) All enterprises monitor their labor turnover rate.
- 2) More than half of the enterprises achieved a labor turnover rate between 4 and 10%, which is the recommended, healthy labor turnover rate.
- 3) All of the survey's enterprises create basic human resource management plans: plans concerning the need for recruitment of new employees, employee compensation plans and plans providing for the education of employees; two-thirds of the enterprises prepare succession plans for managerial/specialized positions.

- 4) Most of the enterprises monitor their human resource planning and take into account external factors in human resource planning, namely legislation and the qualification structure of the labor market. In particular, professional qualification is the weakest point in the metallurgical industry; therefore, the recognition of this external factor by eight enterprises is very responsible and encouraging for the industry.

On the other hand, with some of the other outputs of the survey, the following recommendations can be made:

- 1) In one-third of enterprises, the labor turnover rate exceeds the 10% threshold. In spite of the fact that this is quite common in Czech enterprises, it is important to realize that the high labor turnover in addition to increased costs of recruiting a new employee also mean an increase in the costs for the acquisition, adaptation period and training of new employees.
- 2) Just over one-half of the enterprises prepare career growth plans, which is due to a lack of qualified, specialized metallurgical positions; this is not a good strategy and these plans should be included in their planning activities. An employee who is a part of a career promotion plan is more motivated, trained and above all loyal to his/her employer. This usually concerns key employees whose loss would be hard for the enterprise; finding a reasonable replacement would surely be very costly.
- 3) In medium-sized enterprises, intuitive methods to estimate workforce needs predominate. These methods are acceptable in small businesses, but in cities and locations where it is necessary to plan hundreds of jobs, it is more efficient to use quantitative planning methods that are based on corporate empirical data.
- 4) Most enterprises still underestimate the importance of corporate culture and corporate social responsibility, which is reflected in less than half the number of companies that have plans regarding caring for their employees.

#### **4. CONCLUSION**

Effective human resource management is based on careful planning, organizing, managing and monitoring human resources. Planning is the starting point for other managerial functions. Ignoring any part of the long-term strategies is big mistake. [7] This may result, among other things, in creating dissatisfied key employees who will leave as a result of the absence of career growth plans or employee deployment plans. If these employees leave, it is very difficult for enterprises and it takes them a long time to find a suitable replacement. All enterprises must pay attention to the labor turnover rate of their employees and its components, because it is an indicator of employee satisfaction and is an important basis for many staffing plans. Czech metallurgical enterprises have long been struggling with a shortage of skilled labor, and therefore should not underestimate planning for the education of their employees, career development and succession for key specialist or managerial positions. Only systematically planned and implemented training, motivation and corporate care can help employers to achieve stabilization and develop key state enterprise employees. Most of the surveyed enterprises pay due attention to staffing plans, nevertheless the authors emphasize those occasional deficient areas that can be used as a source of learning for these enterprises, which can then integrate them into their future management strategies.

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