Chapter 19

Strategic Human Resource Allocation for an Internal Labor Market: A Human Resource Forecasting Model for the Royal Netherlands Navy [1]

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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 into 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, Royal Netherlands Navy. The aim is to provide the Director of Naval Manpower Planning with tools that give insight into the effects of strategic decisions on personnel buildup, and the effects of changes in personnel on reaching the organization's business objectives.

WHY HUMAN RESOURCE PLANNING?

Nowadays organizations operate in ever-changing environments. The impact of new technology, changing demands of customers, political factors and many others lead to organizations transforming their products, their services, and their internal processes. 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). For an organization to survive in these turbulent 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. The question is whether the organization has the right workforce to be able to implement the new policy (Batstone, Courlay, Levie & Moore, 1987; Schein, 1978). Restructuring the workforce takes much more time than implementing changes in, for instance, technology, strategy, or the organization of work (Schein, 1978). 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 (Rahman bin Idris & 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.

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). This article is specifically focused on the human resource forecasting part. This is defined here as to forecast the number of people per function group within an organization, their skills, and the time path of their movements between these groups.

MANPOWER FORECASTING AT THE ROYAL NETHERLANDS NAVY

The Royal Netherlands Navy has an internal labor market. A description of an internal labor market is "fixed ports of entry, internal promotions as main way of filling vacancies and normatively [sic] established procedures for hiring, firing and promoting" (Rosenbaum, 1984). Another characteristic is that movement up in the organization is associated with a progressive development of knowledge and skills (Althauser & van Veen, 1995). Mostly these skills are only useful within that specific organization. Therefore the organization focuses on continuing the contract of employment (Glebbeek, 1993). Thus, an important effect of an internal labor market is the importance of long-term career possibilities for the employees.

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