

## MANPOWER PLANNING AT ALFA MANAGEMENT CONSULTANCY

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### ABSTRACT

Manoj Tippu , CHRO and Mahesh Team Lead – Manpower of Alfa Management Consultancy had to present to the CEO and Finance Head a budget so that he would be able to implement a lot of new HR activities which would be in line with the HR strategy of the company. Attempts have been made in the past to draw up a manpower plan, but, it had failed miserably . Manpower planning was done in an adhoc manner and there was no formal manpower planning process in place and hence, it was difficult for the HR team to predict the hiring numbers. There has been also no tradition of budgeting and planning by various departments. This activity was soon becoming a herculean task as the number of verticals and manpower strength increased.

### Disclaimer

The case was prepared by Dr. Sharon Pande and two of the MBA students solely for the purpose of class discussion. This case is not intended to serve as endorsement , sources of primary data or illustration of effective or ineffective management

**KEYWORDS:** Manpower Planning , Scenario Planning , Human Resources, Manpower Planning at Alfa Management Consultancy

### INTRODUCTION

It was the morning of August 19<sup>th</sup>, 2011. Manoj woke up early at 5:30 am. After a quick cup of coffee he started flipping through the stack of documents that he had received from the HR department of his company i.e. Alfa Management Consultancy. The document was the proposed budget of the HR team which he had to present later in the day. Manoj hoped that this budget would get approved as that way he would be able to implement a lot of HR activities which would be in line with the HR strategy of the company. After a quick breakfast and a review he was on his way to his office.

### Alfa Consulting

Alfa consulting had a humble beginning in 2007 with strength of 10 people. Mr. Srinivas had started his career in 1995 as a Management Trainee in a MNC Bank at Mumbai and was now the CEO of Alfa Management Consultancy . After working there for 5 years he moved to a manufacturing firm where he worked in the finance department for 7 years. He had a deep interest in consulting too. After his post-graduation from Leeds University and a little bit of experience in

the U. K in a startup management consultancy firm, he started Alfa Management Consultancy on July 1st, 2007. The initial workforce was of only ten employees. In the early days, due to his strong networking skills, Srinivas could easily get projects from his existing clients for making a head start. In the initial days all the clients were from BFSI sector. The operations have grown many folds since the last couple of years and now the consultancy has branched into two more sectors 'Telecom & Communications' and 'Manufacturing' verticals.

The current organization structure is shown in the Exhibit 1. Exhibit 2 shows the hierarchy in each SBU. Exhibit 3 shows the level wise strength of employees in each SBU.

### **Management Consulting**

With the rise of management as a field of study, management consultancy also came into place. The first consultancy firm to be ever formed was by Arthur D Little. The first wave of consultancy comprised of providing services in the areas of finance, strategy and organization structure. Various business schools developed tools and approaches in order to assist consultants in the areas of strategic management.

In the second wave of growth, accounting firms entered into the foray providing services in both strategy and information sectors. There was stagnation in the industry during 2001-2002. But it has again regained its charm in 2006-07.

Consultants generally provide services in 8 different task categories. Consultants can function as bridges for information and knowledge and external consultants can provide bridging this economically than client firms themselves. External consultants provide information to clients in a more efficient way than the client firms themselves. Also consultants come with a wide range of experiences and hence can look at the problem presented to them from different angles and perspectives. Consultants generally are employed in tasks that would generally involve high coordination costs for clients.

The approaches taken by the consultants could be either that of an expert or that of a facilitator. In case of expert, the consultant has fewer interactions with the clients while in case of a facilitator the consultants spend a lot of time collaborating with the clients. A facilitator approach is also known as "Process Consulting."

A lot of consulting firms follow the axis approach where the first axis describes the business function such as strategy, operations, leadership etc. The second axis is industry based such as BFSI, life sciences, media and entertainment etc.

Consultants generally charge on time and material basis i.e. is billing clients on the number of hours put in work plus travelling expenses. These days most companies take a hybrid approach which comprises of both number of hours and also results based pricing.

### **Life at Alfa**

Srinivas, from the very beginning believed in an informal and open culture in the organization. The hierarchy is quite flat as well. Whenever any new project comes or new resource requirements arise, any one from the company can apply irrespective of the business unit and a fair interview process would be conducted in order to gauge the person's fit for the job. A person can be mentored by anyone in the organization.

Cross rotations happen in two cases. One, when an employee requests for it. The SBU which is assimilating him bears the cost of training and development of the employee. Second, it could also happen when an employee eligible for promotion does not get one due to lack of vacancy. Then the person could be moved to another vertical. In this case the HR department bears the cross rotation training and development cost of the employee too.

The communication channels are generally transparent, but , of late there have been issues between finance and other departments due to conflicting goals.

### **Recruitment**

They do not have a manpower planning process in place ,various departments give their vacancy figures two months in advance and HR department then commences sourcing for candidates externally (after exhausting the internal recruitment choices). Manpower planning was done in an adhoc manner too. Before this, all through the year the HR team engages with various line managers and staff to get updates on various job descriptions and engages in a review on how market trends are changing and where the talent pool is available.

The hit ratio of recruitment process decreases when moving towards various stages. So, finally the ratio of number of CVs solicited to number of people joining the company hovers around 1:12 to 1:13, at time it could reach 1: 22 too making recruitment a cumbersome job. Refer to Exhibits 4 and 5 for recruitment pyramid and recruitment costs.

### **Training & Development**

Most of the new hires start as consultants and then move up the career ladder. Every month there is a thorough orientation and induction program for new recruits. The training lasts for 3 weeks and then for a week the candidate is assigned to different departments on rotational basis to have an overview of how different units work.

The training was a mix of classroom learning, role play and exercises. On most occasions the external faculty is arranged for some of the modules. Srinivas believes that though “conducting these activities as a part of induction training is an expensive affair; however such initiatives will actually show up in enhancing employee engagement scores leading to greater business results”. The HR department has been managing this quite well over the past 3 years.

Apart from this, training is also conducted for people who are selected for cross rotation to another Business Unit. This lasts for 2 weeks and it is completely technical and mostly done by in house faculty. The induction and cross rotation training costs are given in the Exhibits 6 &7.

### **Budget Standardization**

Alfa is a 4 year old company and till now there has been no tradition of budgeting and planning by various departments. Broad goals were set and each activity was financed accordingly as and when the need arose. Satish Kumar, the CFO monitored costs and used his discretion to decide whether to sanction the budget for a particular activity or not. The model worked fine when the company had only one vertical.

Later the operations grew and the number of teams increased. The company’s strength increased multifold since its inception and last year there were complaints that many of the initiatives by the company could not be implemented as there was a delay in the sanctioning. In turn, the finance department complained hat the budget they sanctioned for some of the activities was not utilized properly and lot of their time goes in scrutinizing these activities.

Srinivas had also received a lot of complaints on the autocracy of the finance department and was completely put off with lack of harmony in the organization. So, he had decided, that beginning this year minimum budget would be sanctioned to various departments and later on if more initiatives were introduced, they can get additional sanctions for the budget.

However Satish Kumar, the CFO of Alfa was not very comfortable with this move. He felt that the CEO was completely misinformed about the situation by various departments. He justified that it is the responsibility of the finance department to control the resource spending in a judicious manner. But nonetheless the decision to standardize the budgeting process had been finalized.

The HR team was planning to put a proposal for a yearly budget sanction on recruitment, induction and training. Other subfunctions a formal proposal was not required in the organization and could be obtained on a need basis. Manoj Tippu, the CHRO knew convincing Satish was going to be an herculean task and hence, he decided that the entire proposal would be based on hardcore statistical analysis and application of specific HR models so that there was little room left for the CFO i.e. Satish to raise any queries and would thereby obtain the sanction without much persuasion.

### **The Big Problem: Attrition**

Due to rebounding markets, there were plenty of opportunities for consultants outside the firm. Many of the firm's ex employees had started their own businesses or joined the fortune 50 companies to head big businesses.

The BFSI sector is an ever evolving sector with new requirements and a lot of scope for growth. Today if a project contains 2 modules with 5 consultants in each, by next year it can become 3 or 4 modules with 5 consultants each. This is the biggest SBU and has been a pioneer in setting new standards for the company. Manufacturing SBU was growing comparatively at a lesser rate and the consultancy projects were also less in number. People in this SBU generally looked for projects in other SBUs for enhancing their experience. Telecom SBU was the fastest growing in the company and it has got many top telecom companies as its clients.

### **Manoj's Foresight**

Manoj an MBA specializing in Human Resources from with around 13 years of rich HR experience. He has an eye for detail. He is quite analytical, quick in taking decisions, but, had frequently got into conflicts with Satish on many occasions because of the firm's internal policies. Like other firms, Alfa too faces manpower shortage. In order to meet the clients' expectations and be customer centric the firm needs the right person at the right time at right place.

Since the HR department is very efficient especially in training and development , it has always come up with some initiative or the other. As there was a tradition of micro managing by Satish, there was a high amount of friction between HR and Finance departments. Manoj spent a lot of his time justifying to the finance function the HR's budget proposals.

Manoj was not content with just the HR function performing without glitches, he always felt that his department could not cull out the desired reports in a jiffy. Many a times the management would ask for a certain type of report and it would take hours to create the report and not always are the reports error free. He always felt that in order to gain a competitive advantage in the market, applying HR analytics should be a pre requisite. After a month long of interviews and

meeting 14 candidates, he decided to hire Priya R., M.A. Statistics graduate from Mumbai University. She did seem to have the drive, analytical bent of mind and also possessed leadership qualities to some extent.

The next day after his discussion with Srinivas, he called Priya and decided to give her a first assignment on scenario and manpower planning and asked her to first design a manpower planning form and then do a trend analysis of historic data and forecast the SBU wise growth rate of company, expected attrition rate, success rate of the project bid. He gave her 5 days to come up with desired numbers and assured his full cooperation during this process. Priya got a chance to meet various SBU Heads and Project Managers. Manoj had helped her in getting appointments with senior managers and also with the collection data. Priya finally managed to analyze the data and came up with some interesting figures (Refer Exhibit 8).

Manoj then set up a meeting with Priya and the manpower planning team to discuss how these results were obtained. After the team had got its doubts clarified he assigned them an important task of forecasting Alfa's manpower requirement for the year 2012. The manpower planning team was instructed to use these figures and determine the budget for recruitment, training related to cross rotation and induction of new employees. Mahesh, the lead of manpower team was responsible in getting this job done.

### **Forecasting the Future Requirements**

There is a lot of literature available on scenario planning (Annexure 1) and manpower planning in various journals and Mahesh had attended many seminars and conferences related to this. He remembered the famous technique of Markov Analysis and was seriously thinking whether this could be applied to the company's present scenario. However, the scenario doesn't look simple and he had to take lot of other factors into consideration. There were different requirements for different SBUs with each having its own growth, attrition and project bid success rates. Cross rotations were quite common in the company. Sometimes due to promotions there might be an excess of employees available at a particular position. In such cases eligible employees are given an option of horizontal movement to other SBUs or functions.

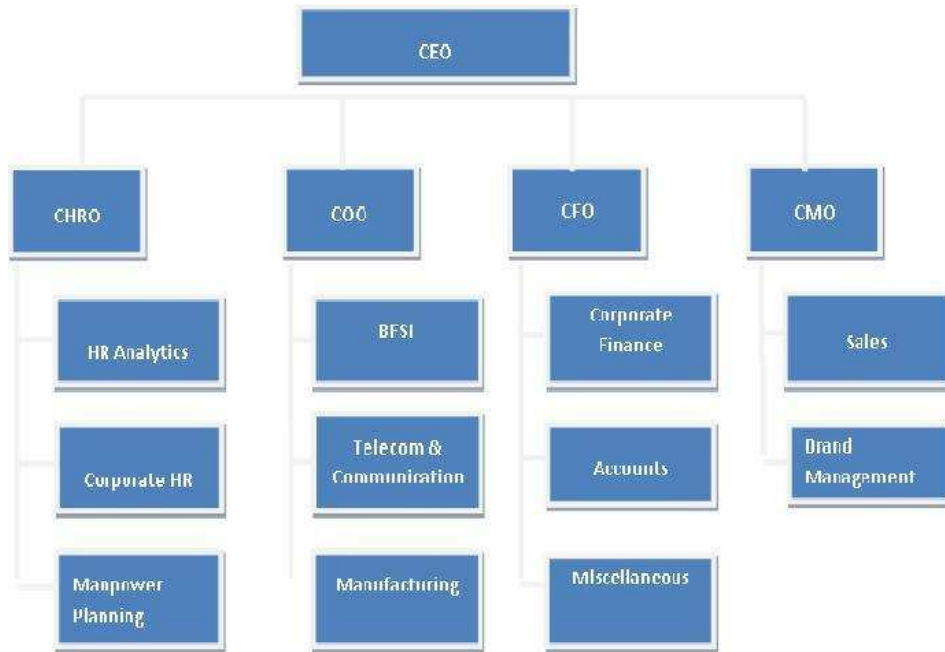
The recruitment is centralized and the final vacancy figures are obtained after considering all vertical, horizontal and cross rotation movements.

Generally, any new project starts with 1 project manager, 2 module leaders and 10 consultants, unless a very unique requirement arises. This count can vary next year depending on the growth rate. After attrition, promotions and growth rate are considered the final vacancies are calculated. Then the cost involved is calculated from the historic data.

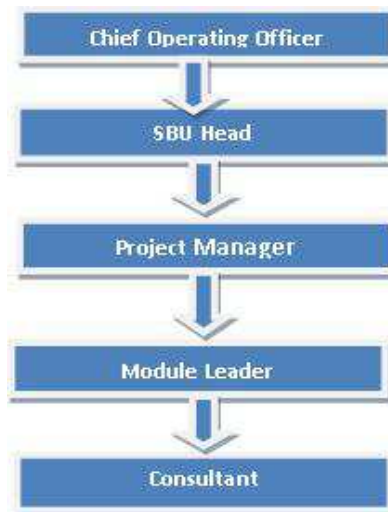
### **Looking Ahead**

With input from Mahesh, Manoj now has the final recruitment numbers and costs in front of him. He is confident that with this data he would be able to get a sanction on his budget. The meeting was scheduled for the afternoon and Manoj walked into the meeting room armed and confident to face both Srinivas and Satish.

### **Exhibits**



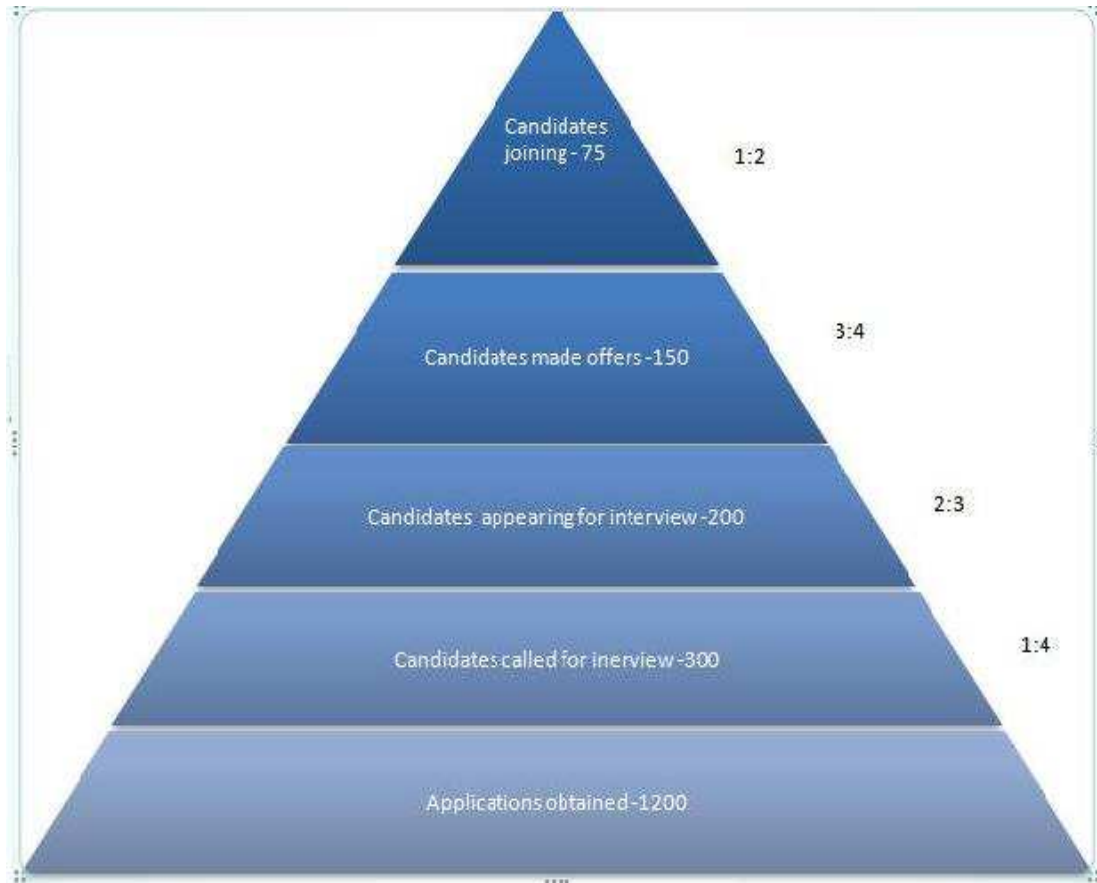
**Exhibit 1: Organization Structure at Alfa**



**Exhibit 2: Internal Structure of Operations**

SBU	SBU Head	Project Managers	Module Leaders	Consultants
BFSI	1	35	70	350
Telecom & Communications	1	25	50	250
Manufacturing	1	15	30	150

**Exhibit 3: Employee Count in Various SBUs**



**Exhibit 4: Hit Ratio at Various Stages Generally Applicable to Alfa**

Stage	Activity	Cost (in Rs)
1	Soliciting Applications and shortlisting	100/application
2	Conducting interviews at a hotel	1000/candidate
3	Back ground check for candidates who are given the offer	2000/candidate
4	Joining formalities (with lunch)	500/candidate

**Exhibit 5: Recruitment Costs**

Item	Cost (in Rs)
Consultant Level	50,000
Module Lead Level	75,000
Project Manager Level	1,00,000

**Exhibit 6: Induction Training Costs**

Item	Cost (in Rs)
Consultant Level	25,000
Module Lead Level	35,000
Project Manager Level	50,000

**Exhibit 7: Cross Rotation Training Costs**

	BFSI	Telecom	Manufacturing
Attrition Rate	30%	35%	15%

Growth Rate (Existing Projects)	20%	15%	10%
Projects Bid	5	5	5
Bidding Success Rate	40%	60%	40%

**Exhibit 8: Outcome of Priya’s Calculations**

**Markov Analysis**

This is a method of demand forecasting in manpower planning where a transition matrix is used to denote number of employees being promoted, demoted (not always), exit and remaining at the same level.

**Example: Transition Matrix**

Next Yr \ This Yr	Level 5	Level 4	Level 3	Level 2	Level 1	Exit
Level 5 (n=12)	0.9 11					0.1 1
Level 4 (n=36)	0.11 4	0.83 30				0.06 2
Level 3 (n=96)		0.11 11	0.66 63	0.08 8		0.15 14
Level 4 n =288			0.1 29	0.72 207	0.02 6	0.16 46
Level 5 N=1440				0.06 86	0.74 1066	0.2 288
Forecasted Supply	15	41	92	301	1072	351

**Exhibit 9: Markov Analysis**

The figures can turn to be negative sometimes and in such case the promotion numbers need to be adjusted. The growth rate, new project requirement etc all would be incorporated once the basic forecasting is done.

**Scenario Planning Method**

Scenario planning is a tool specifically designed to deal with major, uncertain shifts in the firm’s environment. It is not about predicting the future. Rather, it attempts to describe what is possible. The result of a scenario analysis is a group of distinct futures, all of which are plausible. The challenge then is how to deal with each of the possible scenarios.

The scenario development process should include interviews with managers who later will formulate and implement strategies based on the scenario analysis – without their input the scenarios may leave out important details and not lead to action if they do not address issues important to those who will implement the strategy.

Some of the benefits of scenario planning include:

1. Managers are forced to break out of their standard world view, exposing blind spots that might otherwise be overlooked in the generally accepted forecast.
2. Decision-makers are better able to recognize a scenario in its early stages, should it actually be the one that unfolds.



- Managers are better able to understand the source of disagreements that often occur when they are envisioning different scenarios without realizing it.

The Scenario Planning Process

The following outlines the sequence of actions that may constitute the process of scenario planning.

- Specify the scope of the planning and its time frame.
- Develop a clear understanding that will serve as the common departure point for each of the scenarios.
- Identify predetermined elements that are virtually certain to occur and that will be driving forces.
- Identify the critical uncertainties in the environmental variables.
- Identify the more important drivers. One technique for doing so is as follows. Assign each environmental variable two numerical ratings: one rating for its range of variation and another for the strength of its impact on the firm. Multiply these ratings together to arrive at a number that specifies the significance of each environmental factor. For example, consider the extreme case in which a variable had a very large range such that it might be rated a 10 on a scale of 1 to 10 for variation, but in which the variable had very little impact on the firm so that the strength of impact rating would be a 1. Multiplying the two together would yield 10 out of a possible 100, revealing that the variable is not highly critical. After performing this calculation for all of the variables, identify the two having the highest significance.
- Consider a few possible values for each variable, ranging between extremes while avoiding highly improbable values.
- To analyze the interaction between the variables, develop a matrix of scenarios using the two most important variables and their possible values. Each cell in the matrix then represents a single scenario. For easy reference in later discussion it is worthwhile to give each scenario a descriptive name. If there are more than two critical factors, a multidimensional matrix can be created to handle them but would be difficult to visualize beyond 2 or 3 dimensions. Alternatively, factors can be taken in pairs to generate several two-dimensional matrices. A scenario matrix might look something like this:

8. Scenario Matrix

		<b>VARIABLE 1</b>	
		Outcome 1A	Outcome 1B
		↓	↓
<b>V A R I A B L E</b>	Outcome 2 A	-----▶	Scenario 1
	Outcome 2 B	-----▶	Scenario 3
			Scenario 2
			Scenario 4

2			
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One of these scenarios most likely will reflect the mainstream views of the future. The other scenarios will shed light on what else is possible.

9. Quantify the impact of each scenario on the firm, and formulate appropriate strategies.

An additional step might be to assign a probability to each scenario. Opinions differ on whether one should attempt to assign probabilities when there may be little basis for determining them.

Business unit managers may not take scenarios seriously if they deviate too much from their preconceived view of the world. Many will prefer to rely on forecasts and their judgement, even if they realize that they may miss important changes in the firm's environment. To overcome this reluctance to broaden their thinking, it is useful to create "phantom" scenarios that show the adverse results if the firms were to base its decisions on the mainstream view while the reality turned out to be one of the other scenarios

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