Human Resource Plan for Franchise Businesses – Critical Case Analysis of Labour Shortage and Surplus

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Abstract

This paper analyzes how an organization of any size can safely forecast future surplus, shortage, and equilibrium provided with information the organization currently holds. It is that simple. This simple technique will enhance the future forecast of the organization addressing a more straightforward path to prevent labour shortage or surplus. This technique can forecast the equilibrium of the company following the changing trend. Applying these simple steps by following the Human Resources Planning model will enhance future business decision-making and inform the human resources department of the number of new hires an organization will be required to consider in the coming years. Four quantitative and two qualitative techniques applied to forecast the demand for human resources. The HRP model is a powerful forecasting tool for every business and very interesting findings discovered in this report.

Keywords: HR planning, labor shortage, surplus, strategic management

JEL Classification D23, J4, J45, J49

1. Introduction

What is Human Resources Planning (HRP), and why is it strategically important? We will formally address the discretion of four quantitative and two qualitative techniques to forecast the demand for human resources. Furthermore, we will briefly explain four strategies to help guide Franchise owners in forecasting internal human resources supply, including three market conditions to forecast external human resources supply. Following this, we will explain different ways an organization can handle shortages and surpluses of human resources.

So why is this important matter at hand? Strategic planning aims to identify and forecast the "quality and quantity of employees needed and available" for current and future labour forces (Dessler et al.,2020). According to Dessler et al. (2020), HR is instrumental in supporting organizations in balancing out supply and demand to help organizations meet current and future workforce.

Let us begin by defining the meaning of Human resources planning, also known as HRP. Human Resource Planning is a process that forecasts an organization's strategic objectives to ensure the requirements needed. Therefore, HR is instrumental in ensuring employees have the necessary skills based on the job specifications and preparing the organization with the required number of employees to fill different positions. Systematic forecasting analysis of the future supply and demand related to employees' changing work conditions. In other words, diplomacies in developing alternative activities to meet the workforce's needs. A proactive planning process depends on HRP's influences and anticipation of the organization's future forecast. According to Farooq et al. (2021), sustainable operations are essential too while considering the labour shortage and surplus because there are various challenges and solutions evident, especially while employees demonstrate ecological behaviour at sustainable workplace.

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A proactive human resource planning process benefits organizations and managers in achieving strategic goals and objectives in the new hiring process. Providing organizations with the right tools to access the labour market and find suitable personnel. The process consists of future forecasts taking measurable action to deliver outcomes and prevent organizations' labour shortages and surplus. For this reason, HRP gives the organization control of the process and helps reduce labour costs. Stress could be a vital factor affecting the performance of the employees (Haque et al. 2021) which could impact the long-term strategic plans of the organization. Nonetheless, the aging population creates distinctive types of challenges and concerns for the organizations (Nair et al. 2020). Utilizing the knowledge-gem (experienced employees) within the planning and forecasting improve the social and economic outlook (Haque, 2021).

Human resources planning is known for its "key strategic priority" (Dessler et al.,2020) to plan for a future outcome more effectively and efficiently. Therefore, HRP is not only for the HR department but also well-known to business planners. HRP is part of the development phase in recruiting new hires. An excellent tool for forecasting future prevention in a labour shortage, surplus to reducing labour costs and many more.

Research question

How to develop a clear path addressing labour shortage or surplus?

Aim

The aim is to develop an HR plan for franchise owners to prepare a pathway gap integrating with shortage and surplus in the labour force.

2. Literature Review

Not only Human Resources Planning plays a vital role in strategically maintaining priority in the development phase of planning for new hires and forecasting future prevention of labour shortage and surplus. The Government of Canada is also proactively involved and informed of job seekers and openings through the labour market tracking system. Ensuring citizens have access to career development, training, and work placements.

As well as note the importance of these areas, particularly in the retirement sector. Mainly in the primary sector of "health, management, trades, transport and equipment" (Dessler et al., 2020. Pg.86). In fact, "one-third of the projected job openings" for these positions require on-the-job training and secondary education. The provincial labour would have more details forecasting of the supply and demand of the labour force throughout national projections. HRP guides business planners, like Franchise owners, on how to plan to prevent shortages or surpluses in the organization, which requires the attention of organizations in these sectors to prepare training for these positions.

Equally important, the evidence forecast indicates an increase in 5.8 million jobs posted from 2013 to 2022, and these postings are related to economic growth and replacement needs. Followed Manitoba alone, with high demand for replacement needs, created 167,700 job openings posted between 2016 and 2022, comprising 67% of the province's job replacement due to employees retiring and passing.

In other words, it is the best practice to apply HRP within any organization to prepare for a shortage in demand for human resources due to retirement and death.

2.1 Channels of Communications

The critical steps to processing HRP include analyzing and forecasting labour on both supply and demand sides and initiating these processes. An organization needs to balance supply and demand

by implementing HR programs; otherwise, the downsized could lead to the organization needing more human resources and ending up in a dilemma where the organization is understaffed. A situation like this can be alarming economically, creating costly inefficiencies when understaffed. Another situation in contrast to this issue is handling laid-off that requires severance pay to many employees. An example of a situation when HRP needs to be more organized and planned out could lead to a dilemma of laying off people and hiring new people for the same skills and positions. Cases like this could lead to high employee turnover due to low performance in productivity and morale.

The downside of ineffective HRP could lead to more significant concerns about the inability to operate and accomplish short and long-term strategic, operational plans. The roles of customer relationship management (CRM) and service quality should also be considered during the planning and communication process (Al-Gasawneh et al. 2022).

2.2 Human Resources Planning Model
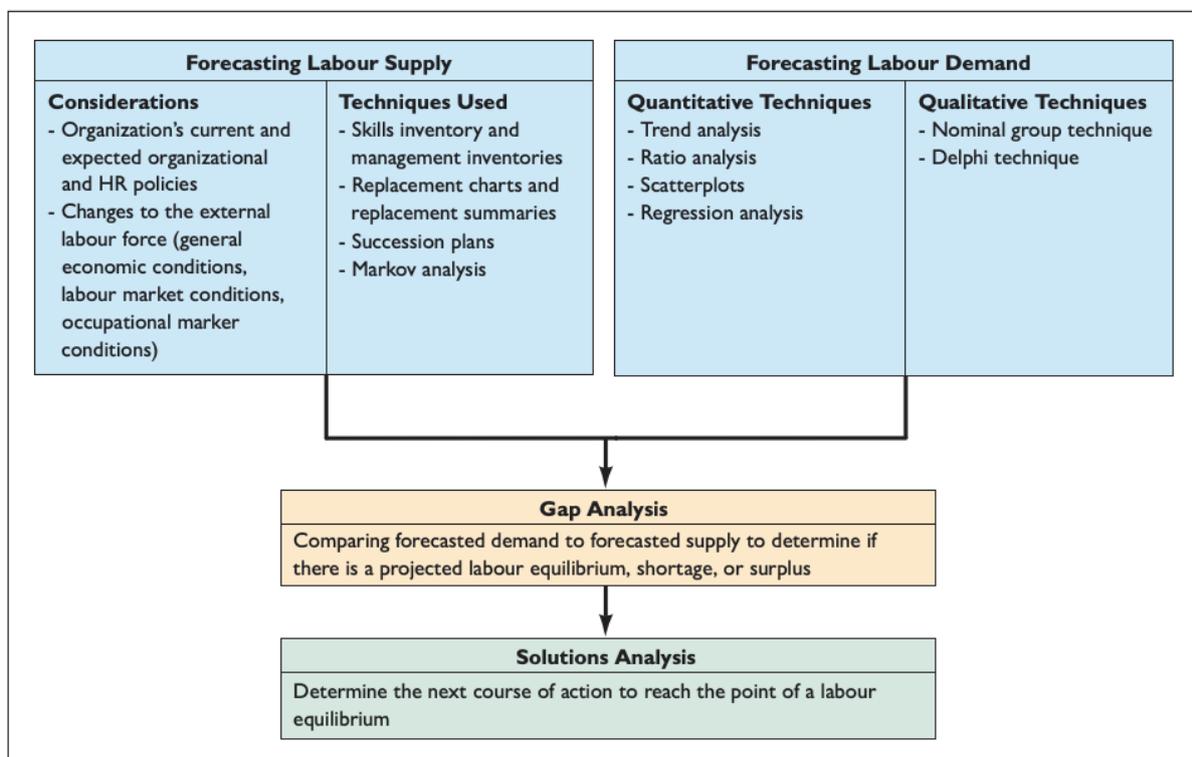
Figure 1: *Human resource planning model (Dessler et al.,2020)*

2.3 Summary of The Section

Conducting human resources planning will help businesses get the information needed to address any organization's questions. Therefore, forecasting labour supply and demand requires business HRP. Indeed, analyzing organization scope and checking to see if consideration and technique need to be applied. As well as quantitative and qualitative approaches in determining a suitable solution to fill the gap analysis, and lastly, execute the course of action to meet the labouring equilibrium.

3. Research Methodology

It is important to note that an organization needs to have its overall goals aligned when forecasting future labour supply and demand through human resources planning. HRP component as well includes environmental scanning. According to Gosnell (2022), environmental scanning gains a competitive edge and remains proactive in future business outcomes. Dessler et al. expressed that environmental scanning "involves assessing factors that affect the external labour market." Further explained that environmental scanning can help the organization "find and secure talent from outside of the organization" by applying Porter's Five Theory in addition to HRP steps (Dessler et al.,2020, p.88; Gosnell, 2022).

In brief, our library research consists of articles based on primary and secondary resources. These resources include textbooks written for business academies by Dessler et al. (2020), as well as from Harvard Business School. The research will be based on the case incident of how to downsize successfully by applying the HRP model for the franchise owner. Along with the information provided by the Franchise owner of the sports and goods industry. In the organizational behavior domain, observation and library research provide good foundation to examine the interest of variables (Yamoah & Haque, 2022; Haque, 2022).

This research applies the HRP model tools to analyze the current sporting goods chain industry. HRP tools guide organizations toward downsizing an establishment and reducing unseen costs by implementing HRP fundamental analysis.

In summary, utilizing HRP methods will guide organizations of any size and franchisors in executing any planning phase, regardless of their industry. The great thing about the HRP tool is that it can forecast timelines from year to year and forecast surplus or shortage of employees to foresee the time of equilibrium. What great tools for owners and planners to foresee future forecasts and plan of time.

4. Findings and Discussion

In the case of a sporting goods chain franchise, the franchise owner needs help answering the following questions. We learned that the owner wanted to maintain its franchise productivity and measure the franchise revenue by the number of employees (revenue per employee). The company currently holds $1,200,000 in annual revenue, with a 20% decrease from in-store purchases. The owner is confident of potential growth in the e-commerce sector, as the previous year's revenue stream was $300,000, showing a 30% online revenue increase. The franchise currently holds a sales team of five full-time remote personnel (Dessler et al.,2020, p.102).

Table 1: *Forecasting labour supply*

FORECASTING LABOUR SUPPLY

Considerations
     o   Three stores, each store requires
          o   A store manager
          o   An assistant manager
          o   20 customer services representatives
          o   Employees Turnover instore 15% annually
          o   Remote worker turnover 30% annually
          o   Five full-time remote workers

Technique Used   o   Charts and graphs   o   Skilled remote workers   o   Train employees to be skilled remote workers
FORECASTING LABOUR DEMAND

Sporting Goods Chain Franchise	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue	1,200,000	1,110,000	1,083,000	1,119,900	1,225,470
In-store Revenue	900,000	720,000	576,000	460,800	368,640
Online Revenue	300,000	390,000	507,000	659,100	856,830

Table 2: *Quantitative Technique: Trend analysis*

Quantitative Technique
Trend Analysis:
$\textbf{\textit{Ratio Analysis}}: \dfrac{\$300{,}000 \text{ online revenue}}{5 \text{ } remote \text{ } workers} = \$60{,}000 \text{ per employee}$

Figure 2: *Trend analysis vs. Employee Shortage and supply*

**Table 3:** *Years revenue in store vs. online*

Employees per year	Year 1	Year 2	Year 3	Year 4	Year 5
In-store Revenue	27	22	17	14	11
Online Revenue	5	7	8	11	14

Therefore, the diagram illustrates that the franchise owner started with five remote workers working from home and twenty-seven employees from previous years.

Over the next few years, the in-store revenue will likely decline, leaning toward employee surplus. Starting in year two, the franchise store will have a surplus of five employees and 10 in year three. By year four, the employee surplus increased to 13 and finally to an excess of 16 employees in the fifth year. Therefore, the company should start planning to terminate this position before the time arrives and begin training staff to work remotely— to prepare for company's growth online.

Furthermore, the company shows a shortage of two more remote workers in the coming years. Year three indicates a deficit of 3 remote workers. Sixth in the fourth year and nine in year five.

The franchise owner should begin training and transitioning employees to work remotely to prepare the company for employee shortage in its online presence. Its online presence also illustrates an increase in sales revenue. According to Foster et al. (2022), it is essential to consider the determinants of pro-environmental behaviour in the workplace while forecasting and planning.
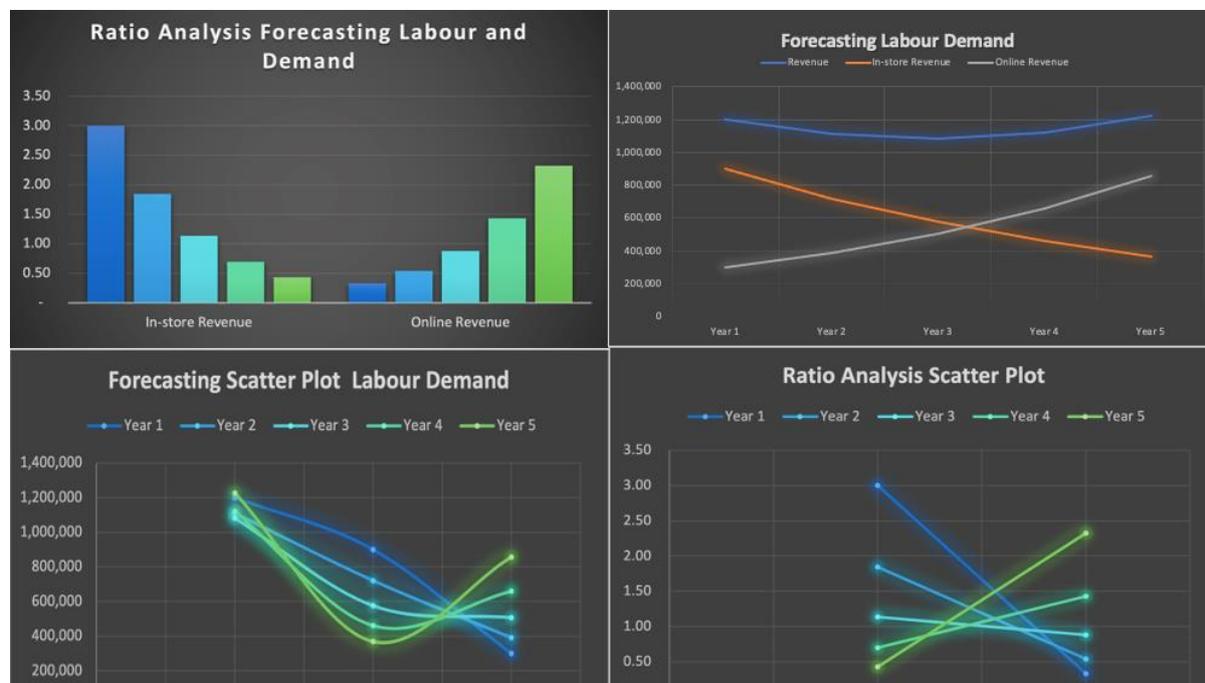
Figure 3: *Ratio & Scatter Plot Analysis*

Table 4: *Qualitative Techniques: Nominal and Delphi Technique*

Nominal Group Technique:
1. Train employees and promote them to work remotely.
2. Identify their skills, weakness, and strength
3. Prepare training that suits their learning ability
Delphi Technique
1. Identify problem
2. Complete questionnaire
3. Results
4. Feedback
5. Go through 3 and 4 till you reach the outcome

Therefore, after extracting the data, the information indicated a shortage of two more remote workers and a surplus of five from the brick-and-mortar store in the coming year. That gap analysis transcribes from the information sporting goods chain franchises provided. As a result, it would take the company close to 4 and a half years to meet its equilibrium. In the meantime, prepare employees for the transitions.

Solutions Analysis

The next course of action to reach the labour point of equilibrium is training employees before preparing them to work remotely from home. As the company grows with its online presence, employees are as well-trained to fill in remote positions as they are at the store. Always prepare for training before reaching surplus and shortage to equilibrium.

Three strategies that could prepare and motivate employees for the next move:

1. Aligning Total Rewards
   o Create a compensation package (benefits, incentives, and wages)
   o Salary increases, Promotion, Overtime Pay Policy
   o Jury duty and holidays
2. Career Development:
   o Workforce development
   o Career Planning
3. Training:
   o Technical training
   o Cost considerations
   o On-going-support costs

(Harvard Business School, 1979; Dessler et al.,2020)

5. Conclusion and Recommendation

Applying the HRP allows organizers to forecast the status of the company's overall scope quicker and the future outcome clearer. Therefore, implementing HRP will guide and direct business planners' alternative routes to act and forecast in advance to make basic moves to best lead and deliver business success.

Human Resource Planning is a highly recommend business tool. It is well-known for forecasting surplus, shortage and equilibrium. It forecasts human counts that estimate how many employees are needed before a business goes understaffed at a revenue cap to prevent either shortage or surplus—a highly recommended tool made possible.

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Appendix:

Ratio Calculation:
Year 1:
Ratio Analysis: $\frac{\$300,000 \text{ online revenue}}{5 \text{ remote workers}} = \$60,000$ per employee

    Step 1:
    Annual Revenue – Online Revenue = *Store Revenue*
    $1,200,000 - $300,000 = ***$900,000*** is the *store revenue*
    Step 2:
    Online Revenue/ Store Revenue = $300,000/$900,000 = 0.3333
    Step 3: 0.33 x 100 = 33.33%

Therefore, online revenue is *33.33%* of the franchise's annual revenue. Which makes a difference in in-store revenue.

Year 2:
In-store sales decline 20%
    $900,000 \div 100 = \$9,000$
    $9000 \ x \ 20 = \$180,000$
        Total in-store sales decline= $900,000 - $180,000 = $720,000

Online sales increase from $300,000 x 0.3 = $90,000
    30%: $300,000 + $90,000 = $390,000.
        Total Franchise Revenue = $720,000 + $390,000 = $1,110,000
            Average revenue – Second Year Revenue = $1,200,000 - $1,110,000 = $90,000.

Ratio Analysis: $\frac{\$390,000 \text{ online revenue}}{5 \text{ remote workers}} = \$78,000$ per employee

Employees salary increases = $60,000 x 0.30 = $18,000

Year 1 salary + increase in wages =

$60,000 + $18,000 = **$78,000**

Ratio Analysis assumes productivity remains the same.