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Effect of Human Resource Planning on Organizational Performance of Deloitte Kenya

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Abstract

The audit firms operate within a very volatile business environment; the political uncertainties, competition from rivals, social reforms, technological advancement and globalization are some of the challenges that face this sector. The challenges cannot be ignored given the vital role that audit firms play in the economy in terms of job creation and contribution to the national budget through taxation. This study aimed to determine the effect of human resource planning on organizational performance of Deloitte Kenya. A descriptive survey design was adopted. The targeted population of the study comprised of 500 managers and non-supervisory employees of Deloitte Limited. Out of this, 116 respondents formed the sample size and were selected using stratified random sampling technique. Data collection was carried out using structured questionnaires. Descriptive statistics such as mean scores, standard deviation, frequency and percentages and inferential statistics including Pearson correlation and regression were used to analyse the data. Statistical Package for Social Sciences (SPSS version 20) software was used to generate the results. The results were then be presented using tables and figures. The findings indicate that there is a positive and significant correlation between human resource planning and organizational performance as supported by $r = .704^{**}$, and $P = .000$. This implies that an increase in aspects related to human resource planning results in an increase in organizational performance of the Audit firms. The findings revealed that human resource planning has a significant effect on organizational performance of Audit firms. The study therefore recommends that Audit firms should strengthen their HR planning related factors such as supply forecasting, demand forecasting and action planning.

Keywords: *Human resource planning, Organizational performance, Deloitte Kenya*

1.0 Introduction

An organization that is performing well is one that is successfully attaining its objectives or one that is effectively implementing an appropriate strategy (Kunze, Boehm & Bruch, 2013). Job performance is therefore the single most important result of an employee's work (Ramos, Man, Mustafa & Ng, 2014). The aim of managing performance is to increase an organization's capability. Performance in organizations can be separated into organizational performance and job performance. Firm performance is measured in order to know the success or failure of an organization and to ensure that it achieves its goals (Yang, Huang & Hsu, 2014).

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). In recent years, many organizations have attempted to manage organization performance using balance scorecard methodology where performance is tracked and measured in multiple dimensions such as: financial performance (shareholder return), customer service, social responsibility (corporate citizenship citizen), community outreach, employee stewardship. Performance measurement is the use of statistical evidence to determine progress towards specific defined organizational objectives. Several performance measurement systems are in use today, and each has its own group of supporters for example, the balanced Scoreboard, Kaplan, and Norton, (2001).

In general, the concept of organizational performance is based upon the idea that an organization is the voluntary association of productive assets, including human, physical and capital resources, for the purpose (Barney et al., 2001). Those providing assets will only commit them to the organization so long as they are satisfied with the value received in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the criterion of value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist. Therefore, value creation as defined by the resource provides, is the essential overall performance criteria for any organization.

The contribution that human resource makes to an organization's performance and effectiveness has become the subject of much scrutiny in the recent years. Of all the resources needed by firms, the human resourcing is the most crucial and central in contributing to the effectiveness of an organization. For this reason, human resourcing is regarded as one of the most important sources of today's firms. They are more important than other competitive sources because they make good use of other assets in the organization to create competitiveness and realize objectives. Audit firms invest heavily in other resources such as better technology, computers, learning, mentoring all in a bid to improve their organizational performance.

Organizations need to know how many people and what sort of people they should have to meet present and future business requirements. This is the function of human resource planning or workforce planning as it is sometimes called. Reilly (2003) defined workforce planning as a process in which an organization attempts to estimate the demand for labour and evaluate the size, nature and sources of supply, which will be required to meet the demand. Human resource planning is an integral part of business planning.

Human resource planning is important because it encourages employers to develop clear and explicit links between their business and HR plans and to integrate the two more effectively. It allows for better control over staffing costs and numbers employed, and it enables employers to make more informed judgments about the skills and attitude mix in organizations. Human resource planning also provides a profile of current staff in terms of age, sex, disability, etc so as to move towards being an equal opportunity organization. Organizations however give little time to planning because of lack of resources and skills, the time and effort required and the absence of relevant data to do so (Farnham, 2006).

1.1 Problem Statement

The audit firms operate within a very volatile business environment; the political uncertainties, competition from rivals, social reforms, technological advancement and globalization are some of the challenges that face this sector (Githinji, 2015). The challenges cannot be ignored given the vital role that audit firms play in the economy in terms of job creation and contribution to the national budget through taxation. Following the prevalence of the mentioned challenges and many others, a good number of the audit firms are not able to survive and have resulted to closure.

Resourcing is perceived as key to attracting, retaining and utilizing the best brains to get superior business outcomes (Yam, Fehr & Barnes, 2014). The question that arises is whether resourcing strategies could help struggling audit firms perform well and overcome the mentioned challenges, which have resulted to closure of some of the firms. There is also evidence of talent shortage and this impacts every organization without regard to industry, and this comes from the fact that the skills set possessed by available workers may not match the advanced, more complex skills required by businesses (DuBrin & Geerinck, 2015). At the same time, People resourcing is a challenge to all organizations as they compete for the same pool of talents (Aziri, Veseli & Ibraimi, 2013). Irefin and Mechanic (2014) concurs with the same that performance is more dependent on proper utilization of human capital rather than on physical capital.

Previous studies have looked at the relationship between people resourcing strategies and performance. A study on the effect of employee resourcing strategies on the performance of commercial banks in Kenya (Ngui et al., 2014) established that, employee resourcing strategies have a significant positive effect on performance of the aforementioned banks. Rijamampianina (2015) study on employee retention and organizational performance found that employee retention tends to increase organizational performances.

However, to the researcher’s knowledge there is limited empirical evidence on the people resourcing strategies used by audit firms to improve performance in Kenya, hence the research gap. This study sought to fill the existing research gap by investigating the effect of human resource planning on organizational performance of Deloitte Kenya.

2.0 Literature Review

2.1 Theoretical Framework

The Human Capital Theory proposed by Schultz in 1961 and developed by Becker in1994 suggests that HR practices can directly influence firm performance. It postulates that workers have a set of skills developed by education and training that generates a stock of productive capital. Employees and employers each derive benefits from investment in creating human capital. The level of pay should supply both parties with a reasonable return on that investment. Human capital constitutes a key element of the market worth of a company. People in organizations add value and there is a case for assessing this value to provide a basis for HR planning and for monitoring the effectiveness and impact of HR policies and practices.

Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization. These can be regarded as the intangible resources associated with people which, together with tangible resources (money and physical assets), comprise the market or total value of a business. Bontis (1998) defines intangible resources as the factors other than financial and physical assets that to the value-generating processes of a firm and are under its control.

The human capital theory is the main underpinning theory in the current study. It is relevant to this study since it links human capital to firm performance. The study focuses on strategies of enhancing human capital including HR planning, recruitment, induction and retention and how they can help improve organizational performance. The theorist argument is that human capital promotes firm performance. Therefore, it is predicted that the people resourcing strategies enhance firm performance.

2.2 Empirical Review

Afzal *et al.* (2013) examined the effect of human resource planning on the organizational performance. The focus was on the key aspects of formal human resource planning that contributes towards performance in the telecom sector. Both interview guides and questionnaires were applied in data collection. The findings revealed that human resource planning measures; selection, training, and incentives and organizational performance measures; job satisfaction, efficiency, employee motivation and technology have a positive and significant relationship. However, the reviewed study focused on telecom firms whereas the present study focuses on audit firms.

Anya (2017) analysed the influence of human resource planning on organizational performance of oil and gas firms in Port Harcourt. The Spearman rank order correlation was employed in testing the relationship between the two variables. The findings revealed that there is a significant relationship between human resource planning and organizational performance and that the relationship between the variables is moderated by organizational structure. From the findings, it was recommended that oil companies and their human resource managers should continually carryout manpower audit and planning to determine in advance the demand and supply situation in the labor market prior to recruitment of employees. However, the reviewed study was conducted on oil and gas firms while the present study will focus on audit firms. Additionally, there exists a contextual gap since Anya's study was carried in Nigeria while the current study is done in Kenya.

Yaw (2012) examined the effectiveness of Human Resource Planning and its effect at Information Services Department (ISD). The study further sought to find out whether there are HRP policies and practices in the ISD; to establish whether the Human Resource Planning practices and procedures within ISD are functioning effectively; and to find out the challenges of the provision of a framework to guide the implementation of HRP in the ISD. The findings revealed that most of the ISD staff do not have in-depth knowledge on Human Resource Planning, thus it is not well practiced by the senior officers. The study concludes with the organization being proactive in recruiting and retaining employees.

Maina and Kwasira (2015) analyzed the role of human resource planning practices on performance of Kenya's County governments' employees. The study was conducted amongst employees of Nakuru County government attached to the County's headquarters in Nakuru town, Kenya. A descriptive research design was employed. The findings established that employee attraction and retention positively and moderately affect employee performance. It was recommended that County governments should offer their employees competitive

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remuneration terms and should also plan well for their future human resource needs. However, the study did not focus on audit firms, thus the need for the current research.

3.0 Research Methodology

A descriptive survey design was adopted. The targeted population of the study comprised of 500 managers and non-supervisory employees of Deloitte Limited. Out of this, 116 respondents formed the sample size and were selected using stratified random sampling technique. Data collection was carried out using structured questionnaires. Descriptive statistics such as mean scores, standard deviation, frequency and percentages and inferential statistics including Pearson correlation and regression were used to analyse the data. Statistical Package for Social Sciences (SPSS version 20) software was used to generate the results. The results were then presented using tables.

4.0 Results and Discussion

4.1 Descriptive Statistics

The study assessed the effect of human resource planning on organizational performance of Deloitte Kenya. Table 1 presents the descriptive statistic results on HR planning.

Table 1: Descriptive Statistic: Human Resource Planning

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	M	S. D
Creation of employee brand improves our performance.	0.0%	4.9%	25.2%	34.0%	35.9%	4.01	0.902
Knowing the type of resources needed helps our organization to achieve our goals.	0.0%	3.9%	36.9%	33.0%	26.2%	3.82	0.872
In our organization, there is optimum use of the currently employed personnel	0.0%	1.9%	35.9%	28.2%	34.0%	3.94	0.884
We have provision of future staffing needs of the organization	0.0%	1.9%	29.1%	31.1%	37.9%	4.05	0.867
We have the right number of skilled employees in our organization	0.0%	0.0%	40.8%	29.1%	30.1%	3.89	0.839
We have the right type of skilled employees in our organization.	3.9%	1.9%	32.0%	39.8%	22.3%	3.75	0.957
In our organization, we are able to analyse if we have employee surplus or shortage	0.0%	0.0%	37.9%	35.0%	27.2%	3.89	0.803
Average						**3.91**	**0.87**

The findings in Table 1 indicate that majority of the respondents agreed that creation of employee brand improves firms performance (mean=4.01), knowing the type of resources needed helps organization to achieve its goals (mean=3.82), there is optimum use of currently employed personnel (mean=3.94), there is provision of future staffing needs of the organization (mean=4.05), the firm has the right number of skilled employees (mean=3.89), the firm has the right type of skilled employees (mean=3.75), and the firm is able to analyse if there is employee surplus or shortage (mean=4.89).

The overall mean of 3.91 indicate that majority of the respondents agreed with most of the statements relating to human resource planning. Additionally, a standard deviation of 0.87

indicates that most of the responses were close to the mean. The findings imply that human resource planning is a critical people resourcing strategy in influencing organizational performance. Further, the respondents were asked to rate the extent to which HR planning has affected the firm's performance.

Table 2: Human Resource Planning Effect on Performance

	Frequency	**Percent**
Small extent	24	23.3
Moderate extent	43	41.7
Large extent	36	35
Total	**103**	**100**

Results in Table 2 indicate that 41.7% of the respondents indicated moderate extent, 35% indicated large extent while 23.3% indicated small extent.

4.2 Correlation between human resource planning Effect on Performance

Table 3 present the correlation results between people resourcing strategies and organizational performance.

Table 3: Correlation Matrix

		Organizational Performance	Human Resource Planning
Organizational Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
Human Resource Planning	Pearson Correlation	.704**	1
	Sig. (2-tailed)	.000	

** Correlation is significant at the 0.01 level (2-tailed).

The findings indicate that there is a positive and significant correlation between human resource planning and organizational performance as supported by r =.704**, and P = .000. This implies that an increase in aspects related to human resource planning results in an increase in organizational performance of the Audit firms. These findings agree with Afzal *et al.* (2013) revelation that human resource planning have a positive and significant influence on organizational performance. Anya (2017) also established that human resource planning enhances organizational performance. Similar conclusion was further made by Maina and Kwasira (2015).

5.0 Conclusion

Based on the findings, the study concluded that human resource planning has a positive and significant effect on organizational performance of Audit firms in Kenya. The implication of this finding is that improvement in human resource planning strategies is likely to enhance performance of Audit firms in Kenya.

6.0 Recommendations

The findings revealed that human resource planning has a significant effect on organizational performance of Audit firms. The study therefore recommends that Audit firms should strengthen their HR planning related factors such as supply forecasting, demand forecasting and action planning.

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