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Role of Human Resource Management in Global Recession

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Abstract

The global recession is demanding a great deal of workers worldwide. The practice of doing "more with less" has become the modus operandi of most businesses and business areas, perhaps nowhere more so than in HR divisions. Our study, examines how HR organizations are navigating this grueling business climate; the obstacles and challenges they face; and the areas in which they might find opportunities to develop and be more widely recognized as business-critical partner. Human resources leaders in most firms-even those who are not adversely affected by the global financial crisis-are facing unprecedented challenges, ranging from an unstable market to unexpected mergers and acquisitions. These dramatic shifts put pressure on firms, even those that aren't facing steep declines, making it imperative for HR professionals to be in lockstep with the business. Study says the greatest obstacle HR faces is a certain dissonance with the business. The HRM Function has to be able to identify the top potential in the organization quickly as the company needs to make the cuts in the human capital of the organization. The HRM Function needs to provide the tools to managers to inform their key employees about the security, the company wants to offer to key employees.

Keywords: *Human capital view, Communication, Redesigning of Policies, Potential Employee Retention.*

Introduction

In tumultuous times, businesses and HR [human resources] need to team up and act decisively," says Garmt Louw, executive vice-president of resourcing and development at Royal Dutch Shell, a multinational petroleum company. In the throes of an economic

downturn that has been dubbed The Great Recession, companies worldwide are responding to known and unknown external forces with caution, focus and a keen eye towards survival. And with good reason. The US lost 2.6m jobs in 2008, the worst yearly performance since 1945. In fact, the Economist Intelligence Unit is

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forecasting a global contraction of 1.9% in GDP growth for 2009. Businesses are facing dramatically reduced sales and profits. Times are indeed tough, and with so much at Stake, managing the business of people-as HR divisions do-is a daunting proposition.

Human resources is expected to play a leading role in this environment by continuing to be more engaged than ever in developing and retaining talent, containing and reducing costs, and aligning its activities with the overall business strategy. However, according to a survey conducted by the Economist Intelligence Unit in March 2009, HR faces numerous organizational, financial and technological obstacles, particularly during these trying times. It is also confronting a perception challenge in that many organizations continue to view the HR function as a services provider rather than a business-critical partner. The HR discipline has evolved over the last few years to comprise professionals at all levels whose contributions are grounded in business and finance. And it is during these uncertain times that HR has an unprecedented opportunity to showcase its value as a powerful strategic collaborator. The HRM Vision for the Recession can play a significant role in the success of the HRM Function in the recession. The HRM Management Team has to set it as a priority and the vision has to be transformed into actions quickly.

Challenges and Strategies to Human Resource Management in Recession

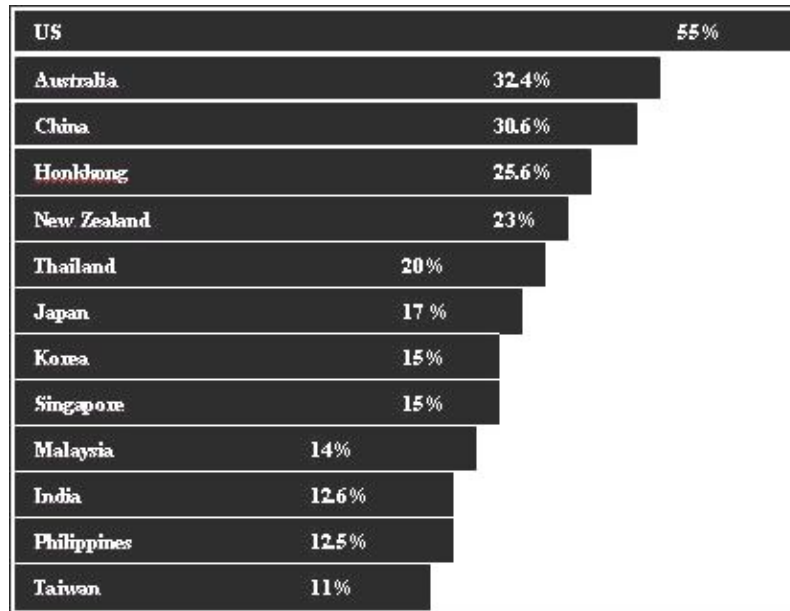
The HR Function has to conduct several HR Recession Initiatives as soon as the recession is recognized in the organization. The organization can grow rapidly, when the recession ruins companies around your organization.

But, when the organization feels the pain from the recession, the HRM Function has to start several HR Recession Initiatives. The HR Recession Initiatives have to be focused on the analysis of the current situation and the unlocking the potential for the future growth. The HR Recession Initiatives are not just about the cost cutting, the recession initiatives have to be focused in more areas:

Reduction in Manpower

Make no mistake: downsizing is extremely difficult. It taxes all of a management team's resources, including both business acumen and humanity. No one looks forward to downsizing. Perhaps this is why so many otherwise first-rate executives downsize so poorly. They ignore all the signs pointing to a layoff until it's too late to plan adequately; then action must be taken immediately to reduce the financial drain of excess staff. The extremely difficult decisions of who must be laid off, how much notice they will be given, the amount of severance pay, and how far the company will go to help the laid-off employee find another job are given less than adequate attention. These are critical decisions that have as much to do with the future of the organization as they do with the future of the laid-off employees. So what happens? These decisions are handed to the legal department, whose primary objective is to reduce the risk of litigation, not to protect the morale and intellectual capital of the organization. Consequently downsizing is often executed with a brisk, compassionless efficiency that leaves laid-off employees angry and surviving employees feeling helpless and de motivated.

Lay off Employee data of few countries



Source: Hewilitt Survey- 2008-09

Strategic Initiative to Increase Productivity & Efficiency.

Economic recession is not a good sign to economic development or development of any industry. Internal and external customers of organization is affecting with this economic turmoil. In order to save the interest of both we have to integrate all our potential and till date hidden potential resources to face such unwanted event. We can use modernization tool, Automation tool, Computerization, Introduction of quality control tool, Total Quality Management etc.

As we know we are in the Age of Information Technology, Enterprise resource planning software like SAP, Oracle etc. This software will help to reduce the manufacturing cost per unit of the product and will help in proper sales and distribution of the product or services. The application of ERP software will help to increase productivity and efficiency in below domain of an Organization.

Manufacturing

Engineering, bills of material, scheduling, capacity, workflow management, quality control, cost management, manufacturing process, manufacturing projects, manufacturing flow.

Supply chain management

Order to cash, inventory, order entry, purchasing, product configuration, supply chain planning, supplier scheduling, inspection of goods, claim processing, commission calculation

Financials

General ledger, cash management, accounts payable, accounts receivable, fixed assets

Project management

Costing, billing, time and expense, performance units, activity management

Human resources

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Human resources, payroll, training, time and attendance etc

Customer relationship management

Sales and marketing, commissions, service, customer contact and call center support

Data services

Various "self-service" interfaces for customers, suppliers, and/or employees

Access control

Management of user privileges for various processes

Redesign Compensation & Benefit Schemes

Compensation is payment to an employee in return for their contribution to the organization, that is, for doing their job. The most common forms of compensation are wages, salaries and tips. For example, salary ranges for job descriptions, merit-based programs, bonus-based programs, commission-based programs, etc. Employee benefits typically refers to retirement plans, health life insurance, life insurance, disability insurance, vacation, employee stock ownership plans, etc. Benefits are increasingly expensive for businesses to provide to employees, so the range and options of benefits are changing rapidly to include, for example, flexible benefit plans. Benefits are forms of value, other than payment, that are provided to the employee in return for their contribution to the organization, that is, for doing their job.

- Cutting Pay may be an option to consider saving on today's costs. Is this really an option for your organization? How you pay scales as related to the market? Are you willing to take risk of losing key employees whose talents may be needed by other organizations, because you chose to reduce their pay at this time? Remember, you should not cut pay without a recovering strategy of how you will re-adjust when the economy has turned.
- Having a mandatory holiday shutdown.
- Raising employee contribution to healthcare

premiums.

- Reducing number of working shift.
- Reducing Over time working hours in order to save overtime wages.
- Allow employee to take temporary Leave.

Training and Development Programs Cutting

The focus of organizations will be great on reducing costs, and training may be one of the functions where budgets may get impacted majorly. Gone will be days when few days of training meant a nice vacation in a hill station or a swanky hotel. The training function also needs to look at this aspect seriously and assist the organization to reduce costs significantly wherever possible by cutting down on the frills associated with training. Thus Training and Development expenditure we can reduce up to certain level by adopting innovative sources as below.

- Internal Arrangement of Trainer for Training and Development Program.
- Arrangement of product Training at material supplier's manufacturing plant.
- Sponsoring potential employee for short term higher education courses.
- Tie up with government Training Institutions.
- Arrangement of In house Training.
- Tie up with NGO's for In house employee developmental Program.

Sharing of True Financials of Company with Employees

Though the situation is not good, employees still expect the same methodology of appraisals to be adopted even if the rewards and upgrades may be few and far between. The employees expect the organization to be as honest as possible and let them know of its true financial health and how much it has been affected by the global meltdown.

Effective Communication Strategy Among

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Employees

Performance appraisal is important at all times, but becomes even more important during tough times. With the growing level of uncertainty and anxiety, the need for effective communication with employees becomes vital as does ongoing feedback. Communication minimizes rumors, which if not managed properly, can lead to grave consequences. The HR need to share with employees of his/her strengths and also jot down employee contribution. Non-performers need to be told exactly where they are lacking and should be given timelines to improve on their performance.

Career Planning for the Employee

Many employees feel that the economic situation should not be a deterrent to the performance management system of any organization. A performance appraisal is a critical aspect of any employee's career growth. As an HR Manager you should take it very seriously and it's an effective tool for career planning. An appraisal process should provide a clear understanding of the employee's and the company's expectations from the Human Resource department, tasks that the HR is doing well and areas where it needs some improvement and a clear path for growth in the current assignments and beyond.

Making Performance Management System Valuable

What is it that can make an appraisal valuable for the employee and the employer? Contrary to popular belief, an employee's contribution can go a long way in making an appraisal valuable at all times. The Human Resources must ensure that his/her employees and their managers are in alignment to the goals and expectations. The measurement criteria and key milestones should be clear, well understood and agreed to, by both the parties. Moreover, the Human Resources must share feedback regarding the employee to make him understand his/her skill sets better and to further develop

his/her capabilities. The employee should also be open to learning additional skills to add more value to the organization. An employee should be open to feedback and ask for help, in case needed, to improve the gaps in performance. This will help & add value to the process.

Developing an Environment of Faith and Trust

It is very essential for employees to have faith in their respective managers. Since employees lead the shop floor, their inputs on improvements in processes, suggestions on better cost management, increasing productivity and understanding their frustrations and personal challenges can all help the HR to keep their morale high and increase profitability.

The employee by being honest about their aspirations and asking questions about what more they need to do at this critical juncture, can contribute to the appraisal process and make it more valuable. There is a lot pressure on the Human Resource department & organizations to conduct effective appraisals that keep employees motivated when times are tough. But, with a little effort from the employee's side, the whole process can be made more valuable and great results could be expected. Proper communication must be ensured by the HR Managers so that employees are aware of the situation and they have faith in the management.

Counseling and Guidance

A financial crisis that is global in nature has a psychological effect on the average employee. Especially when the news of bigger and more established companies are laying-off employees and/or are closing shop, they are likely wary also of their own job security. HRM should provide guidance on how employees can cope in case of the inevitable happen. It should help affected employees to find possible alternatives in cases of mass lay-offs.

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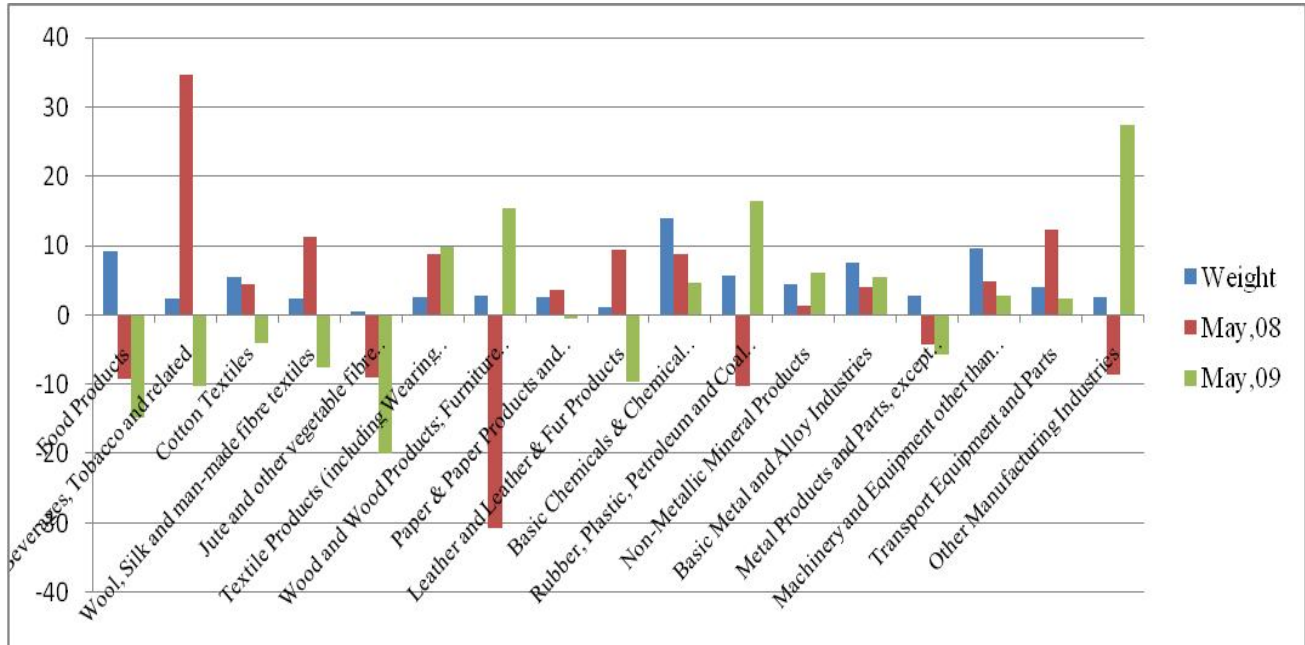
Table No.1 : Impact of Recession on Indian Industrial Growth (in %)

Industrial Sector	Weight	May,08	May,09
Food Products	9.10	-9.30	-14.70
Beverages, Tobacco and related	2.40	34.60	-10.30
Cotton Textiles	5.50	4.40	-4.10
Wool, Silk and man-made fibre textiles	2.30	11.20	-7.60
Jute and other vegetable fibre Textiles (except Cotton)	0.60	-9.00	-20.00
Textile Products (including Wearing Apparel)	2.50	8.70	9.80
Wood and Wood Products; Furniture and Fixture	2.70	-30.60	15.30
Paper & Paper Products and Printing, Publishing &			
Allied Industries	2.60	3.60	-0.60
Leather and Leather & Fur Products	1.10	9.50	-9.60
Basic Chemicals & Chemical Products			
(except products of petro. & oil	14.00	8.70	4.60
Rubber, Plastic, Petroleum and Coal Products	5.70	-10.20	16.40
Non-Metallic Mineral Products	4.40	1.30	6.10
Basic Metal and Alloy Industries	7.50	4.10	5.40
Metal Products and Parts, except Machinery & Equipment	2.80	-4.20	-5.70
Machinery and Equipment other than Transport Equipment	9.60	4.80	2.70
Transport Equipment and Parts	4.00	12.30	2.30
Other Manufacturing Industries	2.50	-8.50	27.30

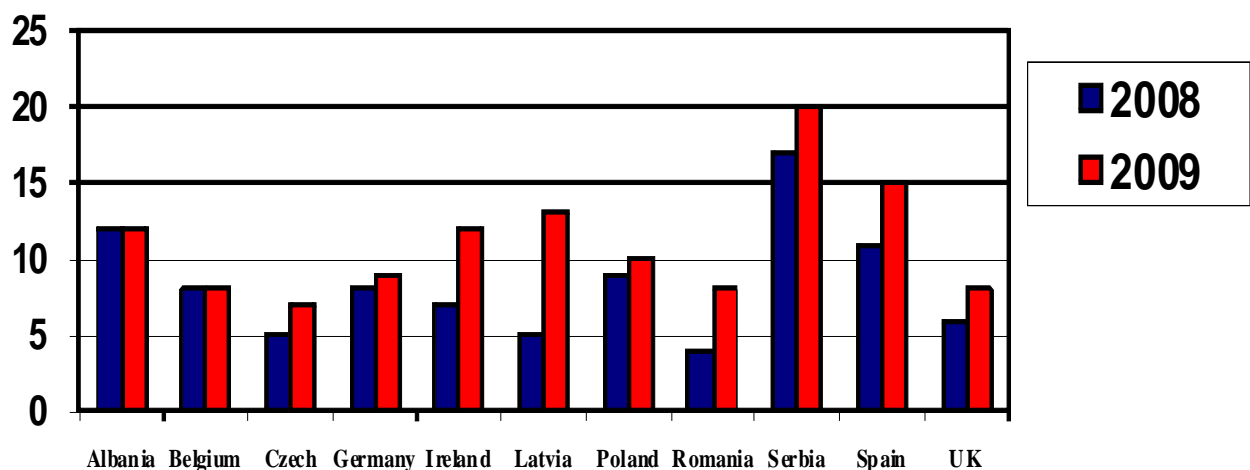
Source: Economic Survey of India (2008, 09)

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Graph: 1.1 Industrial Growth in Percentage (India)



Graph 1.2 Unemployment % 2008/09 (Source : WHO ; EIU)

Conclusion

Managing Human Resources (HR) in a difficult economic environment is even more demanding than working in times of rapid growth. Therefore the task of HR is very important to maintain equilibrium throughout the hierarchy. Top management should

know the contingency plan. Do the brainstorming session with your top management and contribute in their strategic planning. A complete or partial job freeze, however, communicate to the workforce that the company may continue to recruit key individuals even in difficult times. Review the employee performance

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evaluations to determine the key people that company cannot afford to lose. Flow of Communication should be from top to down that will help in making conducive atmosphere within the organization. Make prepare yourself for individual and group concerns therefore there should be a proper counseling session. Try to maintain a calm atmosphere. Review all HR policies, processes and procedures to ensure that they are purposeful and contribute directly to the success of the company. Suppose the company has to lay-off staffs ensure that there are no other opportunities for them in other functions or divisions of the organization. Advise managers to deal the process of managing change.

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