MANAGING GLOBAL HR ISSUES IN TODAY’S CHALLENGING TIMES

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Human resource management is a process of bringing people and organizations together so that the goals of each other are met. The role of HR manager is shifting from that of a protector and screener to the role of a planner and change agent. Personnel directors are the new corporate heroes. The name of the game today in business is personnel.

Human resource management will be a key area of focus in 2015 as companies and government organizations put in place strategies to cope with the economic crisis and recovery. The so called “war for talent” is on the backburner as the focus shifts to hiring freezes, benefits and compensation cost management, and workforce reductions in the hardest-hit segments. HRM technology solutions can help savvy human resources professionals strategically manage through the crisis and prepare as the climate shifts to the upside.

International human resource management can be broadly defined as a process of procuring, allocating, and effectively utilizing human resources in a multinational corporation. In global firms human resource managers must achieve two strategic objectives. First, they must integrate human resource policies and practices across a number of subsidiaries in different countries so that overall corporate objectives can be achieved. At the same time, the approach to HRM must be sufficiently flexible to allow for significant differences in the type of HR policies and practices that are most effective in different business and cultural settings.

- **Trends in International HRM**
International HRM places greater emphasis on a number of responsibilities and functions such as relocation, orientation and translation services to help employees adapt to a new and different environment outside their own country.

- Selection of employees requires careful evaluation of the personal characteristics of the candidate and his/her spouse.
- Training and development extends beyond information and orientation training to include sensitivity training and field experiences that will enable the manager to understand cultural differences better. Managers need to be protected from career development risks, re-entry problems and culture shock.
- To balance the pros and cons of home country and host country evaluations, performance evaluations should combine the two sources of appraisal information.
- Compensation systems should support the overall strategic intent of the organization but should be customized for local conditions.
- In many European countries - Germany for one, law establishes representation. Organizations typically negotiate the agreement with the unions at a national level. In Europe it is more likely for salaried employees and managers to be unionized.

To begin a discussion on managing global HR issues in today’s challenging times, it is necessary to revisit the 1990’s. Preparedness of HR professionals to embrace today’s challenging times can be traced back to the legacy of both global and regional happenings of this decade. The positive economic climate of the 1990’s had a direct impact on the management of human resources across the globe. At this crucial time, HR professionals were propelled onto a path of ever-changing demands and uncompromising challenges…

In the nineties, developing countries in Asia benefited from strong and consistent economic growth in the United States and Europe. From 1990 until 1996 the annual real GDP growth of East Asian economies (with the exception of Japan) averaged 6 - 8 percent. Some countries even exceeded 8 percent. Thailand, for example, averaged around 10.5 percent between 1986 and 1990; and an impressive 8.3 percent between
1991 and 1995. The economies of China, Hong Kong, Korea, Singapore and Malaysia and other East Asian countries followed suit with an average of 5 percent annual growth rates between 1986 until 1996.

The role of HR during this growth period was one of supporting management in coping with business expansion. In Asia especially, rapid growth created more and more jobs so that recruitment and retention of staff became a high priority. The HR function in Asia was tasked with filling the jobs created by incoming investment which went hand in hand with expansion into new markets and concomitant economic growth.

Jobs created in this growth period needed people with technical skills and/or managerial experience. Growth in the talent pool scarcely kept up with this demand. Career paths were telescoped. People were often hired with minimal experience and then promoted prematurely after fulfilling the basic requirements of their existing role. Staff turnover was a primary concern since this impacted recruitment and training costs.

On the other hand, given this trend, employees expected rapid promotion and salary increases to match, regardless of individual or company performance. Companies risked employees leaving for better paid jobs elsewhere and, based on market trends, they had little choice but to grant salary increases across the board. HR professionals across Asia became adept at identifying and recruiting skilled workers, attracting experienced professionals and negotiating attractive compensation and benefits packages. They kept their finger on the pulse of the market to ensure that their companies’ compensation levels remained competitive.

During this period, there was also a focus on technical skills training and management development. Technical skills training was needed to upgrade the skills of an expanding workforce, while management development focused on providing young and often inexperienced managers with leadership skills along with exposure to world-class management practices. Growing economies fuelled the blossoming field of training and development.

**The Economic “Fall-out”**
Then, in 1997, it seemed as if the rug was abruptly pulled from under Asia’s feet. The economic crisis of 1997 started in Thailand and quickly spread throughout Southeast Asia. The devaluation of the Thai baht in July 1997 sparked a phenomenon that had an impact on practically every industry sector across Asia. In 1998, the developing economies of Asia shrunk by an alarming 2.4 percent – the first overall decline in 14 years. Among others, Malaysia, the Philippines, Hong Kong, Singapore and South Korea experienced negative growth. Indonesia and Thailand were particularly affected. The concomitant bursting of the dot-com bubble led to the largest decline in the US stock market since the 1930’s and, not surprisingly, the Asian stock markets followed suit.

The impact of this economic crisis on HR practitioners was significant. They were called upon to do a complete “U” turn. There was no longer a need to recruit and train. Instead, strategies for retrenchments and salary freezes became an imperative. Training budgets were cut and cost control became a high priority. Rapid changes in economic climate forced HR professionals to adapt quickly to changing circumstances. Rather than being valued for their recruiting skills, companies valued HR professionals who knew how to downsize, cut costs, and manage layoffs.

In a survey conducted by the Mercer Human Resource Consulting Group, the top four reported business responses to the economic downturn are all too familiar:

- hiring freeze (60 percent of respondents);
- reduced salary increments (34 percent);
- retrenchment (28 percent); and
- Wage freezes (24 percent).

While these short-term solutions may have been necessary to survive the economic downturn, they were unhelpful in preparing companies for future uncertainties in the economic climate. Since then, many economies and business sectors in Asia have been on a roller-coaster ride. HR professionals have been bombarded with continuously changing expectations as a result of wide swings in the economy. Retrenchments due to the downturn were followed by pressures to hire or rehire to meet renewed growth.
Demands to keep salaries competitive once again came on the heels of dictates to freeze salaries.

**The Crises That Followed**

Next came a series of crises that added a new dimension to the scope of HR work and created new and challenging expectations. The 9-11 attacks on the World Trade Center and the Pentagon in 2001 had an impact without precedent. Global investment and job creation was once again in jeopardy. Hard on the heels of 9-11 came the terrorist bombings in Bali, Jakarta, and more recently in Mumbai. Such events inevitably shake investor confidence in Asia. Compared to the threat of terrorism, the SARS epidemic now seems like a mere hiccup which was simply the first in a series of unpredictable events that caused economic disruption and a concomitant redefinition of HR’s scope of work.

Businesses in general and HR professionals in particular, discovered that they need to prepare themselves for crisis no matter when, where, or how it occurs. In facing the prospect of crises, HR professionals now need to prepare themselves to play roles which stretch their comfort zones:

- contingency planning and preparation for crisis
- coordinating responses to crises;
- damage control that will result from crises

Effective crisis management means developing communication tactics as well as putting appropriate systems and processes into place. During a crisis, it is the responsibility of HR managers to represent the interest of employees and advise management and employees on contingency plans. As part of the crisis communication preparation, HRM staff needs to get to know what emergency benefits and assistance are available and how to get these benefits quickly into the hands of employees and their families. Time is of the essence during a crisis. Furthermore, HR professionals need to acquire crisis management skills long before such skills are actually required.
Human Resources Costs come under scrutiny as the economy falters

As companies look to constrain spending to cope with the reeling global economy, it’s no surprise that personnel-related costs are in the crosshairs of any cost-cutting program, since these costs represent more than 35% of annual operating expenses. Yet actions such as hiring freezes, delayed salary increases, reduced benefits, and dreaded layoffs have significant hidden costs. These measures dampen employee morale, slow new product rollouts, hasten departures of higher-performing talent, and potentially reduce customer service levels. The following key drivers will affect trends in HRM processes and technology for 2009:

- **Recruitment activity will decrease while layoffs increase.**

  During 2008, the economic downturn evolved from sector-based (e.g., financial services, automobiles) to broad-based. The economic conditions have brought on increasing layoffs and limited hiring, conditions that may persist through the first half of 2009. Certain geographies (e.g., China, India, Middle East), industries (e.g., healthcare), companies, and job categories may continue to grow as the overall global economy slows to a crawl.

- **Employee performance and development will drive business performance.**

  Employee performance objectives will become more aligned with business goals. Firms will attempt to get a grasp on and drive employee skills and competencies through performance management and development to support strategic decisions. For example, this information is needed to fast-track high performers and weed out low performers. Performance information will also drive variable compensation programs, providing some cushion for bottom-line results when targets are missed.

- **The workforce is becoming younger and more global.**

  Despite the presidential campaign rhetoric to the contrary, offshoring and labor arbitrage will continue as companies invest in globalization. Inexperienced new
workers will continue to replace retiring baby boomers, encouraging more investment in extended onboarding and talent development programs.

**Demographic Trends**

Changing demographic trends have also presented challenges to HR professionals. Asia became and still is a much coveted global source of talent for jobs in IT, health care, finance, and the hospitality industry. Asian-based recruiters have to compete, not only with other Asian-based employers, but also globally. Wherever companies are prepared to offer highly attractive compensation packages to lure talent into their back yard, counter-measures need to be taken to retain talent. Career opportunities for talent and the incentives to relocate continue to escalate and are more difficult to counter.

Moving people around from country to country creates its own set of issues which end up under the purview of HR. Relocation packages need to be created. Cross cultural training and host country orientation become an issue. Housing needs, medical benefits and provision of education for expatriate children are of primary importance.

Relocation of talent also necessitates HR professionals to understand the complexities of managing talent. HR professionals must liaise with the line to define precisely the talent they need, strategies that need to be put into place to attract and recruit talent, as well as designing policies to motivate and retain the talent pool they have. Asia-based companies need to attract the best talent and offer challenging career opportunities that match those offered elsewhere.

The consequence of an aging workforce in developed economies is another part of the demographic equation. However, its impact on the developing economies of Asia has been less well documented. Nevertheless, as the population in Asia ages, companies will face increasing pressure to fill vacant positions with people who have the requisite skills set.
The pressure on HR professionals to deal with these demographic challenges continues to grow. The HR manager still needs the skills, knowledge, and experience to efficiently manage the day-to-day functions of the HR. Yet, all of the functions of HR described until now have been largely reactive rather than proactive responses. In fact, this is what HR professionals have been extremely good at doing in the past: delivering in a reactive mode. It is timely for HR to become more assertively proactive.

But to truly have a strategic impact on their organization, and to be proactive rather than reactive, HR professionals must earn their place at the “top table”. Aside from their functional knowledge, HR practitioners need to have:

- a solid grounding in economics and politics;
- knowledge of organizational functions and OD
- industry knowledge and familiarity with business functions;
- analytical skills and advocacy capability

**Looking To The Future: The Promise of HR Value**

Earning a place at the “top table” requires HR professionals to be more integrated players or “business partners” relative to the core business. Since value is defined by the receiver and not by the giver, any value proposition HR espouses should begin with a focus on the receivers and not on the givers of the purported value. HR professionals need to be more consultative, open and receptive to what the business perceives as added value.

The HR function has lacked credibility in the past because it has not been seen to propose and deliver innovative and future-oriented solutions. Although the situation is changing now, senior management remains somewhat skeptical and resistant to initiatives that emanate from HR. One of the reasons for this is that HR professionals often hold altruistic beliefs that translate into things that they want to see happen in their organization. They go straight for the desired results without paying attention to the business perspective. Real impact starts when HR professionals understand the beliefs and goals of the receivers. When these requirements are fully understood, then the HR
professional can demonstrate how an investment in HR practice will help the stakeholders gain value as defined by the stakeholder.

HR begins with the business and goes beyond the business itself. Knowledge of external business matters is important to HR practitioners because external realities ultimately determine the relevance of all internal operations. HR professionals must have knowledge of external and environmental factors that interface with the business before they can frame, execute and create substantive value with even the most basic of HR agendas.

The successful HR professional must therefore have the confidence and conviction to act as an equal business partner with top management. They must be able to articulate and explain the business issues and their implications, articulate advocate their response to top management and disseminate information skillfully and with conviction to employees. They must then follow through with formulation and implementation of policies that have a measurable positive impact.

The implications of the changes and challenges for the success of the HR function in the present and in the future are profound. HR is continuously undergoing a transformation and HR professionals walk a delicate balance in their role as an advisor to management in employee-related business strategy, and an expert in functional operations. They need to align HR policies and practices with the business, and then ensure that those policies are carried out demonstrating a return on investment. To have a value-driven HR function in an organization, HR’s impact should be apparent to investor, customer, business and employee results.

More than ever, business success is about getting the HR function correct. And the DNA for HR success is the HR Value Proposition. With this Value Proposition clearly in focus, HR professionals have a clear notion of their role with regard to all stakeholders.

- 2015 Trends To Watch In Human Resource Management
The following technology and business process-driven trends will be evident in HRM in 2015:

- **Web 2.0 will become institutionalized.**
  Social technologies are critical to reaching and connecting with the younger workforce, infusing and retaining knowledge, and turbo-charging programs such as alumni relations and mentoring. Many HR decision-makers agree that this innovation is very important, but few believe that their current tools and process capabilities are below average.

- **Core HR systems strategies will focus on master data.**
  The notion of a single source of truth for who works for the company today is still an elusive goal. Based on pioneering work done with customer data hubs, we will start to see strategies evolve for master data management related to the employee life cycle. This will enable the employee data to be kept in sync across multiple HR, payroll, benefits, and talent management systems, as well as third-party business partners and operational applications that use employee data.

- **The definition of the workforce will continue to evolve.**
  Whereas the workforce has traditionally meant employees who are actually on the payroll, business needs encompass tracking and provisioning a variety of “non employees” as well. “Non employees include contractors, consultants, temporary workers, volunteers, and others who represent part of the productive workforce. Non employees will be managed within the human resource management system (HRMS) to allow for headcount and productivity analysis, project staffing, security provisioning, training programs, and other HR-related processes.

- **Talent management initiatives and solutions will become more integrated.**
  For years, best of- breed application vendors and enterprise resource planning vendors who offer strategic HR capabilities have been touting and educating buyers about the importance of integrated HR technologies. The real benefit of integration is
the ability to leverage employee data across historically siloed processes such as recruiting, performance management, succession planning, compensation management, and learning management. Having fewer HR systems and vendors to manage lowers IT support and integration costs and provides a more consistent user experience for business stakeholders.

- **Analytics will help HR become more strategic.**
  
  Traditional metrics that answer “what was” or “what is” will remain to prove operational return on investment, but they’ll pale in priority compared to forward-looking analytics. Why? Analytics are the cornerstone to predicting and modeling “what-if” scenarios. They will arm HR with the ability to predict the future results of process and technology changes made today.

- **HR outsourcing initiatives will become more focused and selective.**
  
  The notion of outsourcing a broad set of HR processes and systems has less and less support. Many of these attempted initiatives have failed to deliver the expected cost savings and service-level goals, and vendors aren’t making any money. Outsourcing selective HR processes of a compliance intensive or repetitive nature, like payroll, will remain viable. Cost savings is becoming less of a driver of HR outsourcing, with expertise and reliability being higher priorities.

- **HRM will continue to lead in software-as-a-service (SaaS) adoption.**
  
  We continue to find the SaaS model to be more accepted in HRM than other application areas (with the possible exception of customer relationship management). Expect to see continued growth of this deployment model in 2015. Advancements in software technology related to configurability and integration help to make the SaaS model more palatable to bigger companies, especially those that are weary of upgrading on-premise HRM solutions.

- **Issues in Today’s Challenging Times**
The recession is about the creative Human Resources Management. The HRM Function is asked to bring new ideas, to change the HRM Processes and to develop or change the procedures. The top management understands the effort to innovate the HRM Processes better. The top management is in the search for the potential cost savings and they count every single penny brought by the line management. The HRM Costs are usually a very significant cost to the organization and the HRM Function has to be proactive.

The HRM Function has to focus on unpopular innovations during the recession as the role of Human Resources during the recession is to save money to the organization. The top management expects all the support functions to bring innovative solutions, which will have to make the organization stronger, when the next growth era comes.

The HRM Innovation during the recession has to focus on the following topics:

- Reduce the number of employees in the organization
- Strategic initiatives to increase the productivity and efficiency of the whole organization
- Redesign of the compensation scheme
- Cancellation of several benefit schemes
- Training and Development Programs cutting

On the other hand the HRM Function has to find innovative solutions for the following topics:

1. Identifying the real key employees and to keep them in the organization
2. Identifying the real top potentials and to strengthen their development program

The second two topics have to be done with the minimum additional costs and it is a really hard task to accomplish. The HRM Function has to have priorities in mind and the
strategic impact of the HRM Innovations in the recession time. The role of the HRM Function is not to cut the costs for the time being, but to make the organization stronger and ready for the future growth.