

GLOBAL MELTDOWN – HUMAN RESOURCE MANAGEMENT IN TURBULENT TIMES

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ABSTRACT

Much has been written about the way in which India was one of the few countries that was relatively unscathed because of the global economic crisis. The global crisis is pushing companies to stretch their financial resources to buffer the effects of limited income as a result of the sharp decline in the demand of their products and services. Efficiency is the key to the survival of any company in this kind of economic condition. In order to achieve that, companies must keep a pool of competent employees that will help the organization in pushing their sales and in keeping the operations efficient as possible. Human Resource Management (HRM) plays a strategic role in the survival of an organization. In this time of global financial crisis, Human Resource (HR) managers must not only innovate but must also act as change agents, strategists, mentors, counselors and motivators. They must adopt a people-centered model of management instead of the go-get-them approach. The latter approach will not only push down the morale of the employees but it will also shove your talented workers from leaving your organization. The present research paper focuses on HR challenges and strategies to overcome in recession.

Key words: financial resources, Global crisis, Human Resource Management (HRM), people-centered model and recession.

Introduction

Meaning of Global Recession

A recession is a decline in a country's Gross Domestic Product (GDP) growth for two or more consecutive quarters of a year. A recession is also preceded by several quarters of slowing down. An economy, which grows over a period of time, tends to slow down the growth as a part of the normal economic cycle. An economy typically expands for 6-10 years and tends to go into a recession for about six months to 2

years. A recession normally takes place when consumers lose confidence in the growth of the economy and spend less. These leads to a decreased demand for goods and services, which in turn leads to a decrease in production, lay-offs and a sharp rise in unemployment. Investors spend less; as they fear stocks values will fall and thus stock markets fall on negative sentiment. Risk aversion, deleveraging and frozen money markets and reduced investor interest adversely affect capital and financial flows,

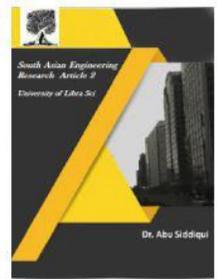


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import - export and overall GDP of an economy.

The global slowdown has its implications on the domestic economy. During the last three years Indian Economy grew at an average annual rate of 8.6 per cent. For the first time the economy has shown signs of deceleration and grew at 7.8 per cent in the first half year of 2008-09 (April-September). The service sector, which contributes more than 50% share in the GDP and is the prime growth engine, reported to be slowing down, mainly in the transport, communication, trade, and hotels & restaurants sub-sectors. In manufacturing sector, the growth has come down to 4.0 per cent in April-November, 2012s compared to 9.8 percent in the corresponding period of last year. The slowdown occurred in the all the use-based categories, except consumer goods where it has accelerated.

Meaning of HRM

Humans are an organization's greatest assets; without them, everyday business functions such as managing cash flow, business transactions, communicating through all forms of media, and dealing with customers could not be completed. Humans and the potential they possess drive an organization. Today's organizations are continuously changing. Organizational change impacts not only the business but also its employees. In order to maximize organizational effectiveness, human potential—individuals' capabilities, time, and talents—must be managed. Human resource management works to ensure that

employees are able to meet the organization's goals.

Global Recession and HRM

The financial downturn is impacting developed as well as developing economies are likely to get worse as the European countries, the US and others go into a deeper depression due to the increase in job losses which often follows recession. The slump in the market and increased job losses will have some important implications for the changing task of human resource professionals. As the unemployment continues to increase, HR professionals are likely to be dealing with more stressed employees who are the sole wage earners in their families. As recession is becoming the part of the normal cycle of business. Therefore it makes just as much sense to plan for recession or downturns as it does to plan for good, economic times.

Recession in India

In the beginning, the mandrians of Indian Economy were skeptical and unwilling to accept the effect of recession on Indian economy. But historically, slowdown in developed economy has affected emerging economy like India in two fronts: First, USA is India's largest trading partner. Exports are showing the signs of flagging, customers have started canceling orders and payments are not made on time. Secondly, the financial linkage it has with India may take a severe turn because of prolonged recession. "A crisis of this magnitude is bound to affect our economy as it has. International credit has shrunk, with adverse

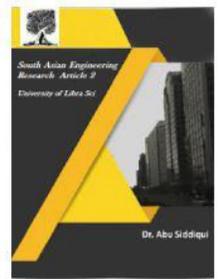


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effect on our companies and banks". (Dr Manmohan Singh, Prime Minister of India)

Objectives of the present research

1. Impact of economic slowdown on employment in India.
2. The emerging challenges of human resource management in the global recession situation.
3. The strategy adopted by HR personnel to deal with these challenges.

Review of Literature

“The financial downturn that is impacting developed economies are likely to get worse as the European countries, the US and others go into a deeper depression due to the increase in Job losses which often follows recession. The slump in the market and increased job losses will have some important implications for the changing tasks of human resource professionals. As the unemployment continues to increase, HR professionals are likely to be dealing with more stressed employees who are the sole wage earners in their families”. [Mujtaba, 2008]

“In emerging economies, growth is projected to slow down appreciably but still may reach 5.0 percent in the year 2009. The overall recruitments are lower for the industry this time as companies remain cautious amidst the global financial crisis.” [Srivastav, 2009]

The emerging challenges of Human Resource Management in the times global recession

The role of the Human Resource Manager is evolving with the change in competitive

market environment and the realization that Human Resource Management must play a more strategic role in the success of an organization. Organizations that do not put their emphasis on attracting and retaining talents may find themselves in dire consequences, as their competitors may be outplaying them in the strategic employment of their human resources. The few important challenges of HRM due to recession are as follows

1. Problem of Recruitment.
2. Managing downsizing program appropriately.
3. Talent management.
4. Stress Management.
5. The Return on Recognition in a Recession.

1. Recruitment and Recession.

Recruitment industry is going through a tough time at this moment, the numbers have dropped drastically for the biggies and even recruitment agencies are battling for survival. Synergy Solutions provides recruitment services to companies in India and in US, the biggest challenge today is to find newer and better ways to add value to the clients. There is a need to find innovative ways to improve recruitment ROI for the client.

Few areas where placement agencies should focus:

- Look out for companies who are brave and would consider recession as the right time to recruit good quality talent at the right price.
- Train your recruiters to be tactically smart and agile in their actions.

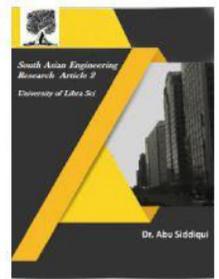


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- Use of technology and social media applications to hunt better profiles as compared to job boards.

2. Managing downsizing appropriately.

Virtually every country has to face the impact of a global economic downturn which can be in the form of recession, slowdown, and depression or growth recession. When a downturn occurs, the organizations have to suffer heavy losses and bear the brunt of slow revenue generation. During this period, there is also less spending by the consumers, less investment by the investors and more of savings. Even the sectors who have been thriving in the boom period try to save more.

The strategies of a manager to manage the teams:

- Hold special meetings
- Motivate the employees
- Offering challenging assignments and opportunities
- Explain to them the importance of their existence in jobs
- Initiate change by identifying key people
- Identify the achievers and reward them

3. Talent Scenario during Recession

The law of demand and supply mercilessly applies to human resources, also. During the economic downturn, companies were able to downsize by getting rid of redundant work force and dead wood. They also restructured the employee compensation to stave off financial losses. Only those employees were retained who proved their worth. The employees had to accept all kinds of

compensation-related compromises while maintaining the same or even higher level of efficiency and productivity. They could thus survive the financial tsunami.

Important Talent Retention Factors

- Clear Goals, Targets and Expectations
- Balanced Work Environment
- Track Performance Goals and Provide Analysis
- Fair Evaluation of Performance
- Compensation to Maintain a Decent Lifestyle

4. Stress Management

The financial recession is impacting large and small organizations and countries in similar devastating manner. For example, as the prices of goods and products increase, consumers tend to buy less and thus companies end up having to lay off some of their employees in order to avoid bankruptcy or just to stay in business, expected in the financial industry. Such failures tend to increase the number of people losing their jobs and moving them closer towards poverty.

Following are some ways to manage stress effectively.

- Humor is a wonderful stress-reducer.
- Coaching for productivity
- Reinforcing good performance and Setting priorities for effective time management
- Motivating employees to new heights and peak performance levels.

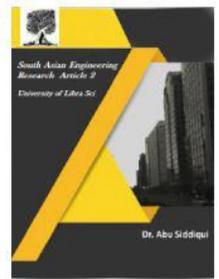


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- Orienting new employees into the department or organization.
- Providing new knowledge to individuals about changes and tactics.
- Explaining the current or new standards and how they can be achieved.

5. The Return on Recognition in a Recession

People management is a Key Result Area in delivering success for a business unit during the downturn. It is obvious to adopt lay off as a strategy in achieving the cost minimization strategy. But alternatives such as seeking voluntary reduction in salaries and incentives, flexible work hours and improvement in productivity are worth enough to try during the slowdown. These strategies reduce the costs besides improving the efficiency of the organization.

Power of Recognition in a Recession

News articles and research studies from firms including Gallup, Deloitte, Towers Perrin and many others confirm three common issues among employees in this recessionary economy:

- Survivor's guilt
- More work, less motivation
- Rampant rumor mill

Strategic recognition programs:

- Drive productivity and morale by giving far more frequent awards to far more employees.
- Use non-cash recognition, which produces twice the performance boost as cash.

- Offer a hard, predictable budget to manage against.
- Become a scorecard for executives on increased productivity

Benefits of Strategic Recognition in a Recession

Companies who implement a strategic recognition program in a recession can boost morale, increase productivity, realize savings and gain competitive advantage.

- Boost Morale
- Increase Productivity
- Realize Savings
- Gain Competitive Advantage

The strategy adopted by HR personnel to deal with these challenges.

The recession is an opportunity for HR professionals to step and contribute strategically. Finding opportunities during recession.

- Consolidate workforce and Review and restructure policies
- Streamline salaries
- Make organizations more performance-centric
- Identify real talent and develop talent as leaders
- Build employer brand
- Communicate and build trust and morale

HRM Innovations in Recession

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. And this effort has to be

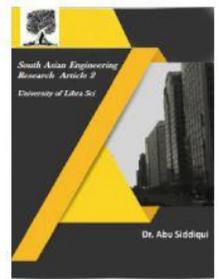


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cheap or it has to cut the costs of the organization. The HRM Innovation is easy in times of the business growth, but the recession is not good for big innovative HRM Initiatives. On the other hand, the top management understands the effort to innovate the HRM Processes better.

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

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

- Identifying the real key employees and to keep them in the organization
- 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.

Conclusion

Human Resource Management must be able to address the right kind of demands related to Human Resource functions during the recession. Human Resource Management must play a highly proactive role in managing the issues of global recession by helping organization to enhance their abilities to learn and collaborates, manage diversity, ambiguity and complexity. Human Resource Management is responsible to manage the human resource of the corporate to maximize the productivity, efficiency at minimal cost and maximize profit. During this global recession, Human Resource Management is facing the many challenges and changes in organizational level, workplace and HR department level itself. The challenges can be faced by HR Managers effectively if proper strategies are implemented. The recession is the temporary economic climate of the business world. It will be changed through more productivity at minimal cost and maximize profit at moderate price of products in business.

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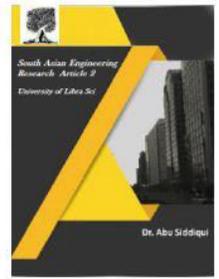


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