

# **Organizational Change at Present Context of Financial Crisis: An Analysis on HR Challenges in Corporate World.**

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## **ABSTRACT**

Gone are the days of traditional practices of management. Organizations now facing many challenges for better performance. The important mantra for the survival of the organizations in the turbulent condition of financial melt down is "Talent retention". Retaining talent is a difficult task for the HR practitioners. Now a days companies face new challenges in dealing with issues such as the scarcity of talent, the value of ideas/knowledge and the changing preferences of the labor market. Consequently, successful HR strategies are needed more than ever. Looking at successful HR practices today, we see a number of areas where HR professionals can make an important contribution to the overall success of their organisation. Traditionally, HR practices have been positioned as Center of cost and Support function. But now things have changed. Organizations are looking towards HR systems for Strategic supports and for solving problems. Now Companies are taking initiative for transforming human resource functions in to different dimensions. This paper highlights different aspects of HR Practices, which are challenging at the present context of economic and financial crisis.

Keywords: HRM, Globalization, Challenges and Corporate

## **INTRODUCTION**

The roles of HR in an organization is changing dramatically due to development of technology, volatile markets, changing norms of society and globalization. HR is facing difficulties and is undergoing its own trend – that of moderation. A recent study by the Bureau of National Affairs reported that, following belt-tightening measures, which are likely in response to uncertainty in the economy i.e. HR staffing ratios have been declining and HR expenditures, including HR department staff salaries is stabilizing. The proportion of responsibility of the HR departments is declining. As world economies facing challenges during these difficult times, it is very common to see these changes. The world continues to shrink as technology creates invisible bridges connecting people around the globe. The best mantra for the corporate world in such situation is to adopt a sound HR practices in the organization. As we move into the 'new economy', the focus on people and knowledge has steadily increased. Today, companies face new challenges in dealing with issues such as the scarcity of talent, the value of ideas/knowledge and the changing preferences of the labor market. Consequently, successful HR strategies are needed more than ever. Looking at

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successful HR practices today, we see a number of areas where HR professionals can make an important contribution to the overall success of their organization.

## **HR Challenges At Present Context Of Economic Crisis**

### **1-Fostering organizational flexibility**

'The only thing that is certain is change'. The rapidly changing business environment has increased the need for organizational flexibility and, instead of thinking in terms of job positions; HR needs to think in terms of projects and tasks. By doing this, the HR department can organize the workforce around specific assignments - and change them when necessary. With the use of cross-functional teams, a wide range of competence and other similar functions, HR can build up a much more flexible workforce while applying the collective competence to its fullest extent.

### **2- Putting information technology at HR's service**

One of the tools that HR can use to enhance its services is technology. It can be used for a broad spectrum of applications such as knowledge sharing, automating routine personnel administration, or e-learning. Clearly, implementing IT-intensive solutions is not a simple process. By using 'needs analysis' to identify the areas benefiting the most from technological solutions and the subsequent need for training, the likelihood of success is increased dramatically. Ideally, the HR system should also be co-ordinated with other business systems in order to gain synergic advantages.

### **3- Mobilizing the organization's knowledge**

Knowledge is an asset that does not appear in the balance sheet. Nevertheless, it is one of the most important assets of an organization, and this is particularly true for professional services companies. In order to capitalize on this asset, companies need to build up a knowledge management (KM) system that is able to gather, store and distribute knowledge. Most efforts in this area, however, focus on technological aspects at the expense of behavioral issues. In order to build an efficient KM system, it is important to think beyond technology and to consider the impact of corporate culture, incentives to use the system, and how to assure the quality of information in the system.

### **4- Facilitating professional and personal development**

A growing number of employees see their professional and personal development as going hand in hand. More and more companies are therefore taking a holistic view of the development of their employees. At the same time, employers are realizing they can no longer assume the responsibility for designing development plans for each member of staff. This initiative is rapidly being transferred to the employees themselves and HR must therefore find tools to facilitate the mass customization of individual development.

## **5- Supporting managers in their new role**

Management is not what it used to be. In facing new groups of employees, many seasoned managers have found their traditional style of management slightly out of date. At the same time, due to the large number of people working in projects and temporary work groups, many 'non-managers' find themselves in positions where they have to lead. The successful HR department has to develop strategies for preparing managers and non-managers alike for this changing managerial landscape.

## **6- Designing new compensation packages**

Since traditional method of giving compensation by salary, has lost its prominence, as a tool for attracting and retaining talents. Compensation will increasingly be tied to results and used as a guidance tool. Stock option programmes and bonus systems are popular tools for this purpose. The challenge lies in designing a system that has a measurable impact on people's behaviour.

## **7- Attracting and retaining the best**

One of the great challenges for companies today is attracting and retaining talent. The key is to manage the talent market as a product market - 'one size does not fit all'. It is no longer sufficient to rely on a competitive compensation package. Many talented candidates look for an attractive corporate image, shared values and a stimulating corporate culture. In order to retain hard-earned talent, companies must also offer opportunities for skills enhancement.

## **8-Tackling Talent Shortages**

Even as companies terminating employees due to unprecedented economic conditions the top management is worried for tackling talent. According to an annual survey by Manpower Inc the biggest challenge for ten toughest Jobs to Fill are: Engineers, Machinists/machine operators Skilled trainers, Technicians Sales representatives, Accounting and finance staff, Mechanics, Laborers, IT staff and Production operators. According to a recent survey by Deloitte Smaller companies (under \$100 million in revenue) are more concerned than medium/larger companies. Employers in technology and healthcare are more concerned than other industries. On the brighter side, a recent survey by the Society of Human Resource Management actually reported that it is getting easier to find qualified candidates for most positions.

## **9- Managing talent and improving leadership development**

One of the most comprehensive survey "Creating peoples advantage-how to Address HR Challenges Worldwide Through 2015" reports data from 4,700 HR professionals in 83 countries. Their key universal finding was that managing talent and improving leadership critical

challenges, which fall into 3 strategic categories outlined below: (“Business and work force challenges” by Tower Perrin)

### **Strategic Categories of HR Challenges**

#### **Category 1: Developing and Retaining the Best Employees**

i-Managing Talent, ii-Improving Leadership development

iii-Managing Work/Life Balance

#### **Category 2: Anticipating Change**

ii-Managing Demographics, especially an Aging Workforce

ii-Managing Change and Cultural Transformation

iii-Managing Globalization

#### **Category 3: Enabling the Organization**

ii-Becoming a Learning Organization

iii-Transforming HR into a Strategic Partner

Even with economic down turns, the study reports, emphasizes on retention and staff development, not on large layoffs. Survey respondents have been anticipating layoffs, but earlier this year they were projecting more targeted and business-specific cuts vs. large scale reduction. A recent study by the Adecco Institute heavily supports Category 2 listed above. This study of over 5,000 HR professionals found that, the top 3 challenges corporation facing today are:

i-Globalization

ii-Demographic change

ii-Technical progress (skills shortages)

Globalization was cited by yet another study as one of the most critical challenges for HR. Mercer interviewed nearly 60 senior-level HR executives, 70% of whom hold global positions, and found the challenge to find a global service delivery model for the administration of their HR and benefits administrations programs is their most significant challenge. The study identified the key drivers of this globalization challenge as:

i-Rapid employee growth in emerging markets (many companies reported having more than 50% of their workforce located outside of their corporate home country or region).

ii-An increase in global workforce mobility.

ii-More stringent governance and compliance requirements that vary dramatically by

iii-Pressure for overall cost savings through process and policy standardization.

The study also reported that increasingly HR executives are being promoted to carry out global responsibilities. Of the survey respondents: 45% have taken on global roles within the last two to three years, and 40% have assumed such responsibilities within the last 12 months alone

## **The Other Dimension Of HR Challenges**

### **I-Mastering the fundamentals of HR**

The study "Creating people advantage- How to address HR challenges world wide through 2015, reported that during these difficult times HR must focus on excelling at the followings

i-Fundamentals of the HR function:

ii-Restructuring the organization

iii-Delivering on recruiting and staffing

iv-Mastering HR processes

### **II-Sustainability and corporate social responsibility**

In addition to the HR basics, building a sustainable business in a socially responsible way has crept onto the HR agenda. Key themes from a recent Executive Roundtable Symposium held by the "Society for human resource management" are summarized below:

i-Sustainability is not getting the leadership it needs in many organizations

ii-Many HR professionals are not yet ready to lead on sustainability

iii-SHRM has a key role equipping HR professionals to lead in sustainability

Current research reviews of sustainability and corporate social responsibility in UK and US show significant evidence of these sweeping HR trends. A number of underlying influences are fueling HR's focus on these specific challenges. The study *Creating People How to Address HR Challenges Worldwide Through 2015*, credits the following major influencers:

i-Talent and leadership – is scarcer than ever before

ii-Workforce – is growing older and people are having fewer children

iii-Globalization - companies are becoming global organizations

iv-Emotional well-being of employees – is more important than ever before

## **How Can HR Tackle These Challenges?**

### **1-Focus on managing talent**

HR practitioners need to focus on their biggest priority – managing talent. Research from the Adecco reports that forward-thinking HR professionals should:

- i-Analyze the age of their workforce down to the job-function level
  - ii-Develop plans for individual career management
  - iii-Develop plans for knowledge management for the firm
  - iv-Encourage lifelong learning to renew skills and keep them up-to-date
  - v-Develop a better understanding of staffing needs and trends, and develop tools to acquire, develop, retain and reward talent based on workforce demands
  - vi-Grow comfortable in a global world with geographically dispersed workforce
- Additionally, the study *Creating people advantage – How to address HR Challenges through 2015*, suggests HR take the following 5 key steps to manage talent and leadership development:

- i-Understand the external environment
- ii-Understand the internal environment
- iii-Select the most critical HR topics and set priorities
- iv-Initiate projects with dedicated teams
- v-Secure support from top management

### **Specifically the study suggests organizations:**

Make sure that HR and people strategy is the cornerstone of corporate strategy; an effective way to do so is by creating a strategic workforce plan – systematically analyze the future supply of and demand for employees under different growth scenarios and on a job-by-job basis. Make sure links, along with measurements, exist connecting corporate strategy and HR in the following key areas:

**i-Sourcing strategy** – recruiting, hiring, HR marketing/branding, diversity should target workforce needs

**ii-Performance strategy** – individual performance, human capital metrics, incentive systems should support corporate goals

**iii-Development strategy** – development of employees and leaders should reinforce corporate strategy



**iv-Affiliation Strategy** - establishment of systems to track compensation and retention, work-life balance, engagement, motivation, and corporate social responsibility should build relationships with employees

a-Make sure executives not only have financial dashboards on their desktops giving a quick picture of business and financial performance metrics, but dashboards should include qualitative and quantitative HR metrics

b-Make sure that HR is recognized as central to ensuring competitive advantage through people (only 40% of HR executives reported that they receive sufficient support from top managers)

c-Invest in Technology

d-Talent Management

e-Performance Management

f-Leadership/Development

g-Recruitment

Research from Mercer suggests that with the help of specific strategic outsourcing product solutions, including global data aggregation and an integrated employee online experience, HR can successfully overcome many of these challenges, deliver a higher level of employee service, and fulfill the new global role that is expected of them.

### **Research from the Adecco Institute Reports:**

Technology will infiltrate the HR function automating transactional services .HR practitioners will increasingly rely on knowledge management tools to track the skills, experience, background, interests and formal/informal feedback on employee performance; currently 55% of companies maintain standardized records of business critical knowledge, and only 30% publish information about “knowledge holder” in an internal directory. Traditional administrative tasks will be handled by outsourcing, automation and self-service.

### **Conclusion**

It is clear that though the global financial crisis is a big challenge for the organizations still than we can face it by better management practices. HR practice is one of the best management practices that can manage the organization in better way at the time of need. Strategic HRM is mostly important at the present time for the corporate world.

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