

## HRM Innovation Strategies in Recession: A New Paradigm

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**Abstract-** Large format recession has been a growing international trend in corporate sector over the last decade, with companies. HRM strategies & innovations providing a wide selection of employees, employers, customers, suppliers etc. in all ranges. This paper outlines the transformation of HRM strategies and innovations in Asia. Beginning with its inception, the paper progresses towards its various HRM functions like recruitment and selection of employee, training and development, compensation and benefits, growth of Human, communication, HR front office and competitive HRM strategies to establish and strengthen its presence in the whole Asia. This paper also highlights HRM strategies to counter intensified competition and external conditions like global economic recession, the resultant credit crunch and its impact on employee performance. Further aim of this research is to find out measurement of performance, challenging industrial and economic conditions, what are the growth options to ensure future growth sustenance and profitability?

**Keywords:** Innovations, Recession, Compensation strategy, Payroll, Recruitment, contingency

### Recession

Many professionals and experts around the world believe that a true recession can only be confirmed if GDP (Gross Domestic Product) growth is negative for a period of two or more consecutive quarters. The agency that is officially in charge of declaring a recession in the United States is known as the National Bureau of Economic Research, or NBER. The NBER defines a recession as a "significant decline in economic activity lasting more than a few months."

### 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 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 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:

1. To optimize the manpower strength
2. Reduce the number of employees in the organization
3. To take strategic initiatives to increase the productivity and efficiency of the entire organization.
4. To work on compensation benefits
5. Cancellation of several benefit schemes
6. Redesign training and development programs
7. To identify the real key employees and to intact them in the organization
8. To identify the real top potentials and to strengthen their development program

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

Key employee helps in minimizing 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.

### **Impact of Compensation strategy in Recession**

The compensation strategy is a general document about the vision, mission and strategy of compensation and benefits of the organization. Generally, the recession has no impact on the compensation strategy, but the organization has to make some adjustments. The compensation strategy is always connected with the business strategy and the stage of the organizational development. The fast growing organization needs a different compensation strategy from the mature organization. The compensation strategy defines the general position of the organization on the pay market and the compensation strategy defines the proportion of the overall company costs allocated to the human capital of the organization.

The recession makes a huge pressure on the overall costs of the organization and the compensation strategy can easily change the position of the organization on the pay market. The HRM Function has to monitor closely the development on the market and it has to watch for the signals in the change of the overall business strategy as the compensation strategy has to be adjusted as soon as possible.

The compensation strategy is quite costly document for many organizations and the HRM Function has to react proactively too many external changes. It can not be fixed in any organization and also change as per the need of organization.

### **How to interact with your employee during recession:**

Here is how to keep your employees with you and away from your competitors during tough economic times.

- Differentiate Between Your Good and Average Employees
- Redirect Your Employees to Other Departments (Job Rotation)
- Listen to Your Employees
- Keep Them Motivated and Busy (Communicate-Communicate and Communicate)
- Show them the long term vision

The above steps will enable the employer to hold its team together during a recession, and will even make bond between all of you stronger. Employees should be motivated enough to stick to the employer during tough times and put in the extra effort required for the organization growth.

### **Role of Human Resource in Recession**

The most recent survey, which was conducted among 150 employers in early February 2010, found that other popular cost-cutting measures included:

- Downgrading/canceling holiday party (38 percent)
- Increasing benefits communication (35 percent)
- Eliminating/reducing seasonal workers (25 percent)
- Organization-wide restructuring (23 percent)
- Raising employee contribution to healthcare premiums (22 percent)
- Increasing pay communication (16 percent)
- Restructuring HR function (17 percent)
- Implementing a salary freeze (18 percent)
- Having a mandatory holiday shutdown (10 percent)
- Increasing other employee programs (15 percent)

The percentage of employers that have already implemented salary freezes jumped from 4 percent in December to 18 percent in February. Sixty-one percent of employers reported that they reduced their planned merit increase for next year from 3.8 percent to 2.5 percent.

### **Strategic Role of Human Resource in Recession**

The recession is an opportunity for HR professionals to step and contribute strategically. In the classical strategy paradigm, we begin by looking at the macro economic environment. Then we look at the micro-environment - what affects us and our competitors. Next, we establish which strategic factors HR influences directly.

The point has to be focused by HR management during recession are as follows:

- To optimize the manpower strength.
- To take strategic initiatives to increase the productivity and efficiency of the entire organization.
- To work on compensation benefits.
- Redesign training and development programs.
- Ensure your organization's policies and handbooks are up to date. Remember that an annual review of your employee handbook for compliance by an experienced professional is highly recommended. Also, each employee having a copy of the employee handbook is not enough. They have to be able to read and understand the content. Be sure that you provide employees a handbook in a language they can read and understand.
- Layoffs are never easy. Ensure you are familiar with your legal responsibilities in a lay off to minimize your organization's risk. Be sure that you have properly defined the criteria you are using to determine who will be let go.
- Alternative Workweek Schedules and Flexible Scheduling can maximize production and cut-back on overhead costs for organizations. Be sure you follow all of the DLSE rules when deciding if an Alternative Workweek Schedule or Flexible Scheduling is right for your organization.
- Cutting Pay may be an option to consider saving on today's costs. Is this really an option for your organization? How are your pay scales as related to the market? Are you willing to risk 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.
- Downsizing does require internal document maintenance for your organization. As jobs are modified and responsibilities are increased changes also must be made to your job descriptions.
- On the other hand the HR Management has to find some innovative solutions during the recession like,
- To identify the real key employees and to intact them in the organization
- To identify the real top potentials and to strengthen their development programme

### **Recession and Employees' career options**

The employees are the most important assets of the organization. In times of the recession, the employees have to be secure about their future and the organization should announce a clear plan to them. The recession brings a panic to the organization. The rumors about the recession and the layoffs spread quickly around the organization and the HRM Function has to monitor the Emotions in the employee population. The rumors are the most important danger for the successful survival of the recession. When the employees start to speak about the recession, the key employees and top talents can leave the organization within several weeks, as they feel no future in the organization. The role of the HRM Function in Recession for the employees is being their real advocate. The HRM Function should prepare the proper communication and it should manage to get the buy in from the top management. The employees feel the danger from the recession, the top management has to inform all the employees honestly about the outlook for the organization and it has to provide them with the vision to follow.

The organization needs to save the costs and it needs to identify and potential additional source for the cost saving and starting a new growth era. The HRM Function has to prepare a new HRM Vision and a new HR Strategy for the coming period as the cost cutting is not the only way to build a stronger organization fighting with the recession.

### **The most affected HR Processes are the following:**

1. Recruitment - The first HR Process with the change in the recession. The job vacancies are cancelled and the HRM Function should come with a new recruitment strategy. The organization can hire a new set of skills and competencies to strengthen the position of the organization on the market
2. Training – The training are cancelled as it is a quick cost cut. The training can be later focused on more specialized training session and more internal training courses can be introduced.

3. Compensation and Benefits – The department can be asked to bring a new compensation scheme, which will save the costs and motivate employees to be more proactive.

4. HR Front Office – The HR Front Office have to be present at clients all the time as they will need a strong guidance and facilitation during the recession.

The HR Processes are heavily affected by the recession, but the HRM Function has to take this as the opportunity to change and to bring new ideas on the scene. The recession is the best time to design a completely new approach of the organization to its human capital.

The HRM Function should be always very careful about the costs added to the organization as cost cutting always hurt. The HRM Function has always to predict, the recession will come and the nice initiatives can be then very painful initiatives. The HRM Function has to prepare the HRM

### **Recession Quick Wins**

The HRM Recession Quick Wins should include the following actions

1. Stop and prioritize the recruitment process. The vacancies should be cancelled and all the vacancies should be strategically re-shifted. The organization can need a completely different set of jobs to survive the recession. Why the continuing recruitment process should make the situation even worse?

2. The FTEs in the organization has to be evaluated. The number of FTEs can be fine, but the structure has to be reviewed. There is no company in the world, which cannot decrease the number of FTEs. The HRM Function has to offer the methodology for the FTEs review and the HRM Function has to act as the facilitator in the process of the FTEs review.

3. The bonus schemes have to be reviewed. The bonus scheme can support the organization in the time of the strong growth, but it can de-motivate employees in time of the recession. The HRM Function has to prepare a good analysis of the bonus scheme performance and its impact on the motivation of employees. The HRM Function can propose additional changes to the bonus scheme to provide the employees with some kind of the stability.

4. The talents have to move around the organization to play their strategic role in the change of the organization during the recession. The organization needs to awake its creativity and the shift of the talents can help a lot.

The HRM Recession Quick Wins are not hard, but they need a lot of courage from the HRM Function. The HRM Function has to reflect itself and it has to be proud to say, it made some mistakes in the past. The recession is always about the restart and the HRM Function needs to restart its processes quickly at the beginning of the recession.

### **HRM Communication in Recession**

The HRM Function is always responsible for the mass communication to employees in the recession. The HRM Function should be responsible for the consistency, transparency and fairness of the crisis communication to employees. The recession is usually not about the good news, but the HRM Function has to be the employee advocate and the messages should provide the employees with the clear outlook of the future. The crisis and recession communication have to be targeted, as not all the employees should receive the same amount of the information. The Sales employees should have completely different details from the Operations guys. The HRM Communication in the Recession is about defined and agreed target groups. The organization cannot publish the details about its business position to all the employees, but some groups of employees have to know more to feel comfortable and more secure. The HRM Communication is one of the strongest tools for the retention of key groups of employees. The talents and key employees have to receive more information from the organization to keep their own security and their value for the organization. The organization needs to raise the level of the motivation and the honest communication is one of the best tools for motivation. But the HRM Function has to act as the consultant to make sure, the employees are not de-motivated and frustrated by the amount of messages and the details provided. The HRM Function has to provide the advice on the communication channels used as not all the messages should be sent via email. The HRM Communication in Recession is about a clear description of the organization's position on the

market, the economic outlook for the next period and about the strategic products and services, which will be the leading the growth in the era after the recession.

### **Recession and Recruitment**

Recruitment is one of the most affected HR Processes by the global recession on the market. The companies do not offer vacancies, the number of job applicants grows rapidly and the organization has to manage the recruitment smartly. The organization has to change the focus of the recruitment and the recession is a good moment to focus on the recruitment process development and redesign.

### **Recommendations while your employer facing negative challenges during recession:**

1. Top management should know the contingency plan.
2. Do the brainstorming session with your top management and contribute in their strategic planning.
3. A complete or partial job freeze, however, communicate to the workforce that the company many continue to recruit key individuals even in difficult times
4. Review the employee performance evaluations to determine the key people that company cannot afford to lose.
5. Flow of Communicate should be from top to down that will help in making conducive atmosphere within the organization
6. Make prepare yourself for individual and group concerns therefore there should be a proper counseling session.
7. To maintain a calm atmosphere
8. Review all HR policies, processes and procedures to ensure that they are purposeful and contribute directly to the success of the company.
9. 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.
10. Advise managers to deal the process of managing change.

### **HRM Role after Recession**

The recession is healthy, from time to time. The recession helps to stop the businesses, which are not bringing value added and the human capital is transferred to more vital businesses at lower costs. In the companies, which survive the recession, the HRM Role is very important. In time of the recession, the HRM Role is to make cost cuts and the HRM Function has to provide the list of the policies and the procedures to be cancelled or discontinued.

1. 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.
2. 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.
3. The HRM Function is not a department to make employees happy, the role of HRM Function is also about the cuts in the costs of the organization .
4. HRM Function's role is about minimizing the damages to the organization.
5. The HRM Management has to define the HRM Vision for the Recession. The employees in Human Resources have to understand the goals for the difficult period of the recession.

“The HRM Function can serve as the navigator and facilitator for employees, but the HRM Vision for the recession has to be defined and clearly communicated and explained to HRM employees. The HRM Management has to communicate the full story as the HRM Employees have usually access to confidential information and they can build a good picture of the organization's health very quickly.”

### **HR Initiatives 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:

- Cost Cutting
- Key Groups of Employees
- Process Efficiency
- Honest Information for Employees
- Management Consulting

The HR Recession Initiatives have to be balanced well. The cost cutting is about the immediate activities to decrease the personnel expenses of the organization, but the HR Recession Initiatives have to be focused on the future as well. The HRM Function has to focus on the honest communication in the recession. The HRM Function has to inform the employees fairly about the bonuses, salaries and number of employees in the organization in advance as the employees can prepare themselves. The HRM Function has to have a good balance in the HR Recession Initiatives. The employees and managers have to feel the fairness and transparency in the initiatives as they can build the trust to the HRM Function.

### **HRM Priorities in Recession**

The HRM Priorities in the Recession can change quickly or they need to be adjusted at least. The organization has no resources to add to the new initiatives and the HRM Function can be asked to produce cost savings on current programs. The HRM Management has to make a quick scan of current procedures and policies to be prepared for the cancellation or change, when asked to make an urgent cost cut. The recession is about cost cuts and designing efficient, cheap HR Processes. The HR Priorities have to be assessed using a simple tool for selecting the processes and policies to be discontinued. The best tool is to use the simple matrix, which divides the processes and procedures according their costs and impact on the organization. The HRM Function has to adjust the HRM Priorities in the recession very sensitive way as the employees feel some security and consistency and that they can trust the organization and its success in the war with the recession. The HRM Function has to keep the role of the employee advocate and this should be reflected in the decision matrix as well. The recession is not a chance to change and cancel everything; the corporate culture should not be touched by the change of the HRM Priorities during the recession.

### **Findings:**

But the key findings can be summarized as follows:

- (1) HR possesses “An inadequate understanding of the relationship between workforce reduction and business goals”.
- (2) Quantitative performance measurement is seen as a key priority – with over 90% of organizations either having or planning implementation of such systems.
- (3) Boosting productivity without increasing employee costs is another major priority – with a focus on training, more stringent performance appraisal and process innovation.

One could conclude that the emphasis is upon cost reduction and increasing productivity. Understandable in these interesting times, but the question must be: “Are there other elephants in the room?”

### **Recommendations & Suggestions**

I would suggest that there is the psychological trauma induced by a sudden and unexpected recession. My research, conducted with colleagues, indicates that getting to grips with an unseen sea of psychological trauma should be top of the list – from the perspectives of both business efficiency and staff well-being. We are, after all, moving towards a world where there is more to strategy making than cost reduction. And getting to that world will take time, new externally based exploratory skills – and of course motivated.

- (1) In my suggestion, in recession time HRM is the challenging job .Recession means not reduce the number of employees from the organizations & not cancellation of several benefits schemes.
- (2) In my suggestion not reduce the number of employees but giving them non-monitory incentives in motivation form. Because monitory incentives not possible in recession time
- (3) After getting the non-monitory incentives, existing employees can increase the productivity of organization rather than new employee's .Because in my suggestions new employees take sometime to understand the organization /settlement with the organization.

### **Conclusion**

With the rapidly changing technological, socio-economic and politico legal environment & the trend towards globalization of business & industry, effective management of human resources has become a very challenging job. There is on denying the fact that human element is at the centre stage in all economic activities. Thus, management of HR. encompasses not only employment & training etc. but also make HRM innovation & strategies which are prerequisites to attainment of higher quality & productivity.

The present report on HRM innovation & strategies” is a modest attempt to present a comprehensive treatment of concepts & measures of HRM innovation & strategies .HRM is the challenging task in recession time. Recession is not the time of Boom; in recession time organizations have the opportunity to re-innovate the organization in the form of such as

- (1) Recruiting & selecting the highly qualified persons /staffs.
- (2) Efficient training provide to the employees.
- (3) To establish calm atmosphere. (The mean of calm atmosphere is to develop such types of environment that every employee performs their duties & responsibilities with honesty.

### **Important Changes of HRM after Recession**

Human Resource professionals are being pulled in two seemingly incompatible directions as they manage the immediate effects of the downturn and prepare the organization for better times.

This requires an ability to deliver practical, risk-free, short-term cost-cutting plans and then switch effortlessly to long-term strategies for growth and development.

There are five areas where HR professionals need to focus to get ready for recovery.

First, embrace new ideas. Organizations need to rethink how they pay senior executives how they reward good performance when what counts as good performance has changed dramatically. They need to think about how to attract leaders who have the qualities for the new environment, leaders who may look very different from the current senior team. Second, ensure good governance: Organizations are coming under increasing scrutiny from not only shareholders, but the public, politicians and the press. Fairness and transparency and value for shareholder or taxpayer money are paramount. Pay and performance need to reflect that agenda. HR needs to be a bold, critical friend to the board, providing guidance and minimizing reputation risk. Third, do unpopular things well. Cutting costs will always be the obvious response to hard times. Redundancies will be unavoidable for many, but there are potential savings to be made in managing people costs more efficiently. This would include better absence management; more rigorous expenses systems; use of contractors; pay; incentives; employee benefits; secondments; and flexible and part-time working. HR needs to be facilitating a more creative approach and offering practical solutions. It also needs to challenge the old recipes for cost-cutting, such as cutting training and skilled labor, showing how they undermine future market competitiveness.

### **Fourth, plan for the future**

The landscape at the other side of this recession will look very different and the workforce will need to look different. How many staff an organization needs, what skills they must have, what they do and where they do it may all have to change. Despite high levels of unemployment, those skills may not be readily available. So HR needs to develop a future-focused workforce strategy and a plan that shows how to build, buy or borrow resources.

Fifth, energies the firm: Even if recovery is on its way, the future climate is not going to be the benign one of pre-crisis days. Companies will need to be creative, innovative and agile if they are to prosper in this new world. Recessions are not good preparation for that approach as they tend to knock the breath out of organizations, sapping people's confidence and motivation. HR needs to tackle the emotional health of the organization and look for ways to encourage staff engagement and idea-generation.

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