HR Issues, Concerns and Strategies in Recession and Recovery

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Business cycles represent a type of fluctuation in the aggregate economic activity of nations that organize their work mainly in business enterprise. A cycle consists of expansions occurring at about the same in many economic activities, followed similarly general recessions, contractions, and revivals which merge into the expansion phase of the next cycle. This sequence of changes is recurrent but not periodic. In duration, business cycles vary from more than one year to ten or twelve years. The adverse social, psychological and economic effects of economic meltdown or slowdown and prolonged recession will be huge for those regions that are most open to the world economy and dependent on trade. Compared to BRIC (Brazil, Russia, India, China) nations, the Indian huge domestic economy can act as a buffer and survive economic slowdown much better than other parts of the world. In the context of recession and recovery phases of Indian economy, it is worth examining the human resource (HR) issues, concerns and strategies based on ideological underpinnings and a holistic perspective.

Recession and Recovery: Industry Trends and Status

As a matter of fact, India is not immune to what is happening globally in this boundary- less business world. Among others, the hard hit sectors included automobiles, oil and gas, real estate, metals, capital goods, airlines, banking-financial services-insurance sector, information technology (IT) and IT enabled services (ITeS). According to the Association of Chambers of Commerce and Industry (ASSOCHAM), on an average, 24 per cent rise in net non-performing assets (NPA) has been registered by 25 public sector and commercial banks during the second quarter of the FY-09 as against Q2-FY'08. Average CAR of the banks slipped to 12.68 per cent in Q2-FY'09 from 13.41 per cent in the previous year. Volvo Group, Sweden had already slashed 2850 jobs during 2009. American International Group Inc (AIG), the insurer posted $24.5 bn loss. Jet Airways posted a net loss of Rs.385 crores in Q2-FY'09 as against a net profit of Rs.28 crores in the same quarter last year due to high air turbine fuel (ATF) price and significant decline in passenger volume. American Express, major US credit card group laid off 7000 employees (10% of its worldwide workforce).

Tata Motors (Commercial Vehicles) was compelled to match production with demand and avoided unnecessary build-up of inventory in the company or with the company's dealers. In the case of Steel Authority of India Ltd. (SAIL), the fall of demand of steel in the global market necessitated austerity measures. Not surprisingly, the Indian food processing industry was unaffected by the global recession. In fact, the public-private partnership (PPP) projects and the liquidity shortage remind that India needs $500 bn to finance its infrastructure sector until 2012.

According to the Society of Indian Automobile Manufacturers (SIAM), the auto industry could recover fast after suffering a sharp decline in 2007-08 (-4.7% industry growth). For instance, Maruti Suzuki India Limited (MSIL) adopted many innovative things across several functions to manage the economic slowdown such as reducing the weight of components (one gram, one component); stretching its capital expenditure over a longer period, increased field events like 'car melas' to ride on anticipated strong rural demand; cashing in on the rising demand from overseas for light, small,

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fuel-efficient cars. Many auto majors launched several new products recently while withdrawing old ones, thereby activating the 'replacement cycle' (e.g., Maruti's DZire, A-star and Splash). The National Association of Computer Software and Services (NASSCOM) projects a below average growth of 21-24 per cent for software exports against the background of gloomy economic environment in major markets like the US and the UK, coupled with poor growth prospects for the banking, financial services and insurance (BFSI) vertical (e.g., TCS). The BFSI vertical which accounts for nearly 44 per cent of Tata Consultancy Services (TCS) overall revenues prompted it to take 'hard' but not harsh decisions on several fronts. As a matter of fact, in the BFSI segment, there exists a mixed bag of clients. Some clients may cut or delay their IT spends, while a few may start spending more. This calls for client-specific strategies rather than industry-specific approaches to manage recession. Not surprisingly, the TCS's 1,00,000-plus workforce proved to be its trump card rather than a drag on its performance during the recession and recovery phases of global economic meltdown. Industry Captains such as Infosys Technologies, TCS and Wipro never attempted to halt the process of recruitment. In the fitness of things, TCS focused on new geographies (customer-catching) and deepening relationships with existing clients (customer retention), aggressive branding strategy, took a hard look at costs (manpower, project-specific costs like software, and other costs like travel and communications), substantially improving employee utilizations from its current rate of 77-79 per cent. These measures resulted in a significant reduction of its selling, general and administrative expenses and the mean time for an employee to move from one project to another. Furthermore, TCS saw great opportunities in Telecom equipment manufacturing, healthcare and life sciences, energy and utilities, and transportation in order to solidify its growth engine.

The engineering and construction giant Larsen and Toubro (L & T) could manage the economic slowdown through eliminating the possibilities of time and cost - overrun of its projects. It took a conscious decision some years ago to switch over to contracts that protected against commodity price escalation which allowed L & T to pass on increased inputs costs to the customers. In the right earnest, L & T meaningfully and effectively used de-risking strategies such as completing projects ahead of schedule (execution excellence), finding new growth areas (e.g., railways, ship building, power, water); entering into new growth markets by diversifying geographically outside India (e.g., West Asia), and shifting to variable cost from fixed cost projects helping L & T insulate itself from rising input costs.

Tata Power has to come to terms with the hard realities of economic slowdown in an attempt to respond to the situation where 'demand is huge but funds are tight'. It has an ambitious growth plan of expanding its power generation capacity from the current capacity of 2400 Mega Watts to more than 10,000 MW over the next five years. The real challenge during the recovery phase of the economic slowdown is finding ways to ease the high interest burden due to the capital-intensive and high debt component (approx. 75%) in its projects. Among other things, it contemplated on strategies such as gaining more control over coal assets via acquisition of mines in Indonesia and transporting coal in its own ships to minimize price volatility, tariff structures in some projects designed in such a way that higher interest costs could be passed on to consumers, and exploring opportunities in renewable segments like wind, solar and geothermal energy.

DLF, India's largest real estate developer, could ride the economic downturn in the presence of several odds against it. It adopted several innovative ways of importing for efficiencies (e.g., Importing steel from China at 8 to 10 per cent cheaper rates and cement from Pakistan at prices that are 4-5% lower), focusing on value-engineering (e.g., every cost item, be it glass or a tile, is revisited regularly), and going easy on debt financing. Real estate players are seriously looking at trimming expenses by toying with ideas like changing the design of taps to save steel, ensuring uniform door sizes, importing accessories, increasing the working hours of workforce or simply laying off employees.

The cement industry has been struggling hard to handle a host of problems including sluggish demand, declining capacity utilization, and pressure on prices. Associated Cement Companies (ACC), the country's largest cement company controlled by Swiss Giant Holcim registered a significant decline in production and sales in the recent past. Grasim Industries, an Aditya Birla Group Company, being a second-largest cement maker and a global leader in viscose staple fiber resorted to intelligent cost-cutting exercises through innovative ways such as generating captive power by setting up captive power plants, moving closer to the customers by creating clinker-crushing capacities and grinding units in key markets, decreasing dependence on road and opting for sea logistics as that can help cut transportation costs by 30-50 per cent.

As far as broking industry is concerned, when stock markets tumble, managing a huge investor base and a widespread network would become a nightmare. In a booming market, the focus of broking firms tends to be more on grabbing the opportunities on the revenue side, while in a bear market or sluggish times, the only way to protect their margins is to see how best they can use their existing resources. For instance, Motilal Oswal Financial Services (MOFS) having its presence across 450 cities with about 500,000 investor base resorted to cutting its workforce strength by 4-5 per cent; increased the number of investor camps across cities and initiated a reactivation campaign to persuade relatively passive clients with investing potential to become more active, increasing the contributions of diversifications like wealth management, private equity and investment banking; continuing with a franchise model which keeps a lid on fixed assets; and using idle cash on balance sheet for risk-free arbitrage opportunities.

Consumer durables sector has been focusing on managing costs more effectively and intelligently in the face of rising input costs. For Samsung India, growth and profitability go hand in hand during the recession and recovery phases. It has been managing costs by sustaining volume growth brought about by increased productivity (e.g., time between two TV sets rolling out of the assembly line has been reduced from 4.9 seconds in 2007-08 to 4.5 seconds in 2008-09). It also launched up to 100 new product variants, set up 30 new branch offices across the country, optimized on the specifications of components in colour TVs, encouraged its vendors to apply 'six sigma' in their production processes (ensuring zero defects), concerted efforts to push sales volume by 30 per cent without compromising on marketing activities (marketing expenditure accounts for 4.5-5% of turnover).

It is worth noting that the advertising and media industry appears to be recession-proof as evidenced by significant growth in the volume of commercial time on broadcast satellite channels and radio, and the cubic centimeter-space devoted to advertisements in print media. It is precisely due to the fact that the fast-moving consumer goods (FMCG) sector needs to step up advertising and promotional expenditure in the midst of a slowdown with a view to emphasizing more on brand-building communication.

Strategic HRM: Issues, Concerns and Strategies

Human Resource Management (HRM) is conceptualized as the philosophy, policies, processes, programmes and practices (5 Ps) of planning, organizing, directing and controlling of the procurement, development, compensation, maintenance, integration and separation of the human resources to the end that individual, organizational and societal objectives are effectively and efficiently accomplished. Within HRM, there are two main strands of thinking. The first, often referred to as the 'hard' variant of HRM, focuses on cost reduction and containment, links with strategy and the role of HRM in furthering the competitive advantage of the organization. The second, typically labeled 'soft' HRM builds on human relations traditions and stresses the importance of the subjects as a means of furthering employee satisfaction and a range of related human objectives that are achievable from the insights of systematic studies within HRM. At this juncture, it could be appreciated that HRM is multi-national, multicultural, multi-disciplinary, and multi dimensional in nature. Furthermore, it is nation-specific, industry-specific, organization-specific and context or situation-specific in its strategic perspectives (Barry & Elmes, 1997; Beer et al. 1985; Boxall and Purcell, 2003; Golan, 2005; Guest, 1997, 2002; Legge, 1995; Marchington and Grugulis , 2000; Martell and Carroll, 1995; Panayotopoulou and Papalexandris, 2003; Purcell, 2002; Schuler and Jackson, 1987; Storey, 1995; Ulrich, 1998; Youndt et al., 1996). There is also a pertinent need to question the veracity of the link between HRM and performance. Can better performing organizations attribute their good performance to the quality of their HRM or is the standard of their performance due to other factors? What makes an organization's approach to HRM 'strategic' and is there a satisfactory method of differentiating between an approach to HRM that might be considered 'strategic' or one that is not seen to be strategic?

Definitions of performance measurement frequently distinguish among activities (e.g., workloads), outputs (e.g., number of completed payroll transactions), outcomes or effectiveness (e.g., achieved its goal) and efficiency (e.g., measures of the cost per outcome or output).

Boxall and Purcell (2003) argue that 'it is possible to find strategy in every business because it is embedded in the important choices managers and staff of the firm make about what to do and how to do it' (p.28). The overall essence of strategic HRM revolves around the integration of all HRM functions, adherence to broad organizational goals, and responsiveness to the external business environment. Hence, SHRM is concerned with ensuring a strategic 'alignment' or 'fit' between business and HRM strategies. Finally, everything will boil down to the following two key questions:

1. What evidence is there that organizations use HRM strategically with a view to enhancing their organizational performance during recession and recovery phases of Indian economy?
2. Do organizations that take a strategic approach to HRM experience better performance outcomes?

The effective 'performance management' of modern organizations especially during the recession and recovery phases of Indian economy will be determined by an organization's competency (ability x willingness x opportunity) in aligning and realigning the nine key elements: people, structure, task, technology, culture, strategy, systems, processes, and environment. This calls for a holistic approach based on ideological underpinnings (continuity with change) and a totalitarian perspective (understanding the 'big picture'). It is needless to reiterate the fact that 'people' (individuals and teams of individuals) keep the place and set the pace of progress of any organization. It is high time to rethink our workforce strategies in terms of attracting, developing, rewarding, engaging, utilizing, and retaining the workers of all ages. There is an imperative need to rewrite the employment deal. More often than not, companies are increasingly tilting in favour of adopting a 'segmentation approach' to manage people at work. In a typical organization, one can come across four categories of employees: super-keepers, keepers, solid citizens, and misfits. 'Super-keepers' are those employees who always exceed the expectations; 'keepers will just match the expectations; 'solid citizens' underperform even though they are capable of performing at a higher level; and finally, 'misfits' are those who should be shown the exit doors. This approach necessitates 'hard' but not harsh human resource management decisions. Mr.Kamalnath, Industry and Commerce Minister and Prime Minister Dr.Manmohan Singh had already appealed to the industry to refrain from large scale lay offs and retrenchment of the workforce.

Organization 'structure' is just like a fence erected around a crop to facilitate and protect the yield. Similarly, structure (bureaucratic or flexible tall vs. flat) may hinder or facilitate the performance of an organization. Based on the nature of its main activity (manufacturing or service), organizational strategies to make things happen would significantly vary.

On the technology front, a given organization might be technologically perfect but humanly objectionable or unacceptable. Based on the taxonomy created by two variables - technology and humane approach, there could be four possibilities around which an organization might function: high tech, high touch; high tech, but low touch; low tech, but high touch; and low tech and low touch. The first category of organizations is having better competitive edge over their counterparts to survive, grow and excel during the recession and recovery phases.

Organizational culture (norms, values, beliefs, artifacts, attitudinal and behavioral patterns) plays a crucial role in facilitating the organizational survival during an economic slowdown. According to Udai Pareek (1997), an organization will have to nurture and build on eight core values (OCTAPACE): ***openness*** (positive mental attitude and open door policy for all ideas), ***confrontation*** (never shy away from the problems, face them upfront), ***trust*** (trusting workplace environment because trust begets trust), ***authenticity*** (evidence-based and research-informed HR practice; data-driven and documented approach), ***proaction*** (sensing the problems before they erupt), ***autonomy*** (freedom to take a decision through employee involvement and empowerment practices) ***collaboration*** (team work and team spirit), ***experimentation*** ('out of box' thinking and looking beyond the obvious).

Organizational systems and processes should facilitate and reinforce each other in a synergistic and symbiotic manner. As Bill Gates of Microsoft put it in a succinct manner, 'one should think at the speed of the light to earn and sustain competitive advantage'- especially during trying circumstances. Highly complicated, bureaucratic, compliance-seeking instead of commitment oriented systems and long-drawn, cumbersome processes may throw the entire business functioning out of gear. In the fitness of things, employees should be trained, developed, motivated, timely rewarded and recognized for meaningfully and effectively reducing the ***response time*** (time lag between the customer's enquiry and organization's response) ***lead time*** (time lag between the order and supply of raw materials), ***cycle time*** (time lag between the manufacturing process and realization of the sale proceeds), and ***delivery time*** (time lag between the conclusion of sale and the delivery of the product to the point of consumption).

Finally, the organization has to continuously interact between its internal (micro) and external (macro) business environment in order to keep itself abreast of changing needs, wants, demands, preferences and expectations of multiple stakeholders.

The main differentiator between successful and unsuccessful organizations during the recession and recovery phases is their ability and willingness to enlist (9Cs): the ***cooperation*** (willful obedience), ***coordination*** (pull or push in the same direction), ***collaboration*** (team work and team spirit), ***commitment*** (never throwing the baby along with bath water; firm determination to excel), ***communication*** (free flow of information across vertical and horizontal boundaries of an organization), ***consultation*** (respecting an employee's urge for self-expression, involvement and empowerment), ***counselling*** (proper and timely help or back-up support in times of difficulties without leaving them in the lurch), ***conscientiousness*** (ethically sound and socially acceptable behavioural patterns) and ***consolidation*** (wrapping up all the initiatives, actions and efforts - individual, team and organization- to achieve success). This is possible only when HRM tries its best in unleashing the human potential within everyone (right from the gatekeeper to the CEO) in the organization with a sense of purpose, pride and direction. In this context, one is reminded of the dictum "nothing succeeds like success; at the same time, nothing fails like failure".

By and large, many progressive and result-oriented organizations have been directing their time, energy and resources towards strengthening customer value proposition (CVP) during the recession and recovery phases. To drive home the point, CVP is depicted in the following seven inter-linked and inter-dependent steps:

1. Internal quality drives employee's satisfaction.
2. Employees' satisfaction drives loyalty.
3. Employee loyalty drives productivity.
4. Employee productivity drives value.
5. Value drives customer satisfaction.
6. Customer satisfaction drives customer loyalty.
7. Customer loyalty drives profitability and growth.

All said and done, companies are increasingly focusing on the key issues, concerns and determinants of quality, satisfaction and loyalty of employees, and customers; productivity and profitability enhancement; earning and sustaining competitive advantage through cost-containment, competitive pricing, innovation, and organizational agility. Most of the companies are forced to resort to several corrective HR measures to manage recession and recovery phases such as compulsion to cut cost and raise productivity; cut production and defer expansion plans; suspend management salary increases; freeze on new hires; slash investment spending and cut expense for consulting, travel and entertainment; 4 or 5 days week. It is disheartening to note that some of the companies are being tempted to either abandon training and development (T & D) activity or drastically cut T &D budget which would invariably send wrong signals to the workforce and demoralize them. This tendency usually prevails with those managements exhibiting myopic vision or 'shorttermism' towards the management of people at work. As Swanson (1995) rightly presented four views of human resource development expressed in practitioner circles: (1) a major business process, something an organization must do to succeed; (2) a value-added activity, something that is potentially worth doing; (3) an optional activity, something that is nice to do; and (4) a waste of business resources, something that has costs exceeding the benefits. Human resource development should not become an 'expenditure', instead it should be viewed as an 'investment in human capital' which pays rich dividends in the long run. It is precisely because HRM focuses on the following key objectives:

1. Effective and efficient procurement of the qualified, competent, committed, flexible and multi-skilled workforce.
2. Development of the human resource through education, employee training, executive development, workplace learning, mentoring, coaching and counseling.
3. Proper, adequate and timely recognition and reward for the job well-done through a scientific compensation administration system.
4. Creating, nurturing and building on a highly conducive and congenial workplace environment through the provision of vibrant, meaningful, challenging and satisfying physical, social and psychological conditions available in the workplace.
5. Promoting individual, team and organizational

learning through the provision of learning opportunities.

6. Benchmarking 'best HR practices' to retain competent and talented workforce through designing and implementing employee retention management strategies.
7. More inclusive knowledge management (KM) strategies by promoting knowledge-sharing rather than knowledge-hoarding culture in the organization.
8. Optimum utilization of human resources with a view to successfully meeting business goals, employees' needs, and societal expectations.

Based on the research conducted by McKinsey and Company, key drivers of an employee's decision to join and stay with a company include pride in the organization; a respected supervisor; fair compensation; a sense of affiliation or belongingness; and meaningful, satisfying and challenging work and work environment. Hence, the employee value proposition (EVP) is greatly affected by the employee's perceptions of exciting work, a great company to work for, attractive compensation, and opportunities to continuously learn and develop. From this analysis it follows that organizations should never downplay the importance of their workforce especially during the recession and recovery phases. Some of the pointers include the contingent workforce (part-timers, contractors, temporary employees), younger workers (Gen-Xers), 50 year-plus employees, female employees (career hurdles or glass ceiling), flexible time (flexible hours and shifts) reduced time (part time and seasonal work job sharing), flexible place (telecommuting/off-site work), HR credibility crisis (measuring and assessing the impact of HR on organization performance), training and development as a morale booster, and effectively handling employee disengagement, cynicism and skepticism.

Conclusion

The global financial crisis and recession had already created severe turmoil resulting in cutting down jobs outsourced to India by the US, returning migrants and reverse brain drain, and huge youth unemployment. Various policy measures such as avoiding indiscriminate layoffs, stimulus packages, boosting rural demand, and reduction in salaries through effective social dialogue with workers, government and corporate houses have started yielding positive results during this recovery phase. In the fitness of things, HRM plays a crucial role in reversing the 'cycle of failure' during the recovery phase. In gist, strategic HRM emphasizes the need for HR plans and strategies to be formulated within the context of overall organizational strategies and objectives, and to be responsive to the changing nature of the organization's external environment brought about by recession and recovery phases of business cycles. It is needless to say that proper, adequate and timely linkages should be established between HR and organizational strategies. In 'accommodative' type, HR strategies simply follow organizational strategies accommodating the staffing needs of already chosen business strategies based on systematic workload, workforce and competency analyses. In 'interactive type', HR strategies are characterized as a two-way communication process between HRM and corporate planning in which HRM contributes to , and then reacts to, overall strategies. In 'fully integrated' type, the HR specialist is intimately involved in the overall strategic process in both formal and informal interactions, a true reflection of SHRM in practice (Nankervis et al., 2000, p.37). The degree of involvement and commitment will extend to HRM being fully represented at the senior management level and HR personnel actively participating in strategic decisions (e.g., downsizing or outsourcing) and it might even involve an HRM appointment to the Board of Directors). The bottom line is 'organizations confronting with recession and recovery phases can neglect SHRM only at their peril.'

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