

EFFECTIVE HR STRATEGIES DURING SLOW DOWN

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1. Abstract:

Formulation of Corporate and HR Strategies during declining market is always challenging job for the top management. It becomes really difficult to retain all employees along with their existing benefits and rewards for every organization. Hence, instead of taking decision to reduce manpower, every management needs to adopt different strategies to carryout business operations without retrenching the manpower and try to reduce the costs. Management need to consider their employees as family members as well as an important asset of the organization. Management can do better during slow down with the help and cooperation of employees. For this purpose management should take employees in confidence and share their future plans and strategies for survival. The organizations who will survive during declining market along with their employees can definitely grow in future.

Keywords: Employee, Strategy, Retention, Costs, Benefits and Rewards.

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2. Introduction:

When we discuss the concept of HR strategies in declining market, we have to consider and visualize the three completely different aspect but equally interlinked aspect of any business.

These three aspects are: -

- a) **Human Resource:** It is one of the most important factors of production for any organization.
- b) **Strategies:** It consists of planning, organizing and executing and control activities in order to attain the long term goals and objectives.
- c) **Market:** The environment external in nature but creating a direct impact on the business.

The nature of market affects the strategies of business which in turns creates an impact on the HR of an organization.

3. Theoretical Background:

Market:-

Traditionally market was regarded as a place where goods are bought and sold. But today, there is no specific place required for buying and selling. It can be easily done even through internet. Hence specific place as a market is no longer in existence. Rather it can be stated that the scope of market has widened tremendously. Any such place from where trading can be done in now a market. It can be residential house restaurant, cyber café, small office, and such any place.

The product is said to have market if it creates 'mark' for 'it' self. The success of business depends on the extent to which the product creates 'mark' for 'it' self. The market for product also helps in developing and designing strategies of business.

Strategy:-

Strategy is an overall plan which an organization chooses in order to move or respond towards the decided objectives by using it resources. An organization is considered operationally effective and efficient if it is characterized by synchronization between objective and strategies. It includes the set of activities which give the direction to the operational functions of an organization. It thus becomes important to take care utmost in formulating strategies at these strategies would directly and indirectly not only affect the functioning but also the overall performance of any organization.

Market provides place to product. The response of market towards the product should be positive so as to attain/ archive success. Positive response from the market shall largely depend on the strategy of the company. Strategy adopted by the organization has the capacity to influence the market. However while checking out strategies to influence market (termed as external strategies) it become relevant to have strong internal strategy. The internal strategy of any organization shall have an overall organizational strategy and there after departmental level strategies shall be framed which are conducive to the organizational strategy. Strategies may be formed for marketing, sales, advertisement, finance and moreover for HR.

4. Review of Literature:

Dr. Pravin V. Bhise, Prof. MukeshPatil and SwapnilDeshmukh (2013) found in their research that the organizations are putting their emphasis on attracting and retaining talents. Whereas Human Capital are not playing role as a strategic partner and aided in coaches, counselling, mentoring and succession planning to help organizations member and their loyalty

Kajal D.Bhojwani (2013) in her research found that the recession is one of the biggest opportunities for Human Resources ever. As the organizations will be smaller and more efficient in future, the HR Professionals can act as the real change agents in organizations promoting new approaches in the area of the people management.

R. Gopinath and K. Arun Kumar (2014), mentioned in his research that the recession doesn't mean that the world has come to a standstill. It simply means that certain business has become unwanted and others must innovate and reinvent themselves to garb the society's needs. It is an opportunity for the corporate world to rectify the flaws that caused the present system to fail.

Merlyn Mascarenhas (2015) concluded in his research that the several HR Strategies that are efficient to meet the challenges of the future organizational developments are based on the needs of the organization. Obviously, the present environment requires companies as well as their HR teams to think 'out-of-the-box,' and come up with original and inventive approaches to survive the downturn and hold employees together.

Emmy Gracy Vas, highlighted in his research paper that in previous times, innovation was accredited as a step towards growth and success but in the present situation helping innovation and implementing new ideas effectively is as much about survival as progression. Innovative HR Practices are as important as technological innovation for the survival and growth of the corporate sector world over.

5. Present Scenario:

There has been constant debating over recession and slow down. Technically it is observed that when there is negative growth of GDP for continuous two quarters then it shall be denoted as recession. As far as India is concerned the GDP is still over 5%. So there remains no question of debate. India is not hit by recession. Yes there is slow down.

Before discussing or commenting further, researcher would like to put forth a very interesting point – taking into consideration the current price conditions and market structure it is assumed that a pay package of Rs. 2.5Lakhs per annum for a family of 5 members is sufficient for survival. With this assumption, in Rs. 15Crore it is possible to provide employment to 600 generous employees for a year. On one hand the companies are pointing out that they don't have enough resources to maintain the employment and on the other hand they spend Rs. 15Crores on hiring just 2 employees for a maximum period of

1.5 months.

In slow down, the major stress is on cost cutting. The basic reason behind the same is to avoid the losses. The question arrives as to whether really it is necessary to do so. There has been tremendous job cut by majority of industries creating a huge tension for the job losers.

HR is the most sensitive part (issue) for any organization. It is very much different from any other factor of productions. The other elements of productions can be completely controlled with proper and efficient management. However, it becomes it difficult to exercise complete control over the HR.

Any business goes through a trade cycle; trade cycle is an economic term which indicates that a business goes through phases of prosperity, maturity and then decline. When it is already known that decline is expected, it is necessary to plan from the phase of prosperity to overcome the problems arising in the phase of decline. In the expected phase of decline where it is realistic to be prepared from the very beginning, it is also necessary to keep cool during the phase of decline. It should also be noted that the phase of decline shall not remain permanently. Hence instead of panicking in this phase, it should rather be taken as a period of innovation and preparing in order to capture market in the upcoming phase of prosperity.

6. Objectives of the Study:

- 1) To study and determine HR Strategy before and during slow down.
- 2) To find out and suggest various strategies for running any business organization successfully in the competitive world.

7. Research Methodology:

The present paper is based on secondary data collected from Books, Journals. The researcher also interacted informally with eminent personalities of the corporates for the same.

8. Limitations of the Study:

- 1) The research is based on secondary data.
- 2) The study is conducted considering the Indian Companies and MNCs.

9. Implementation of HR strategies for the betterment of the organizations:

Following are certain strategies which organizations can adopt for the betterment of the HR.

- a) Forecasting:** In order to have optimum utilization of man power it is necessary to forecast the requirement of manpower in the organization. Forecasting helps to avoid under-utilization & over-utilization of the man power.
- b) Estimating Manpower Needs:** Besides forecasting it is equally important to estimate the manpower requirement. Estimating has to be done department wise as well as the skills, ability and knowledge required to perform a job.
- c) Hiring Potential Personnel:** It is very necessary to hire the manpower based on the forecast & estimate. Proper care should be taken while hiring the manpower. A proper recruitment & selection policy should be adopted to acquire the potential persons.
- d) Job Description and Specification:** This is necessary as it helps in identifying and installing the right person in the right job.
- e) Effective Reward:** In order to retain the potential manpower it is essential to reward the manpower. Rewards can be monetary as well as non-monetary. Monetary rewards include pay & incentives while non- monetary rewards includes appreciation, promotions & so on.

- f) **Training and Development:** in order to get the best out of the hired employee it is necessary to enhance the potentiality & ability of the employees. This demands an adequate package of training and development.
- g) **Employee Engagement:** To make optimum utilization of the available potential manpower, engaging the employee in the right areas becomes a necessity. The organization gets the output through proper employee engagement & the employee derives job satisfaction.
- h) **Performance Appraisal:** After hiring the employee and giving adequate training and development, it is expected that the employee contributes in the growth of the organization. The quantum of contribution by the employee can be measured by setting standards and reviewing the performance quarterly or after the completion of every project.

10. Measures to be adopted in time of slow down by the organizations:

No doubt the objective of any organization is to earn profits. In times of prosperity organization do earn huge profits at the cost of its employees. Due to the effective and efficient contributions of its employees the organization is able to maximize its profits. Hence during this period it becomes necessary for any organization to:-

- a) **Plan its Activities:** one of the basic functions of management plays a vital role in the future performance of the organization. Planning has to be done with utmost care at each departmental level, for the overall organization and for the various functions performed by the organization. Planning should be done at each level and for each period i.e. short term, medium term and long term.
- b) **Diversify its Business:** Any business goes through a phase of a cycle popularly denoted as trade cycle. In the phase of prosperity good returns are expected. These returns can be utilized to diversify the business. Diversification helps in minimizing the risk during uncertainties which are bound to prop up in the near future.
- c) **Investment Creation:** As discussed above, in the phase of prosperity, good times are expected. Besides diversification healthy investments (in form of raising the fixed assets, shares, debentures, bonds of other companies and government) should be made which shall provide a helping hand during uncertainties.

- d) **Brand Building and Development:** People are crazy towards branded products as such in order to capture market the organization should concentrate on brand building and its development. This shall enhance the brand image in the minds of the public which ultimately leads to creation of brand loyalty. This development of brand loyalty shall be very useful in crunch situations.
- e) **Innovation:** It is a key to success of any business. Once a product goes through the prosperity phase, it comes to the phase of maturity and finally enters the phase of decline where the demand decreases. In order to have increased demand, the company should come out with innovative ideas. Innovation can be done by redefining the existing product of coming up with a new and better alternative product.
- f) **Optimum Utilization of Resources:** Procurement any resources involves cost. If the available resources are not completely utilized, they go waste and increase the cost of production. Hence to avoid this organization should concentrate on optimum utilization of resources.
- g) **Effective CSR Policy:** The organization to a great extent depends on the society for the factors of production required for the production and also to sell the products manufactured in the form of customers. The success of business largely depends on the interest of the society. In order to attract the interest of the society an effective CSR policy should be adopted by the organization.

Above measures being adopted in time of slow down the company may face a problem. But it should remember that this is a business cycle. It is expected, if in the previous phase of cycle the company has adopted/ taken effective steps, than the things are not much difficult. This phase of slow down will definitely go away and prosperity is expected.

11. Suggestions:

This is a very fragile period both from the employer & employees point of view. Employers fear the risk of loss in business and the burden of continuous cost of operations. On the other hand the employees fear the risk of being retrenched. In the past the combined efforts of the employer and employee has resulted in achieving success and returns in the business. It will be beneficial if both the parties come together and discuss to sort out the problem emerging due to slow down.

- 1) **Bear losses:** It has been observed that every business goes through a trade cycle which has the phases of prosperity, maturity and decline. It is obvious that during the phases of

prosperity and maturity, the business house gets ample returns. As it is expected that there shall be a decline in the near future it is necessary that the organization takes before hand precautionary measures such as diversifications, investments etc. during the phase of prosperity. More over the income generated at the earlier phase should be much enough to sustain a nominal loss during a phase of decline.

It should not be forgotten that the returns earned are the result of the contribution and efforts of the employees. It now becomes the moral and ethical responsibility of the business house to take care of its employees in this delicate period.

2) Cost Control and Cost Reduction:

➤ **Reduce Advertisement Cost:** As discussed earlier, employees are the contributors in the success of the business; it is justified to cut down the heavy advertisement cost incurred by the company as against retrenchment of employees. The basic motive of advertisement is to make the consumer aware of the available products and its qualities. For the same the company spends a huge amount on media for the advertisements.

Instead of spending on media advertisement (by the means of TV commercials, hoardings, huge sponsorships, and brand ambassadors) and retrenching the employees it is suggested to use direct advertisement methods with the available manpower that the company thinks to retrench.

➤ **Reduce Marketing Channels:** There are many intermediaries before the final product reaches in the hands of customers. Every intermediary has his own percentage of profits in the process. Instead of retrenching the in-house personnel who has contributed to the organizational growth and success it is suggested to cut off the intermediaries in marketing channels and replace them with the in-house personnel who are idle at the moment.

➤ **Reduce Operating Cost:** It is suggested that rather than retrenching the employees, the organization should try to cut the operating cost. Though decreasing the operating cost may not help a lot. But it shall definitely provide certain relief in cost reduction.

3) **Review and Reduction Benefits:** In the declining stage maintaining the job is the prime concern of the employees. In the phases of prosperity the employees may be showered with a variety of benefits. So in the phase of decline one measure which can be adopted by the organization is that it can reduce or cancel the benefits provided. Moreover, the

company may also resort to pay reductions. This shall be highly appreciated by the employees as they get a feeling of being concerned.

- 4) **Offer Additional Responsibilities:** In the phases of decline the company may resort to take away the jobs assigned to the outside agency or temporary workers. These responsibilities can be added in the current responsibilities shouldered by the employees. The employees shall be happy to take up the additional responsibilities instead of being retrenched. This shall definitely contribute in cost cutting from the view point of the organization. If possible management should give some incentives to performers keep them happy. Also management can openly discuss with the employees / trade unions and fix the salary for the period of next two to three years to overcome the situation of slow down.
- 5) **Differentiate between Performers and Non-performers:** During the phase of prosperity certain employees may relax at the cost of the contribution made by the other employees. Their non-performance is not recognized due to the heavy returns received by the company. But during the time of uncertainties where the revenues decline, it becomes essential to differentiate between the performers and the non-performers. Moreover, the company should resort to pay on the performance and the contribution made by the employees.
- 6) **Golden Shake Hand (VRS):** As discussed above, the performers and non-performers are differentiated where the non-performers continue to default in their contributions may be sacked by way of compulsory VRS. This shall give justice to the employees' contribution and management can easily reduce the non-contributors.
- 7) **Design Future Plan Scientifically:** A technique of budgeting should be tactfully used by the organization for planning the future. It is very much sure that the business shall come out of the phase of decline and more towards prosperity. It can be judged on the basis of market survey and budgeting what shall be the demand of the consumers in the near future. Based on this the organization should plan effectively to achieve striking success in form of revenue and returns.

12. Conclusion:

In the crunch situation the company shall maintain its cool. It should give relative importance to HR in its organization. Because it was the same manpower who has helped them to build up its

image, brand and earn profits. It would be injustice towards the employees' contribution. Moreover it is not ethical on human grounds to retrench the manpower those who have helped to gain. Instead of direct cutting jobs the organization may adopt several strategies as discussed above.

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