Characteristics of Human Resource Management in Crisis

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Abstract: *In addition to the constant changes in business environment, caused by technological, economic, demographic, political and social conditions, occasionally there are large socio-economic breakdowns in the modern world, inflation, mass epidemics of new diseases, natural disasters and various other crisis phenomena. In times of crisis, the quality of human resource management - HRM, dedication to ideas and results of an individual, group, department, team, and organization - is particularly significant. The aim of this paper is to examine the role of HRM in maintaining key competencies, loyalty and commitment of employees in times of crisis. The paper will analyze the choice and justification of applied HRM measures, from the perspective of short- and long-term business success. Particular attention will be given to the effects of dismissing employees, reducing or freezing salaries and benefits, reducing or freezing training and development budgets, and other HRM measures. The paper will describe how, and to what extent, HRM measures contribute to organizational stability in times of crisis, what the long-term and strategic consequences are. Based on data analysis and comparison with HRM best practices, the paper will provide recommendations for acute HRM issues, which could have long-lasting consequences for organization, and could provide the sustainability of organization after crisis ends.*

Keywords: *Organizational stability, Human resource management, Crisis*

1 Introduction

Globalization, technological advances, and demographic change have brought new opportunities and also created complexity for many organizations, forcing them to adapt quickly. In addition to constant changes in the business environment, due to technological, economic, demographic, political and social conditions, in the modern world there are occasional economic breakdowns caused by certain business, economic or political models that are not timely adapted to new circumstances, or are an expression of short-term business. Such fractures have far-reaching consequences in the world economy.

Looking ahead, the pace of change will continue. But the best organizations will face the challenge of rethinking their role in the world, their mission and their values. Organizations that direct creative potentials towards the future are making unstoppable progress [1].

In times of economic crisis, organizations are more intensively focused on internal resources, which is a special challenge for human resource management. It all starts with human resources - human capital, because human ideas start, change, innovate, develop and encourage new activities, that are more diverse, complex and require good organization and its control, as well as control of execution, all with the goal of better results. In times of crisis, the internal quality of management and the attitude towards the ideas and results of the individual, group, department, team, organization, as well as the tendency to produce quality towards all external users of services, are especially pronounced.

The subject of this research is to consider the effects of human resources management measures, as well as the role, function and position of human resource management in maintaining key competencies, as well as loyalty and commitment of employees in times of crisis. The research will consider the choice and justification of the applied measures from the angle of short-term and long-term effects on business stability and success, and will especially consider the effects of layoffs, reduction or freezing budgets for salaries and employee benefits, reduction or freezing training and development budgets, increasing the offer of internships and engagement of volunteers, as well as other measures in the field of human resource management.

2 New challenges of human resource management

According to previous analyzes, in the 21st century, it can be stated that several factors will significantly affect the world of work, among which stand out [2]: demographic trends, technological development, globalization, flexible working modalities and respect for diversity. In many organizations - both in the world and in Serbia - all these trends are already widely present and lay new foundations in the field of employer-employee relations.

Extreme technological development has been recorded and continues in the 21st century. Information technologies are further developing in the world, so that intensive progress has caused major changes in production processes, work tasks and the ways in which companies are organized. The scientific information revolution is conditioned by a great demand for a highly skilled workforce, as well as a demand for completely new profiles, which are currently unknown or which we are not able to predict today.

The development of information technology affects the intangible assets such as software programs, which represent the bloodstream of data flow, from recording, processing, analysis to new information for management, administration and decision making. This implies continuous education on different bases, for different levels of management and employees, and certainly according to the organizational unit and the type of work they perform. The development of technology implies the need for continuous education, and they also cause a change of job, or movement within the organization itself. It can be concluded that flexibility is one of the preconditions for all those who think proactively about their career.

Globalization brings more and more competition both between companies and between workers in the world market. The workforce will be far more mobile, which is also due to the growing presence of virtual work teams. In large, multinational companies, the issue of global workforce is already opening up, which practically means that vacancies will primarily be filled with internal company resources - wherever they are in the world. The focus is on internal advertisements, where company workers apply for open positions or work on projects around the world, within their organizations. Such as Global Shared Services (https://www.gsslp.com/), which serve offices around the world in the field of finance, human resources, IT and other administrative affairs. It is well known that the issue of outsourcing is painful for many organizations, but at the same time it is a process that will not stop, and it is necessary to make the best use of it to increase competitiveness in the global market [3]. The goal is, of course, high specialization for certain services, at an extremely low price, ie another type of internal outsourcing.

Due to technological progress and globalization, organizations go towards vertical disintegration, specialization, decentralized decision-making and constant development of knowledge, as the basic means in achieving competitive advantage. Specialization allows focusing on the use of comparative advantages in providing certain products or services, while for secondary business functions, which do not belong to the main activity, organization hires external associates.

In some sectors, the disintegration of organizations will go to the individual level, in the form of numerous IT-trained, networked and self-employed individuals, so-called freelancers or e-lancers. In such a business environment, individuals will compete in the global marketplace to participate in projects and will be able to work on multiple projects simultaneously.

Non-standard forms of work are increasingly present, such as self-employment, employment contracts, temporary and occasional jobs, fixed-term employment contracts. The labor market is definitely moving towards less stable and less permanent jobs. This allows for technological development, which has already been analyzed, and with the further advancement of information technology, the link between work and the place where work is done becomes loose, as more and more workforce works from home (web designers, sales and promotion of services and products), or outside the employer's premises.

Another significant challenge for human resource management - in the context of work location - is labor mobility. Labor mobility within large corporations has become common. Quarterly, six-month or multi-year work engagement in the offices of the same company in different countries - represent a benefit or a kind of reward for the employee, and brings the necessary specific knowledge and experience to the home office.

Technological development is increasing the demand for highly skilled workers, and the labor market is demanding and will increasingly demand workers who are able to adapt quickly to career changes, which are the result of technological change and progress. The skills that the workforce will have will be the main, basic precondition for further economic development and the degree to which it will be possible to go in the use of new technologies. Jobs in production require a good knowledge of technology and have suppressed traditional factory jobs [4].

Strong cognitive and entrepreneurial skills will be absolutely favored. The cognitive skills that will be most valued are those related to the ‘use’ of information - such as managing, analyzing, interpreting, evaluating, transforming, communicating and taking concrete action based on information. Those who opt for or will opt for self-employment will need to have strong entrepreneurial skills in order to market their products and services. Individuals, who will know how to successfully use and manage their own time, will be able to achieve better business results, and thus a better position and opportunity to gain new knowledge and experience.

Successful global companies have realized that they achieve the best results by combining diversity. Diversity is a demographic mix, a complexity, in a given environment, that includes visible and invisible differences. Involvement is a way of combining the power of knowledge, experience, culture, ways of doing business and problem solving. The primary goal is to create an environment where all people, regardless of race, gender, generation, nationality or religion, feel valued and are able to express and maximize their potential.

3 Organizations’ business operations in crisis situation

Facing the organization with the difficulties brought by the crisis is a big test, primarily for the management, but also for the employees. Prevention is the first choice when we think about minimizing the impact of the crisis. The consequence of inaction leads to a situation where managers do not have control over the source of the problem, but still the consequences do not bypass them [5]. The second step in minimizing the impact of the crisis is the preparation to manage it, which means creating a plan on how to act on many unwanted results, if they occur (preparation of an action plan, communication plan, contingency plan ...). The third step is to recognize the crisis. The fourth phase is the phase in which the organization is expected to make difficult decisions and make them quickly. Phase five is resolving the crisis. Speed and making the right decisions are crucial in this phase, as the facts that led to the crisis are now much clearer than in the previous phase [5].

Two factors have emerged as critical to the future success of corporations: the speed with which a business can respond to opportunities and threats, and the flexibility it incorporates into its operations to make it possible in advance. In a world where change is widespread and rapid, there is no organization that can afford to focus on those closest to it, or simply respond only to the latest problem; to be successful, an organization must become aware of what is happening on the global stage and be prepared for the impact of long-term trends.

Successful organizations in mature markets focus on managing global innovation. Future market leaders will be organizations that are both entrepreneurial and cunning. However, a feature that will really determine which organizations will remain the dominant players next year is the ability to make quick decisions and implement them [6].

Crisis management in organizations has brought innovations in terms of reducing the number of working hours or laying off employees. Laying off employees can bring long-term problems, just as it can offer short-term solutions. It should be borne in mind that one of the main assumptions is that the greatest value of an organization is actually in human capital, and that this is a crucial factor in the competitiveness and better performance of an organization [7].

As mentioned earlier, human resources are the most significant and expensive resource in an organization, especially when it comes to the service sector. For this reason, during the crisis, a significant burden falls on costs that are in the domain of the Human Resources Function and significant savings are expected from HR managers. Savings are created in different ways: by reducing the number of employees, outsourcing, freezing salaries, freezing employment, reducing training costs, etc.

The crisis in most organizations leads to the following activities: results orientation, automation and process optimization, more efficient cost control, more creative approach to training [8]. The impression is that the organizations, just like all other relevant stakeholders, have been lulled into stable business conditions for too long and have not found it necessary to reconsider their movements, plans and forecasts. A crisis can hit them completely unprepared, and only a small number of organizations can boast of continuing good business after a potential crisis breaks out.

In times of crisis, organizations are facing a new challenge, and that is the lack of quality people and their increasing mobility in the labor market. Many organizations are already feeling the significant outflow of employees, and it seems that this trend will continue. We can say that this trend is a direct product of a significant decline in employee loyalty and distrust of management and organizations, in general, primarily during the crisis. Distrust and disloyalty are the consequences of activities applied by organizations during the crisis, and the feeling of less engagement and non-belonging to the organization, ie increasing focus of employees on personal careers and personal needs - has become a generally accepted model of behavior.

4 Achieving competitive advantage in crisis through human resource management

One of the biggest challenges of human resource management today, as in the previous decade, is how to attract and retain the best people. Those organizations that manage to acquire, retain and develop good people will succeed in the future [9]. Talent shortages are present everywhere in the world, causing one region to acquire talent from another region, and resulting in the relocation of problems from one country to another, until the core problem is addressed. Every day, organizations are more and more aware that their competitors on the labor market are now organizations from other continents, and in that game, the most common losers are small and developing countries. If we add to that the already mentioned, increasingly present disloyalty of employees, we understand the challenge that organizations face today.

Ensuring adequate talent base means that organizations have effective system for attracting and recruiting potential talent, and the same system of their positive selection [10]. Competitive advantage will be gained by organizations that will develop mechanisms for talent attracting, not one year in advance, but a whole decade. In addition to the talent attracting, an even more important goal that needs to be met is to ensure that the talents stay in organization for a longer period of time. Forward-thinking organizations use innovative approaches to talent management to gain a competitive advantage, whether the mobility programs or reward strategies [11].

One of the newer trends in the field of human resource management is that the human resources manager adopts a consumer-oriented approach. Orientation to customer needs is one of the most important changes in strategic human resources function. Orientation of the human resources function to clients is an effective tool in its strategic role promotion, and contribution to organizational success.

Modern technologies, globalization and intensified competition have drastically changed the picture of the world, in the sense that the world is no longer divided into those who have and do not have, but those who know and do not know. Knowledge is seen as the key to achieving competitive advantage. The biggest challenge is the issue of improving the process of creating new knowledge and better use of existing knowledge, which is constantly becoming obsolete. The goal of knowledge management is to maintain a balance between implicit and explicit knowledge, and direct them to achieve as much innovation as possible, and thus greater profitability of the organization.

Innovations, most often in the form of improving existing products and services, or business processes, have a direct impact on global welfare and prosperity [12]. The modern market requires organizations to operate innovatively, to be creative in terms of product placement, to outperform the competition, even if by innovation and creativity we mean very small improvements and enhancements of products, procedures and business processes. From the point of view of human resources, the profile of people needed by organizations is changing. From a cost standpoint, the people in organization are - on the one hand - its greatest asset, but on the other hand also its greatest expense. Whether a person in the organization will be viewed as an investment or a ballast, depends on several factors, the most important of which are: organizational values, attitude and perception of management and personal performance of each employee. In other words, employees who create and add value cannot be seen as a burden to organization, because they are its greatest support. Conversely, a person who does not have the developed competencies necessary to do the job, who lacks motivation and commitment, cannot expect to be supported and rewarded by the organization.

The structure of human resources in organization expresses the model of employee engagement, in terms of internal and external orientation in providing the necessary employees, between permanent and temporary employees. All options have potential benefits and disadvantages. The advantages of internal orientation in providing the necessary human resources are: stability and predictability of knowledge, abilities and skills of employees, good coordination, low transaction costs, etc. Negative implications refer to the lack of fresh ideas and critical approaches, inflexibility, etc. The benefits of external employment orientation through various forms of occasional and temporary engagement are greater flexibility and innovation, lower administrative costs, etc., while the disadvantages relate to the possibility of jeopardizing long-term profitability at the expense of short-term benefits. By relying on short-term contracts with employees, the organization may neglect the development of key skills and abilities that are crucial to long-term profitability.

Another way for human resource management to contribute to the cost competitiveness of the organization is to implement some of its activities that are not of key strategic importance through outsourcing. Activities that contribute to the creation of unique and specific skills of employees are not candidates for outsourcing. These activities have a high strategic value for the company. On the other hand, activities that have low strategic value are suitable for outsourcing. In some organizations most of the existing HR processes are outsourced. The most common are trainings, management development, recruitment and (pre) selection, outplacement, health and safety at work, job evaluation, and less often - rewarding and calculating salaries, measuring performance and resolving redundancies. In any case, the internal HR team must maintain a level of professional expertise, in order to be able to manage and maintain competence over external HR service providers [13]

If the outsourcing process is well implemented, it enables human resources employees to contribute to the business and proactively lead the most important initiatives in the field of people management. It is important that HR employees invest in themselves, in order to provide a wider range of skills and expertise, necessary to influence the essence of the business. The boundaries have been shifted, and the possibilities are enormous [14].

Another recent trend is in favor of outsourcing the HR process and reducing the number of HR employees. It is the self-administration of the HR system by employees (employee self-service), which means that employees independently update their own data in databases. The same goes for updating data in systems for training and development. The implementation of human resource practices and their perception by organizational stakeholders, shows that profit per employee increases with the number of present human resource management practices [15], and that dissatisfaction with existing human resource management practices has a greater demotivating effect than the absence of the same HR practices [16]. What these results actually mean - is that organizations need HR processes, but those that are essential for employees and management. The overall conclusion is that better results are achieved with the presence of more human resource management practices, of course if they are used in the right way.

Conclusions and recommendations

Based on the obtained research results, recommendations related to the work of organizations, and especially the functions of human resources, in times of crisis can be defined. The option of laying off employees in order to achieve better financial results, in the context of complex circumstances on the labor market today, should be applied only when no other option gives good enough results. With the departure of employees, their knowledge, experience, competencies, contacts, clients and reputation also leave the organization. Taking into account the difficulties in finding quality candidates on the labor market, as well as the short retention of new employees in organizations, it is recommended that organizations, before dismissal, carefully consider whether they can replace the dismissed employee, within what period, and with what costs (for selection and training of new employees).

Laying off employees just for the sake of reducing costs, in the long run, causes the loss of other people from the organization as well. As a rule - the best employees leave the organization first, because their qualities are recognized by other employers and they have many offers on the labor market. Although this is not initially the management goal, dismissal often results in the fact that average people remain in the organization. With the retention of average people, the organization is not able to achieve above-average results. It is recommended that employers consider such side effects before making difficult decisions. If the organization has no other option than dismissal, it is important to clearly set criteria for dismissing employees (usually job performance), and to communicate them clearly to both outgoing employees and remaining employees. Transparency of the process is of great importance, in order to avoid doubts, fears, mistrust and speculation about what will happen next. If the organization has to lay off a certain number of employees, it is advisable to provide them with some support (counseling, legal, psychological, etc.) and try to find them a new job, with the help of agencies, contacts with other organizations, through clients, recommendations of remaining employees, or HR functions.

Alternatives to dismissal can be various forms of flexible work, such as: part-time work, job sharing, work from home, redistribution of working hours, shift work, purchase of additional annual leave, etc. All these forms of flexible work engagement lead to a reduction in costs on the one hand, and on the other hand provide employees with a better balance between private and business life. A well-established balance between private and business life is at the very top of employee priorities in the last few years and has a positive impact on employee engagement.

We can conclude that organizations need to learn from every crisis, to learn from their own and others' mistakes, and in case of similar events to apply their experiences in a way to achieve results without long-term negative consequences for human capital and their own performance.

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