Strategic approach to human resources management during crisis

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Abstract

Human Resources Management is one of the most important units of modern firms and organizations. It gains even more importance in times of crises, because it makes up an important dimension of crisis management. It is well known that human resources policies have a great influence on people; therefore, those policies are to bring about humanistic consequences. In this study, possible effects of always looming crises and ways to avoid or cope with those crises have been examined and presented to readers. The study mainly focuses on the human resources strategies aspect of management at managing crises; and, it compares classical and modern ways to handle the effects of crises on human capital.

Keywords: Human resources management; Crisis management; Human resources strategies.

1. Introduction

Crisis management may be defined as an organization’s acts and behaviors which prepare it to be ready to manage major catastrophic happenings in a safe and effective style (Lockwood, 2005). In the general scope of the study, crisis is taken as only a financial crisis. However, from a human resources perspective, any kind of crisis is important to consider; so, in this study crisis in general will be evaluated.

A crisis can be described as a total disruptive event to a partial disruption where people, property, equipment or the environment that may end up effecting company value negatively. It ruins the reputation and upsets stakeholder perception towards the organization. In today’s world, the human resources’ role is ever more important during times of crisis to prevent irreparable damage than it was before. Human resources managers have important role to

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guarantee their environment are aware of the crisis from employee side and make plans and projections ahead to help reduce its disruption. For this purpose, human resources managers work together with complete commitment to produce solutions for the sake of organization. (Lockwood, 2005). While the focus of this study is derived from the last financial crisis of the world, as it is mentioned above, crises come in all shapes and forms; henceforth, this work will try to deliver the author’s view of human resources during any crisis.

So in this study, we will not deal with how to prevent crises; yet, we will shed light on some modern approaches which human resources management may utilize in difficult situations.

2. Human Resources Management and Human Resources Strategies

Today, businesses have already started to pay more attention to human resources policies and applications in order to achieve a sustainable competitive advantage and high performance in business operations. The human resources management concept has emerged from the idea of using human capital reasonably and efficiently (Vardarlıer, 2015). The human resources department in a business serves in various ways and for different purposes such as increasing competition, managing of international business, technological innovations, operating in accordance with current regulations, monitoring union activities, ensuring ethical issues and the best practice versus best fit (Lojić, Škrbić, & Ristić., 2012). The human resources department is widely accepted as keepers of the culture (Zaidi, 2005) and the guardian of company values and principles fairly across the whole organization. Human resources professionals have strategic role when a crisis strikes; and, their preparation reduces anxiety throughout the organization. So, the human resources department has probably the most important role in an organization before, during and after crises. Human resources management is to deploy and use the optimum number of personnel in suitable posts and times in order to enable the business to reach its goals. In this way, motivation and job satisfaction of personnel will increase. Therefore, operational costs will decrease and profitability will increase. All of these processes and activities may be collected under the umbrella of human resources management (Uyargil & vd., 2010).

As Canman (1995) argues from a human resource management perspective, employees should be considered as a prominent factor which adds value to the organization (Canman, 1995). Baysal goes with a simple definition, stressing that the human resources management concept of developing labor is to increase the contribution of employees to the welfare of the organization (Baysal, 1993). In fact, it is a unit of function and effort which ensures efficient management within the organization and its environmental setting; therefore, it’s a contribution to the success of the business (Kaynak, 1998). So, the human resources management is as important as any other department which contributes to the organization. On the other hand, employees are thought to be one of the organization’s resources; and therefore, should be managed in the same way as any other resource in the business (Kane, Crawford, & Grant, 1999). The effectiveness of human resource management is certainly associated with investment in human capital and also with strategic cost minimization. Employees are an important group of stakeholders and they cannot be directed by any other body within the organization as a whole unit. Additionally, their interests and needs are very important for the organization (Beardwell & Clark, 2007). Being different from other departments of the organization, human resources management concerns the training, skills and expertise of employees (Dessler, 2005). Since the human resources management’s goal is to increase the success of the enterprise along with success of the employees by using the resources available, it should embrace five basic objectives which are efficiency, competitive advantage, legal compliance, work life quality, and workforce compliance (Çetin & Özcan, 2014).

One way of using human resources for the success of the business is to carry personnel management beyond the rules and bureaucracy by benefiting from the skills and potentials of the employees. This can be achieved by merging the five functions of management (Dessler, 2013). These functions are planning, organizing, staffing, leading and controlling. Planning is to determine the standards and goals used to create and improve the procedures and to make predictions. Organizing is to assign or delegate specific tasks to employees and establish departments. It also involves coordination and communication among employees. Staffing includes the recruitment, training and development of personnel, determining personnel standards, evaluation of these performances, compensation issues and employee consultancy. Leading is to motivate subordinates so that they could work more efficiently. Controlling is to determine sales goals and standards for product quality levels. Controlling also involves auditing
these standards and comparing them throughout the organization (Dessler, 2013). Human resources management exercises these functions in a more detailed way. It generates sub functions which are crucial to the success of management. Actually, these functions are typical and are the daily activities of the human resources management. Actually, the real role of human resources is a bridge between employer and employees. All the activities which are conducted by human resources serve to this organizational aim. They encompass the processes from the very beginning of recruitment until the job termination. Realizing these goals and interests, it is neither organizational nor personal but something between the organization's management and employees. As a consequence, there is a decisive move in the treatment and management of human resources in the organization. This will not only give importance to the human resources management, but it will also face serious challenges (Lojić, Škrbić, & Ristić., 2012).

2.1. Strategic Human Resources Management

"Management of Human Resources" emerged in theory in the early 1980s. Until then, it was mostly mentioned as “Personnel Management”. Today, it is much more than Personnel Management. It encapsulates many humanitarian disciplines, such as training, empathy, psychology, talent assessment/management, commitment, team work, leadership, trust, citizenship, social responsibility, socialization, rewarding and motivating. All of them boost the human spirit which is the backbone of any organization since, without people; there is no company to talk about. Personnel management sees people as input in order to reach desired output determined by the top management. Personnel management does not deal with training, developing employee skills, talent management or career planning. Personnel management is more dependent on the top management than human resources is. Whereas human resources has a opportunity and position to discuss strategic issues with the top management, personnel management truly acts as a sub body which fulfils the commands of the top management (Vardarlıer, 2015). As a result, personnel management is a traditional way of managing employees in the organization while human resources management is a modern approach, not to do the same but similar things for the success of the organization.

Strategic management is the sum of the decisions and activities which specify and identify the long term performance of an organization (Eren, 2013). Bearing in mind the previously mentioned definition of strategic management, it can be said that strategic human resource management is forecasting, understanding, changing, improving and leading human behavior within the organization in accordance with the strategic plans made by the top management. (Lojić, Škrbić, & Ristić., 2012). All of the human resources plans should be laid out in a way that the organization can handle management policies and practices smoothly.

Human resources strategies may emerge from external reasons like difficulty to meet some future plans or needs. On the other hand, they may come from current challenges that the organization faces. HR strategies may be declared by the top management officially, as a part of the organization’s strategic plans and it is often formed in detail by HR department. This is truly different for each company as the culture and environment of the firms are different from each other.

As it was mentioned before, crisis management is the sum of the endeavors to make ready stakeholders to define, react to, and rescue from crisis incidents. Likewise strategic human resources department processes will be developed cooperatively with other departments in accordance with the organizational goals, values, core capabilities and mission statement of the company to accomplish the efforts towards crisis management. As the understanding of strategic crisis management has emerged in human resources management (HRM) literature recently, the focus has primarily been on the administrative standpoints of the human resources bodies (Lockwood, 2005). Currently, there has been a wide range of discussions whether crises strengthen or weaken human resource’s strategic role in an organization. The last financial crisis, for example, resulted in major changes in general, including the human resource policies of organizations (Mitsakis, 2014). It goes without saying that, HRD has got a critical role at helping and supporting organizations’ plans for emergency situations like a financial crisis (Hutchins, Annulis, & Gaudet, 2008) (Hutchins & Wang, 2009). Therefore, discarding HRD may be another disaster at preventing or recovering from a crisis and it may ruin all the management efforts of the organizations (Wang, Hutchins, & Garavan, 2009). Nonetheless, many organizations see disaster planning as a way to prevent crises and
avoid any damages to the firm, while HR’s role is on the human side of disaster planning. Looking from the human side, HRD does not ignore the benefits of the organization; it considers the reputation of the company and helps improve its competitive advantage in the market. Nevertheless, a single body of the organization is not enough to recover or improve the issues like a competitive advantage which is crucial to the existence and welfare of the organization; therefore, multiple sources should be consulted (Kazlauskaite & Buciuniene., 2008).

A crisis situation requires crisis management, a process which leads to a swift and flexible organizational adaptation to the fast changing conditions of an emergency period. The organizations could deal with any crisis more easily, should they implement a proactive behavior instead of a reactive one. Human resources management becomes essential in terms of the decision making process, as was mentioned before, since it is not only to take the organization’s interests into consideration but also those of its employees. At the same time, crisis situations encourage employees to have better performance, to be more devoted to the organization (Ștefănescu & Dărăbăneanu, 2011).

3. Strategic Approaches In Human Resources Management

Firstly, it is better to revisit some classical approaches and fashions. Both classical and modern practices are done in order to ease the effects of the crisis on the organization and its employees. Here it would be proper to mention the effects of a crisis on any organization or employee. So, some of the most important ones are listed as follows:

- Panic inside the organization
- Loss of key staff and knowledge
- High turnover in labor force
- Lack of morale and motivation causing low performance
- Increasing health benefits costs
- HR-related costly litigations
- Emerging compensation policy
- Negative reputation and image in public
- Misinformation
- Leadership and reassurance loss
- Difficulty at understanding psychological problems in responding and recovery phases
- Canceling recruitments
- Canceling scheduled training programs

In order to achieve a proper crisis management by considering the issues mentioned above, modern approaches have been developed. The very first thing to be observed at the beginning of a crisis is a panic situation. At an unprepared organization, it will be a surprise both for management and employees. A classical understanding does not do anything about diminishing panic effects and stress. On the other hand, a modern approach handles it by forming a crisis management team in order to cope with a possible crisis. A management team is one of the first steps in controlling the crisis, and thus, is very crucial.
A crisis management team consists of a team leader, security director, legal counselor, media spokesperson, internal communication specialist, human resources director, employee representative and security specialist. If needed, an external adviser or field consultant may also be hired (Robinson, 2005). A crisis management team and its activities should be funded. Job descriptions and task definitions must be well written and a leader must be assigned. Meetings should be regularly held to discuss possible crisis situations and measures to be taken. This will keep the whole team psychologically alert for any crisis. The crisis management team should continue with their daily activities (Tancredi, 2013).

<table>
<thead>
<tr>
<th>IMPACT OF CRISIS ON PEOPLE &amp; COMPANIES</th>
<th>TRADITIONAL HR PRACTICES</th>
<th>MODERN HR PRACTICES</th>
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<tr>
<td>Panic in the organization</td>
<td>Nothing</td>
<td>Crisis management team</td>
</tr>
<tr>
<td>Loss of key staff &amp; knowledge</td>
<td>Taking productivity and efficiency measures</td>
<td>Talent management to develop loyalty</td>
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<tr>
<td>High turnover in labor</td>
<td>Cut down employees or hiring cheap alternative labor</td>
<td>Training, education, professional development</td>
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<tr>
<td>Lack of morale and motivation causing low performance.</td>
<td>Individual treatment - case by case, No formal policy</td>
<td>Employee assistance program Motivational &amp; psychological assistance, professional help, outplacement, coaching, mentoring</td>
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<td>HR-related costly litigations</td>
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<td>Nothing</td>
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<tr>
<td>Misinformation and disinformation</td>
<td>Threating, mobbing and dismissing</td>
<td>Utilize all internal communication channels &amp; proper usage of social media</td>
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<td>Leadership and faith loss</td>
<td>Blaming others</td>
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<td>Difficulty at understanding psychological problems in responding and recovery phases.</td>
<td>Nothing</td>
<td>Mentorship</td>
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Increasing work load due to cancelation of recruitment

- Do nothing, twin tasking
- Postponing and hiring an emergency successor

Disappointment for new positions and promotions

- Keep canceling internal recruitments and promotions
- Offer an alternative work location and work hour arrangements

Another effect is that companies lose their key staff either by dismissing them or they leave the company themselves due to the panic they are in. Classical approaches usually take productivity measures which will boost the effects of the crisis. What is meant by productivity or efficiency measures is that the management takes actions to do the same job with fewer people or resources ignoring the quality assurances. On the contrary, modern approaches require talent management. What gives value to the organization is the sum of all the talents within the company. So, these talents must be mentally supported so that they are valuable. During crisis, the talent management will be under pressure of department heads who will try to keep their values in the system. So, these talents should be evaluated by the top management to be kept in the business. The allocations of talents within the company should be another emergency plan to be made before a crisis and updated regularly (Wang, Hutchins, & Garavan, 2009).

High turnover in labor around business environment will affect all of the companies operating in the same sector. What has been done by organizations so far is not to prevent high turnover but to increase it by cutting down jobs and replacing them with cheaper labor. A modern approach suggests organizing training programs to secure flexibility and ease transition between duties, tasks and projects (Danowsky & Poll., 2005). Therefore, HR should play a critical role to plan all training programs as soon as a crisis hits (Lockwood, 2005). Since one critical role of HR is minimizing the organizational losses and preventing turnover in labor, HR should realize training and professional development programs for retaining talented labor in business and maintaining employee loyalty.

All of the previously mentioned effects will bring about a lack of employee morale and motivation which will cause low performance. In financial crises, employees who need morale and motivation may be seen as the victims of catastrophes, so they must be treated similarly. A classical understanding applies treatments or programs on a case by case basis without regarding a general treatment within a disaster recovery plan (Janka, et al., 2015). However, in the modern understanding, HR departments of the organizations organize employee assistance programs to support them psychologically and with regard to motivation. When required, outplacement procedures may also be implemented. Coaching and mentoring programs may be some other options to be promoted in order to recover and maintain employee morale and motivation properly. This is not only necessary for the business and employees but also for the families of those workers. HR always supports the human side within the organization (Zaidi, 2005).

During a crisis situation, although health benefit costs do not rise in numbers, it may be felt so in the organization by the top management. Gross sales and profit margins may plummet with the effect of the shrinking market conditions. Consequently, these costs will be heavier for the company than it was before. Companies often trim down these benefits in time of crisis and this certainly will lead to the demotivation of employees. In the modern understanding, these costs may be shared with the employees or some bargains may be held between insurance companies to reduce payments. This may be a win-win situation between health insurance companies and the organization including employees and their families; because, trimming down or completely canceling costs like health benefits will eventually affect the insurance companies which offer these services. So, they will not hesitate to compromise with the HR departments.

In a time of crisis, with the start of the trimming down or the cancellation of benefits, the compensation schemes and the dismissal of employees, it will cause a series of law suits against the organization with some files opened in courts. The HRD Law Department will have to tackle these files, too. These litigations will also bring some financial burden. Traditionally, organizations deal with these litigations on a case by case basis and often take and accept all legal and financial risks. This will not help with the situation of the company; however, an organization which does not have a plan or a mentality to act calmly in time of crisis has to face these. In the modern way of handling crisis, a fund or budget is saved for HR related costly litigations. In time of crisis instead of “let it go to court option”, HRD finds ways to compromise with employees to have a chance to make partial payments.
The traditional way of dealing with crisis has no option to take in order to recover reputation. The management thinks that all firms and organizations are in the same position and there is not much to do. However, after the crisis has gone, the bad reputation may be a label of that organization. So, much modern management takes this issue seriously and supports their reputation with continuous advertisements and commercials. As a recruitment and dismissal policy, modern approaches employ outplacement as another option to protect the image of the organization in public. Social media may also be used to protect reputation and create a positive effect in public.

Misinformation and disinformation will emerge in and around the organization. This will affect the way of doing business, employee morale and performance. In the classical way of handling this problem, managements use threatening, mobbing and dismissing as a tool to prevent misinformation, in other words gossips.

In modern approaches, HR should have a Crisis Communications Plan, describing how to communicate with employees, customers, the media and other parties. Human resources must communicate with environment of the organization and should have a suitably located source of a communication system and a plan (Lockwood, 2005).

Recommended crisis communication channels may include: in-house company intranet, email updates human resources web help or ticketing, daily bulletin boards, and internet site (with membership and forum) for management and social media (Lockwood, 2005).

Indeed, social media may be used to spread misinformation and this may give the crisis another dimension. But, social networks are used at a time of crisis for communication and there is no way to stop it (L. Wybo, Fogelman-Soulié, Gouttas, Freyssinet, & Lions, 2015). Twitter and Facebook may be used as a communication channel to manage a crisis when gossips or rumors and some other thoughts start to be texted publicly by employees or other interested parties.

Leaders have a prominent role at managing communication channels for gossip handling through social media. In the catastrophic situations surrounded with gossip, there will be leadership and faith loss. In traditional practices, managers who are also stressed and cannot control their logic and senses often tend to blame each other or entities that are out of their control. However, modern approaches reject this.

As business environments change, it is important that leaders improve their skills which will help them respond to crisis effectively (Garcia, 2006) (Mitroff I., 2005). Crisis leadership abilities and capabilities are principally relevant to human resource functions (Denis, Lamothe, & Langley, 2001) (Wang & Belardo, 2005).

Crisis managers must start their efforts by exploiting communication to address the physical and psychological concerns of employees (Šontaitė-Petkevičienė, 2014). However, this is often ignored by the top management they are indifferent to the psychological problems of their workers. Nevertheless, mentorship is an effective tool to be employed by HRD.

The workload of everybody in the system may increase automatically. Although it is the manager’s responsibility to prevent this, sometimes it is not possible to avoid it; because in most of the cases, recruitment cancelations do occur. The traditional management forces departments and HR to a twin tasking program which will be far away from alleviating the situation. Although modern management postpones recruitments, they have some tools to ease the situation. Some of these include: alternative work locations and arrangements, layoffs and reduced work hours, flexible leave options/leave donations, and recruiting emergency successors to replace those who lost either this way or that way (Zaidi, 2005).

Many employees may expect promotions or new posts in the organization. A sudden crisis will cancel all of these opportunities; this will certainly ruin people psychologically. While the classical understanding does nothing about it, modern methods offer alternative work locations, part time positions or new working hour arrangements.

4. Conclusion

In modern times, crises are inevitable. No individual or organization has got a chance to avoid a crisis. With the effect of globalization, a crisis somewhere in the world may have an influence on an organization in a relatively remote area. Sometimes a small crisis may initiate, if not a global, a continental crisis. Since organizations cannot escape crises, they should be well prepared to reduce the effects. It is obvious that the top management is responsible for getting ready and taking necessary the measures for a possible crisis. This is not simply to be left for the departmental managers like accounting, production, sales, marketing and information technology. Yet, there is
one department in organizations that it is the greatest assistant to the top management for crisis management and preparation. In addition, it may solely bear the responsibility for a crisis and even take direct action during and after crisis, namely the human resources department.

Policies related to crisis management can be classified as before crisis, during crisis and after crisis. Human resources plays an important part in the three phases of any crisis planning (before crisis), responding (during crisis), and recovery (after crisis). The human resources’ role is more effective or vital before and after crisis periods. Furthermore, it is always essential that an organization keeps a place of safety and solace for its most valuable assets: employees. Crises may arise up in different forms. It may be a financial and political crisis, or a natural disaster. Human resources management is to be ready for any sort of crises with its management and business continuity plans. All plans should be integrated with human capital. Before making plans, performing a SWOT analysis is appropriate. SWOT analysis which identifies strengths, weaknesses, opportunities and threats to an organization is useful for strategic crisis management planning. On the other hand, organizations or human resources department teams should take the safety and wellness of the physical, mental and psychological health of employees into account when they make and perform crisis plans. A crisis plan should cover some certain issues without regarding the type and size of the organization. From demoralization of employees to employee churns, a series of measures and actions should be taken. Some of them are as follows:

- Recruitment process should be reorganized and prioritized.
- Job analysis should be examined and reevaluated.
- New bonus and incentive schemes should be invented.
- Special talents in the organization should be cared for.
- Short-term goals to reach long-term objectives should be reviewed.
- Long-term objectives should be revised.
- Strategic goals need to be broken into smaller steps.
- Obstacles should be identified well without ignoring any.

During crises, both parties (employer and employees) are expected to sacrifice. The devotion of an employer is as essential as that of employees. As a modern approach, instead of dismissing staff randomly, volunteer dismissals may be accepted and/or part-time working models may be implemented as a solution. Rearranging wages and working hours may be another option. Some of the other options may be canceling premiums, bonus payments and pay rises until the effects of the crisis fade away.

The success of an organization mostly depends on the skills and expertise of the employees and their continuous professional training. Hence, the training level, skills, expertise and experience of human resources department staff have great importance on the decisions they will make. From this aspect, a human resources department which is directed by experts will play a prominent role at managing and recovering from crises. The human resources department is an important organizational unit which makes up the base of an organization and produces policies on labor management. The success or failure of human resources departments affects the whole organization; so, they should invest human capital with training before a crisis strikes.
Time management is another concept that should be considered during crises. This is because, using time efficiently in time of a crisis is crucial. Managers should pay special attention to scheduling and time planning; productivity depends on scheduling and time management.

Consequently, the health, morale and motivation of employees are important factors when an organization tackles crises. It is obvious that, employee trust and faith in an organization are the driving factors for morale and motivation. Therefore, the top management should lead policies to maintain employee trust, not only during crises, but also in normal market conditions.

References


