

Managing HR Challenges in the Dynamic Business Environment



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1. Introduction

“India has gone through more changes in the past 20 years than most countries witness over a century,” says Amit K. Nandkeolyar, assistant professor of organizational behavior at the Indian School of Business. Pointing to India’s vast socio-economic and cultural diversity, Nandkeolyar adds: “Employees come from different regions, religions, linguistic traditions, castes, communities, culinary tastes, races and genders. A generational difference adds another layer of complexity. This creates a workforce that can find it self divided in more ways than comparable workforces in most countries.”

Globalization of Indian economy is compelling organization to rethink their future strategies. It is now widely recognized that transformation is a pre-requisite to their survival and growth. Business organization in India especially public enterprises are experiencing winds of change. For the HR function, there would not be a more existing and challenging opportunity than managing the complexities of change and transformation. HR today is playing a lead role along with business functions in creating the necessary momentum and internal capabilities.

Issues facing HR are expected to change dramatically in the next decades. Thus, HR professionals must play special roles in dealing with these changes and must develop specific competencies to support these roles.

Workplace flexibility is expected to be on the rise as the future workplace, the ‘virtual office’ is characterized by creative and flexible work arrangements. As more employees work off-site-up to two thirds of an organization in the 21st century – there will be an increase in emphasis on performance and results as opposed to the number of hours worked. In addition, off-site employees can expect to attend fewer meetings. Specified work will become much more collaborative and management will spend nearly all its time managing cross-functional work teams who enjoy a lot of autonomy. In essence, there will be a movement, a trend towards a decentralized model of HR.

HR managers will have to accommodate employees in their virtual work locations and find ways to manage corporate culture, socialization and employee orientation. In order to obtain and maintain a competent workforce, they must act as organizational performance experts and shape employees behavior without face to face meetings.

Another expected change in HR is the ‘Global Business’ concept world trade knew a major growth during the last years and there is forecasted as well the growth of international businesses, especially among small firms. Organization rely more and more organization HR specialists as the facilitators of work across borders and among different cultures. Therefore, they must be knowledgeable of other cultures, languages and business practices. They will be required to develop and manage an international workforce, maintain written and unwritten corporate policies for transportability to other cultures, keep top management informed of the costs of not paying attention to the transnational issues and provide their services to a variety of locations worldwide.

2. Objectives of the Study

1. The main objective of this paper is to study the present scenario of HRM in today’s dynamic business environment.
2. To study the various Issues and Challenges faced by HR Professionals to build competent professionals and efficient Organizations.

3. Research Methodology

Secondary data from various sources like E-journals, books, websites, SHRM foundation survey data and Gallup study data were used for data analysis.

4. Competencies Required by a HR manager in the Dynamic Environment

In order to effectively deal with all the changes, HR professionals must develop competencies that will allow them to carry out their roles, competences mentioned below may be helpful for them to meet the challenges:

- Flexibility
- Team work
- Communication
- Decisiveness
- Leadership

- Strategic planning
- Network building
- Client service orientation
- Organizational awareness
- Self confidence
- Sharing of expertise
- Global and cultural understanding
- Multiple language competencies

5. Challenges Faced by HR Managers in the Today's Dynamic Business Environment

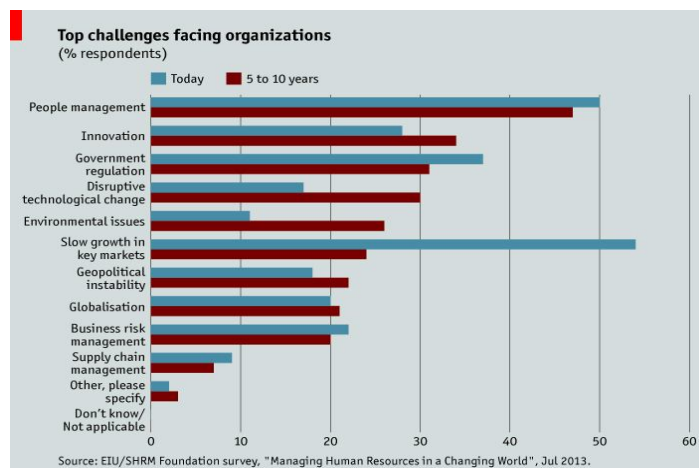
The daily reality and the challenges for HR managers in India are truly different from challenges faced in the West. Even though the attrition rate is high in India, HR managers are very people-oriented, while their western colleagues are far more process and task oriented. HR professional must be proactive with all strategies and action plans in order to meet the changing needs of the organization. They must be thorough with the basic functions of HR including planning, organizing, leading and controlling human resources.

Business environment in India is volatile. There is boom in terms of opportunities brought forward by globalization. However this is also leading to many interventions in terms of restructuring, turnaround, mergers, downsizing, etc. Research has clearly shown that the success of these interventions is heavily dependent on managing the people issues in the process.

The Eleventh Five Year Plan (2007-08 to 2011-12) had aimed at achieving faster and more inclusive growth. Rapid GDP growth, targeted at 9.0 per cent per annum, was regarded necessary for two reasons: first, to generate the income and employment opportunities that were needed for improving living standards for the bulk of the population; and second, to generate the resources needed for financing social sector programmes, aimed at reducing poverty and enabling inclusiveness. HR has a pivotal role to play here.

From the survey conducted by EIU an analysis Table 5.1 presents the main HR challenges which can be defined based on challenges that mould the employees and businesses. The 'attract, motivate and retain' mantra that the HR function seeks to deliver for the organization are based on overcoming below mentioned challenges in the organizations.

Table 5.1



Source : <http://futurehtrends.eiu.com/wp-content/uploads/sites/2/2014/06/32.jpg>

5.1 Workforce Demographics and Diversity

Urbanization has been growing in all parts of the world over the last 20 years, with the largest increase in the East Asia and Pacific region. In the space of just ten years from 2000, the percentage of the Chinese population living in cities increased from one-third to one-half.

Millions of people have also migrated to the more prosperous regions of the world. Annual foreign-population inflow into Germany reached 842,000 in 2011, and the number of permanent arrivals in the US topped 1 million every year from 2005 to 2011.¹² The US Department of Labor has predicted that net immigration will increase the country's population by more than 80 million in the first half of this century, accounting for two-thirds of its overall population increase.

The other major challenge is the entry of women in the workforce in large number from the past 10 years.

- **Women in the Workforce**

Ethnic and national diversity has been accompanied by an increase in the number of women entering the workforce in many countries. Booz & Company, the management consultancy, has concluded that 865 million women, the vast majority from the developing world, will enter the economic mainstream in the decade to 2020, with this number conceivably passing 1 billion in the subsequent decade.

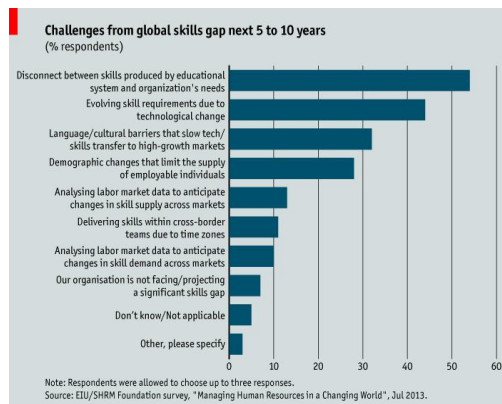
The effect on economic performance is likely to be substantial in those countries where women are pouring into the workplace in vast numbers. Booz predicts that rising female-employment rates will result in a net GDP boost of 34 percent in Egypt and 27 percent in India by 2020. With global figures indicating that women now outnumber men in tertiary education (by a ratio of 108 to 100), female participation in the workplace is likely to become increasingly highly skilled. Given that many women with young children will continue to work part-time, employers will have to become attuned to the idea that many highly qualified workers in key jobs will not always be available.

5.2 Recruitment and Retention of Talent

HR Challenge: Hiring and retaining talent while lowering labor costs

From Table 5. 2.1 it is clearly understood that the large labor-productivity gains over the past few decades have not been matched by comparable wage gains. While both increased technology adoption and globalization contribute to this phenomenon, companies' increased focus on maximizing shareholders' value has also been a substantial factor. Furthermore, looser labor laws and decreased union rates have decreased workers' bargaining power. While this trend has been in existence for a while, pressure across corporations to curb labor costs has only become more acute with the latest global financial crisis.

Table 5.2.1

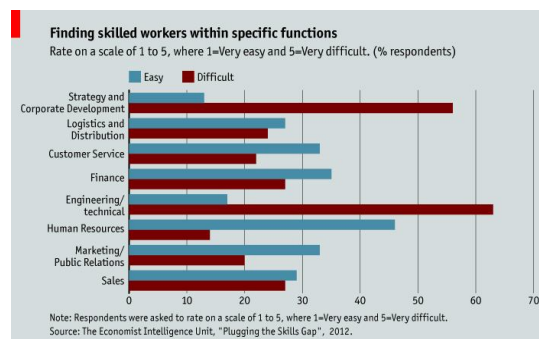


Source: <http://futurehtrends.eiu.com/wp-content/uploads/sites/2/2014/06/34-1.jpg>

HR Challenge: Winning the war for talent

From table5.2.2 it is clear that retention of talent is challenging, as employees feel that stellar performances are not being rewarded appropriately. While their employers continue to have higher work expectations, employees' efforts are not necessarily translating into compensation they deem to be satisfactory. This is creating a challenge for HR as turnover rates increase. Finding and hiring talent will not prove any easier, as firms continue to decrease their labor investment. On a day-to-day basis, workers may not be as motivated and engaged. HR will have to continue to explore retention strategies and benefits models that focus on factors beyond financial compensation.

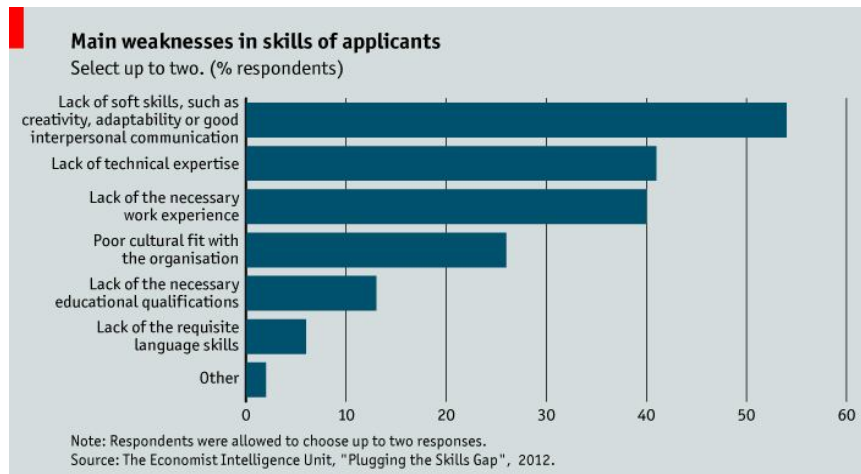
Table 5.2.2



Source: <http://futurehtrends.eiu.com/wp-content/uploads/sites/2/2014/06/34-2.jpg>

Table5.2.3 clearly explains the lack of advanced soft skills appears particularly, causing concern to the many global companies seeking a rapid expansion in the region. In an executive survey conducted for the 2011 Global Talent Index, written by the The Economist Intelligence Unit and published by Heidrick & Struggles, 52 percent of Asia Pacific respondents said that "limited creativity in overcoming challenges" was a primary shortcoming among candidates, compared to 37 percent in Western Europe and 36 percent in North America.

Table 5.2.3



Source: <http://futurehrtrends.eiu.com/wp-content/uploads/sites/2/2014/06/35.jpg>

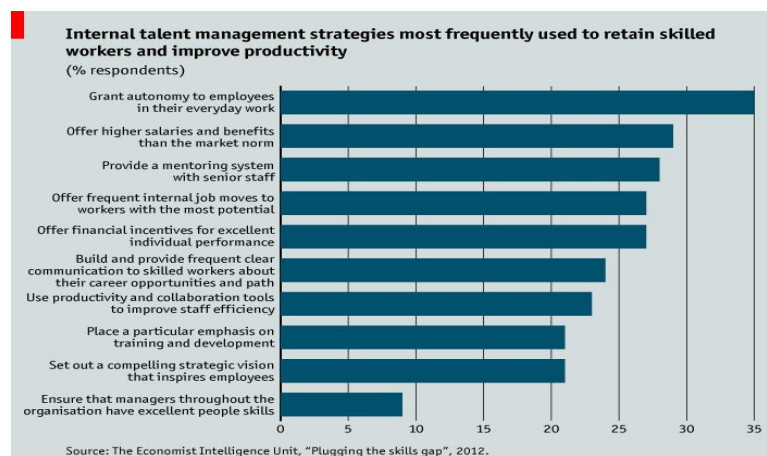
Without the above mentioned skills in table.4 , the graduate population in some emerging markets are deemed unemployable. How do companies overcome these twin shortages of technical and engineering skills on the one hand, and soft skills on the other? A multi-faceted approach is necessary, as companies take a more proactive role in securing the qualifications they are looking for.

5.3 Employee Engagement and Talent Retention

HR Challenge: Retaining and engaging a changing workforce

From table 5.3.1 it is proved that as the demographic composition of the workforce changes, their motivations and expectations evolve too. It is imperative that HR understands what is most valued by these workers. Is it compensation, or prestige, or perhaps autonomy at work? In many cases, HR will have to adapt their incentives, benefits policies, and retention strategies for workers that are not just driven by financial compensation. It is not enough simply to recruit able staff. Companies have to make sure that their people are committed, productive, and do not leave after a short period, incurring substantial turnover costs and wasting all previous training invested in them.

Table 5.3.1



Source: <http://futurehrtrends.eiu.com/wp-content/uploads/sites/2/2014/06/36-2.jpg>

From Table 5.3.2 it is clear that employee engagement is not an easy task. Much of the workforce is not engaged in their work. According to Gallup's latest 142-country study on the global workforce, only 13 percent of workers worldwide are "engaged," meaning that they are psychologically committed to their jobs. The bulk of the working population—63 percent—is "not engaged," indicating that they lack motivation. A substantial minority—24 percent—are "actively disengaged," unhappy and unproductive and liable to spread negative attitudes to co-workers.

Generation Y, as they are commonly known, are reputed to have low organizational loyalty and are eager to make an impact. Even if these younger, skilled workers are committed, retaining them is a major challenge and HR will have to explore varied retention techniques, adapted to the preferences of the relevant individual.

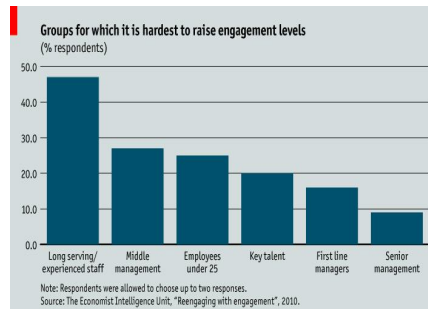
Table 5.3.2

Engaged employees by region			
	Engaged	Not Engaged	Actively Disengaged
United States and Canada	29%	54%	18%
Australia and New Zealand	24%	60%	16%
Latin America	21%	60%	19%
Commonwealth of Independent States and nearby countries	18%	62%	21%
Western Europe	14%	66%	20%
Southeast Asia	12%	73%	14%
Central and Eastern Europe	11%	63%	26%
Middle East and North Africa	10%	55%	35%
South Asia	10%	61%	29%
Sub-Saharan Africa	10%	57%	33%
East Asia	6%	68%	26%

Note: Results were collected among 73,752 respondents 18 and older in 141 countries and 151,335 U.S. respondents.
Source: Gallup World Poll and Gallup Daily tracking survey, 2013.

Source: <http://futurehrtrends.eiu.com/wp-content/uploads/sites/2/2014/06/36-1.jpg>

Table 5.3.3



Source: <http://futurehrtrends.eiu.com/wp-content/uploads/sites/2/2014/06/37-2.jpg>

From the above table data it is seen that retaining the older workers who wish to delay retirement over the coming years may be less of an issue. However, getting the best out of them might be. A 2010 Economist Intelligence Unit survey found that they are the hardest group to motivate. Of respondents, 47 per cent believed that, of all groups in the workplace, it is hardest to engage “long-serving or experienced staff,” with only 25 percent citing “employees under 25.”

5.4 Economic and Technological Challenges

HR challenge: Aligning technology best practices to global management strategy

In the last 20 years, new communication technology, such as email, mobile phones and web and videoconferencing has not only facilitated closer contact with clients in distant lands, it has allowed multinational companies to form cross-border teams, where colleagues can communicate with each other constantly, despite not being located in the same place. In short, technology has enabled the international expansion that companies seek.

Saving on business travel and relocation costs for individual workers have been other major benefits. Virtual teams also significantly enlarge the pool of available knowledge. Individual team members can offer extensive experience with different markets and an understanding of geographically disparate customer demands and sensitivities. An overwhelming majority (83 percent) of executives in a 2014 Economist Intelligence Unit report agreed that a diverse workforce improves their company’s ability to capture and retain a diverse client base.

Culturally diverse virtual teams also stimulate innovation and creativity. Groupthink—decision-making within a group, characterized by uncritical conformity—is more likely within a team composed of people from the same background.

Table 5.4.1



Source: <http://futurehrtrends.eiu.com/wp-content/uploads/sites/2/2014/06/38.jpg>

With companies now engaging with a flexible and mobile workforce, performance measures will have to be revamped. Once managers prioritize outcomes, and not just productivity or process, new evaluation models will be necessary. HR will also need to assess the most effective methods for managing and communicating with teleworkers, particularly across borders. With the over usage of technology many problems are going to be faced, so the Organizations' should be aware of the challenges which are mentioned in table 5.4.1.

5.5 Globalisation

HR challenge: Managing the risks of a global operation

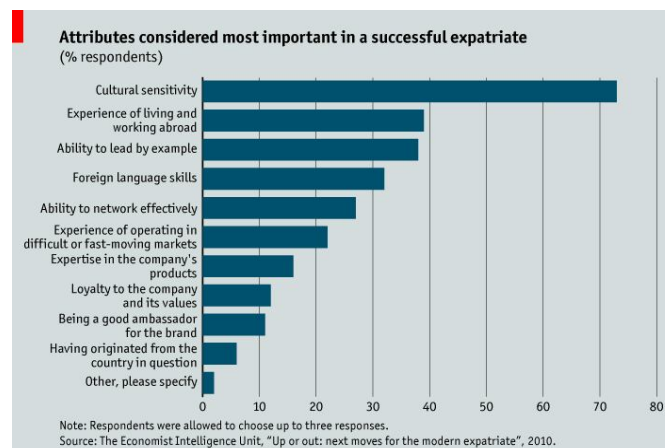
Despite their clear benefits and growing importance, managing remote, cross-border teams presents management challenges that the corporate world is still learning to tackle. A 2009 Economist Intelligence Unit executive survey reported that one-third of virtual teams are thought to be badly managed.

There are some obvious practical obstacles in running a virtual team. For example, all the members must feel comfortable using all the various communication technologies. Time differences can also complicate organization and co-ordination.

Human interaction may be less smooth without face-to-face communication. Natural social bonds are more difficult to develop when people only meet virtually. This makes building an environment of trust and cooperation more problematic, resulting in regular misunderstandings. When disagreements do arise, the less frequent contact makes them harder to resolve.

Cultural and linguistic misunderstandings, both internally and with prospective clients, can be very costly and it is seen everywhere and at every level in every type of MNC's as seen by the survey data in table.5.5.1. Another Economist Intelligence Unit survey, this time from 2012, found that one-half of companies admit that communication misunderstandings have stood in the way of a major cross-border transaction, incurring significant losses for their company.

Table 5.5.1



Source: <http://futurehrtrends.eiu.com/wp-content/uploads/sites/2/2014/06/39-2.jpg>

5.6 Managing Change and Developing Leadership

Bringing change in organizational processes and procedures, implementing it and then managing it is one of the Biggest concerns of HR managers. Business environment is so volatile. Technology keeps changing every now and then. Upgrading the existing technology and training people for them is a real headache for HR department. The success rate of technology change depends how well HRD can handle the change and manage people issues in the process. It is quite interesting to note that there is less importance given to developing leadership at the organizational level. Though leadership is discussed on basis of traits and certain qualities, at an organizational level it is more based on knowledge. The challenge is to develop individuals who have performance potential on basis of past record and knowledge based expertise in to business leaders by imparting them with the necessary "soft skills".

5.7 Conflict Management and Fostering Excellence

Conflict in the workplace can mean less commitment in the workforce. Human resources managers' report that they spend anywhere from 24-60 percent of their time trying to resolve workplace conflicts, according to a survey by the Society for the Human Resource Management (SHRM). SHRM says that almost 60 percent of survey respondents have seen violent incidents in their workplace over the last three years, with "personality conflicts" as the main cause.

More troubling results from the survey revealed:

- 53 percent of workers have lost time at work over worries about a previous or potential confrontation with a colleague.
- 28 percent have lost work time in their attempts to avoid confrontations.
- 37 percent are less committed to their employer because of a hostile workplace altercation.
- 22 percent say they're putting less effort into their work due to conflicts at work.

6. Managing the HR Challenges in Today's Dynamic Environment

Based on the findings of SHRM survey on different HR Challenges I understood that challenges are growing complex day – by –day and managing them for a peaceful work place environment is a tough job to the today's HR professionals. The following strategies might be helpful to them in bringing out a problem free working environment.

1. First, companies will need to foster a close relationship and dialogue with educational institutions and governments. This collaboration could prove pivotal in equipping the future workforce with the necessary skills to bridge the labor-market gap. Organizations can influence the material being taught through redesigning curricula with policymakers, and developing creative education solutions.
2. HR will find it difficult to reward high-performing part-time and flexible workers, and will have to explore methods to offer benefits or incentives to retain them in the pipeline for future work. Given that such contracts often specify work outcome, rather than the process itself, there is less ongoing engagement between a manager and contractor. This makes it more difficult for managers to review work using traditional performance-review systems.
3. Smaller companies, in particular, have cottoned on to the idea that modern-day workers are more likely to crave freedom from micro-management. Nearly half of the sample of the smallest companies in a 2012 Economist Intelligence Unit survey grant autonomy to workers as a talent-management tool, a percentage that decreases as the company becomes larger and more bureaucratic.
4. With companies now engaging with a flexible and mobile workforce, performance measures will have to be revamped. Once managers prioritize outcomes, and not just productivity or process, new evaluation models will be necessary. HR will also need to assess the most effective methods for managing and communicating with teleworkers, particularly across borders.
5. Technology's evolving role in redefining what work means will require firms to come up with new and innovative strategies to manage their increasingly mobile workforce. These strategies will need to help mobile workers remain engaged and connected to the wider organization they serve.
6. Motivational strategies for younger workers are particularly necessary in regions of the world where there is intense competition for candidates with the right skills.
7. HR Managers have to explore varied retention techniques, adapted to the preferences of the relevant individual.
8. Women employees have to be motivated towards higher roles and Mentoring from senior female and male executives to their younger counterparts and the early identification and rapid career development of high-potential women are essential aspects of a proactive approach.

7. Conclusion

The challenge does not stop with recruiting the right person but with how we are going to manage the performance of our employees. The challenge would be to create a performance culture where in opportunities are provided for enhanced performance and where giving out optimum performance becomes a way of life. HR professional has to evolve to become a strategic partner, an employee sponsor or advocate, and a change mentor within the organization. Professional coaching and mentoring has to be provided to needed employees to retain the staff and build a corporate image in future. Burn-out conditions have to be tackled as work is growing complex and employees are to provided with conditions to reduce burn out symptoms. So the future role of HR professional will change from a less administrative role to more of a strategic role. HR managers will continually be required to prove their effectiveness and their existence.

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