

Corporate Competitiveness and its HR Aspects

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Summary: Corporate strategic concept should be aimed at obtaining and maintaining a competitive advantage in the areas or industries in which it operates. However in our region, due to various reasons, more than 2/3 of SME`s and more than 1/3 of large enterprises do not command an uptodate integrative corporate strategy concept. This in practice means that despite of this setback they still have to operate their business through implementing functional concepts which though often very well formulated lack the positioning into the “total corporate scenario” which makes qualitative planning run into difficulties. Human capital management is no exception, moreover this area still does not receive appropriate attention. We can easily detect often inappropriate degree of participation of HR units in the corporate decision making process and a strong tension between not only productive and non productive areas but also a deformation of the relationship of finance and HR units. Considered a “soft” area HR does not have headcount, decision making ability and budget meeting the importance of its activity for the organization. The prime objective of HR unit should be to ensure a qualitative/quantitative workforce mix optimal to efficiently implement corporate targets with sound people management policies. However operating in a dynamic environment forces all units including HR to spend more than 2/3 of its time solving operational problems caused by unpredictable changes and leaving much less time to be devoted to strategic issues. Let us have a close look at challenges of HR activity areas :

HR Planning –Recruitment, Selection and Outplacement

First of all it is not easy to set an equilibrium between surplus and shortage of corporate workforce. While shortage is concerned especially in not very large companies external sources have to be considered although there always exists a financial and time constrain. This means that we have just a portion of the HR budget and severe time frame to occupy the vacant position. Since it does not have to be necessarily a new position in most cases we have someone in the present workforce conducting unavoidable tasks of the vacancy job tasks usually without additional rewards. This also places pressure for rapid procedures which often lead to a premature closing of pool of applicants and selection has to be made compromising on job specification requirements. If there is no sound career path

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system in the firm it is difficult to calculate ROI which would be a strong yardstick of measuring success and effectiveness. Secondly the selection process sophistication level (background checks, interviews and tests, AC etc.) also indicates the quality of the process for various job families. Validation of selection tools and quality of the recruiters is also heavily influencing the outcomes. Thirdly the corporate redundancy schemes are often lacking a solid professional strategy. In our region it often happens the least defensible positions are made redundant without considering performance levels or long term employment in terms of the investment cycles. During crisis several executives have been declared expensive and unnecessary despite of the fact that they have been in the heart of the key people group creating substantial value added. Moreover voluntary separation are also not paid adequate attention with systematic exit reasoning procedures.

Employee Development

There are basically two areas of activity – orientation programs for new employees and training and development for existing employees. Orientation programs sophistication level may vary and include written documentation such as corporate policies pack and oral overview of rules, habits, traditions and work processes in the company often providing mentoring or coaching to a specific employee depending on the status of position and relevant work experience. Corporate culture elements became increasingly important due to rapid globalization process. Existing employee workforce is viewed mainly in two aspects. Firstly basing on the results of performance appraisal procedures identification of critical points in individual performance related to a lack of skills, knowledge or abilities that may be overcome by incorporating certain training schemes. Secondly primarily due to rapid changes in technology and know how identification of individual, job level and group competencies that need to be updated to ensure efficient and successful operation. Both these cases require a carefully tailored systematic approach considering corporate units priorities and PDP objectives. A careful choice of the type of training has to be made with training assessment including not only the results of participants or performance of trainers but also ROI of the programs which is the most commonly missing element of such policies in the region. Since the career path spent in one organization is rapidly decreasing cost considerations have to be appropriately to involve the fact that not only employers benefit from a new skill/competency mix but also the employee's value at the labor market increases rapidly.

Performance Management

Ensuring competitiveness is mainly achievable through aligning corporate, group/unit and individual performance. However this alignment is rarely efficiently handled in our region – some organization have problems already at assessing properly, with an acceptable rate of subjectiveness, individual and group

performance. Even a question of assessment base being most frequently target based does not stretch further into behavior or opinion based criteria forcing into a situation when number of personnel decision cannot be adequately performed. Another critical point is maintaining a high quality performance assessment process and building in the outcomes for further improvement. Often the evaluators are not prepared, the communication of the feedback of results is poor and the connection to rewarding disastrous. Another sensitive aspect is creating and maintaining HR information systems with properly set interface and KPI indicators to ensure the treatment of large IT modules setbacks such as those of SAP or Oracle.

Compensation and Benefits – Reward Management

Compensation schemes in the region are often based on weak external and internal benchmarks with the risk of overestimating their retaining and motivation ability. Moreover the level of productivity and pay differences show a setback to comparable practice in developed economic market environments. This is especially true for multinational enterprises despite of varying power distance between the centre and subsidiaries and unefficient communication between daughter companies in one region. Competitive pay mentioned several times is available only at the top of the pay policy pyramid (external pay equity) while others use internal equity floor for protecting themselves as much as possible. In addition the ratio of variable and fixed pay is not sufficiently elastic due to the interest protecting processes of the majority against key employees who still create the vast majority of the value added. Incentives are often lacking appropriate dynamism and do not reflect the importance of maintaining continuously refreshed motivation. Benefits are another key area for employers not only from cost efficiency point of view but also as a retaining ability improvement tool. Employees while facing a shift from fixed to flexible benefit schemes not always understand the real value of providing such competitiveness improving and individual needs matching cafeteria plans.

The summary above strives to persuade corporate decision makers that efficient and long term management of human capital shall provenly lead to increase in productivity and profitability and possibilities for improvement in this area highly exceed chances utilized in other functional areas also since other functional areas require human capital management skills from executives and line managers. Reinforcing the concept of HR as a business partner in the organization is an evitable condition to survive in today's highly competitive environment and complements the resource allocation, reallocation and utilization efforts made by each corporation to maintain a sustainable competitive advantage based on sound people management strategy.