



CIHRM Opinion

Opportunity knocks for HR in a time of crisis

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Corporate mantra concerning the critical role of human resources has been rife for many years. The tight labour markets and so called war for talent fuelled by economic expansion only served to further elevate the status of the Human Resource (HR) function. The current economic crisis, however, has seriously called into question the realities of any impact achieved. Most obviously, many organisations have been extremely quick to reduce staff numbers and cut back HR budgets. Akin to corporate expenses, for many organisations investment in talent has proved something of a discretionary activity to be pruned back rather than something deserving of long term commitment. The fault does not simply rest with management, arguably HR has failed in justifying its own importance. Moreover, HR needs to have an internal conversation about its own role in overseeing the corporate excess and executive bonuses now so loudly criticised. Tasked with aligning the motives and actions of executives to deliver corporate strategy many HR departments simply fell short.

Yet if this is the basis of the criticism that may be directed at HR, it also draws attention to issues that may form the foundation for its renaissance. In the first instance, workers now face issues of uncertainty and low morale so that in no other time has fostering commitment been more important. A survey by Watson Wyatt and Worldatwork found that the motivation and engagement of top performers was disproportionately affected by their organisation's response to the recession (1). Unanticipated consequences of excessive cost cutting include the guilt of 'survivor syndrome' among those workers that remain, while organisations may be left short as growth trajectories return (2). In order to navigate this terrain, organisations need to develop skills for leading change and foster a HR infrastructure which supports agility while also enabling high performance. Specifically, HR should

focus on key value enhancing activities including creating competence and commitment among employees, building managerial capability and securing long term investor confidence. Part of this will involve finding alternative means to reward high performance by creating more transparent opportunities for leadership and personal development. Critically, HR should move to extend its influence by delivering the accountability and credibility now demanded of corporations. This means more constructive dialogue with CEOs and greater monitoring of staff development and pay, including those of board members, hitherto considered beyond the remit of the function. Professor Patrick Wright of Cornell University neatly terms HR's new prospective role as that of '*Chief Integrity Officer*'(3). In this scenario current challenges represent an opportunity for HR, not only to speak the language of business, but to truly carve out a sustainable contribution as a full strategic partner. Whether such opportunity is grasped will ultimately determine if HR rhetoric will ever begin to match organisational realities.

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(1) Press Release, "Economic downturn leading to decline in employee commitment, morale." <http://bit.ly/9zFQOU>

(2) For a useful overview see Datta, D., Guthrie, J., Basuil, D. & Pandey, A. (2010) "Causes and effects of employee downsizing: a review and synthesis." *Journal of Management*, 36(1): 281-348.

(3) Professor Patrick Wright cited in Stern, Stefan (2009) "Resources are limited and HR must raise its game." *Financial Times*, 17 February.