Ackermann, Karl-Friedrich

Article

German HR-Managers in the Wake of the Global Crisis. Humble Hangmen or Intelligent Problem Solvers?

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The objective of this article is to study the behavior of German HR managers in the wake of the global crisis. Some criticize them as humble hangmen who simply execute the orders of top management—killing jobs and laying off people. Others praise them as intelligent problem solvers who did an excellent job in mastering the crisis without causing mass unemployment. Based on an inquiry among leading HR managers as well as on statistical facts and figures, four questions are posed: (1) How did HR managers see themselves in the face of crisis challenges? (2) Which tools did they apply to master the crisis? (3) Are there any long-term mega-trends that determine HRM during and after a global crisis? (4) What present and future priorities do the managers have? Numerous documents and other material of varying quality are available to answer these questions. Only a rough overview, however, is given below in order not to go beyond the scope of this article. Though the database used is country-specific and refers only to Germany, some general trends and issues have been observed, which might prove relevant in international knowledge transfer.

Measures of the Global Crisis in Germany

The global crisis is measured in terms of gross domestic product, export figures, and unemployment rates. These measures were selected because they describe the macro-economic conditions governing the work of HR managers in Germany in the wake of the global crisis proper. It is recognized that these conditions might differ from those in other countries.

Variation in Gross National Product

According to the “Joint Economic Forecast: Spring 2010” [Projektgruppe Gemeinschaftsdiagnose, April 2010], growth rates first declined from +3.0% in 2006 to +1.3% in 2008 and experienced an unexpected historical crash measured at −5.0% in 2009.
Table No. 1. Gross domestic product for Germany in the years 2006 to 2009 and forecasts for 2010 and 2011 in terms of change rates compared to the prior year.

For the years to come, forecasts show moderate growth rates of +1.5% and +1.4%, most recently adjusted to approximately +2.0%.

**Variation in Export Figures**

For the export industry, 2009 was the worst year ever experienced. During the first three quarters, export figures dropped by 20% and more below the levels of 2008, which had already been considerably lower than in previous years. The economy’s further development, then, fell into a similar extreme. Beginning in the last quarter of 2009, exports slowly recovered, reached the level of the previous year, and ultimately exceeded an unexpected growth rate of +28% in May 2010 [Statistisches Bundesamt Deutschland, 2010]. There is good reason to expect continued high growth rates for the successive months.

**Stable Unemployment Rates**

Compared with the above-mentioned gross domestic product and export figures, unemployment rates remained rather stable (see Table No. 2), in spite of conflicting studies predicting an unemployment rate far beyond 10%.

The stability of the labor market, sometimes called the “German job wonder,” has many reasons. In the context of this article, one draws our special attention—the work and behavior of company HR managers, which is reflected in and at the same time influenced by labor market figures.
Facts and figures forming the macro–economic statistics are supplemented by a quick look at some newspaper headlines from June 2009. In a more or less dramatic tone, they report on large, well–known German companies and their desperate struggle to overcome the global crisis: “W. cuts almost half of all its jobs,” “T. expands the application of short–time work,” “CZ. reduces personnel expenses,” “ZF–Holding expects losses,” “P. cuts 580 jobs in Germany,” “L. introduces short–time work,” etc.¹ Bad news continued over the following months until spring of 2010, when the business climate gradually improved and a growing number of companies experienced a turnaround with increasing orders, production, and sales figures. A new growth period started for HR managers, one with other challenges than during the global crisis, but by no means challenges that were less difficult to master.

¹ All newspaper crisis headlines, translated into English, are from the Stuttgarter Zeitung between June 12 and June 20, 2009. The names of the companies were made anonymous.
Empirical Research Findings: How German HR Managers Define Their Role in the Global Crisis

At the beginning of the research,\(^2\) it was not at all clear whether HR managers tend to see themselves as “hangmen,” as some critics would have it, or rather as intelligent problem solvers, in line with Dave Ulrich’s “business partner approach” [Ulrich, 1997, 2009]. This approach, sometimes mocked as a consultant placebo, provides a combination of very distinct roles, titled “Administrator,” “Employee Champion,” “Strategic Partner,” and “Change Agent.” The most important findings are summarized below and compared, where possible, with the HR climate index 2010.\(^3\) [Kienbaum Management Consultants, 2010]

**Threats**

Almost every HR manager perceives a business crisis as a threat. They recognize that they might be degraded to ordinary executors of top management decisions, more or less restricted to kill jobs and fire people in line with what the “hangmen scenario” expects.

**Reactions**

A total of 50% of all HR managers indicate that they would never accept such a restricted role, while others would accept it temporarily if unavoidable (42%). Only a small minority would accept the role, because they feel it belongs to their primary duties as HR managers in solving a crisis (8%). The findings fit the HR climate index 2010, which indicates a majority of more than 50% of the HR managers are accepted as strong business partners of the general management.

**A Question of Personality**

When asked for advice for colleagues from other companies, leading HR managers recommend more self-awareness, courage, and leadership. From their point of view, HR managers should not allow others to treat them as ordinary executors and administrators, otherwise they cannot but blame themselves for their position.

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\(^2\) The research work on crisis behavior in HRM was conducted by the author prior to the global crisis on the basis of a total sample of \(N=233\) German companies, including all DAX–30 enterprises; \(n=48\) of them participated in an investigation, which was performed by way of telephone interviews.

\(^3\) The HR climate index is based on an annual inquiry that, in 2010, was joined by 151 German companies from various sectors of industry and services.
HRM Initiatives

Supporters of the “hangman scenario” tend to believe that in the global crisis HR managers are no longer able or willing to take the initiative and launch new HR projects. However, most HR managers object. A total of 37% point to own HR initiatives, while a further 50% indicate joint initiatives in close cooperation with the top management. Only a few HR managers confirm a lower number of own HR initiatives during the crisis or none at all. According to the HR climate index 2010, most HR managers are involved in the strategic projects and initiatives of their company.

Priorities

When companies enter a crisis and the available total budget is reduced, the competition of business areas for projects to be financed increases. The question is whether and how the priorities on top management level change. An overwhelming majority of the polled HR managers experienced higher (46%) or unchanged (40%) priorities for HR projects as compared with pre–crisis periods. They did not observe reduced priorities for HR projects.

Preferred Contents

HR projects have a good chance of being approved if they focus on one of the following subjects: wage and salary issues, personnel development and training, change management including reorganization and process rationalization, and implementing new HR systems and tools such as goal agreements, performance appraisals, etc. Note that all these subjects seem to have something in common: They tend to be rather long–term than short–term oriented, targeting the time beyond the crisis rather than the crisis and its issues. Obviously, HRM is and will not be restricted to short–term crisis management exclusively, but continues to pursue long–term projects, which will maintain and improve the future competitiveness of the company.4

Cost Benefit Analyses

In a business crisis, HR projects, like other projects, have to meet higher requirements regarding cost–benefit analyses before the general management is inclined to approve them and grant a budget. All investigated participants confirmed this trend as well as the fact that project marketing had to be intensified and improved in order to be successful in their company. It appears that economic arguments become more important and sometimes even trump previously dominant psychological arguments.

4 We come back to this issue later on, when megatrends and priorities of HRM are discussed.
Capability of HR Departments

In general, it is expected that the capability of HR departments in terms of HR staff members and available budgets tends to be reduced before and during a crisis for cost-saving reasons. A worst-case scenario even predicted the self-liquidation of the HR department, because heavy losses of highly qualified HR staff members would force HR managers to restrict their activities to administrative day-to-day work. Empirical research, however, paints a different picture. Our own investigation shows that decreasing numbers of HR staff members were almost never experienced or expected, while 54% of the HR managers relied on stable and 42% on even increased numbers. The optimistic view of the HR managers is partially confirmed by the HR climate index 2010 evaluating the crisis year 2009. It shows that the vast majority of almost 70% experienced stable or increased numbers of HR staff members and only 30% experienced a decrease. The same study reports on stable or increased HR budgets for more than 60% of the companies and reduced HR budgets for roughly 40%. Surprisingly (or not), the capability of HR departments in most companies either remained unchanged by the global crisis or even witnessed an increase in resources. No indicators were recognized for the predicted self-liquidation of HR departments.

Conclusion

Empirical studies do not confirm that the global crisis weakened the role of HR managers in their companies. These managers do not perceive themselves as “hangmen” and do not see their departments on the way to self-liquidation. The opposite seems to be true. Additional information from the HR climate index 2010 points out that the global crisis increased the importance of HRM in nearly 50% of the companies. Furthermore, 90% of them believe that HRM has become better equipped for future crises because of the lessons learned from the global crisis.

When interpreting such empirical research, one should bear in mind that the findings might present a positively distorted account: 1) Consciously or not, HR managers tend to describe themselves in a slightly more positive way than colleagues from other areas of business and employees who work with them; 2) Innovative HR managers seem to be somewhat overrepresented in the investigated sample. It is expected that backward HR practices resisted joining the studies and hidden “hangmen” positions among HR managers remain undiscovered.
The idea is to consider what HR managers really did in the wake of the global crisis and not only what they intended to do or what they told the researchers. The following chapter looks at the HR toolbox and how it was applied to master the crisis.

The most frequently applied HR tools in the global crisis are shown below.

The tools are ranked from “soft” to “hard” measures, starting with the reduction of “paid overtime” and ending with lay–offs. Opposite of the “hangmen approach,” lay–offs are not the only, but rather the last possible reaction to the global crisis as suggested by the “ultima ratio principle.”

Table No. 3. The HR toolbox for mastering the global crisis.

<table>
<thead>
<tr>
<th>HR Tools</th>
<th>Definitions</th>
<th>Contribution to Crisis Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Paid Overtime (Bezahlte Überstunden)</td>
<td>Actual working time that exceeds the contractual working time and is ordered or approved by the superior. Labor agreements and/or company agreements determine the extra payment for each overtime unit.</td>
<td>Reduction of paid overtime brings about cost savings for the company as well as the chance to redistribute work among the available labor force, if there is a lack of employment.</td>
</tr>
<tr>
<td>(2) Working Time Savings (Zeitguthaben)</td>
<td>State of an individual working time account (Zeitkonto) provided by the company when the employee worked more in a period than the contractual working time requires. The surplus time is registered on the time account and can be used for different purposes in the future. In general, introduction and administration of the time accounts is determined by labor or company agreements.</td>
<td>Time savings can be used during a crisis in order to pay employees full–time for a while, even if they are forced to work less than the contractual working time. The difference in working time is charged to the individual time accounts. The use of working time savings has contributed significantly to the employment security of many employees.</td>
</tr>
<tr>
<td>(3) Temporary Work (Zeitarbeit)</td>
<td>Work done by employees who work temporarily under the orders of an employer, e.g. for several weeks or months, though they remain members of the labor force of another company. This company receives fees for its services, which cover the wages of the temporary workers.</td>
<td>Most frequently applied when temporary manpower needs are to be covered or when the company feels insecure about how long additional manpower is needed. The temporary workers are the first to leave during a crisis and the first to be hired when recovery begins. They contribute to the flexibility of the system and secure the jobs of the regular employees.</td>
</tr>
<tr>
<td>HR Tools</td>
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<tr>
<td>(4) Fixed–term Employment Contracts (Befristete Arbeitsverträge)</td>
<td>Employment contracts that are only valid for a fixed time period, e.g. for one or two years, and run out if not renewed or replaced by a regular employment contract.</td>
<td>Fixed–term employment contracts help to adjust the labor force to decreasing manpower needs simply by not renewing and not replacing those contracts. Therefore lay–offs, which are subject to strict regulations, are avoided.</td>
</tr>
<tr>
<td>(5) Replacements (Wiederbesetzung)</td>
<td>Appointment of an employee to a position in the company that is vacant because of retirement, internal promotion, change to another company, or other reasons.</td>
<td>Not replacing vacant positions is a way to adjust the labor force to decreasing manpower needs without lay–offs.</td>
</tr>
<tr>
<td>(6) Early Retirement (Vorzeitiger Ruhestand)</td>
<td>Retirement of an employee before the standard age for retirement is reached.</td>
<td>Early retirement enables the company to continue employing staff members who otherwise would have had to leave.</td>
</tr>
<tr>
<td>(7) Short–time Work (Kurzarbeit)</td>
<td>Standardized reduction of the actual working time below the contractual working time connected with a proportional reduction of wages. Part of the difference is paid by the labor agency and part by the company.</td>
<td>The employer is enabled to keep staff members who otherwise would have had to leave, but thus, are available when the crisis is over.</td>
</tr>
<tr>
<td>(8) Lay–offs (Entlassung)</td>
<td>Finishing a current contract in accordance with the regulations of the “Employment Protection Act” (Kündigungsschutzgesetz) and “Co–Determination Act” (Betriebsverfassungsgesetz)</td>
<td>The ultimate way of adjusting the labor force to decreased manpower needs when other means are exhausted.</td>
</tr>
</tbody>
</table>

The above list of HR tools is incomplete. It has to be supplemented by other measures for mastering a crisis such as the transfer of full–time work to part–time work, substitution of regular employees by freelancers, in–sourcing of goods and services, making use of special agreements with trade unions (called Beschäftigungsverträge), which allow pay below standard rates, or the delay of wage increases agreed upon in former labor negotiations.

Each of these tools has its own history, its own legal framework, its own socio–economic prerequisites, and, last but not least, its own economic effects. To handle them properly is far from easy and requires special knowledge and competence of the HR professionals, including advanced labor law knowledge. This is not and will never be the work of humble “hangmen,” but, in fact, that of intelligent problem solvers who are able
and ready to combine those tools in a company–specific mixture with the best possible effects for mastering the global crisis.\footnote{A quantitative analysis of the application and the effects of these tools is possible and would certainly help to increase insight on the work of HR managers. We refer to the relevant studies and statistics of the Institut für Arbeitsmarkt– und Berufsforschung (IAB), Statistisches Bundesamt Deutschland, Sozialforschungsstelle Dortmund (SFD), and many other labor market institutes in Germany. Also see [Strzeminska, 2008].}

Still more important, from our point of view, is the fact that HR managers did not give way to the temptation of focusing on short–term crisis management only. They were certain that decision–making during a global crisis always needs to consider long–term perspectives. The following analysis will shed some light on selected long–term megatrends.

**Long–term Megatrends and their Impact on HRM**

Trend research has identified six megatrends that challenge German HRM at present and for the upcoming five years [Rump 2009, pp. 8–11]:

- Demographic Change,
- Technological Innovations,
- Globalization,
- Knowledge Society,
- Women’s Power,
- Value Changes.

These megatrends are by no means new. They had been recognized long before the global crisis started and were not stopped by it, but, at most, slowed down. There is no doubt that these megatrends will continue to influence HRM in the years to come, either as opportunities or as threats. Some comments are in order to specify just what the above catch phrases mean.

Ad (1): HRM should respond to a decreasing and aging population. Forecasts for 2030 show that the 20 to 29 age group will decrease from 19.9% to 17.7% of the population and that the 30 to 49 age group from 47.3% to 45.0%. At the same time, the 50 to 64 age group will increase from 32.8% to 37.4%. The consequences for HRM are already perceptible: HR marketing and the “war for high talents” has become harder, employer branding and the preservation of skilled staff a main task [Ackermann/Wehner, 2008]. Furthermore, the aging workforce creates new issues, e.g. the demand for age–adjusted working conditions, the employment of mixed–age teams, negotiations with trade unions on so–called “demographic labor agreements,” etc. [Ackermann, 2010].
Ad (2): HRM should also respond to ongoing technological innovations in all areas and functions of business. Some of them appear as sudden revolutions, others produce small but continuous changes at the work level. What they all have in common that they change both job requirements and the desired worker qualification profiles. As a consequence, job descriptions must be continuously updated and individual training needs to be analyzed and made the subject of carefully scheduled training programs both within and outside the company. While technological innovations have a strong impact on the scope and content of HRM services offered to internal clients, they also enable HR departments to improve the effectiveness and efficiency of those services, e.g. by the broadened application of IT, mobile phones, and e-mail technology. There is a strong trend towards e-HRM, including e-recruiting, e-learning, e-administration of HR, etc.

Ad (3): As long as HR departments in German companies were more or less restricted to the management of the domestic labor force, globalization meant nothing other than the integration of more and more foreign workers and workers with a migration background. Nowadays, a growing number of companies run large subsidiaries within and outside the EU, often employing more staff members than the German headquarter and its domestic subsidiaries. When “going global” becomes a business standard, HRM must also globalize its strategic and operative activities. New questions arise and require proper answers from HRM. Three of them should be mentioned:

- Which world-wide HR strategy should be applied regarding subsidiaries—ethnocentric, polycentric, or geocentric, which have very different principles with respect to the standardization of structures, processes, and tools as well as with respect to the division of work between headquarter and subsidiaries?
- How to establish and maintain common norms and values throughout the various organizational units—domestic and foreign?
- How to select, motivate, and train expatriates for foreign subsidiaries and how to reintegrate them back home?

These and other questions give an impression of what globalization really means to HRM.

Ad (4): Knowledge Society describes a society that is knowledge-driven. In such a society knowledge is a critical factor for success in competition. Knowledge management, then, becomes one of the major tasks of HRM, as knowledge is captured, at least to some extent, in the individual staff member and will get lost once this staff member leaves the company. Knowledge acquisition and knowledge transfer by individual and organizational learning are at the core of a management concept called “The Learning Organization,” which has many supporters among German HR managers. They try to turn their companies into “fast learners,” that is, to make them learn faster than their competitors, thus gaining competitive advantages with respect to slower learners. An-
other knowledge–based concept is that of human capital. The question of how to measure human capital is a major issue and the subject of various methods and tools, which, however, fail in so far as producing widely accepted results.

Ad (5): Women’s Power is another megatrend. More and better educated women enter the labor market and demand equal rights when management positions become vacant and initiate a search for qualified candidates inside and outside the company. A lot of initiatives and projects aimed at improving conditions for female management careers have been started on governmental and company levels under the heading “Gender Mainstreaming.” HR managers play an important role in this ongoing process, which is very strongly influenced by the pressure of demographic change (see above). Among the measures most frequently applied in companies are “work–life balance” programs, including part time and other types of flexible working times, the opportunity to use company kindergartens, special management training programs for women, and many others. Some companies have started pilot projects to reach fixed quotas for female managers.

Ad (6): Value Changes have never been absent from any megatrend list since the nineteen–seventies. They continue to occur and force HRM to react, where traditional values do not vanish, but become weaker, and new values—such as “let’s have fun”—search for perspectives and for the meaning of work and life, and receive more and stronger attention amidst the labor force. The question is how to measure these value changes and how to adjust to them when facing strict job requirements. In many companies HR departments conduct regular organizational surveys, inquiring as to the labor force’s level of satisfaction or dissatisfaction with various aspects of their current working conditions. Organizational surveys are not a substitute for legal co–determination and workers’ committees and should not be perceived as such; they are a proven complementary tool for providing feedback to management decisions as well as for generating new ideas and proposals for future improvements of structures and processes in the company.

The list of six megatrends covers a wide range of opportunities and threats in HRM beyond the global crisis. From our point of view, however, there are at least three other important megatrends:

- The customer perspective,
- The financial perspective, and
- The ecological perspective of HRM.

The customer perspective requires a change in HRM philosophy. In the past, that philosophy was producer–oriented when providing services to its internal and external clients. Now, it is being asked to establish services from the outside in [Ulrich and others]. That is, to analyze the needs of its clients first and then to design services that satisfy those needs in terms of quantity, quality, and time. The desired goal is the “cus-
customer–oriented HR department” [Ackermann, et al., 1998] and the customer–oriented staff member [Homburg/Stock, 2000].

The **financial perspective** reactivates the idea that HRM is and should be a value–creating activity within the value chain of the company. The question of how the contribution of HRM to a company’s value creation can be measured and optimized is one of the most promising ones in the present discourse. An example of this can be found in the HPI controversy in 2009 and 2010, which as yet has not come to any final result, however.6

The **CSR perspective**7 reminds managers of their social and ecological responsibilities, encouraging them to initiate and promote projects with social or ecological benefits, e.g. sports sponsoring, reduction of air pollution, etc. In general, CSR is not a key issue for HRM alone, but it plays an important role in motivating and training the labor force to further adjust its behavior to CSR.

### Priorities of HRM in 2010

The “HR climate index” 2010 [Kienbaum Management Consultants, 2010] names the following top five HRM topics in Germany:

1. Improvement of Management Quality
2. Performance Management and Management by Objectives
3. Change Management
4. Talent Management
5. Employer Branding

Other top priorities of HRM include topics such as “strategic manpower planning,” “qualification and advanced training,” “remuneration and incentives,” “flexible types of employment,” and “improved placement for top management and other key positions in the company.”

The study also shows that HRM is and will be subject to further improvement, particularly by

1. Optimizing HR processes,
2. Developing the competencies of HR staff members,
3. Measuring HRM in order to increase its contribution to a company’s value creation,

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6 HPI means Human Potential Index. It is expected to measure the quality of HRM in terms of its contribution to the financial success of the company. The first version was heavily criticized. A modified version has now been successfully tested by ISPA Consult.

7 CSR means Corporate Social Responsibility.
4. More and better HR department services to increase internal customer satisfaction, and
5. Increased application of IT programs and e–HR within HRM.

Other important approaches to an optimization of HRM refer to “improved internal communication,” “providing transparency in HR performance,” and “increased internationalization of HR performance.” Interestingly enough, “cost cutting within the HR department,” “introduction of Shared Service Centers,” “reorganization of the HR department,” “HR management by means of the human capital approach,” “HR outsourcing,” and others are considered less important.

**Final Comments**

We conclude that HR managers did their job well, both in mastering the global crisis and in preparing the ground for the subsequent recovery, which Germany enjoys today. We have seen intelligent problem solvers at work while we did not meet any “humble hangman” types among the surveyed HR managers, maybe, because it is only a cartoon.

The results of the present study refer to Germany only. Without diminishing the performance of HR managers, it should be noted that their activities to master the global crisis were supported by legal and other conditions right before the beginning of the global crisis, among them flexible working time regulations, flexible labor and company agreements, etc. From the viewpoint of a purely country-specific approach, each country must learn its own lessons. Nevertheless, some experiences seem to be transferable regarding conditions that need to be created in order to improve the crisis management and behavior of HR managers, who can and should be trained in such subjects at universities as well as in companies.

**Literature**


Prof. Karl–Friedrich Ackermann, Ph.D. – is the Managing Director of ISPA Consult GmbH, a leading HRM consultancy in Germany, and the former Head of the Chair for Management Science and HRM at the University of Stuttgart, Germany. His scientific and consulting interests cover a wide range of HRM–topics such as HR–Strategies and Controlling, Flexible Working Time Systems, Organizational Surveys and Action Planning, Change Management and New Organizational Models for the HR department, Training Need Analysis, Performance–orientated Pay, and many others. For books and articles on HRM topics see www.ispa–consult.de as well as www.ispa–mitarbeiterbefragung.de.