

Adjustment on Global Value Chains of Enterprises and Corresponding Revaluation on Human Resource--from the New Financial Storm Perspective

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Abstract

Impacted by the new financial storm, enterprises open up the source and regulate the flow one after another in order to confront the crisis. One hand, they greatly cut management costs, especially those of human resource, as its costs account for large percent but show small effects. On the other hand, they make every effort to exploit market for smooth capital flow, i.e. rapid gain of short-term benefits. This temporary adjustment can help enterprises cross crisis temporarily, but it doesn't benefit long-term development of enterprises. Particularly, when human resource is seriously under evaluated, it is harmful for cultivating of core competitiveness of enterprises, which will directly cause enterprises' immersion in financial storm without getting through, and affect sustainable development of enterprises.

Keywords: Financial Storm, Value Chain, Revaluate Human Resource

Economic globalization enable American financial storm, aroused by the subprime mortgage crisis, spread all over the world. The growth and development of enterprises are experiencing a hard time. And then many enterprises cut down the number of staff and reduce salary to "open up the source and regulate the flow", in order to get through the financial crisis. For a value chain, the reduction and economization of management is a primary starting point for enterprise reforming, as it can bring enterprise short-term and instant benefits and enable them confront financial crisis temporarily. However, it is just an expedient without benefiting long-term development of enterprise.

The adjustment of global value chain of enterprise is an important countermeasure to financial crisis. In order to exploit new market, enterprises increase investment on "distribution and service" of value chain one after another, while make industrial shrinkage pertinently on "manufacture" for the purpose of facing economic crisis impact. However, the adjustment of global value chain indicates an unconventional change on the developing process of enterprises.

From the beginning to first class, enterprises need steady development route. And the adjustment of global value chain is not only the recombination of operation process, but also of development route. That is to say, some enterprises over emphasize on market role in order to confront crisis, but they ignore the effects of enterprise management and organizational culture during crisis passing. Actually all these factors deeply influence enterprises.

When strategically adjusting global value chain and development route, some enterprises haven't grasped the principle of strategic guidance, which seriously affects revaluation of human resource management of enterprises.

1. Adjustment of Enterprises Global Value Chain Influenced by Financial Storm

Financial storm force enterprises to enhance capital flow, and exploit new market continuously to strengthen risks prevention. So some enterprises have to temporarily adjust global value chain. They put main efforts to marketing, while heavily cut costs on management and administration departments and manufacture departments.

However, for most enterprises, this sort of change is just a temporary stage adjustment.

1.1 Adjustment of Global Value Chain

According to the definition of global value chain by UNIDO (United Nations Industrial Development Organization), global value chain refers to a global cross-enterprise network organization linking production, sale and recycle, in order to achieve the value of goods or services, including the whole process of raw material purchase and transportation, production and distribution of semi-manufactured and manufactured products, final consumption and recycle.

Nowadays, economic globalization makes enterprise value chain distributing globally a universal phenomenon. On the global layout of value chain, international enterprises of developed countries will put raw material purchase, labor-intensive production and such like in developing countries, while other links like R&D in their own countries.

Financial storm's arriving obliges enterprises to adjust global value chain:

- (1) Market is shrinking and production is being restricted, so manufacture is necessarily adjusted accordingly.
- (2) Market exploitation is urgent, so the development of marketing and distribution will necessarily play very important roles to global value chain.
- (3) Weakened value chain management, outstanding marketing and other weakened parts in value chain all enable enterprises weakens management functions, such as human resource.

Impacted by financial storm, for the purpose of "opening up the source and regulating the flow" enterprises have to heavily cut down management costs and weaken management functions; focus on market's roles and strengthen market exploitation.

Accordingly, for enterprise development route, international enterprises generally depend on "enterprise management" and "enterprise culture"; therefore, they highly stress the prominent position of marketing during global value chain adjustment, which reflects the stage adjustment of enterprise development route under financial storm.

1.2 Stage Adjustment of Enterprise Development Route under Financial Storm

The theory of enterprise development route is quite mature. Enterprises emphasize on different development directions on different stages. In the classic book, "Encyclopedic Dictionary of International Management", Blackwell systematically elaborates the promotion process of enterprise development route (see figure 1). From beginning to mature development, enterprises will successively be inclined to emphasizing on products and services, marketing, enterprise management and culture, which is a universal and systematic development process.

We can see from figure 1, at the beginning enterprises will stay steadily in the market on excellent innovative products and services, and then strengthen market exploitation and maintenance. After obtaining market positions successfully, they enhance management and promote enterprise level. Finally, they form their own organizational culture, and establish the particular competitive advantages by unique enterprise culture.

Financial crisis is threatening the survival and development of every enterprise by its enormous affecting scope and far-reaching force. The environmental changing is bound to generate adjustment of enterprise development route. During economy depression, "opening up the source and regulating the flow" becomes a primary choice for enterprises. And "opening up the source" starts from market exploitation. So plentiful enterprises transfer working focus one after another, especially international enterprises, and regard "marketing" as prime target (see figure 2).

According to the illustration of figure 2 we can see, impacted by financial storm, all enterprises adjust development route in order to survive the threats. They highlight "marketing" in extremely important position and layer. And just this adjustment leads enterprise development route into a deviation direction, i.e. back to "marketing" from "enterprise culture" development stage. Or for the enterprises still in "management" stage, they haven't stepped further into "enterprise culture" stage, but withdraw back to "marketing" stage.

Comment on Adjustment of Enterprise Global Value Chain and of Development Route

It is necessary for enterprises to make corresponding adjustments in time in order to survive the crisis, but stage adjustments have to center on enterprise's strategy.

However, many international enterprises didn't put enterprise strategy on the most important position in real operation. Enterprises excessively emphasize on "marketing" role so as to live through the crisis. Some

enterprises even give up fixed strategy for better market, and change it to stage global value chain adjustment, but they are wrong. Even if enterprises get through the economy crisis, they may encounter bigger difficulties in future development.

2. Financial Storm Impacting Human Resource Management

Financial storm obliges enterprises to adjust value chain globally. However, weakened management function and corresponding strategy adjustment seriously affect management mode of human resource. During the adjustment of value chain, enterprises also make stage adjustment of development route, focusing on “marketing” and running speed of capital flow, thus the strategic role of management departments like human resource must be ignored.

The loss of strategic role of human resource is an effective measure for enterprises to reduce costs. But this adjustment means drinking poison to quench their thirst, as innovative key of future competitive advantages depends on human resource. Therefore, when enterprises make international adjustment, human resource management is deeply impacted.

Financial storm directly affected human resource demand and revaluation of it. Furthermore, the strategic adjustment of some enterprises together aroused financial storm’s influencing human resource management. Herewith we shall analyze on three levels: enterprise, human resource operator and staff (see figure 3).

2.1 Enterprise Level: loss of strategic position of human resource management

The most primary change is the role positioning of human resource management. The impact of financial storm and environmental adjustment of strategic development route make enterprises urgently enlarge market and maintain running, so direct cash flow is what enterprises pursue. However, human resource management is not the direct creator of profits; therefore enterprises will reevaluate it, and then put it on an insignificant level. It becomes the emphasis of “flow-regulating” and its strategic position and role are ignored.

Actually it is the transfer of enterprise strategy and emphasis. Traditionally, the first stage of enterprise’s development is dependent on “special products and services”; afterward they focus on “marketing”, “enterprise management” and “enterprise culture” respectively. At early days, we care more about “special products and services” and “marketing”. With rapid market growth, enterprises can gain high-speed development without standard management and human resource management as key point on this stage. But along with the development of enterprises, the scale is larger and staff number is bigger, so enterprises gradually need to be governed from by-man to by-rule. At this time, the significance of management is increasingly outstanding, the most important part of which is human resource management. Therefore, as far as enterprises are concerned, human resource management plays very important role during maturity stage of development, which determines the future development direction as well. However, when suffering from financial impacts, what enterprises have to consider is how to increase profits rapidly to release the impacts of financial crisis and to achieve effective strategic protection. Meanwhile, enterprises tend to degenerate from “enterprise management” to “marketing” stage, even to “special products and service” stage, and steadily achieve income through market. Sometimes enterprises lay human resource management on a secondary position, but not strategic position. Only in this way, they can reduce human resource costs greatly and centralize every effort to expand enterprise influence. Based on the above consideration, when facing crisis or financial impacts, enterprises will lose the strategic position of human resource management completely.

2.2 Human Resource Operators Involved in Affair Works

Human resource management is losing strategic position, additionally enterprises continuously reduce staff number and salary, so human resource operators are necessarily involved in multifarious affair works and lose overall strategic supports to the enterprises.

Just as what we have analyzed above, the strategic position of human resource management is substituted by secondary position. On the basis of that, strategic consideration of human resource management is not what enterprises mainly care any longer. What enterprises care more are how to economize human resource costs, how to make proper plan on cutting staff number, how to comfort staff, how to keep core staff, and how to effectively deal with staff conflicts in time. So all these jobs involve human resource management into affair works, which will be harmful to accumulating human capital advantages, fulfilling enterprise strategy, and long-term development.

The future competition of enterprises must be that of human capital and intelligent capital, whose fundamental carrier should be staff. The current ignorance of human capital investment will hurt enterprises deeply afterward. This kind of harm doesn’t show in short period probably, but is surely disadvantageous to enterprise competition

in the future. And it will hamper enterprise to step out of financial storm as well.

2.3 Ordinary Staff: Loss of Present Jobs and of Career Development

Cutting staff number is the main method for enterprises to “opening up the source and regulating the flow” under financial storm. An amount of employees lost working opportunities, even training and career development opportunities. It is a big loss of labors, and also a loss of enterprise’s strategic transfer after economy crisis.

Facing the financial crisis wave, what enterprises most prefer to is cutting down staff number, because it is the most direct and effective measure to reduce human resource costs. However, its most direct result is that staff lost jobs and future career development. This is an end of career for staff, and a loss of future human capital for enterprises. For the whole society, enormous employment pressure emerged along with many social problems. In fact, individual development is the most basic foundation compared to enterprise- and society development. Cutting down staff number is from the consideration of saving human capital, but what deep effects it brings can’t be ignored.

2.4 Financial Storm Impacting on Human Resource Management is a False Judgment on its Revaluation

It is normal for enterprises to reevaluate human resource in different economic environment, but the revaluation has to be based on long-term strategy, but not temporary benefits. Under financial storm, enterprises excessively emphasize on the value of “marketing staff”, but regard “human resource staff” as a prime target of “flow regulating”. So they ignore long-term development of enterprises, which does harm to countermeasures to crisis.

Where is the value of human resource on earth? How does human resource influence enterprise’s achievements? It is hard to get consistent conclusion. But many management scholars domestically and internationally, especially human resource management researchers, all repeatedly tested the relationship between “high-achievement human resource system” (or “high-efficiency human resource management system”) and enterprise’s achievements. And the high relativity of the two warns enterprises to stress on future layout and consideration during development process. What enterprise’s strategy faces is future.

3. Process Management of Human Resource

According to the above analysis, when facing impacts, enterprises should stick to the strategic position of human resource, at the same time, economize its costs. This paper will refer to relevant subjects of process management as a creation to make analysis and propose the process management inside human resource management. Process reengineering is to basically consider and completely design a process of enterprise so as to get remarkable improvement on key factors, such as cost, quality, service and speed. The core of process reengineering is satisfaction of customers. And the core idea is to break the management mode of setting up departments by functions. Instead, they should center on operation process, reengineer management process, confirm working process from a whole, and pursue overall optimization but not individual optimization.

Based on the meaning of process reengineering, we can make definite analysis on every link. Thereinto, we will find out the significant role of human resource management. The core of process reengineering is satisfaction of customers. And the operation process facing customers is transferred by satisfaction of staff to great extent. This idea has gained a series of research. But present research has not reached to the role of operation process. In addition, we can design departmental management mode and reengineer operation process according to some basic ideas of reengineering, which should be charged by administrative department of human resource to great extent. Simultaneously, we are also supposed to perceive human represents significant value during operation process.

We shall analyze from two aspects next. Human resource department should be responsible for process reengineering and also be reengineered to some extent, meanwhile, assure human initiative play effective role in process management. Of course, all these roles have to represent in enterprise culture atmosphere, especially under Chinese culture background.

3.1 Human Resource Department Responsible for Process Reengineering

Process reengineering involves the reform of management mode in the whole enterprise and the change of operation process, and even the adjustment of organizational structure and staff structure. Thus human resource management department are supposed to play an important role in process reengineering.

Process reengineering is the responsibility of whole enterprise and strategic adjustment of that, so we need to confirm and analyze on strategic level. This involves strategic revolution of enterprise. At this time enterprises are usually on a special development stage, and corresponding adjustment is needed to promote fulfilling of strategy. So process reengineering plays an important role in development process, even determines enterprise’s

success or failure. Among some failing cases, we find out operation process of many enterprises failed just because they didn't consider whether process reengineering matches enterprise strategy, furthermore, not heighten human resource management to corresponding position during process reengineering.

The functional characteristics and tasks structure of human resource management department determine process reengineering require the department need to take corresponding responsibilities which should be functional and strategic as well. Only the tight combination of these two aspects can promote successful operation process.

3.2 Guarantee the Active Role of "Human" in Process Reengineering

Just as what Hamer said, 70% failure of operation process attributes to human. For most of time, human is actually a kind of resistance of reform on recombination, because the change, perception and identification of his role even can't adapt the new tendency after process reengineering and reform. From both human resource and organizational behavior perspective, as all staff will confront the costs caused by enterprise's reform—possibility of dismissal, many staff are incline to rejection, even destruction, due to lack of the technique needed by new operation process. All these factors hinder enterprises to reengineer operation process.

Thus how to make full use of human in process reengineering becomes rather significant. One hand, it can promote healthy running of process. On the other hand, staff's active contribution will create more opportunity and possibility for process reengineering. Now the problem we need to notice and resolve is how to effectively stimulate staff and take good advantage of them during process reengineering.

As the important functions, communication and training will show their effective value. Communication and feedback are both main communicating methods between enterprise and staff. During process reengineering, how to effectively communicate with staff on relevant details of the process, staff's attitude on the process, and key factors concerning success or failure of the process, will determine success or failure of the process reengineering to great extent. During the process of communication, enterprise may, to some extent, learn what staff care most is whether individual benefits will be harmed after operation process reform. This consideration will directly determine the behavior of staff. In fact, any form of operation process reform is accompanied with adjustment of staff, but it doesn't mean complete abandoning them. Old staffs are quite loyal to the enterprise, strongly agree with enterprise culture, and have their own deep perception on enterprise development. Therefore, as for these staff, they should train them actively and enable them grasp operation technique for new operation process. By this way, the resistance of staff in process reengineering will be reduced. Additionally, the quality and technique level of staff will be improved greatly and universally so as to guarantee smooth operation process.

In order to guarantee the good use of human in process reengineering, the relevant departments of human resource management and senior leaders have to supplement each other to support, supervise and implement it.

3.3 Process Reengineering of Human Resource Department

Traditionally, when we mention operation process reengineering, we mainly consider the process reengineering of management operation unit, and seldom concern that of functional departments. However, with the increasing importance of functional departments, it is very necessary to emphasize on the processing reengineering of functional departments like human resource department.

The idea and development of human resource management quite lag behind. Currently speaking, the theory and practice of human resource are going further to be consummated and mature. For human resource management and other relevant functional departments, enterprises benefit from their contribution but are difficult to manage them. From process reengineering perspective, it will greatly provide human resource management department with reform opportunity.

The real technical operation of human resource management is quite strict. Definitely speaking, we can clearly see a recruiting process, achievements evaluation process, salary management process and other examination process. Traditionally, the operation process of these functional departments is looked on as officialism, and being no use for enterprise development. So functional departments shouldn't just be functional assistance, but show their contribution to strategy. So the process of these departments should be reformed so that they can promote enterprise's effective development. More crucial thing is to supplement and coordinate operational unit process and functional unit process in order to make most use of enterprise process. The coordination of the above two will effectively drive the whole enterprise to achieve strategic target.

3.4 Chinese Enterprise Management Culture Environment

Here we shall consider Chinese enterprise management culture environment, because the particularity of process

reengineering and management. They transform previous “bureaucracy” to the mechanism of “operation process”, which is real and operational for foreign enterprises. But does it adapt to Chinese particular culture environment? We need to analyze it in detail.

Chinese culture has its own characteristics. Respecting the elderly, taking care of children and strict hierarchy system derive long time ago, and are popular with the masses. Bureaucracy is still the main stream of enterprise development among a great deal of development process, especially for state-owned enterprises and partial private enterprises. Bureaucracy is a kind of cultural product with rooted influence. Thus what sort of restriction is it for process reengineering?

Operation process reengineering starts from senior leaders who need to support the transformation and renewing strategically. Under Chinese background, enterprises have to face the extinguishment of traditional bureaucracy if they reengineer operation process. That also means leaders per se will suffer individual loss, which is impossible for most of leaders. So how to deal with this sort of relationship under Chinese culture background becomes quite subtle. To great extent, senior leaders reengineer operation process just to promote present achievements.

Process reengineering is not just the responsibility of operation units, but also widely involves the relevant duty and responsibility of all the other departments. Human resource department needs to play an important role to promote the effective implementation and fulfillment of process reengineering.

4. Discussion: Management Mode of Innovative Human Resource

Affected by financial crisis, enterprises are facing threats of survival and development. It is necessary for enterprises to adjust development route which can not easily change strategy and future development direction however. Human resource management should contribute to enterprise strategy under decomposed strategy. Enterprises have to reevaluate human resource based on scientific method, but not deny its strategic character easily, which may be rather harmful to the future development of enterprises.

The influence of financial storm is going on. The management level and strategic direction of enterprises determine whether they can get through, even keep good development. Therefore, enterprises must insist on strategic direction, and enhance innovative human resource management system.

Financial crisis impacts enterprises' survival. But if enterprises adjust strategic development route unconventionally, and under-evaluate human resource management, they will lose competitive advantages in the future, even if they live through financial storm impacts steadily.

So we hope to find an effective management mode for human resource so that enterprises can remain growth and human capital when adjusting human resource management. Enterprises need to keep equilibrium among real operation costs pressure, human capital and sustainable competitive advantages maintenance.

Chinese specialist on human resource management, Jianfeng Peng, proposed classical “human resource management mode based on occupation—quality characteristic”. On the basis of this mode, this paper will remain “occupation” and “quality characteristic” factors, and then add “measurement direction” as creativity. Furthermore, considering the influence of financial storm (i.e. environment variable), we shall promote the contribution capability of human resource management to overall strategy by putting them in both inner organization and external environment.

For the above human resource management mode, “occupation—competence characteristic—knowledge innovation”, we not only consider present mode but also combine new demand of that, and provide human resource evaluation with reference through adding “knowledge innovation”.

As for present influence of financial storm on human resource management, especially on reevaluation of that, we propose as follows in order to help enterprises establish right ideas and reevaluation methods.

4.1 Establish Quality Characteristic Mode of Key Position

Under financial crisis we saw enterprises cutting staff number and staff leaving under improper policy. The most essential reason is ignorance of enterprises' real demand for human resource, of how to reevaluate human resource of key positions. All these need us to establish quality characteristic mode of key position.

4.2 Establish Knowledge Sharing Platform and Knowledge-Based Management System

Facing current financial crisis, many enterprises lost competitive advantages and future development potential due to improper human resource policy. So it is very important to establish knowledge platform and to introduce measurement guidance for human resource evaluation.

4.3 Establish threat-reactive mechanism of human resource

Financial crisis tests the ability to endure risks and to transfer risks for enterprises. As an important part of enterprise management, human resource management has to be equipped with effective threat-reactive mechanism. According to instant environmental changes, they have to forecast human resource, make good layout of that and support strategic development of enterprises.

4.4 Human Resource Are from Strategy and Support Strategy

The overall operation strategy of enterprise is the core, so human resource management must obey and support strategic development. Under financial storm, many enterprises make blindfold adjustment of development route, which directly affects the strategic position of human resource management. Therefore, the adjustment of development route does not mean the changes of future development direction and strategy. In short, human resource should always support enterprise strategy.

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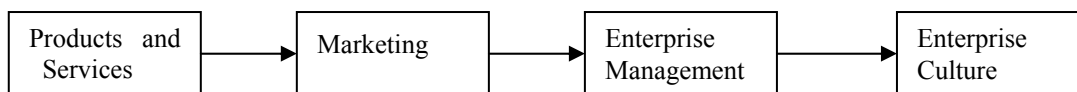


Figure 1. Normal Enterprise Development Route

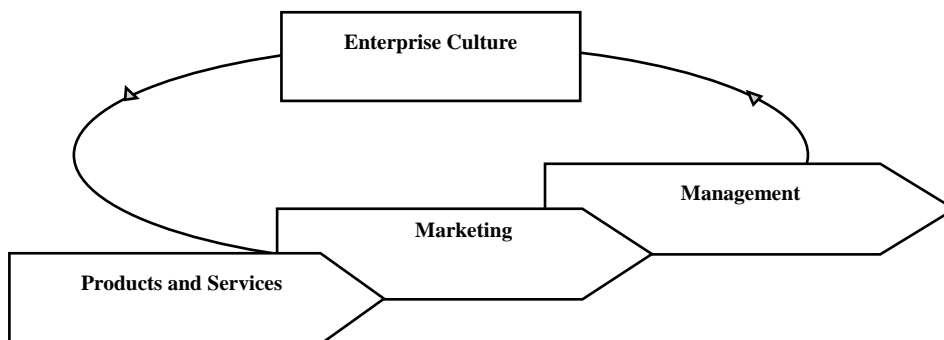


Figure 2. Stage Adjustment of Enterprise Development Route under Financial Storm

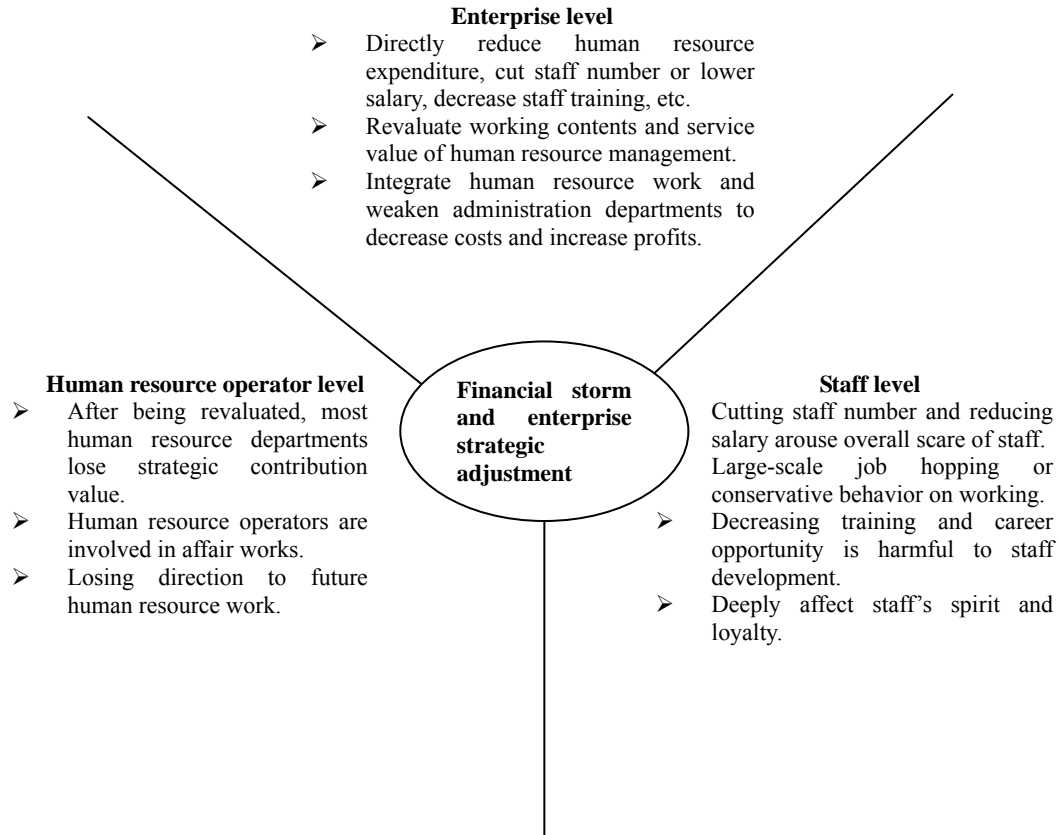


Figure 3. Financial Storm Influencing Human Resource Management