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Research on human resource integration in State-owned enterprises restructuring

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ABSTRACT

The restructuring of State-owned Enterprises (SOEs) is not only a key part of SOE reform, but also an important way to promote the healthy development of SOE. The integration of human resources is one of the important contents of SOE restructuring and integration. This article points out the potential obstacles in SOE human resource integration, such as staff redundancies, inefficiency and brain drain brought by the changes of employees' mindset, as well as conflicts brought by the changes of enterprise management modes. Then personnel integration strategies in SOE restructuring are proposed from six aspects.

KEYWORDS

State-owned enterprises (SOE); Enterprise restructuring; Human resource; Personnel integration.



INTRODUCTION

The restructuring of SOEs^[1,2] is of great significance for deepening the reform of SOEs, enhancing the competitiveness of SOEs, promoting China's economic structural adjustment and the optimization and upgrading of industrial structure, stimulating the vitality of SOEs, and increasing the value of State-owned Assets.

Human resources are one of the most important resources for SOE development^[3]. However, in the process of SOE restructuring and integration, staff redundancies, the unreasonableness of human resources structure and the inefficiency of enterprise operating are very likely to occur if simply integrating all the employees into the reorganized SOE.

Human resources are also one of the most active and complex resources in SOEs, and they are the participants and decision-makers of enterprise production or business activities. Personnel restructuring is the most sensitive, most complex and most likely to cause instability in SOE restructuring^[4], since inappropriate personnel integration may cause employee dissatisfaction and conflicts, thus affecting the construction of corporate culture and the healthy development of enterprises. More seriously, inappropriate integration may cause employees' aggressive behaviors so that businesses cannot function properly. To achieve successful human resources restructuring and integration, the personnel structure must be optimized, the redundant personnel must be properly placed^[5], the negative emotions of employees must be minimized, the internal friction of human resource must be reduced, the initiative of personnel must be fully mobilized, and the employees' enthusiasm for corporate restructuring must be mobilized.

Human resources is also the most creative and dynamic factor in SOEs, and talent is a valuable resource for the development of SOEs. The purpose of human resources restructuring and integration in SOE restructuring is to achieve downsizing to improve efficiency, optimizing the structure of corporate human resources, improving labor productivity, and retaining and developing core talent through effective management and incentives at the same time. Therefore, safeguard the achievement of strategies and long-term healthy development of SOEs.

CHALLENGES OF HUMAN RESOURCES INTEGRATION IN SOE RESTRUCTURING

Redundant personnel caused by organizational restructuring

New management model and organizational structure will be adopted after the SOE restructuring. On the one hand, management staff of several enterprises involved in the restructuring are pooled, which will lead to redundancy of senior management. On the other hand, due to the organizational restructuring in SOE restructuring and the adoption of new production technology or business model, thus causing excess staff. Therefore, in order to downsizing to improve efficiency, it is necessary to streamline and reconstruct the personnel structure of various departments.

Inefficiency and brain drain caused by the change of employees' mindset

The SOE restructuring may generally lead to changes in various aspects, such as the management personnel structure, development strategies, organizational structure and corporate culture of SOEs. All of these changes may affect employees' psychological condition. The performances are usually anxiety, tension, paranoia and distrust and other negative mental state. At this time, employees' psychological condition is poor, easily get sensitive and fragile. A series of negative emotions can make them generate sense of insecurity, decrease their work efficiency, as well as promote the formation of small groups within enterprises, thus affecting the productivity of restructured SOEs.

There are a lot of uncertain factors in SOE restructuring, so employees are worried about the unknown events^[6]. This kind of anxiety and stress tend to evolve into despair, distrust, and even anger, thus affecting the employees' work attitude, work behaviors, ways of working and work efficiency. The relationship between employees' mindset change and enterprise performance^[7] is shown in Figure 1.

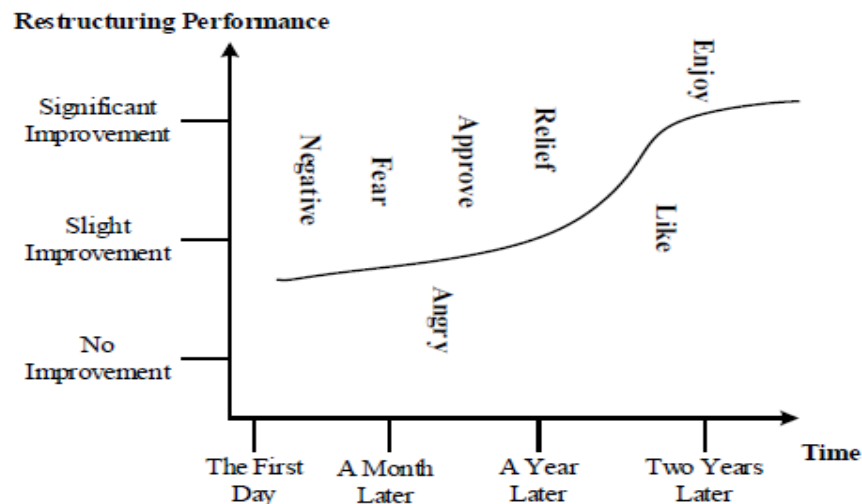


Figure 1: Relationship between employees' mindset change and enterprise performance in enterprise restructuring

Conflicts caused by enterprise management mode and cultural differences

There are differences in enterprises management modes, production and operation modes and enterprise cultures among each enterprises before SOE restructuring. Also, their salary architecture and levels are not the same. The restructuring of salary structure is a key part of SOE restructuring. Since salary levels relates to the vital interests of each employee and unreasonable design of salary structure may bring employees' conflicts in SOEs, thus affecting human resources restructuring and integration in SOE restructuring.

The differences of enterprise culture in SOE restructuring are usually reflected in enterprise values, rules and regulations, business models, management styles, and other aspects. Each of these differences may lead to conflicts, which will hinder the restructuring of SOEs and reduce the efficiency of SOE restructuring.

HUMAN RESOURCES INTEGRATION STRATEGIES IN SOE RESTRUCTURING

The restructuring of human resources in SOE restructuring is a complex process, which not only includes position demand investigation, redundant personnel placement, core talent retention, staff training development, but also the establishment and improvement of salary & security systems, unobstructed staff communication mechanisms and the incentive and restraint mechanisms.

Investigation of position demand

Position demand investigation is the first step of human resources restructuring and integration in SOE restructuring. Only by understanding the demand conditions of company's positions and personnel, the number of personnel can be targeted to determine, and it is the foundation of further placement of redundant personnel. The position demand investigation is to carefully investigate the staffing situation and annual position demand in SOE restructuring. On this basis, finish "job description", "job specification" and so on with management consulting agency. At the same time, define the basic needs for new employees of each business sector. Therefore, lay the foundation for the refined and standardized management of SOEs.

Placement of redundant personnel and retention of core talents

The staff redundancies of SOEs is a relative concept. The frontline staff may be redundant, while the really need human resources may leave the enterprise after SOE restructuring. Proper placement of redundant personnel can control the operating costs and improve the efficiency of production and operation of restructured SOEs. While the purpose of retaining key talent is to maintain the innovation capability and core competitiveness of restructured SOEs. These are two key issues of human resources restructuring and integration in SOE restructuring.

The placement of redundant personnel involves the vital interests of individual employees. Proper placement of redundant personnel is crucial for the smooth transition and sustainable development of restructured SOEs. SOEs should take the responsibility of the redundant personnel. They should adopt scientific and reasonable measures and actively proper place the redundant staff based on “people-oriented” principle, and provide effective protection for redundant personnel within the capacity of the enterprise. Resettlement ways to solve redundant personnel typically include: reorientation placement, implementation of early retirement and turnover shunt, etc.

In the process of SOE restructuring, besides resolving the issue of redundant personnel, the talent retention issue must be focused on at the same time. After restructuring, a comprehensive talent retention program must be developed from communication, humanities, incentive compensation, etc. to actively retain these key personnel.

From Maslow’s hierarchy of needs theory^[8] perspective, the retention of core talent needs a reasonable level of compensation and benefits, better prospects for enterprise and personal development, as well as the role of enterprise culture, etc.

Development of staff training

Strengthening the knowledge and skills training is an important part to improve the overall quality of talent in SOE restructuring. Today, in the context that the construction of capacity for sustainable development has become the starting point and goal of enterprise management, technological progress and improvement of talent quality is particularly important. For the enterprise’s business and management personnel, having excellent knowledge and skill level can not only provide human resources security for the robust implement of enterprise strategic development plan, but also their career development needs.

The building of enterprise’s sustainable development capacity is the starting and ending point of SOE restructuring. There are various manifestations of this capability, but its core competency cannot do without the element of employees’ quality.

The restructured SOEs should train and bring management professionals at all levels and of all types by the following measures. (a) Follow the idea of respecting knowledge and talent development; (b) Combine with the characteristics of enterprise’s operating; (c) According to the enterprise personnel of different levels, ages and educations; (d) Learn the advanced education training and management experience from domestic and foreign enterprises. The forms of training include all staff etiquette training, middle key staff specialized training, team execution training, business segments training, and new staff orientation training, etc. Through the specialized organized centralized inspection training for middle and above leaders to related enterprises, the leaders can explore new ideas and learn experience. The knowledge structures of all kinds of talents are further improved and the professional skills, operational levels and comprehensive management capabilities are further enhanced through various forms of training.

The restructured SOE should clear about the basic requirements for personnel training, and always adhere to the goal of training practical professional talents. They should focus on five elements, i.e., the character, ability, methods, knowledge and skills of employees. At the same time, they should also reinforce both professional quality and overall quality. The priorities of training are the professional skills, management expertise, spirit of cooperation, execution and other skills.

Then highlighting the practical ability, personality characteristics and innovation of employees. Finally, the employees are trained to be valuable talents for the business development needs of restructured SOEs.

Establishment and improvement of salary & security systems

The restructured SOEs need to adjust their salary levels, unify their salary system, straighten out the relationship between wages, determine the post wage standards, develop the implementation details of post wage distribution, unify various welfare standards, improve the remuneration of employees, and mobilize the enthusiasm of employees.

In addition, the restructured SOEs should also establish a multi-level old-age insurance system, improve the living security level of retired employees, and develop multi-level security system like SOE annuity plan. These measures can provide effective support for the human resources integration in SOE restructuring.

Establishment and improvement of unobstructed staff communication mechanisms

In order to reduce the misunderstanding, suspicion and friction caused by information asymmetry after SOE restructuring, the unobstructed two-way communication mechanisms between enterprise management personnel and employees at all levels must be established. The rules and regulations, development strategies and human resources development of SOEs should be conveyed to employees timely. Also, the ideas, comments and suggestions of employees should be listened through ways like communications between management and employees. Hence, employees' right to know and participate of restructured SOEs are protected.

Feelings to enterprise can play an important role in redundant personnel placement and the retention of key talents. Under the influence of SOE system and culture, many employees, especially the older employees whose generations have worked in the same SOE, have deep feelings to the SOE prior to the restructuring. This kind of feelings should be fully considered in the process of SOE restructuring. The placement of redundant employees and retention of key personnel can be greatly promoted by considering the feelings of employees to the enterprise and active communication.

Improvement of incentive and restraint mechanisms

The improvement of incentive and restraint mechanisms includes the following aspects: (a) Develop comprehensive, simple, practical, effective staff performance appraisal system, and implement strict examination and serious cash; (b) Improve personnel system. Implement assessment of performance, decision-making ability, sense of responsibility, overall quality and standardized operation, distinguish the degree of excellence, implement positive guidance, fully tap the outstanding leadership talents and establish employment mechanism; (c) Strengthen the implementation of accountability restraint system, and achieve the control of all levels in the enterprise.

SUMMARY

SOE restructuring is an important part of SOE reform. While human resource is the most vibrant, dynamic and creative valuable resource in SOE. Its successful integration is an important indicator of the success of SOE restructuring and integration. In this paper, we point out the challenges of human resources integration and propose human resources integration strategies in SOE restructuring. This study is helpful to promote the success of SOE restructuring and integration, also of great significance to the healthy development of SOEs.

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