

An Empirical Study on Strategic Human Resource Management (SHRM) Planning in Sync with Financial Shared Services in Global Fast Moving Consumer Goods (FMCG) Sector

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ABSTRACT

Consumer products companies have traditionally focused their efforts and resources on serving a relatively narrow, affluent segment of the world's population. In the midst of explosive population growth, increased urbanization, an evolving, demanding customer base and global climate and natural resource issues, the Consumer Products (CP) industry faces shifting market dynamics, channel challenges and renewed pressures for business model innovation. An emerging class of empowered consumer, steadily increasing consumption and aggressive competition from private labels will require CP companies to execute flawlessly in connecting with consumers, managing supply chain efficiencies and collaborating with channel partners. The goal of the survey is to investigate the planning tools that are used. Aspects that influence the complexity of the planning problem and the influence of company size on the use of the specific planning tools are examined. Furthermore, the future objectives and investment plans of Global FMCG companies concerning strategic human resource planning in association with financial shared services are also surveyed. The accounts and finance function is challenged to reduce its costs but it must continue to meet its full range of responsibilities. Management's information needs have expanded so it must provide better information too. However, the potential for further cost savings is limited and the emphasis has shifted to how finance can be engaged to partner with the business to enable value creation and protect shareholders' interests.

Keywords: Strategic Human Resource Management Planning (SHRMP), Planning tools, Financial Shared Services (FSS), Pricing Distributions (PDs), Fast Moving Consumer Goods (FMCG)/Consumer Products (CP) and Performance-Related Pay (PRP).

INTRODUCTION

What on Earth? More people + more money = more opportunity. Over the next 10 years, the world's population is expected to grow by almost 20 percent, primarily in emerging market regions. China and India, as well documented, will be among those with substantial increases, but so will nations such as Pakistan, Nigeria, the Democratic Republic of the Congo and Ethiopia. Meanwhile countries such as Russia, Japan and Germany will be among the biggest population losers. Clearly big changes are

happening. Much of the world's increased population will live in a city, and, as a result cities are getting bigger... much bigger. Consider that in 1975, only three cities – Tokyo, New York and Mexico City – had populations in excess of 10 million. By 2020, 16 cities will have populations in excess of 20 million. More than 70 will boast populations greater than 5 million, roughly the population of Denmark. Many of the new “mega-cities,” such as Mumbai, São Paulo, Dhaka, Cairo and Lagos, will be in developing nations and will present a mixed set of opportunities and challenges. Availability of

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transportation, sanitation and healthcare are not likely to keep pace with population growth, resulting in issues with logistics, hygiene and illness. Already, in 2007, more than 1 billion people – or 30 percent of the world’s urban population lived in slums. In India, of the more than 1 million kilometers

of roads, only 10,000 kilometers were paved. The underdeveloped infrastructure, crowded living conditions and unfamiliar consumers will challenge even the most innovative CP Company. However, these favelas, barrios and colonias, and slums will be the destination for dynamic growth in the future.

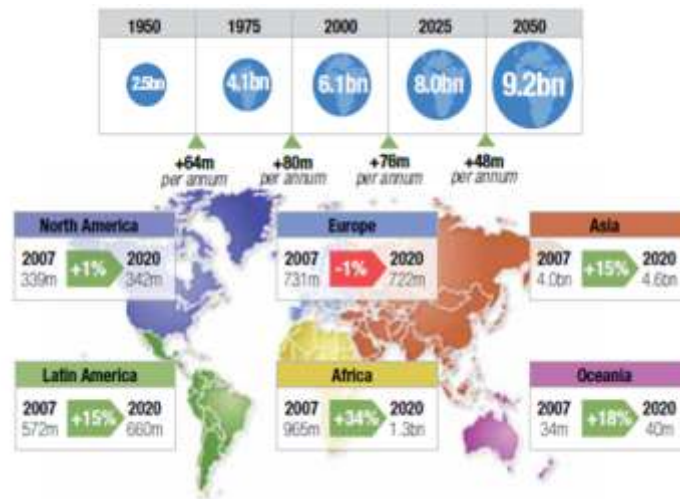


FIGURE-1: The World’s population is growing rapidly, but not evenly.

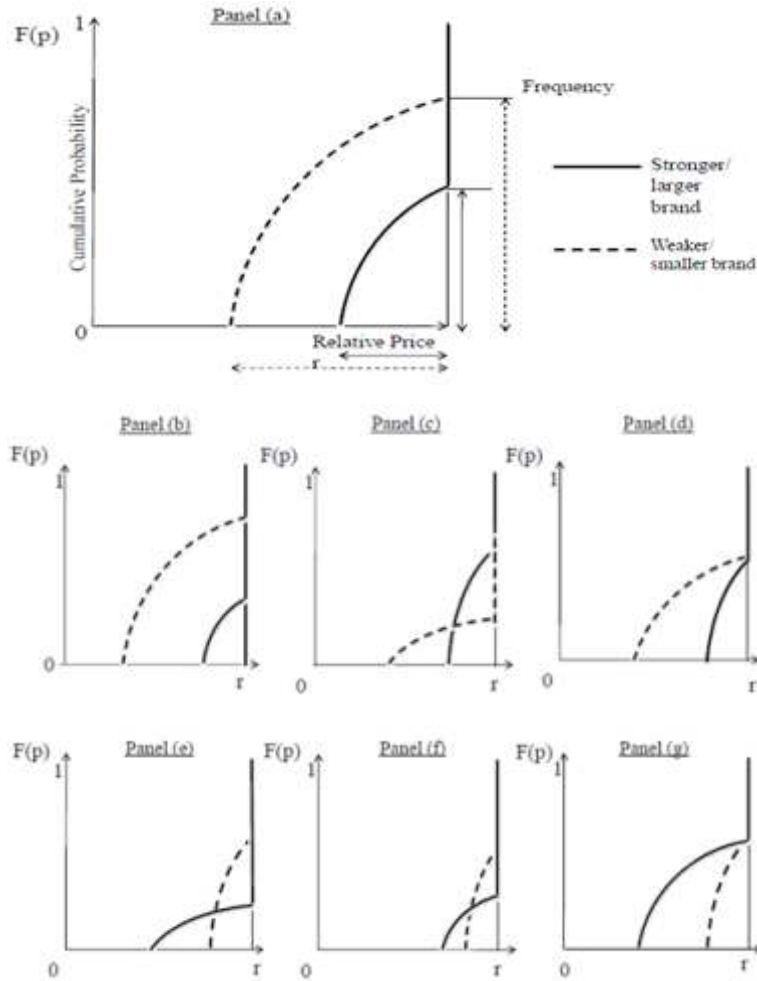
1. SHRM PLANNING: In many FMCG companies, strategic human resources are the most expensive, but also the most flexible factors. Therefore, the optimal utilization of human resources is an important success factor contributing to long-term competitiveness (Zülch, Rottinger & Vollstedt, 2004). A crucial step in the strategic human resources planning process is the translation of strategic goals and objectives into operational priorities, which is the goal of the operational strategic human resources plan. This operational plan provides the link between the strategic plan and the detailed business plan of each team within a division. Literature is overwhelmed with papers that describe mathematical models that try to solve this operational personnel planning problem as efficiently as possible. Van den Bergh, Beliën, De Bruecker, Demeulemeester and De Boeck (2013) classify a set of 291 articles started from 2004 onwards in the light of different perspectives concerning personnel or workforce scheduling. Examples of these perspectives are personnel characteristics, shifts definitions, constraints, performance measures, etc. An important conclusion in this paper is that although the

mathematical models for personnel scheduling problems have a strong theoretical impact, they are barely used in practice. Especially the neglect of a number of characteristics of the real-world personnel scheduling problem puts a burden on the real-life applicability. Kellogg and Walczak (2007) perform a comprehensive survey to investigate whether the numerous developed personnel scheduling algorithms are actually used and implemented in real-world hospitals. They conclude that only 38 percent of the systems that are discussed in research articles are eventually tested in real-world and there seems to be very little academic involvement in systems that third-party vendors offer. Approximately 30 percent of the FMCG companies do not use a specific software system to plan their personnel. The manual-labor scheduling problem is a specific planning problem but nevertheless, the insights into this problem can be broadened to other planning problems with shift scheduling. Kellogg and Walczak (2007) point out that although the development of scheduling algorithms has used academic research for quite some time, the direct involvement of academics in

the design and development of implemented scheduling solutions in the United States appears to

be minimal to nonexistent. There appears to be an overwhelming reliance on self-scheduling methods.

Figure-2: Theoretical Pricing Distributions



2. METHODOLOGY: The previous part shows that there exists a research-application gap in strategic personnel scheduling, although the literature is overwhelmed with mathematical models that try to solve this problem. To check whether this research-application gap exists in global FMCG companies, an online survey is developed. This survey tries to find out how global FMCG production companies plan their strategic personnel. The survey was limited to manufacturing companies, so no service companies such as hospitals and call centers were contacted. Note also that not all the companies in this survey deal with shift scheduling. The final dataset includes

responses of 123 companies consisting of 28 big companies, 47 medium sized companies and 48 small companies. Companies with more than 250 employees are categorized as big companies in this survey. This categorization is not complete, but it is just a rough approximation to extract trends in the used personnel planning tools. To test this significance the Fisher's exact test is applied. Fisher's exact test is used to test the statistical significance of two proportions with categorical variables (Hill, Griffiths & Lim, 2011). This test is more accurate than the chi-squared test if the observed frequencies are low. The chi-squared test assumes that each cell has an expected frequency of five or more.

3. DATA ANALYSIS-PLANNING TOOLS: The main goal of this survey is to investigate how global FMCG companies plan their strategic personnel and to find out whether pen and paper, Excel or other software are used. Figure 3 shows that the gap between practice and research is quite significant, and it only increases if we take a look at which specific software is used. Out of the five small companies that use dedicated planning software, two companies use Microsoft Outlook and one company uses iCal. These software tools are not able to provide any kind of scheduling or optimization. Similar findings originate for medium and large-sized companies. Many of the software tools are in reality nothing more than time registration tools, used to create a link between the financial (i.e., often a third party employers' social-accounting

secretariat), and the operational department. This software then records the number of working hours for a specific employee, it can be used to register the holidays, etc., and it automatically calculates the wage for that specific employee. This software can also be provided by ERP-software solutions, such as SAP. The company chooses the modules (at a given cost) it will use. These large ERP-software solutions often provide a tool dedicated to personnel scheduling. However, it is not clear if the four companies that specified this planning solution really use this tool. Chang et al. (2008), who analyze the factors that affect the ERP system usage, indicate that the least-used module of the ERP system is Human Resources in contrast to the Finance module, which is the most popular.

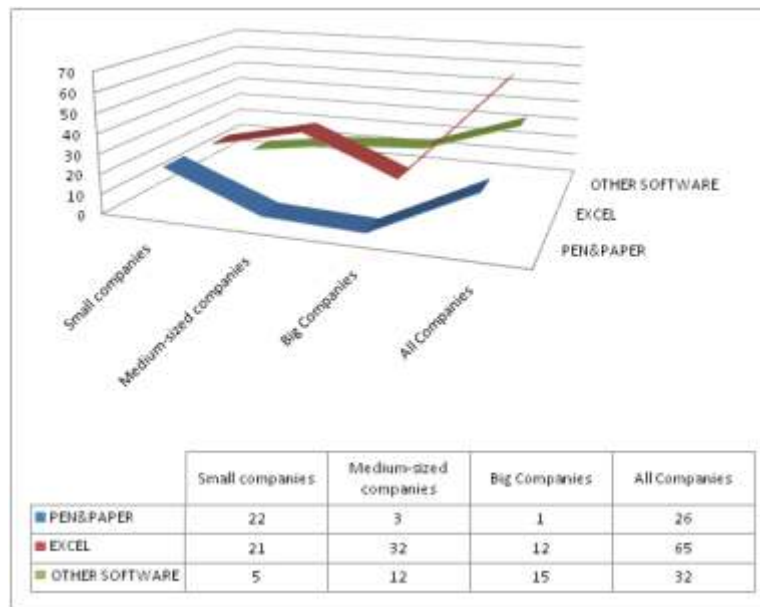


Figure-3: Absolute values of planning tools per company size

4. SINGLE VERSUS MULTIPLE SHIFTS: Approximately 62 percent or 77 companies use multiple shifts and 38 percent or 46 companies use only one shift to maintain their operational activities. From these 77 companies, 24 are small, 29 are medium sized and 24 are big, according to the criteria of the researcher's categorization. The data obtained by the survey indicate that 50 percent of the surveyed small companies and 40 percent of the medium-sized companies do not use multiple-shift scheduling, while approximately 86 percent of the big companies use multiple-shift scheduling. No distinction is made between companies with two

and three shifts. It is worthwhile to investigate whether companies with more than one shift use different planning methods compared to companies with only one shift because the planning of different shifts increases the complexity of the planning problem. Again, these conclusions should be considered as a possible trend, since the set size is too small. For the large sized companies with a single shift, for instance, 100% (i.e., the four companies) use specific scheduling software, which will probably not be the case in reality.

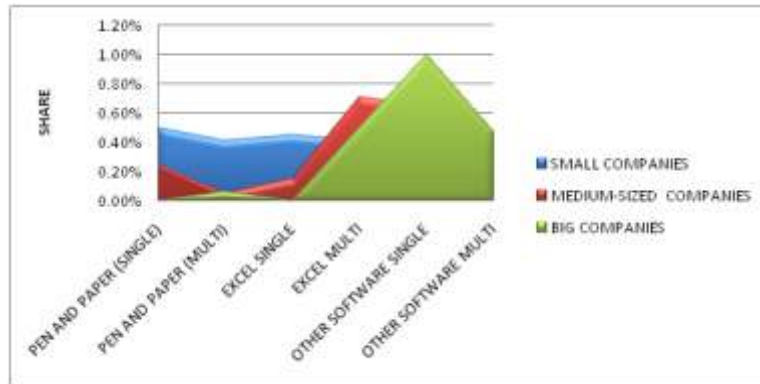


Figure-4: Share of companies according to size and number of shifts, divided over planning tools

5. **DE-CENTRALIZATION:** Figure 5 shows the proportion of companies that use a centralized personnel planning system in comparison with companies that decentralize their planning. 44 or more than 90 percent of the small companies keep their personnel planning centralized. With an average of 19 employees to be planned, it is obvious that a decentralization of the personnel planning is not necessary to preserve a good overview. Furthermore, the number of employees of the

companies with a decentralized personnel planning is respectively equal to 45, 42, 32, and 13 employees, with an average of 33 employees. This is considerably higher than the global average of 19 employees in small companies. These four companies plan their personnel in groups of respectively 6, 10, 15 and 5 employees. These results indicate that the decentralization grows with an increasing number of employees that need to be planned.

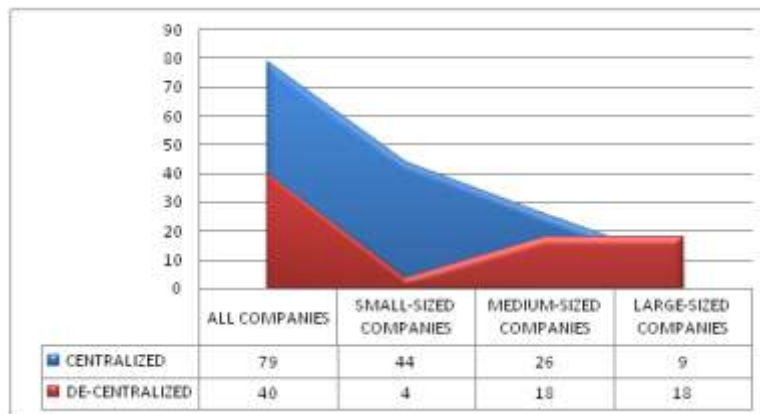


Figure-5: Centralized versus decentralized planning policy

On average 126 employees need to be planned in medium-sized companies. Figure 5 shows an interesting evolution towards more decentralized planning in comparison with smaller companies ($p=0.000$). Medium-sized companies that decentralize their planning, schedule on average 20 employees per business unit. Due to this decentralization, the average number of employees that need to be planned in medium-sized companies

decreases from 126 to 96 employees. Of the big companies, 67 percent decentralize their planning, which is significantly higher than in medium-sized companies ($p=0.031$). Big companies have different business units that plan their personnel separately. This results in smaller planning problems and more efficient control in the different business units. Big companies that decentralize their planning have to

plan 47 employees on average in the different business units.

6. REASONS: The main reasons for the use of a specific planning tool include financial reasons, user-friendliness and the compatibility with other systems. Figure 6 shows the responses for the 84 companies that answered the question of why they opt for a certain planning tool. It is important to note that companies were able to provide more than one

answer on this question, which entails that the percentages of the answers exceed 100 percent. In total 75 percent of the companies indicate that user-friendliness is an important reason to obtain for their specific planning tool, followed by the financial consequences and the compatibility with other systems. Mostly, companies indicate that a combination of different reasons is important in their company.

The data of the survey confirm that the financial

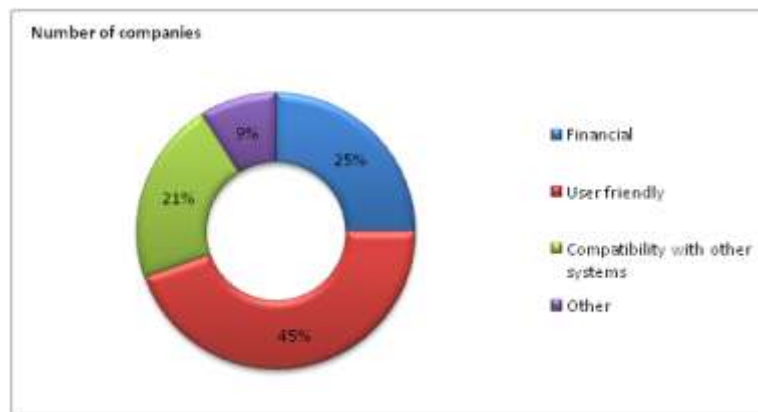


Figure-6: Reasons for using a specific planning tool

aspect is quite important for the implementation of scheduling software in global FMCG companies, but the user-friendliness remains the fundamental reason. In total 59 percent of the companies that use scheduling software indicate that user-friendliness is an important reason. Further, the compatibility with other systems gains in importance compared to the use of Excel or pen and paper. The incompatibility between software systems is also one of the major reasons why real-life schedulers prefer spreadsheets (Berglund & Karlton, 2007). Software providers such as SAP offer a wide range of solutions that cover the whole organization.

7. SKILLS: This section goes more into depth on the aspects that influence the complexity of the planning problem. First of all, Figure 7 indicates whether skills and/or education are taken into account in the allocation of employees to tasks. Approximately 46 percent of the companies consider both skills and education, 45 percent only incorporate skills and 5 percent only education. Finally, 4 percent of the companies take neither skills nor education into account.

In total 51 companies use both skills and education in their allocation process. The rise in complexity causes an increase in the proportion of companies that use scheduling software and a decrease in the proportion of companies that use pen and paper and Excel. Figure 8 shows the way skills are defined. Skills can be defined hierarchical, which means that higher ranked employees can automatically perform tasks of lower ranked employees. Skills can also be fixed, which means that task X requires skill Y and only employees with that skill are allowed to perform task X. Finally, skills can be undefined, which leaves more flexibility in the planning of employees. Figure 8 indicates that skills are mostly fixed in global FMCG companies. Furthermore, many companies also indicate that they do not strictly define the skills of their employees. In total, 104 companies provided an answer to this question. The companies were able to give more than one answer. In total 52 companies use fixed skills, 48 companies do not strictly define skills and 17 companies define the skills of their employees hierarchical.

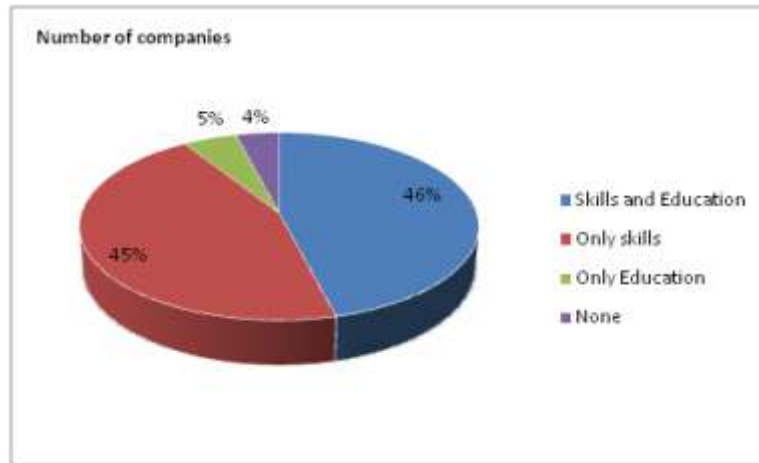


Figure-7: Are skills and education taken into account?

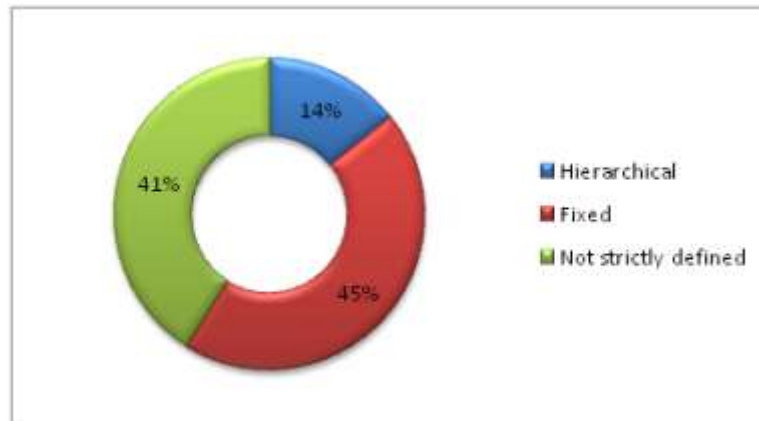


Figure-8: How are skills defined?

Considering small companies, 23 do not strictly define the skills of their employees to allocate them to tasks and 15 companies use fixed skills. Contrarily, in medium-sized companies, 15 companies do not strictly define their skills, while 28 companies use fixed skills. Finally, in 10 big companies skills are not strictly defined and in 9 big companies skills are fixed.

8. HUMAN FACTORS: The following aspects that influence the complexity of the planning problem are the preferences of the employees. Approximately 18 percent of companies do not take employee preferences into account. Those 18 percent

include 50 percent small companies, 32 percent medium-sized companies and 18 percent big companies. This suggests that smaller companies are less flexible for their employees. Contrarily, 82 percent of the companies take at least one preference of their employees into account. Figure 9 shows that 85 companies or 69 percent of all surveyed companies allow their workforce to state their holiday preferences. Furthermore, 25 percent of the companies consider preferences for certain tasks, 24 percent takes preferences for certain shifts into account and 8 percent tries to plan employees together with their preferred colleagues.

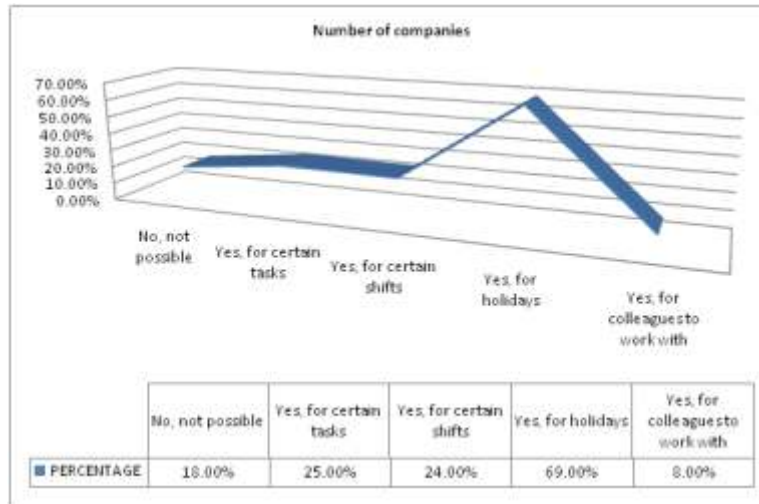


Figure-9: Is it possible for employees to state their preferences?

9. **OVERTIME:** Figure 10 shows whether it is possible to make over time in global FMCG companies and how this overtime is limited. In total, 102 companies provided an answer to this question. It was possible to indicate more than one answer on this question. The answers are more or less equally spread, but overtime limited per year is the most popular way to limit overtime in production companies. In total, 30 companies or 29 percent of the companies indicate that overtime is limited per year. Overtime limited per day is used in 25 companies, overtime limited per week is implemented in 21 companies and overtime limited

per month is adopted in 16 companies. Finally, 20 companies or approximately 20 percent of the companies do not allow employees to make overtime. From those 20 companies, approximately 65 percent are small companies, 30 percent are medium-sized companies and 5 percent are big companies. Finally, six companies indicate several possibilities to limit overtime in their company: 4 of them limit their overtime per day, but also per week. This could mean that employees are allowed to make overtime every day, which is accumulated at the end of the week, but at the end of the month, the average needs to be zero.

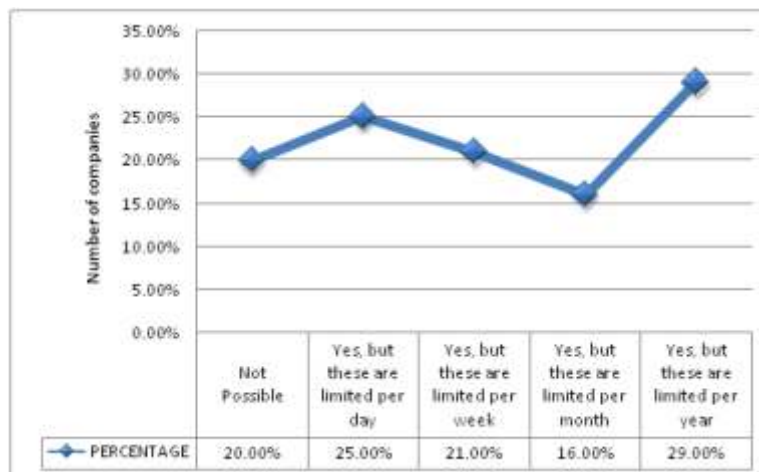


Figure-10: Is it possible to work overtime?

The need for 'finance transformation' has been recognized for over a decade. This is a journey towards a situation where the efficiency of finance operations has been maximized, management information is insightful and actionable and finance is seen less as a necessary overhead and more as an important management discipline that enables value creation. This destination may always be hazy and beyond the horizon, but the direction seems clear. Some organizations have taken an early lead. The finance function's accounting operations can be more efficient if centralized so that processes can be

standardized and economies of scale realized. Whether in-house or outsourced, these shared service centers can be centers of excellence where expertise is concentrated. Through investment in technology and skills development, the role of shared service centers in accounts and finance is expanding to include higher value services such as reporting and analysis. Other support services, especially information technology (IT), strategic human resources management (SHRM) and procurement may be provided too.

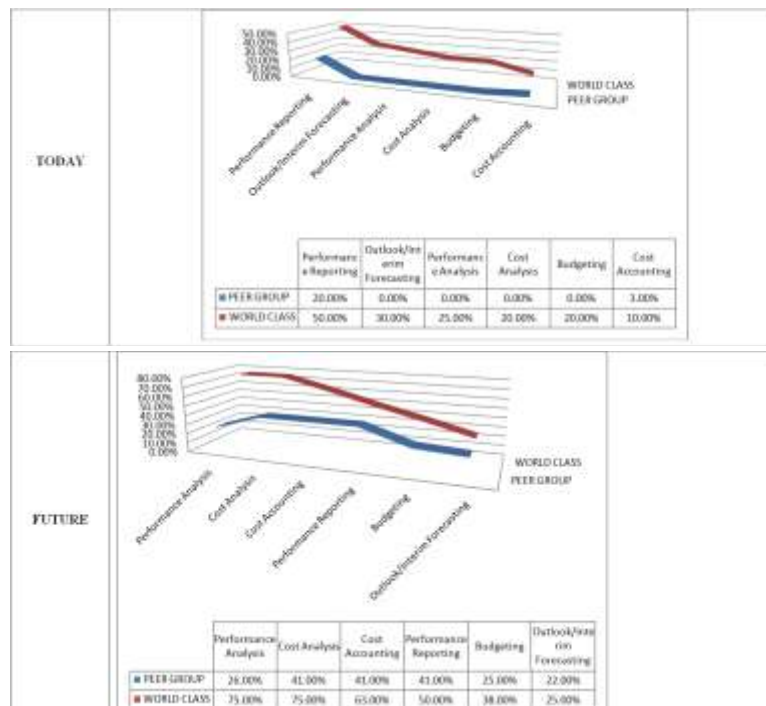


Figure-11: Beyond transactional support, the scope of finance shared services is expanding to business analysis/planning

10. MANAGING THE FINANCE BUSINESS PARTNER'S PERFORMANCE: There is little evidence of the finance function being required to make a business case for the finance business partner role. The finance business partners' costs are usually covered by the finance function. Sometimes they are charged out to the business line being supported.

Doing so raises challenging questions about their effectiveness or perceived value. So it's important to consider how they can be managed and what value they contribute. The performance of finance business partners can be assessed by the level of the support provided by the accounts and finance function as a whole and at an individual level.

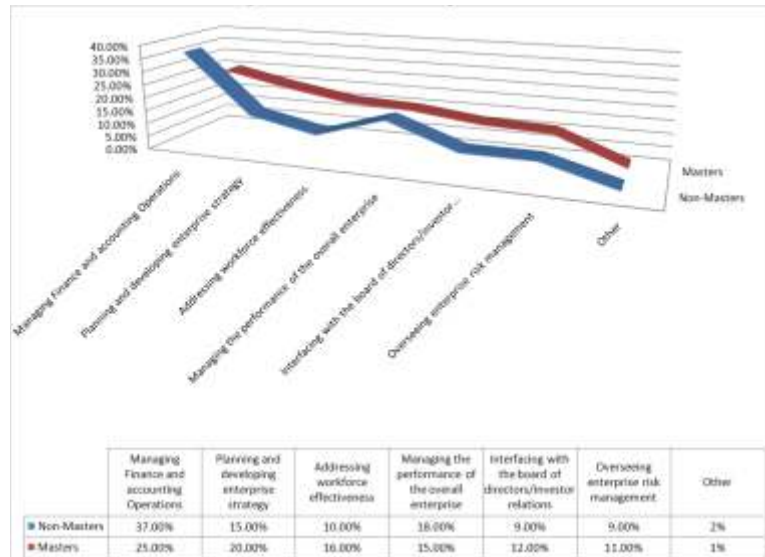


Figure-12: How finance masters spend their time?

11. GETTING FLEXIBLE: Flexibility on the part of global FMCG manufacturers has never been more critical than it is today. Volatility in raw material prices, unpredictable exchange rates and unprecedented environmental disasters have disrupted global supply chains. Uncertainty about a macroeconomic recovery has dampened consumer confidence. Complexity and ambiguity surrounding technological disruptions and regulatory shifts across major global markets are making matters

worse. Together, these characteristics have created a business environment marked by permanent volatility. To survive in this arena, businesses must be lean and agile so they can respond swiftly to changes in demand and supply. Large scale can be a disadvantage because like unwanted flab, it can slow businesses down. Indeed, the benefits of being lean and agile, such as efficiency and cost benefits, are outstripping those previously associated with large scale.

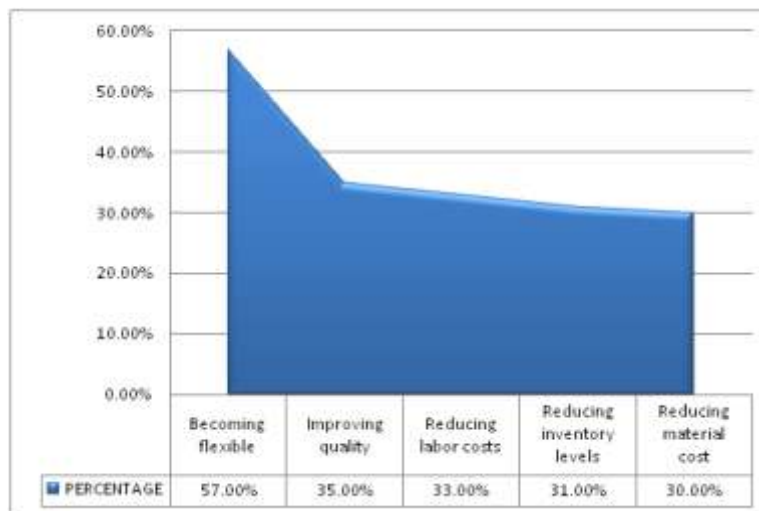
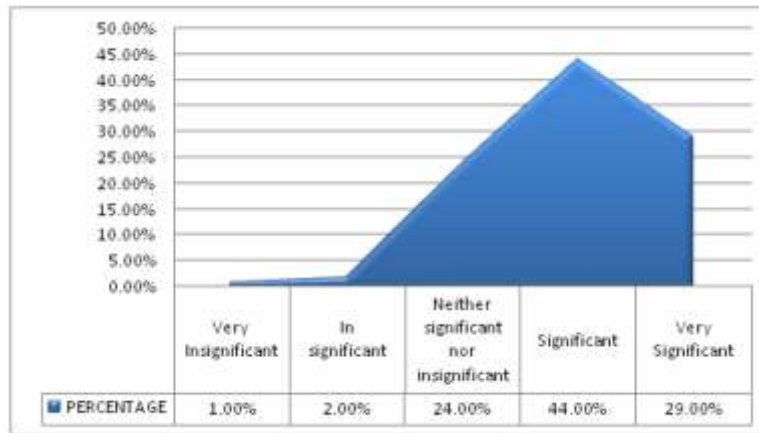


Figure-13: Linger up of global FMCG manufacturers

In this regard, Indian FMCG manufacturers may have an advantage. Relatively unrestricted by the legacies of large scale, they have a greater opportunity to build flexibility into their operations than manufacturers in China or Germany do. But achieving flexibility by optimizing a company’s operating model is easier said than done. Operating model strategies of the past that assumed predictable business cycles will no longer work well. Business leaders that were trained to navigate these cycles may miss their mark in volatile times. Processes and systems that were designed to achieve large scale and low cost will become irrelevant. Digital technologies, such as advanced analytics, telemetry, industrial Internet cloud and mobility,

can help in such times. These technologies are becoming increasingly important in manufacturers’ efforts to sense impending changes in their business environment, enable faster and better decision making, and create strong networks and relationships across stakeholders. Digital technologies can help build an ultra-flexible, hyper-responsive operating model, fundamentally shifting the economics of production. Indian FMCG manufacturers that embrace digital technologies to achieve flexibility should be able to contribute much more to the nation’s growth than they have in the past—without worrying about building large-scale operations.

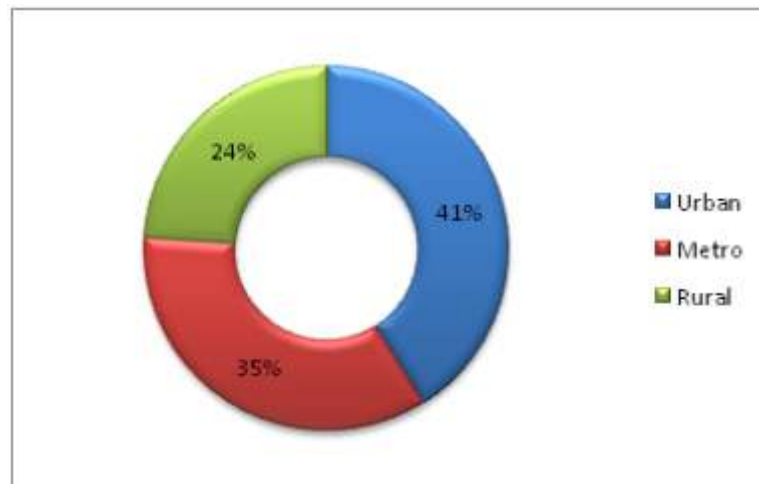
Figure-14



12. DATA ANALYSIS-DEMOGRAPHIC PROFILE OF THE RESPONDENTS: The online survey garnered over 100 responses from founders,

CEOs and core members of the leadership teams of social enterprises overall the globe.

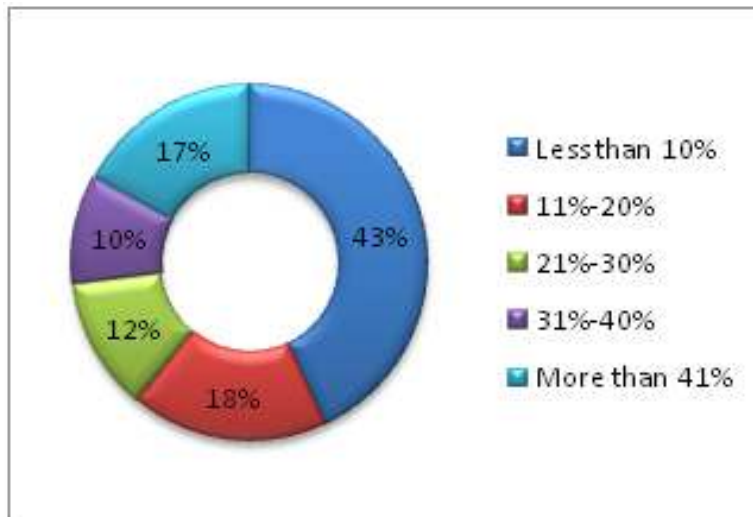
Figure-15: Market scope of the global FMCG companies



While other obstacles appear to ebb and flow across the enterprise growth cycle, finding and keeping good talent is a challenge facing enterprises from their first hire to most recent. Around 40% of respondents report that they have had to compromise on the candidates' qualifications or experience level in at least one out of five hires, while 17% have compromised on more than 40% of hires.

While rural hiring challenges are significant, enterprises based in large urban centers such as Mumbai and Delhi face equally strong, but different challenges. While urban-based organizations have access to a larger pool of applicants, competition for the same talent is more acute than in smaller cities and rural areas.

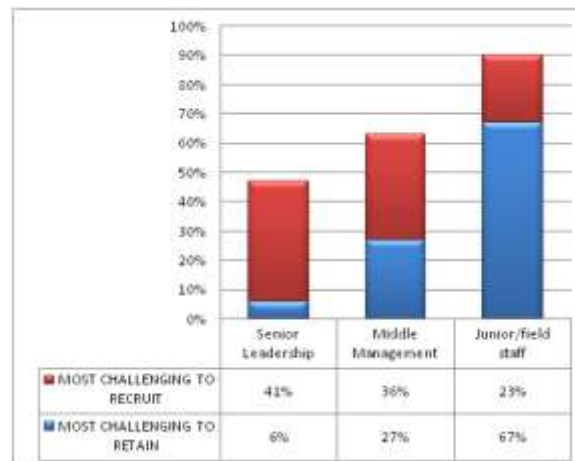
Figure-16: Compromised Hires



Retention is not seen as an acute problem at the senior levels, and this has been validated by follow-up interviews. Once on board, senior level employees buy into the organization's mission and wish to make a difference. They are also more likely to have opted to work in order to scale a level or two in terms of hierarchy. This reduces their propensity to move out of the organization. Recruitment

challenges seem to be more evenly spread out across levels of hierarchy. Respondents cite a limited pool of qualified candidates and the inability to offer a competitive salary as the top two recruitment constraints. These two are followed by poor branding and stability compared to larger, more established organizations.

Figure-17: Most challenging to retain and recruit



13. PERFORMANCE RELATED PAY? The examinations required to qualify as an accountant are demanding, especially if they are taken while also performing a full-time role. This demonstrates how accountants are prepared to work hard. This work ethic is often most evident in their preparedness to work long hours at period ends to get the job done without a need for incentives. But if

finance business partners are expected to contribute to value creation alongside their counterparts in the business, they should probably have a consistent incentive scheme to promote goal congruence. A challenge is to ensure that they also have an incentive to maintain their objectivity. Their incentive scheme should be consistent with the creation and protection of shareholder value.

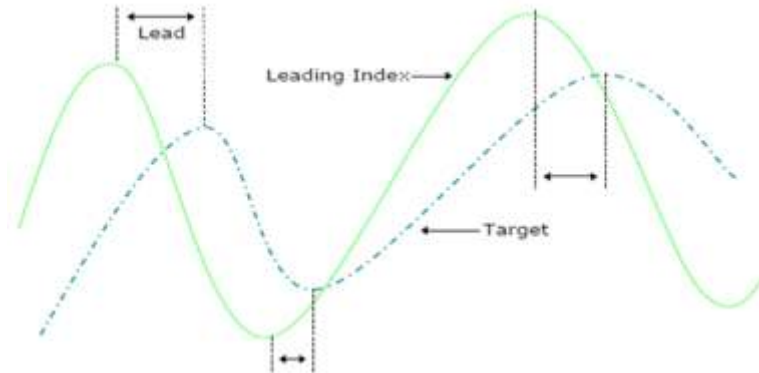


Figure-18: Prediction of Turning Points by Leading Index

15. CONCLUSION: Companies need to determine what role they want finance to play and a financial strategy to ensure that they are developing the finance capabilities necessary to deliver the service that is required. In particular, clarity is required about the role of finance business partners in the business. Only then can the skill sets require to be defined and training programs developed.

- There will be little demand from the business for finance to provide a business partnering service if the service offer and its business benefits are not clear.
- A business partnering service cannot be supplied where accountants are fully occupied by the reporting cycle. The business' requirement must be clear.
- In either case, the service must be part of a wider finance transformation program and finance business partners must have to have the ability, capacity and credibility to deliver the service offered.

16. FUTURE RESEARCH: Future research in the area of HPWS/Ps in FMCG needs to consider linking HPWS/Ps specifically to industry size. As discussed in the previous chapters, there may be a

relationship between industrial size and the effect of HPWS/Ps, which this research did not address. HPWS/Ps could also be examined in an industry-specific context within FMCG industries. International research had found that some industries might be more conducive to the uptake of HPWS/Ps than others. Whether this is applicable to the FMCG context is an area that could be explored. HPWS/Ps require a longitudinal study over at least 3-5 years to be able to show any true benefits that the systems may produce. Environmental macro factors such as economic and labor factors that may influence financial performance need to be monitored. More qualitative case study research needs to be undertaken in the area of HPWS/Ps to monitor how industries design and implement systems. Implementation and diffusion appear to be keys to successful HPWS/Ps, but little qualitative research has been done on how either function in the industry.

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