

## ORIGINAL RESEARCH ARTICLE

# Human Resource Risk Identification and Prevention

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## ABSTRACT

Modern enterprises are in a time of change and under high degree of uncertainty. There are risks in human resources management of each enterprise, such as recruitment failure and sudden leave or casualties of the key technical staff. These will affect the normal operation of enterprises, these can even cause fatal blow to the enterprise if the problem is serious. Therefore, it is important to establish a sense of risk in the human resources management to prevent human resources risk as an important part of enterprise human resource management, and also important to explore actively about the risk identification and prevention in human resources management, all these are the new direction of theoretical and business research. This paper will elaborate on the above issues, first elaborated on the concept of internal human resources risk and characteristics, followed by risk identification analysis, and then put forward the enterprise human resources risk prevention strategies and response measures.

**KEYWORDS:** human resource risk; enterprise management; risk identification; risk prevention

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With the development of society, the internal and external environment changes are more complex than the past while the human resources of enterprises are exposed to such turbulent environmental changes. It interacts with these uncertainties in the environment hence it is difficult to analyze these factors clearly if we simply rely on the traditional enterprise human resources management to perfectly deal with these effects. This result will often lead to enterprise human resources practices and plans to deviate from the formation of enterprise human resources risk. 'A person can ruin a business', it is not sensational. Therefore, it is important to adapt into the new century, dramatic changes and new challenges in human resources management to establish a sense of risk which will prevent human resources risk as an important part of enterprise human resource management.

## 1. The concept and characteristics of human resource risk

Human resources are the resources of enterprises, as compared to other resources it is more easily to be affected by internal and external environmental factors of the enterprise, causing the practice of enterprise human resource management and the expected deviate from the target. Also in daily life, such as crossing the road, traveling etc., people themselves may also be affected by a variety of unexpected factors and causes damage to the body and mind. All these will bring lost to the enterprise where these uncertainties are called the human resources risk. In short, the enterprise human resource risk refers to the possibility of loss by an enterprise which is caused by the uncertainty factors of human resources.

Understanding of the concept of human resources risk should start from the characteristics of human resources and business environment. The human resources risk is due to their own psychological and physical complexity and some changes in business environment internally and externally which can possibly cause the deviation from target in enterprise human resources behavior and organizational expectations. Further research shows that regardless of the number of human resource management risk, in general there are such characteristics:

(1) Objectivity. There is risk in every aspect of human resource management. The risk of human resource management is objectively present where the people can only prevent and resolve the risk but cannot make it disappear absolutely. However, there must be a lost if the risk had been ignored.

(2) Dynamic. The frequency of risk in all aspects of human resource management, the intensity of effect on the other activities and the scope is not the same, and all these have the characteristics of dynamic change. The dynamic

characteristics of risk increase the difficulty of risk management which requiring the management to focus on flexibility in order to avoid rigidity and immutability.

(3) Destructive. Human resources is the enterprise's resources whereby there will be risk in its management process hence it will cause huge lost to the enterprise. It will not only endanger the safety of enterprise material resources but it may even lead to a complete failure of the enterprise development strategy.

## 2. Identification analysis of enterprise human resource risk

Identification of human resource risk is the basis and premise of human resource risk management and it is directly related to the effectiveness of human resource risk management.

### (1) Classification of enterprise human resource risk

Human resource risk is due to the importance of human resources in the production and operation of enterprises and hence it becomes one of the important risks which always present in the enterprise. Therefore, it is necessary to carry out the management of human resource risk effectively and identify the human resource risk. Risk classification of human resource in enterprises can be divided according to the following criteria where such a classification is not only the risk but also from different angles to understand the process of risk and hence can carry out the appropriate response strategy easily.

#### 1. Observe from the perspective of the whole process of human resources management

If imagine the enterprise as a system, then the whole process of human resources including human resources system, training and use in the human resources system can be divided into human resources risk recruitment. These refers to the human resource recruitment process has the risk of recruiting non-qualified worker due to the recruitment standards and recruitment capacity and other reasons; the risk of human resources use possibility of damage to an enterprise caused by process of training, process of use, improper training and use of human resources; the risk of human resource loss refer to the possibility of human resources outflow which can cause possible losses to the enterprise for example, the outflow of key figures in the enterprise is more likely to leak corporate secrets which leads to lower competitiveness of the enterprise. Human resources recruitment, use and risk of loss are also highly relevant risks. For example, a high risk of employment will lead to a high risk of use while high risk of use is often accompanied by a large risk of loss.

#### 2. According to the risk of loss to personal injury

Illness, sudden death and disability, etc., these risks are known as personal injury risk while those other risk losses to human resources which do not involve personal injury are known as non-personal injury risk such as the risk of loss of talent.

Personal risk includes death, physical disability, old retirement and unemployment. These nine kinds of objective existence of the personal risk cause the economic losses of the people. Such economic losses include both loss of service value, loss of income and additional expenses arising from risks, including additional costs incurred as a result of death, disability or unemployment of labor production capacity. The occurrence frequency, loss and predictability are different for death, disability, old age and unemployment and other personal risk.

#### 3. Motivation for human resources at risk of loss

The same risk of loss may be due to different motivations while those achieve their self-interested goals with organizational goals is called moral hazard or intentional risk. There is another risk loss that is not caused by the deliberate creation of human resources but its ability or negligence, which hides the risk of appointing unqualified personnel to jobs of high quality, which are called competence and unintentional risk. Of course, if the recruiter has been informed of these people's unqualified information and for a personal attempt (such as cronyism) and employed for the recruiter, this is a moral hazard or intentional risk.

#### 4. According to the functions of the enterprise

According to the correlation between the universality of human resource risk and the universality of human resources in enterprises, the human resource risk can be divided into human resource risk, human resources risk in technical system, human resource risk in financial system, the human resource risk in the production system, the human resource risk in the marketing system and so on, in order to analyse the characteristics of the human resource risks in these departments to formulate corresponding countermeasures.

Although the human resource risk is classified according to different standards however, the fact that the risks in the enterprise human resources management system are mutual influence, mutual hindrance and encourage whereby the independent human resource risk is rare in reality.

## (2) Method to identify human resource risk

Enterprise's human resource risk identification is usually based on the basis of enterprise historical data and expert system. Businesses can have a rough idea of the situation, probability, and consequences of human resource risk through a relevant historical record. These are the basis for future risk estimation and evaluation. Information can only represent the past history of the enterprise while risk management is based on the future decision-making object, so the risk of identification also requires expert system support. The experts are those who have a solid theoretical knowledge of risk management in related fields and have accumulated rich experience and wisdom through long-term risk management practices. I believe that the entire process of human resource risk identification is divided into the following steps:

### 1. Collect historical data

The historical data of the enterprise more or less reflects the human resource risk situation that the enterprise will face in the future. In countries where risk management is widely practiced (such as the US), insurance companies, publishers, and industry societies (such as the American Risk and Insurance Management Institute) provide a list of potential losses to businesses. While from the current point of view in domestic area, there has no one to provide this service, so domestic enterprises can only rely on their own to complete this work.

For example, companies can prepare the following human resource potential risk analysis tables based on the year-round management of the indicators:

#### Indicator Project Historical Data Potential Human Resource Risk

- (1) Sales indicators continued to decline 20% of the risk of redundancy, staff income and work enthusiasm had reduced
- (2) Profit indicators continued to fall below the industry's normal profit margins
- (3) Per capita labor productivity refers to the continuous drop lower than the industry standard
- (4) Per capita cost indicators the total cost ratio is greater than the profit growth ratio; labor costs accounted for more than the normal level of cost
- (5) Wage growth rate increase 16% salary adjustment risk
- (6) Staff turnover rate greater than 25% talent shortage risk
- (7) Attendance late / early retirement rate rise
- (8) Employee satisfactions is less than 75 points
- (9) The elderly staff accounted for more than 50% of the rationality of talent structure
- (10) Senior staff recruitment to the post rate of three months less than 80% of the senior personnel incentive machine to improve the risk
- (11) Responsibility on job induce work, find excuses, performance appraisal / incentive mechanism risk

### 2. Field investigation

According to the historical data analysis of the potential human resource risk we still require for field investigation, there are many ways to investigate, mainly interviewing, observation, risk analysis, past loss record, failure tree analysis and so on.

### 3. Organize data

According to the different human resources management activities, the risk of human resource management is sorted out for the subsequent steps of risk management.

### 4. Expert review

Organise the experts to judge the occurrence of the human resources risk, the probability of occurrence and the impact in order to confirm the comprehensive and collect clear information. In the risk identification report, it should mention that it is not possible to collect complete information in order to include missing information in the risk estimation and evaluations.

### 5. Issue a report

In addition to the three elements of the risk that should include in the report, it also should include the method used, any lack of information description and so on. Issued by the report should be as objective as possible to avoid subjective guess and judge.

All in all, human resource risk identification is the foundation and starting point of enterprise human resource risk management. Its task is to identify the types of human resources risks faced by the enterprise and the nature of the analysis of the various possible results.<sup>1</sup> The significance of human resource risk identification is that if you are not able to accurately identify the various risks, it will lose its practical function to solve risk, eventually leads to the lost of function and efficacy of risk control to maintain the risk in a reasonable range. Enterprises should also clearly identify the risk is a repeated process which could not be solve in one step, while in the identification and measurement of each risk, it must start from the beginning and should not only review the past.

### 3. Corporate human resources risk prevention measures

Human resource risk prevention is an important part of human resource risk management. It is based on the results of risk analysis and risk assessment to formulate reasonable measures to control the risks and supervise the control mechanism itself to ensure its successful management system. As compared with the risk of other categories, human resources risk prevention is a more complex system engineering, the construction of its system needs to be linked with the whole process of human resource management, the following author from the enterprise human resource management process are most likely to cause risk. Several links: recruitment, training, use of different characteristics to explore specific preventive measures.

#### (A) Recruitment links

Do a good recruitment plan, select the appropriate way to recruit, to strengthen the training of recruiters, transfer the staff to make scientific optimization and improve the quality of corporate recruitment is the effective measures to prevent human resources risk from the 'entrance'. Recruitment is the most basic work in human resource management. However, many companies' practice is to publish information in the media or by setting up a booth in the job fair to collect a large number of resume then screen each of them and call the candidates for the company interview, then filter out those unqualified and ask the rest for interview once again before they can be hired. Unless it is some special key positions or else they have no interview with the general manager. However, this traditional approach has become old-fashioned and unable to adapt to the new situation in the talent market. Recent studies have shown that almost 80% of employee turnover is related to errors in the recruitment phase. Hence, during the recruitment stage, the following work should be done by the enterprises:

#### 1. In order to eliminate the inaccuracy of job analysis, a risk prevention strategy should be used

This is done by interviewing, questionnaires, direct observation, etc. to collect information about the job and the person. For example, in at Microsoft company, recruiters often need to attend business meetings in each department to understand their needs. Human resource management is an important work where most people failed to do their job because they are not able to adapt the job.

#### 2. In order to achieve sufficient number of candidates, so need to choose the appropriate recruitment methods

In general, there are few ways in recruiting staff in an enterprise: recruit through advertisement to the whole society, through the recommendation by staff acquaintance, recruits the fresh graduates' student, through executive search and many more. So, what kind of way is the mainstream? A preliminary statistics show that the proportion of employees employed by recommendation method is the highest. It seems incredible that these social relations can become the main way to recruit staff and it can also be an important way to retain employees. From an ethical point of view, employees can betray the company but it is difficult to betray their social networks, and if they enter the company through the bonds of social relations, they must also take this factor seriously when they make a departure decision. This is very strange although the author is not very much in favor of this way but this way to retain employees in the role.

#### 3. In the screening of the work, exclude those job-seekers who tend to quit

During the recruitment, especially during the recruitment of technical or operational personnel, the recruiters have to examine his/her technical capacity and stability. We can see his personal work stability from his previous work experience. For example, does he often change jobs? What is the reason for him to job change? Is it because of personal development or because of the treatment by the enterprise? Is he/she planning to stay in the city for a long time? If we have clear these problems, we can basically see the stability of this person. Resignation thought, job participation and positive emotions are individual variables of employees. Managers do not expect employees to change these variables after entering the organization. Therefore, attention must be paid to the examination of these variables when recruiting. If you are able to identify employees with low quit tendencies, high degree of engagement and high positive emotions when recruiting member, it has a higher possibility for a stable employee.

#### (B) Training links

For new employees who have just joined the company, there is a sense of familiarity and adaptation to the organization, work and colleagues. They are more likely to feel anxious, frustrated and disappointed by the reality and

expectations as compared to those old employees. In addition with the lack of contract terms during the trial period and many other factors, it causes higher risk of new employees to quit the job.

Paying great attention to training session is an effective way to improve the ability of enterprises to reduce risks. In order to avoid the existence of training in name only and the effect of adverse consequences, human resources risk managers have the responsibility to assist the training department to develop the system training program. There is a variety of training methods, including on-the-job training, invite regular experts or lectures for class and attend some external course. As compared with the traditional training methods, network training has a shorter period of training and lower cost. For example, Cisco's online training for employees shorten the course of 3 months into 3 weeks' time. It should be noted that management training is not just a manager's patent, it is also an incentive for employees who are engaged in non-management work. Use the software developers as an example, the work of programming need to consume a lot of mental and physical effort which in general, it is a more suitable job for young people under the age of 30. Then, these employees will lay the foundation for the demand for their future development. Therefore, it is necessary for enterprises to develop and implement a detailed development plan for each employee that can improve the staff's ability, stimulate and stabilize the staff, thereby reducing the risk of human resources. The competition among the current talented worker is fierce where some industries have a situation of lack of talented people. Enterprises can no longer rely entirely on university delivery or social recruitment; it has to take the road of internal potential by training talented people according to their own needs. In the United States, information technology companies spend about 5% to 7% of their budget which is \$ 7,000 to \$ 10,000 per person on the training and re-education program, 'the charge' has been an important measure to prevent the risk.

(C) To retain the link

People will continue to meet a variety of problems and continue to produce demand when the demand cannot be met. Eventually, staff satisfaction will decline and results in a variety of human resources risks. Therefore, the following is the focus consideration on the staff to prevent the risk of preventive measures:

1. Improve employee loyalty to the business

The master of management, Peter Senge, had talked about the 'fifth practice' that is the common vision by the people in an organization. It creates a sense of being a whole and spreads throughout the organization, making a sense of holistic between different activities. The common vision will arouse people's hopes, especially the endogenous common vision, thereby changing the relationship between members and the organization by letting them know that it is no longer 'their company', but 'our company'. In this way, employees have a high degree of identity and loyalty to the enterprise, whereby the lack of such a sense of identity causes difficulty to retain the heart of an employee in a company.

2. Design career plan for employees

To provide career opportunity assessment to help employees to set their career goals, design some specific action plans and measures for their development. While in the process of interaction between enterprises and employees, it can cultivate the organizational atmosphere between enterprises and employees, so that employees can clearly see their future development in the organization with full confidence and hope. This can also eliminate their confusion for their current status and future development then, help reduce the wastage rate of employee. Many foreign companies have established employees' personal career development files, which have designed a way for employees to achieve their personal goals, including personal circumstances, stage objectives and the skills needed to achieve the objectives and other conditions. This had effectively combined the company development with personal goals of employees. For example, Hewlett-Packard also provides employees with the skills and need of self-assessment tools on the internet to help employees to develop detailed career development plans, which is an important reason why the company's staff turnover is much lower than its main competitor.

3. Use training and development to motivate employees

Nowadays, training has become a condition for many employees to pay attention in, in the mind of high-quality staff, good training opportunities is more important than the salary because they are not meant to make money only through the work but to developed and improved themselves through work. It is very important to establish a reasonable and effective training mechanism for enterprises. It provides an effective way for students to learn and develop. This is also an effective way to attract, retain and develop key human resources. It also helps enterprises to improve their learning ability and innovation in order to maintain a competitive advantage.

4. Implement emotional management

In the era of knowledge-based economy, the employees of the enterprise are no longer work for survival, they has desire to show their ability fully and realization of self-value. They are more embodied with the enterprise as a 'win-win' relationship by co-creation, mutual trust, mutual respect and sharing of the results. Emotional management is based on this basis. Employees are not the tools to complete tasks, their emotions can affect the individual's ideas and behavior in the organization, therefore emotional management emphasizes the staff as a person to look at, with trust, praise and

care. For the sake of staff, it is important to strengthen communication and with the staff, to understand their needs and expectations, to find the problem and to solve it and to create a good working environment which can virtually improve the staff's recognition and loyalty in the enterprise. GE's emotional management includes understanding employee psychology, fostering corporate atmosphere, corporate democracy and always consider the employees first. Their experience shows that emotional management creates a trust between employees and enterprise eventually, it is more conducive to improve their labor productivity.

5. Establish a work team to decentralize through the work-sharing mechanism

For example, by using technical groups or teams, it can prevent an employee to own or control the key technology and important rights of the enterprise for a long time. It can also pay attention to the technical development of mutual coordination. By establishing this mechanism, it is not possible for each member to complete the entire project and master all the technology alone, this can effectively reduce the risk of leakage of the key technology which associated with employee turnover. For some positions and departments that master a large number of customers and businesses, we should establish a work-sharing mechanism of mutual supervision and control. It is also important to obtain some important links and key powers of customers and business to be managed by the company itself. Such as in customer relationship management, the entire customer's information should be record into the company database and carry out a service of customer follow-up and maintenance. At the same time, the company should regularly repeat the same idea to the customers that they are not dealing with someone alone but in a business contact. Enterprises can regularly hold some customer by organizing social activities or send greeting postcards through business name to highlight the image of the enterprise and weaken the color of an individual, these can avoid a loss of important customer when the turnover of an employee happens.

## 4. Conclusion

Through the effective management of human resources risk and prevention, the enterprise has some unprecedented benefits that create an unprecedented value. The management of human resources risk will be continues and its connotation will be richer, the content will be more extensive, the way will be more diversified and it is bound to the overall management of the enterprise to cause a profound and extensive impact. The research of this paper hopes to further analyze the mechanism and law of human resource risk management and to cover up the defects and gaps of existing theories to a certain extent.

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