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Can Safeguard Corporation Make HR Strategic Through Digital Transformation?

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This problem situation was written by Joohee Kim (jooheekim@tec.mx), with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. The story on this document is based on different people's experiences; some data has been modified at the request of the people and institutions involved.

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Safeguard Corporation

Established in 2003, Safeguard Corporation is a prominent player in the soft-landing services industry, operating in Monterrey, Mexico. Its primary focus is on assisting foreign companies navigating the complexities of doing business in Mexico. Safeguard Corporation caters to a diverse array of sectors, including manufacturing, automotive, logistics, furniture, and information technology.

In its early years, Safeguard Corporation primarily offered logistics services, specializing in managing legal requirements and customs-related paperwork for product exports to the U.S. As the Mexican market witnessed an influx of foreign companies, the company adapted to the changing landscape by expanding its services to encompass risk management. Recognizing the growing demand for a nuanced understanding of the Mexican business environment, the company transitioned from a logistics-centric approach to soft-landing services. These services provide a structured and risk-mitigated approach to assist companies looking to expand their operations into new markets. They offer a suite of services, including market analysis, entry strategy development, operational support, and office space, to facilitate a smooth market entry for international companies.

Safeguard Corporation's organizational structure has evolved from a simple functional structure in a single geographic region, Monterrey, Mexico, to a more complex matrix structure. The company has extended its presence to Saltillo, Coahuila, a strategic move driven by the significant investments of numerous foreign entrants attracted to its nearshoring strategy. This adaptation reflects the company's commitment to efficiently meet the multifaceted needs of its clientele.

Since its inception, Safeguard Corporation has experienced substantial growth, both in service offerings and workforce. Starting with 178 employees in 2003, the company now boasts a team of 470 professionals dedicated to providing top-notch soft-landing services.

Market Dynamics

As of October 2022, the state has witnessed a notable influx of investments, with Safeguard Corporation playing a pivotal role in supporting these endeavors. A total of 101 investments were confirmed, comprising 53 new projects and 48 expansions of existing companies, amounting to an impressive US\$4.3 billion. Most of these ventures originated from the United States (47 projects), China (22), South Korea (6), Germany (4) and Denmark (3) (Saldaña, 2023).

The company has expanded its services from supply chain industry to soft-landing industries, which has required significant changes in shifting the core human resources. In the supply chain industry, key human resources play crucial roles in ensuring the efficiency, coordination, and success of the overall supply chain operations (Supply Chain Management, 2023). On the other hand, in the soft-landing industry, which involves providing comprehensive support and services for foreign companies entering a new market, various key human resource roles contribute to the success of these ventures. Under the supply chain business, the key human resources roles were collaborating closely to create a well-coordinated and efficient supply chain, contributing to the success of the organization in delivering products or services to customers in a timely and cost-effective manner. However, in the soft-landing industry, which involves providing comprehensive support and services for foreign companies entering a new market, various key human resource roles contribute to the success of these ventures. These key human resource roles require work to navigate the complexities of entering a new market, addressing legal, cultural, and operational challenges to ensure a successful soft landing for foreign companies (Mexico Business News, 2014).

Challenges Before Safeguard Corporation

Safeguard Corporation is facing a significant challenge due to its HR team's reliance on traditional methods such as paper files, Excel spreadsheets, and emails for various HR tasks. These tasks include recruitment, employee management, payroll, benefits, and performance evaluations. The manual nature of these processes is labor-intensive and time-consuming, leading to a significant amount of administrative work for the HR staff. This has resulted in data errors, causing issues such as incorrect employee information, payroll mistakes, and compliance problems. The company has received numerous complaints from employees regarding these issues.

The absence of a digital system hinders HR's access to real-time data, making it difficult to make prompt decisions and adapt to changes swiftly. Moreover, employees find it frustrating and time-consuming to fill out paper forms for various HR processes. They also lack access to self-service portals where they can view their personal information, benefits, and pay stubs. Without a digital system, generating reports and performing analytics becomes a challenge, making it hard for HR to gain insights into key metrics such as employee performance and turnover rates.

Further, due to the heavy HR data which overwhelms the jobs to be done with an increasing number of employees as the business expands, HR does not do its job aligned with the changing environment and strategy of the company.

HR Not Responding Effectively to the Changing Environment

This lack of a digital HR system is negatively impacting Safeguard Corporation's efficiency, accuracy, decision-making, employee satisfaction, and strategic planning. It is also increasing the risk of compliance issues. Consequently, the company is experiencing higher operational costs, lower productivity, and decreased employee engagement.

As the company tries to grasp the new business opportunity, it undergoes a lack of appropriate human capital which can bring value to the company. The company faces the urgent necessity to find the human capital with risk-management capability. It needs to build its capability to serve its customer by providing the information to identify and avoid potential risk.

Safeguard Corporation should consider conducting a comprehensive evaluation of the digital HR systems available in the market. Factors such as functionality, ease of use, scalability, integration capabilities, and cost should be considered. Additionally, the company should develop a detailed implementation plan to ensure a smooth transition from manual to digital HR management.

Figure 1. Digital HR Advantages.



Source. Author's own elaboration, 2023.

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