

Human Resource Management in a Recession Economy

By Jack Keogh, Nov. 24, 08

In a recent article in our newsletter, my colleague Vincent Higgins wrote: "I believe that trust is the most important element in today's world of business, at the personal, institutional and global level. Why a financial crisis on Wall Street and Main Street? I believe we are living a crisis of trust". Meanwhile, Victor Davis Hanson a classicist and historian at the Hoover Institution, Stanford University - <http://victorhanson.com> - , writes: "After the junk bond meltdown, the S&L debacle, and now the financial panic, in just a few years the financial community destroyed the ancient wisdom: deal in personal trust; your word is your bond; avoid extremes; treat the money you invest for others as something sacred; don't take any more perks than you would wish others to take; don't borrow what you couldn't suddenly pay back; imagine the worse case financial scenario and expect it very may well happen; the wealthier you become the more humble you should act".

Managing Human Capital in a Recession Economy

Tough times call for tough measures - and today it is especially important to reflect on how to retain and motivate your employees, while staying on budget at the same time. Good employees are the driving force behind your business. Despite the knee jerk reaction of some businesses, human capital is not expendable in a recession. Tough economic conditions call for organizations to make difficult decisions. As a result, Human resources professionals are likely to find themselves being asked to manage rapid organizational change which can involve cost cutting, up-skilling managers and selecting employees for redundancy, as well as recruiting new consultants, to help the organization survive the economic down turn. HR executives will have to ensure that the organization is doing the right thing and doing it right, while increasing emphasis on the ROI, on productivity and efficiency.

Leadership Assessments can help

We have been using well proven psychometric tests to help our clients understand the strengths and weaknesses, of the key people within their organizations, during less stressful times. During tough times, it makes sense check on the resiliency of your organization:

- ✓ How do your people respond to a rapid changing environment?
- ✓ Which personality types could indicate essential survival qualities allowing some people adapt better and quicker than others?
- ✓ What should the characteristics of your top team look like?
- ✓ How can you coach managers to acquire those adaptive characters in order to excel in the rapid economic change?

Using proven assessments can help you select employees for more demanding challenges. You can enable key personnel and your top teams understand their strengths and assess their performance against their peers and business demands.

Honesty and Trust will help retention and improve effectiveness

The recession provides a great opportunity for HR professionals to use the economic challenges to emphasize fundamentals of human capital management. Now is a good time to remind our workforce that providing quality service to customers and creating greater effectiveness and efficiency are the absolute best ways for employees to help the business through the difficult times. Fear and the drive to keep your business up and running can unify an organization and become a great motivational tool for employees. A shared challenge enables team members to set aside their individual concerns and rally around a greater common cause. Employees should be motivated enough to stick with their leaders during tough times and put in the extra effort required for the business to come out of the storm unscathed. To achieve this level of motivation, employees need to trust their leaders and the organization.

Leaders have to work hard to earn the trust which can generate motivation

The success of any enterprise depends largely on the amount of trust existing among its members. High productivity is almost always related to an organization's team spirit and an environment of trust among its members. Lack of trust is associated with high stress, low satisfaction and relationship commitment, and low perceived task performance. In the long run, teams where individuals feel tense, unsatisfied and less committed might become extremely unproductive. Trust influences how motivation is converted into team processes and performance by channeling team members' energy toward reaching alternative goals.

Leaders need to know that trust, alone, is not the solution for all team problems. Trust is a dynamic concept: trust does not always remain stable. Trust changes and evolves as organizations change and need to adapt to the constant challenges of the market. These changes affect the relationship with employees creating fears, instability, and distrust between individuals. However, trust remains the key and often, hidden, variable affecting personal and organizational relationships, and the daily interactions of life

Especially during this recession, leaders need to guide their organizations towards recognizing and remedying their trust deficiencies. They should especially concern themselves foremost with fostering employees' integrity (i.e., honesty and truthfulness). In doing so, the likelihood of increasing trust among employees is enhanced as is the potential for bettering the flow of communication, productivity, and the over-all quality of work life. There is a positive relationship between trust and team satisfaction and commitment within the team (relationship commitment).

Although team satisfaction in some situation is more strongly related with perceived task performance than with trust, as we battle through the economically difficult times that confront us, the elusive quality of interpersonal trust will be a sustaining variable for the retention and motivation of our workforce.