

## Recession: The Human Capital Challenge

*By Jack Keogh*

Year end is a good time to take a look at what you might need to adjust in your HR department. Here are some ideas to mull over during the holidays. You might decide to implement some of them to increase the strategic impact of how you manage Human Capital in your organization during the current recession.

And, if like most, your business is experiencing a downturn, now may be the time to shift your approach so that it more closely fits the new realities. The key is to be proactive. Act now to implement a handful of strategic actions that will have a measurable impact on the firm's productivity, rate of innovation and competitiveness in the marketplace instead of waiting for the inevitable budget cuts. When the going gets tough, HR can choose to be either a victim or part of the solution. Perhaps it's time to stand firm against calls from the top for a headcount review and possible recruitment freezes

This may not be the time to focus on organizational growth. Instead you may need to examine vital strategic areas that you should focus on as you manage through the current recession. These areas can have an immediate business-impact: increasing workforce productivity, innovation, workforce flexibility, workforce planning and metrics. By renewing your focus on these directly related business issues you are sending an important message that your HR function is strategic.

**Nurture Relationships:** Recessions are the perfect time to forge new connections and strengthen long-standing relationships — both inside and outside of your company. Practice uncommon appreciation. Meet for breakfast instead of over the phone. Supplement your emails with handwritten cards and notes. Relationships are best fueled by face to face contact. E-mail and social networking sites are no substitute for real relationship-building. People are your best sources of information, best advocates for your success, and best connection to positive energy to keep you going. Leverage them. Get together with your staff or people in your network to brainstorm opportunities for thriving during difficult times. View networks as possibilities. You can build new skills and experiences through the help of your professional networks. Stay optimistic and be flexible. Check your attitude and make sure that you are putting your best foot forward. One of the hardest things to do is to remain upbeat and positive when it feels like the bottom is falling out. So remain in contact with your network of professionals, friends and family to get you through the rough spots.

It's important not to be naive. You (like everyone else) could face job elimination. So use social networking tools to build visibility around your personal brand and what you uniquely bring to the HR industry. Write a blog and articles, attend industry events, make connections with movers and shakers, and do field research by speaking with those doing the work you want to do.

**Focus on productivity:** your goal as an HR professional is to increase the productivity of the workforce by providing advice and programs that can directly increase the effectiveness of employees and managers. To do this you need to develop metrics to capture the productivity of your workforce. These include the ratio of dollars spent on people-related costs compared to the dollar value of the output or revenue produced by employees. Then you should identify barriers to increased productivity and develop a rapid plan to remove them. Once you have done this, your department needs to provide managers with the tools that you know have been proved to increase productivity.

**Talent and Performance management:** this is the time to have a holistic process in place where employee objectives are linked to business goals. Securing existing talent and investing in them will ensure that a company becomes more competitive so that when the economy picks up they are much better placed to move forward. Tackling poor performers head on, and removing from the workforce as part of a change management program or stand alone process, can help a business survive so long as fair capability and disciplinary procedures are used to prevent costly legal mistakes. Poor performers can reduce profits dramatically through low productivity and disengagement. Talent management can help ensure employee engagement. Talent needs to be nurtured and rewarded accordingly to ensure employees don't jump ship and join a competitor. Having clear HR processes in place such as succession planning and career paths are the basic building blocks together with the right training and development. There is the need to look at creative ways to reward staff, when increased financial compensation is not available. Communication to staff about companies' actions in this area will help employees to understand the "hows" and "whys".

**Ongoing training and development:** Cutting back on training is a false economy because when key skills are needed in response to market forces in future, the company will struggle. Training is often the first HR process to go when things get tough because some companies see this as an unnecessary cost. Consider low-cost options such as work shadowing and developing coaching and mentoring programs using existing talent to train developing talent. Evaluate your training partners: smaller, boutique firms can often offer far more bang for your training buck. Apportion your resources wisely. Limit activities with limited business purposes. Instead, organize a sales or other company meeting with a clearly defined profit purpose.

Bear in mind that those companies with strong customer bonds have the best chances of weathering the storm. We believe small businesses and organizations have the advantage to quickly respond and adjust to their customer's needs. You may find that some of your "boutique" providers can best serve your needs in recessionary times.

**Increase employee innovation:** competition in the marketplace has remained constant or increased for most companies even though business revenues may be down. This means that to compete you need to accelerate innovation in product and service areas despite having fewer resources and provides HR with a great opportunity to demonstrate leadership in increasing innovation. How? One way to

do this is to implement specific actions to improve your group's ability to work with mission-critical business teams. This way you can help identify barriers to innovation. HR staff can then function as business consultants by providing tools, training and advice on increasing the rate of innovation.

**Increase workforce flexibility:** Companies can consider offering more paid time off such as increased holidays or Friday afternoons off as an incentive to increase employee motivation in these difficult times. Flexibility is a major motivator and the introduction of flexible working; flex-time, job sharing, and telecommuting are surprisingly easy ways to improve the bottom line. Reduce expenses that don't add value. Instead include low-cost but high-impact benefits at a time when the rest of the business world is cutting back.

Other action steps might include increasing your firm's ability to rapidly redeploy key employees to areas where they can have a greater impact. HR can also help managers make their labor costs more flexible by providing them with a larger percentage of contingent labor that can be more easily released. Development efforts also need to have more impact as the focus shifts from recruiting to increasing the capabilities of the employees that you already have. For those companies who need to cut costs, the issue of employee reward is a big factor. Employees tend to expect the minimum inflation pay increase and, where appropriate, the bonus they have always received. With the economic downturn this could be the nail in the coffin for some companies.

Offering more tax-efficient benefits that can save the company money could release funds to offer motivational perks such as company days out or a paid-for social gathering to improve motivation. If companies involve employees in a survey of their requirements, benefits can be relevant to both their needs as well as saving the business money. Educating staff in the value of their total reward package can often be beneficial. This can be achieved through providing total reward statements either paper-based or online or by financial workshops, on key aspects such as pensions or financial benefits.

**This too shall pass:** To weather the recession in a truly strategic fashion, HR must increase its workforce planning capability so the organization can quickly recover when the economy improves. Action steps you can take include building your image as a desirable employer, preparing managers for changing workforce demographics and focusing on retaining key performers.

Help your company's bottom line by communicating more with your supervisors to make sure you are focused on the right HR priorities to help the business. The key to surviving a recession is to make sure that you are delivering personal and unique value to your company. Ask yourself some tough questions to make sure that the work you're doing has positive impact on your company's bottom line such as increasing revenue, decreasing costs, improving profits, and customer satisfaction. These must be perceived by your management team as meaningful results. Offer to head up new projects, committees or initiatives in your organization. Step up your game and energize colleagues around an important change initiative. Invest some time

in mentoring key people in the organization who may be floundering. A little time and good will can go a long way.

Provide HR leadership and support for emerging initiatives in your organization like environmental sustainability, green technologies, clean energy, leveraging social media, where there may be less HR support. If you can help these groups think through the staffing, talent, compensation, change management or overall implications of their decisions, you've added tremendous value to your organization. And if your HR experience speaks to their needs, you've set yourself up well when the recovery occurs. But it's your job to take the initiative, build the bridge to these groups and make your case.

**Link your HR metrics to the bottom line:** During economic downturns, senior executives require all managers to focus on cutting costs and increasing revenue. To better comply, the HR function must learn how to convert traditional metrics such as turnover rate or time-to-fill into dollar impact. For example, instead of simply reporting that your turnover rate is 7%, you would also report that the cost of that turnover was \$11.9 million in lost productivity or revenue. With this new perspective, HR can show senior managers the hidden costs of cutting training, as well as the potential revenue effects that great leadership development and great leadership development and great hiring can have.

No matter how bad your bosses are, they do not enjoy having to lay off people. So give them a break. This isn't the time to push for that promotion you think you deserve or to start building the case for that change title or equity increase. This is just common sense. Proactively try to lighten the leader's burden. Help them defend your department. Contribute your ideas for restructuring plans when asked and do some of the heavy lifting yourself.

**Keep communicating:** Be honest with employees. Let them know how you're doing so that they understand the true financial picture. Often employees are willing to make cuts and changes when they understand the facts. There are no winners if the business goes down. Talking clearly and honestly with your employees also helps to reduce the rumor mill. And, don't forget to reach out to your HR clients and ask them for feedback.