



## managing a work force

**Best Practices**

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### Keeping Employees Up in a Down Economy

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*Tough economic times present significant management challenges. At the top of the list is how to keep employees optimistic and motivated amid all the gloomy news and very real problems.*

#### **HR responsibility**

Human resources, as the department responsible for the organization's people, finds itself in a difficult role in the current economic environment.

Layoffs have either taken place or loom, hiring budgets have been frozen, and expenses for benefits like health care continue to escalate. Meanwhile, chief executives look to HR to maintain productivity and morale while implementing changes that seem counter to these efforts.

Against this backdrop are workers' personal struggles. As the people department, HR recognizes that employees have legitimate concerns. Investment accounts have tanked, home values continue to plummet, and job security is tenuous.

Yet, aside from empathizing, is there anything HR can do?

#### **Taking action**

History is a great teacher, and past recessions hold some lessons.

That's the message from The Forum Corporation, a consulting firm that helps organizations execute strategy through people.

Forum has reviewed its research and the research of others and identified 10 actions in three key areas that successful leaders take during economic downturns to settle the organization, keep it headed in the right direction, and emerge on top.

Here are the 10 actions Forum recommends taking:

#### **Financials**

1. Move quickly to reduce costs and control spending by narrowing focus.

2. Refrain from across-the-board cutbacks, being sure to preserve areas that customers value most.
3. Consider alternatives to layoffs.
4. Invest in opportunity.

#### **People**

5. Retain and develop top talent.
6. Make sure everyone's on the same page.
7. Encourage questions and new ideas by making it safe for employees to raise them.

#### **Climate**

8. Manage the heat.
9. Communicate authentically.
10. Create a positive vision and attitude that acknowledges reality.

### **HR's role**

Since HR is a member of the leadership team, arguably all action steps are relevant.

Admittedly, these steps cover a lot of ground. So *HRWire* asked Ed Boswell, CEO of The Forum Corporation, what is the most important thing HR should be doing in the current climate. He cites two areas of focus.

"The first is for HR and for business leaders to avoid the tendency to go behind closed doors and to make all the tough decisions that they tend to make during tough times. I think HR leaders have to avoid that tendency," Boswell says. "Our research shows it's better to be as transparent as possible."

As part of being forthcoming, The Forum Corporation recommends inviting the workforce to participate in the process.

Boswell tells *HRWire* of one executive who laid out the challenges and said to staff members, "I'm all ears. Come back to me with your best ideas."

Employees submitted suggestions via email. It wasn't that every idea was great, Boswell says, but the process was successful on a couple of fronts. Employees participated, and management found out that employees were in favor of some of the things they were considering.

HR, along with other management professionals, should avoid the tendency to avoid confronting the workforce, Boswell says.

The second top practice he recommends is communicating authentically. Hiding behind false bravado doesn't work, according to Boswell. "I think everyone knows it's not the case, and the world is very complicated," he says.

As a result, he advocates that leaders be as forthcoming as they feel appropriate, even to the point of admitting, "Look, we haven't figured it all out yet."

Being real about the message and not sugarcoating it shows employees that HR and other members of the management team are in touch. "Leaders can and do hurt their credibility by overstating the positive," Boswell says.

## **HR influence**

Meanwhile, HR has another role. "HR leaders can counter the tendencies for senior managers to withdraw in tough times. I almost see HR leaders as executive coaches," Boswell says.

In addition, HR can serve as the voice of reason when senior management issues mandates. Boswell gives the example of someone passing along a memo with a message to management worldwide about an overall 5 to 10 percent cost reduction. This is where HR needs to intervene, according to Boswell, and say it shouldn't be 5 to 10 percent across all departments.

"The risk is you make a bad situation worse," Boswell tells *HRWire*.

He cites how, if customer service is a strong differential for your company and you cut 5 to 10 percent in the area of customer service, you'll lose your edge.

HR can help senior executives identify the most important things to customers, and look at non-proprietary expenses. "One HR executive said to the executive team, 'As we look at our expenses, assume we are a customer,'" Boswell says, noting that the approach gave the executive team a different way to look at expense reduction: Rather than cut across the board, put the customer first.

## **Before resorting to layoffs**

Among The Forum Corporation's 10 action steps is "Consider alternatives to layoffs."

Here, Boswell believes HR can likewise have influence. "The headlines the past two weeks have just been breathtaking, depressing. This is just an awful time to put people out on the street," he says.

Yet, companies caught in the squeeze may feel they have no choice but to reduce expenses. Cutting expenses, however, doesn't have to result in layoffs.

"What I'm hearing is there's a growing willingness on the part of employees to take pay cuts and waive bonus payments," says Boswell. Employees are willing to accept less financial compensation in order to keep their benefits and their jobs, with the implicit promise that when the economy improves they will be paid at full salary.

In addition to cutting salaries, Boswell hears of pay freezes for the next year or two. Some companies are implementing furloughs during the holiday period, providing unpaid leave then and offering it at other times as well.

These are the kinds of solutions that haven't been implemented since the early 90s or immediately following 9-11, Boswell points out. Except, this time, the source of initiatives is different. "HR is hearing this from employees," Boswell says.

The message to HR is to view workers as part of the team. "I think that sometimes we in management are a little too paternalistic. I think at our peril we often underestimate that

people get it. People are savvy. Most people have been through 9-11. We actually have partners in the workforce," Boswell says.

With this in mind, he recommends that HR leverage the partnership to its fullest extent to come up with new ideas and acceptable solutions to today's challenges. "The folks in the workforce are closest to the work itself; they're closest to the clients. It just makes sense to go to the people," Boswell says.

"A lot of these practices are just good practices in good times and in bad times. Now, more than ever, you should invite the workforce to help."

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**Online:** Leading in Tough Economic Times, a free tool training tool for managers from The Forum Corporation that focuses on the 10 steps mentioned in this article, <http://www.leadingintougheconomictimes.org/>.

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