Surviving and Thriving in Today’s Economic Environment

Why e-learning and electronic assessments CAN work for you in these tough times.

Perspective and Best Practices for Talent Management Professionals

“Like the cartoon character Wile E. Coyote, the world economy raced off a cliff of debt and for much of [2008] was left in mid-air, legs spinning madly. Then in September, realization dawned—gulp!—and everything began to plummet. Bank values, jobs, houses—they all seem to be falling with the sort of whistling noise that presages something nasty. Is there a vortex below that will swallow them up? Or could a parachute yet unfurl?”

Most of us are slowly – reluctantly - getting used to running on unstable ground. Headlines talk about industries failing, job markets worldwide contracting, government bailouts, job losses, and a tremendous slump in consumer spending. Most troubling, perhaps, is the scope of the problem. Since 2009, the International Monetary Fund predicted that the U.S., Europe, and Japan would all be in recession - something that hasn’t had not happened simultaneously since 1945.

The news is not good. And executives cannot fail to see implications for them at every turn. They’re making decisions about budgets, jobs, and where to cut and where to continue investing.

Layoffs, redundancies, retrenchments and downsizings are happening at record rates. Since the start of the recession in December 2007, the number of unemployed persons in the U.S. has grown by 3.6 million, and the unemployment rate rose 2.3 percentage points to 7.2 percent. The Organisation for Economic Cooperation and Development expects the number of people out of work in its 30 member nations (which includes most of Europe and North America as well as Australia, Japan, Korea and other nations) will rise to 42 million in 2010, from 34 million now. And according to statistics released by the Chinese Communist party, over 67,000 factories closed in China during the first half of 2008.

Today, South Africa sees itself in a similar position with unemployment rates having increased to 25.02% in the first quarter of 2013 from 24.09% in the fourth quarter of 2012. A total of 271 liquidations were recorded in February 2013 showing a year on year increase of 35.5%.

But business continues as does the fundamental requirement that the best talent is in place throughout the organisation. Unfortunately, those of us who manage talent are left with smaller budgets and fewer resources - but many of the same goals to accomplish.
Countless companies have instructed all of their departments to find ways to cut costs, and business executives are deciding where those cuts will be made. Headcount reductions, changes in benefits, travel restrictions, and expenses that aren’t directly related to organisations’ profitability are all up for consideration. In HR, we must remain the guardians of organisational talent. We still need to plan for changing demographics and increased retirements, high-potential development, and fostering the growth of new leaders. We have to balance short-term needs with long-term goals, and do so on budgets probably less than they were just one year ago.

In this white paper, we’ll examine strategies that enable champions for talent to manage the rough waters ahead. We’ll talk specifically about the challenges to be faced, as well as opportunities for HR to assume new roles and make pivotal differences in the business. The pages ahead contain seven best practices that prove successful in good times, and essential in bad, such as engaging workers and measuring results. We’ll also examine how some key strategies, such as fostering top talent and selecting new employees, need to change. Our views are informed by conversations with our clients—HR executives and senior leaders at organisations around the world—all of whom are struggling with universal issues and trying to navigate through the turbulence and uncertainty all around us.

Seven Key Issues for Talent Management Professionals

1. Raising the Leadership Bar

Buoyant economies and growing businesses are kind to leaders’ deficiencies, but when the economy turns, leadership failings are displayed for all to see. Moreover, leaders who were successful driving growth may be less effective deploying a different set of skills and personal attributes that are important in a crisis or downturn. Growth demands bold risk-taking and experimentation, but downturns require an initial surge of operational control countered by enough innovation to meet current opportunities and prepare for the upturn. Balancing these contradictory demands is like keeping one foot on the brake and one on the accelerator. The uncertainty of a downturn creates anxiety and stress, and leaders are confronted with emotional demands from team members that they seldom encounter in normal times. To make matters worse, the stress also threatens to bring out leaders’ worst personal qualities—usually under control but capable of derailing them under pressure. A recent DDI paper titled “Leaders Without Sea Legs—Threats to Stay Afloat in Uncertain Times” examined what it takes to manage through a downturn.6

Leaders face six major challenges:

- **Take operational control.** Cost control strategies require flawless execution that includes touching all the bases, assuring alignment and accountability, and regularly tracking and measuring results. Undisciplined leaders are likely to leave loose ends.

- **Monitor and adjust.** Leaders must keep an eye on the horizon and make quick, sound decisions in response to changing conditions. Independent thinkers will shine, but poor or slow decision makers will drag the organisation down.

- **Promote innovation.** Leaders need to promote process and product innovations to adapt to current conditions and prepare for the upturn. Those who resist change or are ineffective in leading change will miss important opportunities. For example: market-changing products including the television channel MTV and the Apple iPod® were born during past economic recessions.7

- **Stay cool.** To keep the troops calm and focused on their work, leaders need to be even-tempered and unruffled and to display poise that reassures others and commands respect. Unpredictability, overreacting, or defensiveness will upset and distract others.
 Communicate hope. Communication is critical when people are unsettled; they need their leaders’ presence. Leaders should speak openly to build trust and radiate hope to revitalize sagging morale.

 Engage and empower. Leaders need to energize others’ talent to generate and implement critical business solutions. Sharing authority and responsibility will help others grow and deepen their commitment to the organisation. Micromanagers and interpersonally insensitive leaders risk alienating their direct reports.

 The “Leaders Without Sea Legs” paper also offers tips for shoring up leadership in a crisis:

 Enlighten your management. Leaders need to understand what they have to do differently to survive uncertain times. Evidence from behavioural assessments, personality inventories, and multi-rater feedback can give leaders self-insight and guide them toward effective actions.

 Develop leaders’ competencies. If budgets must be cut, focus your efforts on urgent downturn needs, such as driving execution, change leadership, and empowerment. (More about leadership development under the next best practice.)

 Help leaders manage their derailers. Although hard-wired traits are tough to change, people can learn to manage them successfully. Make leaders aware of the damage that derailers can cause, and have them institute 100-day action plans to manage these behaviours.

 2. The Darwinian Theory of Leadership Development Programs

 Curriculum based and general leadership development, wide-spread selection system overhauls, assessment for no immediate rationale—all of these generalized and generic activities should not be started now, and should be questioned if they are currently in progress. This may sound like odd advice coming from a business leadership consultancy such as DDI, so let us clarify. We do believe these enterprise-wide undertakings are immensely important to the future of the business. And hopefully, they are initiatives you invested in during the boom years now just behind us. (If you have, you’ll be reaping the rewards of that past work without making investments in it during the lean months ahead.)

 However, generalized leadership programs are designed for long-term return. When money is tight and perhaps the long-term viability of a business or unit is in question, unfocused investments such as these may not be wise. What is most important now is developing the leadership skills critical to see your organisation through the tough times immediately in front of us. There must be a direct correlation between the program you are rolling out and the needs of your business today.

 To be taken seriously, HR needs to demonstrate to senior leadership that as a function, it understands its organisation’s top priorities and is prepared to act in support of the strategy. HR plans must align with and support these concerns. In doing this—showing ways to invest smarter, better, and with stronger results—HR becomes not just a functional department but a strategic partner in the business.

 Moreover, think what skills are critical for the immediate security of the company—or threaten it if lacking. You may, for example, need to spend your dollars, Euros, and pounds on development of the senior leadership team, helping them understand how to shape and execute business strategy in the new world. This specific need is likely to be immediate as leaders scramble to understand and adapt to the changes at work in our marketplaces.
An exception may be to the more junior leaders in an organisation. This group needs to be equipped with skills that are universal and that they will need at all stages in their career. For example, Trane Inc. (an American air conditioning and heating manufacturer) refocused its development programs to ensure the company maintains market share throughout (and beyond) the economic downturn.8

Put simply, the business priorities that drove you to create and implement a particular program are probably not the same priorities that the business has today. Are you sure that the initiative is as important today as when it was designed? We urge you to challenge the need for the initiatives that you yourself probably designed. If you don’t, somebody else certainly will.

3. Use—Don’t Lose—Your “A” Players

Your ‘high potentials’ are now your ‘highly capables,’ and the time to call them in to action has come. Most companies have a cadre of talented professionals from all walks of the business who benefit from extensive development, assessment, mentoring, career pathing, and other investments.

Many of our clients continue to invest in their high potentials during these tough times. We suggest your organisation should do the same: identify and develop bright, talented people and utilize them to step up and tackle the challenges you’re facing.

How? Many groups of high potentials are set out in teams to tackle problems and resolve business issues. Rather than charge these teams with long-term goals, such as implementing a Lean Manufacturing approach or investigating the viability of a new market, engage teams to find ways to reduce costs or increase productivity. Results in these areas will help your business now.

It’s likely your top talent will be excited and invigorated by the chance to play a key role in managing during this downturn. Involve them in decision making and strategy execution. Some companies are tempted to tighten the reigns and shut out up and coming leaders. A big mistake, we think. It frustrates your most valuable leaders, and your organisation can’t benefit from their talent at a time its needed most.

High potentials can also be used as ambassadors—to spread confidence and reinforce your culture. And cultivating good will with them now will pay off—when the economy improves and the war for talent becomes hotter than ever. But also, there’s still a job market for top talent. Don’t think a down economy means your competitors will pass on the chance to pluck your best and brightest. Furthermore, leaders and HR have a unique opportunity to evaluate these individuals in action. Are they cut out for the roles you expect them to take? Now is the time to separate the best of the best from the rest.

4. Position Your Workforce Now for Long-term Growth

The toughest challenges talent management professionals face during a recession are implementing layoffs and downsizing or, for the optimists, rightsizing. Often inevitable for survival, it is painful for those who make the decisions, for those who lose their jobs, and for the “survivors” left behind. In some countries, laws and regulations add an extra level of complexity. Sadly, as we mentioned earlier, downsizing is occurring at record rates. How this process is handled can easily turn an already tough situation into a disaster.

There are two broad approaches to trimming a workforce. During the last recession, many companies used a “share the pain” approach. Every division and function of a business unit was asked to provide a list of possible cuts. Many corporations also offered early retirements. The problem with this sort of approach is that companies often end up losing their key value creators or find themselves with insufficient resources to run those portions of their business still doing relatively well.
And, wholesale cuts can also leave the company with exactly the wrong talent they need for the rebound.

Smart companies take an approach analogous to “pruning.” For those of us who do any gardening, you well know that while pruning can make a bush or tree look awful for a while, it comes back far healthier next season. It’s simply a necessary part of the plant’s lifecycle. It can be good for your organisation, too.

**A few tips for pruning:**

- **In times of growth** you should be looking to maximize the performance of everyone. Now, as budgets and headcount are under pressure, underperformers may fall under increased scrutiny. As investor, businessman and philanthropist Warren Buffet was fond of saying “Only when the tide goes out do you discover who’s been swimming naked.” During rapid growth, we often fail to act on our poor or mediocre performers for fear of not having enough “hands on deck.” Fatter profits can also lead to complacency when it comes to being tough about managing performance.

- Some organisations approach layoffs over a period of time. Three thousand employees this month, six hundred the next, another thousand a quarter later. It is like cutting the “dog’s tail off an inch at a time.” The advantage gained by perhaps keeping more people on board is hard to balance with the devastation left behind. Each set of layoffs produces more fear, more loss of productivity. Employees are hiding under their desks awaiting the next round. Best bet: Try to get it over with in one fell swoop and move on.

- Organisations often have to move quickly when faced with headcount reduction and often decisions must be made with less than ideal information. A process called “top stacking” or “top ranking” allows managers to rank employees based on a number of factors including performance, criticality of job/function, difficulty/cost of replacing employees in the future, etc. Simultaneously, it is also critical that you are helping the business by clearly identifying those businesses and/or functions that may be at the highest risk if layoffs occur.

- Consider the long-term cost of replacing—not just the short-term savings of—a layoff. For example in 1981, Salomon Brothers was sold, and some of their professionals were let go. One of those in the departing ranks: Michael Bloomberg, who went on to lead the digital transformation of Wall Street and found a competing firm.

- In some areas of the world, particularly many European countries, the process of eliminating positions is carefully regulated by country law and other stakeholders in the business. “Pruning” may pose significant legal and operational challenges, so some of what we’ve said here may not be applicable. However cuts can, and often must, still be made. Who stays and who goes should still be tied to your business needs—much like the process of vetting HR initiatives, as we mentioned earlier. HR still plays an extremely important role in managing any redundancy process. We in HR must ensure our companies achieve the expense decreases necessary, but do so in a way that protects the organisation from legal challenge or operational disruption.

5. **Find the Golden Goose Eggs**

We’re talking about reducing a workforce and hiring in the same paper in this economy? Yes, absolutely. Why, you may ask, should anyone worry about fine-tuning their selection approach for new hires in the midst of a recession? Well, while hiring has slowed down, it is still occurring. Competition for jobs these days will be fierce, so expect many applicants for every open position.
Hiring organisations have the power—it is a buyer’s market. This is the perfect time for organisations to fill what open positions there are with the very best talent. High quality people who have lost their jobs will be more abundant in the market place. And “A” players may be ripe targets for plucking with the right offers if they feel they have less opportunity within their current job. One recent article revealed an aggressive strategy for doing this: Line managers at both Wachovia and International Paper periodically review layoff reports provided by outplacement firms to see if their competitors are discarding talent that they can use, executives say.

The selection challenge (or opportunity) is in fact a global issue. For example the shift in the job market in China has been dramatic. “Affected by the global financial crisis, hiring expectations have weakened in seven cities and five industry sectors in mainland China in Quarter 1 2009. In addition, employers in Shanghai, Beijing and Guangzhou are reporting their weakest hiring intentions since the regional analysis began in Quarter 1 2007,” proclaims a December 2008 survey by Manpower.

Though the survey found companies are still looking to hire, the rate at which they do so is slowing. Prior to the economic downturn, Chinese job seekers had their choice among many lucrative offers. Salary inflation and job hopping was rampant. Today, most high-performing Chinese organisations are far more selective in whom they bring on board.

Some tips for hiring in a recession:

- **Now is not the time to compromise.** Make every selection decision count several times over. Bring out the high-powered approaches to screening, testing and interviewing to make sure you are getting the very best. At DDI, we are currently working in one of the world's largest hotel chains. While occupancy rates may be falling, this corporation is devoting resources to ensure their selection system gets them the very best hires. In another multinational, we are working with a client to upgrade their sales selection process. While they may be hiring fewer sales people, they fully realize the impact on revenue production between a mediocre and superior hire.

- **The job and job requirements are rapidly changing.** Tough economic times require people who have the ability to manage cost, focus on work that is most critical (to the customer!), take on multiple job responsibilities, and have the motivation to adapt and work through uncertain times. Yesterday’s selection process was built to hire or promote a different type of person. Without addressing the change demanded by the business, organisations are likely to 'put a square peg in a round hole.' A more effective approach, driven by new skill and motivation job requirements, will lead to sustained short- and long-term hiring success.

- **Recruiters are overwhelmed with the number of candidates applying for jobs.** The risk is that mistakes will be made when the workload is heavy; the wrong person will get into the job and once in, they won’t leave easily. By using screening and testing tools, the burden of sifting and sorting candidates is carried by automated systems rather than the recruiter. The recruiter’s time can be deployed toward candidate care and interviewing the very best.

- **If you are using recruitment firms for professional positions it is time to look for both bargains and the very best head-hunters.** Job searches are way down so you can be very selective about who is doing job searches for you and what they are charging.

6. **Managing the Climate of Your Organisation**

Most organisations and industries have been affected by this recession, like people on a calm normal day are jolted by an earthquake. Once reachable goals and objectives now seem unattainable, the best laid plans are no longer viable. The one organisational asset that feels the effects of this recession more than any other is an organisation’s people, its human resources. Layoffs impact everyone. And for survivors, many will experience flat or decreased compensation...
as profits shrink. Concerns and fear of what’s coming next can paralyze people at all levels, negatively affecting productivity at a time when companies most need it and propagating a dangerous downward spiral.

What can and should HR do to maintain the level of engagement of workers and leaders? We suggest HR focus on four things:

- **First**, help leadership focus on aspects of the work environment that are likely to need more support in these uncertain times, such as two-way communication. It is imperative that employees are kept informed on a regular basis, even if the situation hasn’t changed much from the last update. Just as important is the value employees experience when their leaders listen to their issues, concerns and questions.

- **Second**, due to downsizing or changes in the demand for their services, some teams and work groups will need to shift their priorities, rethink their work processes, reassign roles and responsibilities, and set new goals. HR provides valuable support to these groups. Best Buy (an American electronics retailer) tries to keep employees engaged by setting up online surveys to solicit their ideas for cost cutting. Some 900 ideas emerged since the surveys were sent out in October 2008.10

- **Third**, encourage leaders (including yourself) to adopt a bias for action. While we are not talking about unfocused action or simply “activity,” we are suggesting that now is not the time for leaders to hunker down. In slow times, senior leaders are even more receptive to well-thought-out ideas and energetic doers. Counsel leaders to apply their best influence skills to look for ways to help the organisation improve its operations; expand its services, etc.

- **Fourth**, amid the necessary short-term challenges and downsizing decisions, HR should help the organisation keep its focus on a long-term positive vision. We are not talking about being blindly optimistic, but this recession will end at some point, and organisations that are prepared to grow and expand will have the most success. Keeping the long-term vision in mind ensures that short- and intermediate-term decisions are not made without a good understanding of the impact they will have on the future.

7. **If You Can’t Prove it Works Today— Soon You Won’t Need to Bother**

All budgets, for development or anything else, are under increased scrutiny so justifying the investment is more important than ever before. Measurement becomes HR’s tool to do these traditional measures — retention, turnover and classroom satisfaction scores, for example, may be so disconnected from today’s business priorities that they are irrelevant. For example, retention and turnover may be skewed as either people are hesitant to enter a restricted job market or companies will be downsizing. Some questions on engagement surveys will also be lowered as a result of uncertainty in the workplace. Expect emotional measures will be skewed by the uncertain times, such as how people feel about their job, or if their manager cares about them. Other engagement indicators, such as being kept informed, whether meetings are run efficiently, whether there are conflicts in the workplace, are still important and low scores aren’t the result of recession.

So what should you measure? Look at the retention of critical groups—high potentials, senior leaders. You might need to employ different retention targets for different groups of people.

As a head of a global petrochemical company pointed out, the most important thing to do when the situation changes is react fast enough. Most organisations don’t. The metrics and measures you employ must give the business leadership relevant information that helps them make smarter, faster decisions. We suggest that if measures and reports need significant HR interpretation, they are probably not what the business needs.
Alongside quantitative data, work harder on qualitative data. Program relevance and importance is all critical now and the fact is that if participants perceive that a program is irrelevant—then it probably is. Questions like “how has this learning helped in the context of your role” give you and the executive team information that helps decide if the investment is worthwhile.

Measures for the current reality focus on specifics: outcomes produced by programs targeted and tied to business-critical needs. These metrics dive deeper and require more work to capture, but they also produce richer, more telling results about the efficacy of talent management programs.

The Best of Times, The Worst of Times: HR’s Role In This Economy

Charles Dickens opened his 1859 novel, The Tale of Two Cities, with the now famous line: “It was the best of times, it was the worst of times.” Set in Paris and London just before the French revolution, one of the novels main themes was that adversity can bring out both the best and worst in human nature.

This theme applies today as we look at our businesses and roles as HR professionals. As we discussed earlier, organisations and talent management professionals are faced with a short-term/long-term balancing act, with everyday choices of what they need to do to survive and what they need to do to be ready for the “best times” when they return.

For those of us in HR and talent management roles, we too face everyday choices of how to manage our organisation's talent initiatives through the bad times while we simultaneously prepare for the upturn. Jonathan Spector was past vice dean of The Wharton School at the University of Pennsylvania and is currently the CEO of The Conference Board. He recently commented in his opening remarks at the Senior HR Executive Conference that now, more than ever before, HR must link to the business to be part of the solution. With the current adverse conditions and constant uncertainty of what tomorrow will bring, it is easy to lose sight of the big picture and discard the foundation of good business and good talent practices. Yet, we have a unique opportunity to not only have a “seat at the table” but to help set the table for managing what still remains our organisation's most valuable resource, our people.

We provide in this paper our recommendations on managing talent during the downturn. Almost all of these suggestions require not only your support, but your leadership. As you look at your role over the next several months some questions you might want to ask yourself:

- Are you actively looking at your own function in terms of how you can reduce costs, restructure, and add more value?
- Are you exercising the type of leadership we described earlier, making the tough decisions but keeping the morale and levels of engagement of your own team up? In many ways, HR has an especially tough role because they are often called upon to help make and handle massive layoff decisions. As one senior HR executive told us recently, “It is tough for me to sleep at night when every day I am being asked to let people go, many of whom I have come to know personally. But as a leader, I still need to keep the morale of my own troops as high as possible.”
- Are you scrutinizing every single program and service you provide for business relevancy and impact? Now, more than ever, we need to be careful of being labelled as the providers of “fluff” by tightly linking what we are recommending with real results.
- Are you working at the very top of the organisation to ensure that decisions around talent initiatives are taken with a long-term view? Often when talent expense budgets are turned over to multiple business line managers, budgets for training, mentoring and developing people are often the first to go as pressures to reduce costs mount. One large food services corporation we are working with...
has taken central control over their leadership development budget with support from the CEO to ensure greater control of what stays in and what gets cut.

■ Are you actively seeking innovative ways to offer the same level of talent support while reducing your expenses? For example, virtual and e-learning programs offer a very viable alternative to continue a reasonable level of training and development at 50 to 75 percent of the cost of traditional classroom delivery.

■ Perhaps most of all, are you serving as the cultural “watch dog” of your organisation? Perhaps there is no more important role you can play than to help your organisation and its leaders shift from a state of learned helplessness and fear to one of “we will get through this.”

At the end of the day our businesses may never be the same. But while the war for talent may be in a state of “cease fire” it will rage again. And, at the end of the day, nothing is more important to our survival now and our success tomorrow than the quality of talent we are responsible for hiring, developing and engaging.

Authors:   Rich Wellins, Ph.D., Senior Vice President - DDI
Simon Mitchell, Director DDI UK

Citations