

HR Strategies in an Economic Downturn

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Let us try and understand a macro view on the HR teams in industry

Indian HR helicopter view

- A few HR teams function in progressive organizations as an integral part of the business while some old economy HR functions are still in the administrative mode.
- Growth of Outsourcing services has given rise to a globally aware, smart and agile workforce which aspires to be on par with the world's best. Organizations cannot afford to lag behind in creating an enabling environment.
- Average age of the country's work force is 26.5 years. HR challenge is therefore to continuously educate, reskill and train to ensure relevance and provide growth opportunities
- Emerging markets test key talent pool under trying constraints – this makes them top class, agile and adaptable global champions and leaders.
- MNC's have prompted Indian HR counterparts to adopt global practices.
- Process of managing Mergers and Acquisitions in the Indian context (a relationship driven work culture) is slower and needs to be handled with a lot of empathy and understanding in an archaic labour law framework.
- Some key HR performance metrics in the subcontinent follow a different paradigm – e.g. In India, it is possible to increase headcount and yet decrease costs by re-engineering the organization structure.



There exists no uniform gold standard focus for HR Departments in India today. It is common to see both extremes in terms of HR perceptions and leadership in organizations as explained below :

- **Strategy** - HR perception by top management varies – from Ground zero involvement to purely a logistics service provider
- **Learning and Growth** – HR

engaged in Institution building versus HR engaged purely in transaction processing

- **Image** - Silo image focused on IR and Administration versus a multi faceted HR engaged in business strategy, people innovations, processes and change.
- **Orientation** – could be of three types in organization – some teams are purely process oriented while some teams focus on being employee champions. Progressive HR teams are business driven with a humane face.
- **Evaluation** – While some organizations have a combination of clear metrics and qualitative performance evaluation, many languish purely in perception based assessments
- **HR People** – are seen as Employee champions and administrators in most organizations while a handful have an image of a combination of being employee champions, playing strong administrative roles, providing strategic leadership and support, and lastly being good counselors and change facilitators.
- **Expertise Perception** – ranging from an internal service provider to an expert advisory on issues related to all stakeholders.

Just as we in a democracy get the government we deserve, so also organizational leaders get the HR teams they deserve. HR teams are as effective as the top leadership expects them to be. If an organizations leadership treats HR as postmen in the postal office and then expects them to conceive and deliver HR strategies specially during a slowdown, it is not difficult to envisage the outcomes. In our experience across industry over 60 years, we see huge gaps between expectations and reality.

In a downturn, while many of us can suggest strategies and action steps for HR professionals, we would like to add a caution element to these strategies. Unless HR professionals seeking to implement these strategies have both personal and professional courage , conviction and credibility, any initiative that they recommend or implement could put the entire organizational fabric at risk. The primary competency of HR leaders is therefore a thorough understanding of the key drivers of the business and the ability to make timely interventions.

We outline a set of organizational leadership strategies to manage Human Resources during a downturn.

1. **Seek to understand before being understood**

Concept: While this is a well understood concept from Steven Covey's Seven Habits of Highly Effective People, this concept acquires a new dimension in the context of the downturn and HR strategies are no exception. The downturn impact, duration, critical issues and areas which have a large HR impact need to be well understood before drawing up an implementation plan.

Example :An organization which reviews its financials quarter by quarter called in the HR chief and told him to stop recruitment against attrition and transfer existing Management Trainees and revoke offers on campus' already made as the results of the previous quarter were poor and the prospects did not seem encouraging.

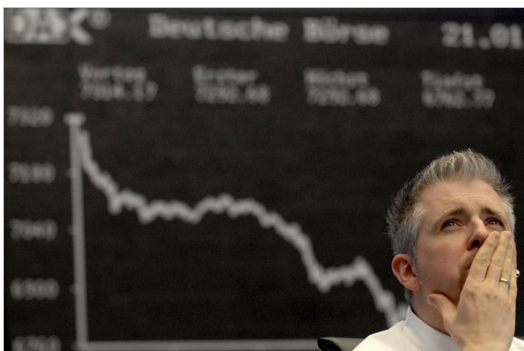
Once HR implemented these strategies, business fortunes changed and the subsequent quarter saw a deluge of business orders which mandated that HR now starts to reverse all the decisions taken in the previous two quarters. While HR scrambled to do this, the results were below the senior leadership expectations and the HR processes came under severe criticism. Needless to say, the company missed many of its opportunities for want of people and also suffered from a lower morale due to inconsistent HR strategies. Had the HR chief tried to understand deeper in the first place the reaction of the top management was knee jerk and what was required was not immediate compliance but a counsel to wait for a little more time before jumping to wielding the axe.

Learning: In organizations where the cultures are fire, ready and then aim and where HR does not understand the business nor has the professional courage to raise and question top management thinking, the only result is disaster. Such actions apart from their immediate consequences also impact the morale of the organization.

2. **Draw up a list of possible solutions in the short and medium term**

Concept : List down possible solutions and evaluate each one in terms of impact on financials, reputation, stakeholder perception and employee morale

Example : An organization going through a merger related integration was working on staff scale down in different verticals in conjunction with an external consultant. As a result many decisions on who to keep and who to let go were being taken post an interview process. In one such instance, the interview consensus reached was to ask a 20 year experienced supply chain veteran to go in favour of a technology savvy young 3 year experienced MBA who had good communication skills, domain knowledge and analytical skills.



The company failed to analyze the impact of this choice before the decision was taken as it was seen as an open and shut case. The impact of the decision however was that the organization did not have the human expertise to implement a sophisticated

technology system and also needed a lot of handholding and human interface for the process to work. They used to rely on the 20 year wisdom of the veteran to smooth over their lack of forecasting and technical skills. In the next financial itself, the company lost crores of Rupees due to low effectiveness of the supply chain mechanism.

Learning : The organization failed to understand the value of wisdom and experience and the ability to manage a system with many interfaces and inadequacies and preferred a strong communicator, presenter in the conference room who was probably more impressive on a committee but weak in terms of human relationships and managing the various interfaces. The preferred employee also resigned within a year. Unless impact of every decision is fully analysed and discussed amongst the various stakeholders, such decisions can become the trigger for large scale failures.

3. **Explore the least painful opportunities first**

Concept : All decisions impacting employees have a relative degree of pain. It is important for HR leaders to understand the degree that was tolerable to the organization at any given point with minimal backlashes first before choosing the radical ones>

Example : An International MNC was downsizing worldwide to ensure that its business was sustainable. The Indian HR leader of the MNC used both personal courage and professional conviction to resist from downsizing in its Indian operation by suggesting the least painful option. The option was to reduce increments to 2% only for top performers at a time when top performers were used to getting large increases and no increments and voluntary salary reductions from senior management to convince the global counterparts that employees understood the company's difficulties and the senior management was prepared to put money where its mouth was by voluntarily taking pay cuts in favour of having no layoffs. The company's fortunes upturned within four quarters and the Indian arm was the only one to be competitive and ready to take on newer business mandates.

Learning : There are innovative and less painful ways of doing things in a downturn. Where the HR chief has credibility and courage such co-operative and effective decisions can be made which in the long run strengthen the cultural fabric of the organization. These kind of solutions are in tune our Indian ethos though the company was a multi national.

4. **Deliberate on the positive and negative impact of each of the strategies that you intend to implement**

Concept : Poorly thought out and unilateral strategies to cope with downturn pressures cause more harm than good. It therefore is essential to weigh the

pro's and con's of the impact of each strategy in a top management forum before such decisions are announced.

Example : The CEO of an organization suffering huge operational losses during a downturn announced a layoff of one thousand frontline employees of its fourteen thousand workforce. This resulted in widespread protest hugely publicized in all media including television and attracted the attention of politicians and union activists from political parties. This resulted in a huge pressure on the organization to retract its decision which led to the Chairman announcing the same by saying that he was overseas when the decision was taken and he could not bear his employees suffering. He therefore overturned the decision of the CEO.

Learning : Think through the consequences of every decision specially those involving large number of people and specially so when large number of your employees who are being laid off deal with the public daily.

5. **Develop talking points to employees on the strategies to be implemented** and share it with the top management with a clear line that the message has to be consistent from each member of the management.
Concept – Employee Communication needs to be consistent across the various levels of management and key employees need to be given sound bytes to ensure the no discordant notes are heard by employees through any manager.

Example – An organization with around 2000 employees and close to 40 leaders always ensured that every topical employee communication whether company specific information or division or employee specific information would always be discussed threadbare and the talking points to employees would be evolved through consensus in a formal meeting. Once the consensus had been reached, the specific words to communicate this communication would be agreed upon and followed up with highest rigour. As a result, all employee communication would always be uniform across the organization's various SBU's / Divisions.

Learning – This kind of discipline always ensured that the trust perception of management by all employees was always extremely high, the culture was described by employees as apolitical and consistent and this view was substantiated by annual employee engagement independent surveys.

6. **Communicate to both employees minds and hearts** and repeat the communication in various forums
Concept – A combination of fact and emotion is essential in all employee communication

Example – An M&A integration of two medium sized pharma companies –

The case in study is that of an organization which had grown over the years largely through acquisitions. Despite integration initiatives, the organization had strong pockets within teams / divisions reflecting the culture of the acquired organization and not the new entity even after a decade post integration. This impacted teamwork, policy harmonization and employee communication effectiveness all the time. In a fresh M&A integration, all these insights were used to define communication strategies which were logical and left brain centric and simultaneously use strong communication inputs for the emotive aspect of the brain. A senior leader led this form of communication throughout the integration process and the other leaders were encouraged to follow likewise

Learning – Employees look for comfort in all communication from different sources and read meanings into words and phrases said and unsaid which has a direct impact on their morale, motivation and retention. Developing a good understanding of this aspect of communication is critical for effective M&A integrations.

7. **Look out for avenues to keep the learning quotient in the organization burning** despite the slowdown through high quality yet low cost initiatives.

Concept : While training and development budgets are the first to get squeezed during a downturn, an economic downturn should not lead to a learning downturn.

Example : Most organizations undervalue the importance of formal and informal learning systems. While they are keen to retain the best and brightest during their tough times, they underestimate the fuel to ignite the minds of the best and the brightest which could dull and become pedestrian without sustained investments in continuous learning and sharing. In addition, all solid performers continuously need development inputs to sustain their performance. While expensive one on one training can be postponed, it is important to ensure that HR and Business Leadership combine their creative abilities to figure out technology led competency based development initiatives to ensure that they remain current and well informed and be more effective in their decision making. More than ever, during such times, it is important to ensure that on –line learning, competency based on –line magazines are read and discussed in the organization regularly through facilitation by respective managers. This will keep the quest for learning alive irrespective of the fortunes of the company. When the fortunes of the company reverse, such employees are best placed to take good business decisions. The employees also remember that despite the difficulties in the business, the company figured out a way to ensure that value proposition of cutting edge learning to the employee was never diluted.

Learning – Leaders need to ensure that the minds of their employees are continuously fed with current cutting edge information to be effective in their

respective roles.

8. **Motivate a cost reduction mindset innovatively** through a bottoms up approach rather than a top down initiative.

Concept : Let each level in the organization and each department come up with its own action plan. One initiative / dictat does not necessarily fit all. Employees are best placed to know where the fat in the departments lie. A majority of employees if given an opportunity would like to contribute towards reduction of such fat.

Example : In a large high end hotel which was going through a serious cost cutting initiative, the top leadership felt it appropriate to get each department to develop its own action plans with an eye on cutting the fat yet ensuring that service quality and guest perception



remained intact or were further enhanced. The second rung of leadership were skeptical of this approach and opined that the results would not meet the targets of the corporate office. However, when employees in each department were allowed to think independently and collectively, they took ownership of this initiative and the end result was almost magical. The cost reduction achieved were significantly higher than the targets set. Also, the approach also involved increasing costs in certain areas that required investment to take care of its customers while ensuring that the overall reduction for each department was retained.

Learning – In cost cutting initiatives , there is no place for a large knife but more the function of a surgeon with a scalpel engaged in the delicate task of removing the tumour alone from the system.

9. **In case of forced attrition / partings, ensure that the entire emotional quotient of the organization** is fully engaged to ensure that such partings are less painful on those who are going and a re-inforcement of the value of employees who stay.

Concept : It is important to understand the impact of layoffs / forced partings on the employees on the emotional fabric of the organization and need to be handled with maturity and care

Example : During an earlier downturn, a global software company in India followed a global diktat and laid off a large chunk of its workforce. Within a



quarter, the company saw a partial recovery and need to ramp up expertise quickly to cater to this increased business. The HR leadership which had earlier issued pink slips to large number of employees were asked to re-engage in dialogue with departed employees in and effort to rehire them. Not only did

the HR team fail miserably in this task but the employees who were laid off earlier spread the word to many new comers on the fickle mindedness of this company and advised them to refrain from joining. In addition, existing key employee also started leaving the organization further adding to its woes.

Learning: HR teams need to educate the leadership on the implications of sacking employees without thinking through and need to engage the hearts and minds of the organization to minimize the pain to those who are leaving through a host of support initiatives and the re-inforce the value of employees who stay and clearly specifying the compulsions of the organization during such difficult times.

10. Regularly communicate clarifications on issues that emerge through the rumour mill.

Concept : Remember, when you communicate nothing, employees automatically assume the worst. It is therefore important to continuously communicate and be transparent especially when on organizational change process is underway

Example : In an M&A integration scenario, the HR team members reverted to the top management of the deteriorating morale of the organization as the change initiatives were underway with the help of an external consultant. The top leadership felt that this feedback was largely the perceptions of a biased HR team and not the true feelings of employees. It therefore conducted an independent poll which was opened in the CEO's office. So strong was the impression of the leadership that even the strong poll feedback was discounted under the impression that the HR team had doctored this feedback too through the employees. The leadership decided to take no action on this feedback and remained silent on a host of issues resulting in further lowering of morale and exits of key employees across the two integrating organizations.

Learning – The assumption that HR leadership is biased and incompetent may not always be true and further more, no leadership can and should work in an environment where it does not trust its HR team. It is important to get an HR leader of competence and trust. The second learning is never to underestimate the power of transparent and continuous communication and its ability to squash unhealthy rumours.

11. Manage the organization's stress

Concept – Every employee including the CEO is stressed and insecure especially during a downturn. It is critical for HR leadership to take steps to ensure that these stress levels are understood and actions are taken to reduce the same.

Example - Employees including leadership in a large number of organizations during a downturn are under severe stress and pressure. This has increased the insecurity element among employees further leading to weaken information sharing and team work . Rumour mills gain momentum and opportunistic politicking has reduced trust levels in organizations. The testimony to this phenomenon is the flourishing business of psychiatrists and professional counselors. It is therefore important for HR leaders to look at the stress factor as critical and help businesses draw up specific strategies and tools to manage the same.

Learning – Managing stress during a downturn needs to be understood and knee jerk reactions of leaders need not be construed as the final position on issues. HR leaders need to have the resilience and the courage to go back to the leaders and counsel on the impact of knee jerk actions and get them to focus on the long term strategies of the organization.

In conclusion, managing in a downturn is a long term process and not a quick fix and all efforts and initiatives need to go beyond gimmicks and must be sustainable.

