



MAKING TOUGH (BUT SMART) DECISIONS IN AN ECONOMIC DOWNTURN

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The statistics are staggering. Total U.S. job losses of 600,000 in January, followed by 651,000 jobs lost in February. As the economy continues its downward spiral, the employment market still hasn't seen the end to job shedding yet. Unemployment peaks after the economy has reached its bottom - not before. Unfortunately, companies will need to continue to downsize and the unemployment rate is predicted to rise close to 9 percent by August of 2009 or even sooner. With such somber news, how will Human Resource Departments be able to make well-thought out decisions on reduction in force?

Downsizing in a tumultuous economy

With the economy in turmoil, many companies make rash decisions to cut numbers and stop any financial bleeding. Typically with such pressure from the market, companies end up making drastic, rushed reductions rather than strategic decisions. Without the luxury of time, and with extreme emotional, social and financial pressures, there is a grave risk that decisions will be made too quickly, harming the company in the long term, impacting the ability to capitalize when an economic recovery occurs.

How do companies make the best moves on reduction in force, where do they get the data to make smart decisions and how can they make good choices that won't have a long-term impact?

Relying on critical data from HR Technology

A critical component to a smooth and organized Reduction in Force is a sophisticated Human Resources Information System (HRIS) that will allow companies to review critical data and

make informed decisions. While the economy is suffering, a recent survey showed that companies are continuing to invest in human resources technology that they need. A recent survey of human resources professionals showed that forty-two percent of respondents reported that their human resources information technology budgets will remain the same in 2009 as in 2008. Another 21 percent of participants said budgets will increase by an average of 23 percent. An integrated HRIS is critical to short term (and long term) success when faced with a reduction in force.

Some HRIS systems even go as far as having real time support on these time critical human resource initiatives. Having an advanced HRIS system, that includes key data points that incorporate employee training, performance, succession plans, and compensation modeling helps HR and senior management make a difficult process easier, and reduce the risk of letting a high performer, or strong management candidate, go out to the marketplace.



Respond, Don't React

The best approach that human resources departments can take is to respond, but not react. In years prior, reduction in force was

done by eliminating staff by very basic elements – head count, salary level and years of service. With the availability of sophisticated Human Resource Information Systems, today’s technology allows companies to evaluate the data from many perspectives, resulting in better decisions today.

Plan Ahead

The critical component of responding in a strategically sound manner is to plan ahead. The four essential elements of this are:

- Plan your approach before it’s needed
- Know where and how the data you need can be obtained
- Create an end-to-end plan that can be executed as needed
- Target a strategic versus tactical approach.

Using an HRIS that provides critical employee data will assist with the many questions that need to be addressed when evaluating an employee from a more holistic perspective. Employees are not equal. Some high paid employees may be your best performers. Others may have skills that will be needed in the not-to-distant future. Others have shown motivation in obtaining training, upgrading their skill sets and proving to be valuable staff members capable of assuming management roles. In other words, you need to look beyond straight line salary in the decision making process.

Evaluating your workforce to make Strategic Staffing Decisions

Below is a step-by-step questionnaire to help you review employee data to determine their “value” to the company:

- **Promotions/Job History**

What is the history of job changes? Is this a rising star or someone who plods along?

- **Salary increase history**

Good performers/High achievers typically get higher than average increases. Has the employee gotten cost of living raises each year, or large jumps?

- **Learning history**

Has the employee enrolled in any training classes? What are those classes? Is the employee motivated to adapt to the changing market/job requirements? Are they preparing for a job change within the organization? Are these training classes for skills that would benefit the organization in the future?

- **Performance history**

What has the employee’s performance rating been over time? Are they a consistent performer? Is this appropriate for the job requirements? How does the employee’s overall rating stack up with others in the department? Against the organizational average? Drilling down, what are the strengths and weaknesses that make the rating? Are the strengths vital to the organization? Can the weaknesses be upgraded with training? What is the potential of this employee – stay where they are? Move up to a new job or department?

- **Skills & Competencies**

What skills does the employee possess? Are these skills likely to be needed in the future? Does the employee have any special “niche” skill critical to the business or customer support?

- **Candidate Referrals**

Has the employee brought others into the organization? Have those hires worked out (tenure, performance, quality)?

- **CSR activity**

Has the employee “gone the extra mile”? Do they participate in corporate sponsored activities? Have they volunteered for special projects? Have they led social responsibility activities?

Other Considerations

Less hard facts, but nonetheless available in the notes and comments that are captured in employee reviews, and reportable, include:

- **Leadership/Respect aspects**

Are they “model” employees that others look up to? Could they be positive forces in helping a reduced staff adapt to a bigger workload? Would they be a factor in change management and creating positive employee morale in the aftermath of a RIF?

- **Passion**

Employees with passion are generally motivated, high performers who believe in their product and services – and become unofficial company spokespersons through their job performance. This infectious “passion” will be useful when you need to staff up and want to become an employer of choice when the economy and business rebound.

The above data points provide a much wider picture of the employee, beyond just salary, causing you to probe the impact of keeping or losing an employee, and the impact of that decision on both a short term and long term basis. Tabulating this data into broad categories like **Future Management Potential, Operational Excellence** and **Change Management Capacity** and then

rating employees on each would give management the information necessary to understand how their cuts might affect future strategy.

Understanding the full role that each employee plays within your company can be seen clearly by this simple step-by-step evaluation process. It should also point to the future impact of losing this particular employee, and allow you to know how your staffing strategy is going to look as the economy recovers.

Future Staffing plan

One element often lost in Reduction in Force actions is the next step -- having a staffing plan firmly in place. The economy will eventually recover and many times, companies will then need to respond quickly to fill positions equally as fast as they had to let them go. Reviewing the criteria needed for a particular position is essential. In addition, the questions below will help you create a clear staffing plan for the organization:

- Q. How will you recruit similar talent in the future?
- Q. How long does it take someone to acquire the necessary skills/savvy to fill higher positions? What if you needed a replacement today?
- Q. What candidates do you have in your pipeline?
- Q. Do your candidates possess skill sets that incumbents do not have today?

Change Management

To be sure, companies need to give some thought and address the “*survivors*” that remain after a reduction in force. Emotions will be high due to the loss of co-workers, the expanded workload will be daunting to many, employee morale and motivation will decline

and fear/guilt (often called survivors guilt) will set the tone for environment.

HR departments can play a tremendous role in helping the organization move past this stage by addressing “survivor’s guilt” in the workplace.

Open communication with the remaining employees is critical – and needs to be done quickly afterward. Meetings, emails, letters all need to reassure these employees that their skills are vital to helping the company move forward, that they are valued employees and that the company was forced to take action to save future jobs.

Further, these communications should outline company goals and plans, and urge the workforce to work as a team to focus on these goals so that they can bring back their co-workers when the recovery occurs. Reading between the lines, the message should be: “this is a temporary situation, it will get better, and we know we can all pull together to make it happen”.

An Approach of Honesty and Integrity

There’s no question that this harsh economic climate will force companies to downsize. How a reduction in force is carried out affects the company in the present, and if not handled properly, it could cause major issues in the future with recruiting talent.

Regrettably, many companies have to make some difficult decisions, and it’s imperative for future brand building and awareness that the reduction is handled with honesty and integrity, using some best practices.

Best practice suggestions include

- Provide outplacement services and consulting if possible
- Look at severance and paying for healthcare for an extended amount of time to lessen the financial impact on employees
- Schedule follow up calls and outreach activities to those employees that are impacted;
- Ensure impacted employees are notified whenever new positions open that may be a good fit
- Use workflows and triggers to provide information on COBRA, outplacement, networking opportunities

Essentially, these decisions are difficult for the employer and the employee, but having a clear, thought-out plan, with sound data from your HRIS to make those tough decisions, can make it easier for everyone and provide for a strategic roadmap for your company when the economy rebounds.

About the Author



Shafiq Lokhandwala is a global HR industry leader and CEO of NuView Systems, Inc. Shafiq defines the NuView “vision” and his passion for solving HR issues is clearly evident to anyone who meets him.

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