

# Keeping GOOD People



*"[If] there was ever a time to underscore the importance of HR, it has arrived. And sadly, if there was ever a time to see how few companies get HR right, it has arrived too ... HR matters enormously in the good times. It defines you in the bad."*

— Jack Welch



# During BAD Times



By K. Michael Janas

**D**uring distressing economic times, companies look for ways to reduce costs. Departments are put under a magnifying glass. The critical top performers are expected to identify those costs that can be reduced or eliminated. Human resources is held accountable for proposing and implementing creative cost reductions.

This recessionary period can be viewed as an opportunity to build employee loyalty and cohesiveness. Therefore, it is imperative that the company's key executives support workforce stability during times of uncertainty so that during more prosperous times the environment can emerge to be an employer of choice.

Any organization that fails to focus on the retention of necessary staff and high-potential employees risks coming out of the recession without the employees needed to help the company prosper.

## QUICK LOOK

- ⇒ The quality of supervision is a key factor in employee retention, ranking with compensation and benefits.
- ⇒ Awards and recognition programs don't need to be expensive to be effective in employee retention.
- ⇒ If a company recognizes its star performers, it must eliminate its bottom employees. In tough times, it cannot afford them, and keeping them sends the wrong message.

# Because “A” players are always in demand by competitors, it is most important to have a mechanism in place that will retain them.

Losing critical staff during this time will not only jeopardize a company’s emergence strategy, but will leave it unprepared to fully realize post-recession strategies.

## The Challenge for HR

Cost restraints will challenge human resources to provide the necessary human capital strategies, but a coherent and focused human capital strategy can address retention. In a Personnel Decisions International (PDI) study conducted in December 2008 and January 2009, executives ranked financial pressure to cut costs and dealing with rapid market decline as their top two challenges. Six months earlier, retention was the No. 1 priority. A Watson Wyatt Worldwide survey of 248 companies conducted in October 2008 showed that one in four companies planned to lay off and freeze hiring in 2009.

## Important Strategy Elements

### Manager Behavior

The prime reason for employees leaving is either their manager or their compensation. The quality of the supervision an employee receives is critical to retention, said Susan Heathfield, an HR expert. “People leave managers and supervisors more often than they leave companies or jobs,” she said.

A good manager knows that the quality of supervision ranks with

competitive benefits and compensation as key factors in employee retention. Managers must be well trained, show respect for their employees and be superior communicators. An employee’s relationship with his/her manager is the strongest of all engagement drivers, according to a 2006 Conference Board study.

Managers must treat their employees as they would treat their clients: with respect, warmth, politeness and consideration. After all, they help keep the company’s clients.

During tough times, the type of manager required to build a cohesive team is someone who:

- Uses employees’ skills, thereby making them more productive
- Practices “management by walking around” (MBWA)
- Communicates extensively and daily with employees
- Helps grow and develop team members.

Couple those practices with respect for the employees and you have a manager who is building employee loyalty — a rare commodity today.

### Compensation

The second-most frequently talked about retention element is compensation. During difficult times, a positive strategy is required and involves ensuring a competitive pay structure where top performers are properly

compensated and mechanisms are in place to retain critical players.

To ensure a competitive pay structure, management must benchmark salary and wage levels against competition, especially where there are numerous employers in the area that could poach a company’s talent. And it’s critical that management communicates to employees that the company’s compensation is comparable to industry competitors.

Because “A” players are always in demand by competitors, especially during financially tough times, it is most important to have a mechanism in place that will retain them. One such device is a retention bonus. Given the many ways such a bonus can be structured, it is imperative that a policy be adopted by human resources regarding its payment — that it will either be paid over time, for example six months, or in a lump sum at the end of a designated number of weeks.

During tough times, a comprehensive and effective compensation strategy must cover the retention of mission-critical players. Such employees may be IT gurus, operations wizards or world-class customer-service representatives. Management must determine which skills are currently critical to the stability of business as well as those skills most needed as the business emerges from difficult times.

According to the 2006 *Culpepper Pay Trends Survey*, many organizations pay such employees a “skill bonus.” In effect, it is a lump-sum payment for their expertise. The study found that 54 percent of employers annually review what those critical skills are.

### Recognition

Human resources needs to create a recognition program that says, “Thank you, the company recognizes and appreciates your efforts.” But during

difficult times, management may push back at spending money on such a program and ask why it is needed.

The rationale again addresses retention:

- The program only rewards those that “go above and beyond”— those employees who are “keepers.”
- A survey by Salary.com found that 34.2 percent of current and former employees feel there is “insufficient recognition or appreciation of their work, talents and capabilities” and give that lack as the reason for leaving their jobs.
- A recognition program does not have to cost much. Many such programs use certificates of appreciation signed by the executive in charge of that function, a personal note to the employee from the manager or someone more senior, or even \$5 gift certificates to fast-food establishments.
- The cost of such a program is insignificant compared to the cost of turnover, especially of key team members.

Peer teaching can be included in a recognition program. This may present an opportunity to teach the award winner new skills, thereby increasing that worker’s value to the organization or preparing that person for future movement within the organization.

For the company to get the most value out of a recognition program, regular and public communication of awards is critical. An example of such communication could be creating an

announcement section on the company Web site where winners would be congratulated or giving the certificate to the employee in a town hall meeting. Public recognition costs very little when compared to the good will, morale boosts and cultural reinforcement gained.

One caveat is warranted here. A recognition program can be world class and still be sending a conflicting message. If a company recognizes its star performers, then it must eliminate its bottom performers, especially in tough times. The company cannot afford to keep such employees, and it sends the wrong message to the workforce. Human resources must make sure that its performance management system is working prior to announcing the reward and recognition program.

### Training

Training is not only a major driver of employee engagement, but it is critical to success during times of downsizing. In tough times, businesses want employees fully engaged, especially as they reduce staff. Training is one way to ensure full engagement. A 2007 Towers Perrin global study on engagement found that 83 percent of employees “look for opportunities to develop new knowledge or skills,” and 84 percent “enjoy challenging work that will allow me to learn new skills.”

Every staff member needs to have a personal development plan. The plan addresses critical gaps in skills,

knowledge or experience and should be the result of a meeting between employee and manager. Follow-up meetings need to be held at regular intervals, such as monthly, to review progress, with any revisions being integrated at that time.

As one training tool, job rotation works well to get employees cross-trained on critical processes, prepared for promotion or ready to take on more and different responsibilities. Use of this technique requires operations to work with human resources to ensure success and compliance with company policy and any applicable laws or regulations.

In addition, senior management must ensure managers are held accountable for employees’ development. This action helps build a culture of interdependence and teamwork, a necessity during lean times.

### Work-Life Balance

According to a Coopers & Lybrand survey, Generation Xers aren’t impressed with money but rather with a balanced lifestyle. Increasingly, employees want flexibility in their jobs and will remain with an employer who guarantees it. In tough times this is especially critical.

For example, the message to call-center management is: Staff adequately to minimize overtime, which reduces impact on employees’ work-life balance and avoids wearing employees out; and acknowledge nonwork priorities, such as taking a family member to the doctor.



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It has been found that employees become loyal to companies that practice this rule because it shows respect for them as individuals, not just employees.

## Organizational Changes

During such economic upheaval, it is important that the organization as a whole envisions those enterprisewide changes necessary to survive. A few of those changes include:

- Flattening the chains of command
- Training for front-line managers
- Improving internal communications, which are critical in labor-intensive industries like call centers and shared-service operations.

Management must change how it thinks of employees, viewing them as assets, not expenses. This impacts retention, loyalty and engagement as well as customer service levels. This radical change in management's approach results in asking different questions of employees and different actions. For example, instead of saying, "We'll implement mandatory overtime to cover backlog," management would ask, "Are we acting with disregard in implementing mandatory overtime because it could burn out our people [assets] and hurt retention and customer service metrics?"

## Metrics

In order for human resources to show the value of all the actions taken to

address the difficult times, metrics must be set, especially those showing incremental revenue saved or customer service levels achieved. For management, the metrics should include percentage of employees on track with personal development plan completion, and other training metrics. Given the ongoing organizational changes, project timelines and milestones need to be tracked, as does each manager's progress with communications.

The most important part of metrics is aggressively reporting them to management and employees. Weekly forums should be scheduled where employees are not only informed about progress, but are allowed to ask questions, and provide input regarding any necessary changes. Given the change in how management looks at its employees, their input is critical and must be a welcomed part of the process.

## The HR Mandate

When companies face difficult times, human resources is given a golden opportunity and a mandate — an opportunity to prove its worth and to step up to the plate and show hard savings.

Human resources must be decisive. It must do away with quick fixes and adopt an attitude of cost-effectiveness. The challenge includes facilitating changes in manager behavior and attitude, such as ensuring managers are trained; using

360-degree manager assessment focused on retention/engagement; and, where necessary, placing employees where they can be successful or terminating them.

It is during high-stress times that human resources must become more interactive with managers and employees, implementing exit interviews, suggestion systems and employee meetings. Employees must feel rewarded, recognized and appreciated, while managers must be recognized for retention/engagement, especially of top performers.

Human resources must be proactive, highly focused and diligent to prove its worth during economically tough times.

Read more about the elements for consideration in people strategy during financially hard times as well as specific methods for successful communication with employees at [www.worldatwork.org/workspan](http://www.worldatwork.org/workspan). 

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