

ROLE OF HR IN NAVIGATING THE ECONOMIC DOWNTURN

- ASHOK GROVER -

Economic meltdown, widespread lay-offs, crashing stock markets, bankruptcy of super giant corporates.... What more was needed for the HR guy to immediately ban all fresh recruitment, cut down on every training activity and try to save his company through all possible cost-cutting measures!

Though this may be the most common and perhaps most obvious approach; but does that also mean to be the “most appropriate”? Certainly not! At best, it can be termed as the easiest, panic triggered knee-jerk reaction instead of a well planned, well thought of response. Ah, easy to comment like that; but can we afford to continue the way we were working till yesterday?

No way indeed! The times are really tough; but that’s when the tough gets going. Let us see how HR needs to respond (and not react).

1. Do not panic - Howsoever bad may be the scenario, panic never helps. At best, it can take away your ability of rational, logical and cool thinking pushing you in further uncertainties and initiating a series of negative chain reactions all around.
2. Analyze the situation in your environment - Don’t follow blindly what others are doing. Evaluate how the changes are affecting or are likely to affect your industry, your business. Those ground realities should define your course of action rather than the news of massive lay off by a totally unrelated, unconnected industry.
3. Forego “one-size-fits-all approach” approach - In a situation like the present one, HR-related issues should be handled individually and strategically, rather than following the generalized common approach normally resorted to in other economic crises.
4. It is the time for shake up - Yes, the time to make operations more efficient, more effective. This is the time when you can ‘afford’ to be somewhat less tolerant to non-performance and weed out the deadwood. This must be done through serious performance measurement exercise. But, these difficult, painful situations must be

handled in a manner that is professional and least painful. It must be done in a direct and transparent manner. The worst thing for an employee is to find out about their future through the media. That is much more painful as compared to the news itself.

5. Involve people - If you really need to downsize even if there is no deadwood, involve your people in discussion. There are numerous cases when employees have offered or agreed for organization wide cost containment approaches and across-the-board cuts in salary and bonus in preference to partial lay off.
6. Redesign salary packages - It is high time to redesign compensation structure to have higher component of variable pay and expand the use of long term incentives. Such initiatives create win-win situation for all stakeholders at all times - short-term or long range.
7. Look strategically at the cost-cutting - Cost cutting is need of the day and inevitable; but considering the fact that cuts in training may significantly undermine employee morale and engagement, efforts should be readjusted to involve more in-house faculty as compared to external trainer and on-site programs instead of outbound ones. Such measures will ensure that even with some reduction in training budgets, the basic importance of training and development is not lost site of.
8. Strengthen your talent pool - Till very recently, the markets were booming and there are areas where you were not able to get the right talent even at the inflated bills. Shutting the door today to all recruitment will be a foolish decision. A slowdown is a good time to make finer moves and separate wheat from the chaff. In booming times, you get reduced to a recruiting agency and are not able to do many things you would love to do. This is the right time. Hiring must continue; but needs to be judicious, thoughtful and focus on bringing on board the right fit for today and tomorrow. Invest in people today when their appetite is at lower level; but work hard to make them a part of the team, so that they stay put and deliver when you need them the most.

9. Keep the team motivated – Job losses, whatever the extent or level, create insecurity that can kill the working environment. Employee morale is bound to sag and rumour mills start working overtime. HR faces a tough task to keep employees motivated in such uncertain times. It is possible only through direct and unambiguous communication with employees. The communication should be as close to the real situation as possible. This helps in keeping people together and builds your credibility. An effective communication will make them appreciate the ground realities and they will be more willing to accept some harsh decisions in the interest of the organization. In a tougher and more demanding environment, keeping employees motivated is increasingly important. It would be counterproductive to demotivate and lose your most important human assets adversely affecting the future of your company in order to cut short-term costs.
10. Concentrate on your core area – While it is always wise to focus on your core competencies, perhaps this is the time to decide what you can outsource. The sentiments are low and going sluggish. You can negotiate better in such a situation and win long term loyalties of the service providers, because in one way you are helping them in today's gloomy scenario.

All these points are simple logic and even though addressed to HR, are equally relevant to all business leaders. The common thread all through is that one needs not to react but respond to the situation – with an analytical and proactive approach.

So take control of the steering today. Once you can do that, further whether you need to use accelerator or brake, it won't really matter much.

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