



Supersizing to Downsizing – The Power Shift

Downsizing Heralds A New Employer-Employee Relationship In The Workplace

No longer regarded as a short-term fix, downsizing has transitioned into a management tool that helps companies adjust to changes in technology, the global economy and business direction. With that trend firmly entrenched, HR and Executives are facing a new challenge: Reconciling the conflicting goals of workforce realignment while retaining talented workers.

Despite the global financial crisis, of the HR and Executives that we asked, 40% said their recent downsizing efforts were done to strengthen future position rather than 20%, which said financial difficulties alone spurred staff cutbacks.

Our research also noted that of the organizations surveyed, 60% which have gone through staff cut-backs have also invested significantly in retention efforts for the remaining staff. HR and Executives were also of the mindset that downsizing efforts will become "everyday occurrences," rather than dramatic events, leaving HR departments to confront the inevitable repercussions of lower morale and reduced trust in management.

Another recent report produced by the Australian Institute of Management compliments these findings saying that "although a large percentage of businesses are looking at downsizing and retrenchments, 87% of CEOs and business owners believe their companies will survive the global financial crisis, and 81% say investment in employee development and retention will benefit their companies in the medium-term."

Negotiating the New Ground Rules

Despite the new economic realities, which have taken hold and are now fundamentally reshaping the nature of employee/employer relations, businesses should beware a re-emergence of the old "master-servant" employment relationship. Employees recognise and understand that unless they are willing to make, in some cases, very substantial concessions, they may find themselves out of work for a considerable period of time, but for employers to cash in these chips is risky business.

This is instead a perfect time for employers to work constructively with their employees on solutions that minimise the number of compulsory redundancies, whilst still doing the right thing by the remaining staff. The challenge facing an employer is how to retain the talent pool it wants and demonstrating a sense of "fair play" goes a long way in doing so. If nothing else, it ensures that those employees who are retained during the downturn will not hit the road at the time of their choosing, once the economic climate improves.



Below is a summary of some of the key issues that our clients identified as fundamental in delivering the necessary changes to their businesses:

- Identifying the key strategic objectives and being clear and concise in communicating that to employees and why they are necessary.
- Establishing a clear timeline as to when it is intended that the changes will take effect.
- Considering proposals to vary contractual terms and ensuring there is a formal consultation mechanism for staff being affected.

Employers Should Focus On The Relationship

Employers often feel powerless to counter the de-motivating effect that “rationalisation” strategies have amongst employees. With change being the order of the day, we have put together a list of practical steps that managers can take to help ensure the focus remains, the staff stay motivated and that everyone is involved in proactively helping the business and themselves through the downturn.

1. Clearly identify the most important business measures (KPIs = Key Performance Indicators) that will keep your business afloat during these challenging times.
2. Training will be a major area of competitive advantage in the economic downturn. Start your training by teaching how the metrics of your business work (especially the basic financials) and how employees can impact these measures day to day.
3. Don't skimp on induction processes as it will affect your bottom line. No matter how well-qualified your new employee is, they don't understand your business, systems, or customers properly yet and this will cost you money if they are not up the curve quickly.
4. Restructure communication so you measure, manage and communicate according to your KPI charts. Ensure your regular meetings follow an agenda that reference your goals and metrics.
5. Look at flexible workplace or family-friendly policies. Why, for example, have staff in at 8:30am if things don't get busy until 10:00am? Let them drop the kids off or let them work longer days and maybe not work Fridays when nothing happens anyway.
6. Consider allowing your employees to work from home and/or for reduced hours. Some employees will love this as you're offering them a flexible workplace and letting them buy their time back. Common occurrences currently seen are 4 day weeks or a 9 day fortnight.
7. Cut out paid overtime wherever possible. Manage workloads closely, use flexi-time, time off in lieu, and annualised hours.
8. Consider a “boomerang” approach where you offer employees long-term unpaid leave so they can travel whilst your business rides out the storm. You may even assist them in this by providing them with business contacts and references. Some organisations are even offering a “retainer”, whereby they pay the employee a % of salary (say 20%) to take 12 months off.
9. Similar to the concept of Refer-A-Friend to find new employees, some businesses have had success offering Refer-A-Customer or sales commissions to staff even if they are not in sales roles.
10. Apply performance-based pay, incentives, or bonuses. Keep in mind that these can be non-financial incentives. Ideally, all incentives should be results of pre-determined outcomes linked to the business's key performance indicators.
11. Celebrate small and big wins and use these celebrations to focus staff on doing the things that have the biggest impact on your key measures.



The Verdict

The measures taken now will be key in the ongoing success of the business. Research suggests that by using motivational tools to encourage staff during stressful times, companies can communicate their commitment to the wellbeing of employees, encouraging them to work as part of a team and prepare for the economic recovery, which will come.

The bottom line is that companies that react to the downturn and take the appropriate actions are on the right track, but in order for programmatic changes – like adopting performance-based equity – to really drive the success of the business, companies need to get the relationship they have with their employees right first.