



Managing Your People Portfolio

*Strategies for Ensuring Your Best Assets
Continue to Grow Your Business*

Stabilizing Your Best Assets: Your People

With all of the trauma and turmoil in the financial markets since the end of last year – the buy and sell storm of tumbling shares and plummeting stocks – one asset critical to every business’ survival and ultimate growth is still going largely overlooked: it’s people.

Yes times have been tough, but corporations and companies who divert all of their attention exclusively to the tickers and the P+L columns of balance sheets, are seriously risking the health of their people portfolio, if you will. By focusing solely on short-term profitability companies will surely upset the most important balance between their current talent pool, existing skill set and the ability to meet critical business deliverables that drive future growth.

Just as stock values hang in the balance in difficult times, a company’s staffing strategy can undergo extreme strain. Budget cuts, lost accounts, shrinking sales can all place employee and employer under massive pressure. Does a manager make necessary staffing cuts to maintain short term profitability now – which may send a ripple of panic through the workforce – or play the long odds, hoping to stay strong through recession and edge out competition – a move which can put the short term economic health of their business in peril?

Outside of the company too, are there incredible opportunities to buy? To pick up talent from downsizing competitors at what amount to bargain prices?

Faced with uncertain macro economic circumstances, unfortunately many companies play the short-term odds, meeting immediate financial needs by cutting staff. In doing so, they can de-stabilize and devalue their current assets – their remaining employees – and leave their people portfolio weakened for the future.

This paper examines simple strategies examines the dual approach to both stabilizing and motivating your workforce in trying times as well as preparing your business for future recruitment and growth.

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Those uncertain economic conditions: how bad are they?

One thing is sure. The economy is keeping the analysts and the media pundits busy with conflicting predictions over the severity and duration of the recession. But if you read between the lines there are definite signs of recovery. CNN Money reports in June that the Leading Indicators index, a report that charts the rise and fall of consumer goods orders, housing permits, the financial markets and many other factors, showed its steepest two month gain since the months after the 2001 recession. We're not out of the woods yet by any means, but it is encouraging.

Unfortunately the labor and job market lags behind the financial markets by a good six months or more. So we are in for bad news on the employment front. The US Department of Labor statistics indicate that June saw its first decline in the number of unemployment claims – the biggest drop in seven years, but analysts caution at least part of this may be due to unemployed workers exhausting their benefits allowance. Healthcare continues to grow and offer opportunity and the housing market and construction recovery appears to be slowly getting underway. Hard hit areas such as Miami have shed their inventory of unsold homes by 40 percent, and New York, Rochester and Boston by 13 percent. Experts say the recovery in housing is already started on the West Coast with a ripple eastward spreading across the country.

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So all of that said, while we wait for conditions to improve, for unemployment to go down and stimulus dollars and recovery to lift everything up, what should a savvy HR professional or hiring manager do? Faced with the very real current economic pressures of today and the need to plan for future recovery, what decisions need to be made now?

“When things go badly, people’s ‘fight-or flight’ response is stimulated.”
– James K. Harter,
Ph.D., Gallup

Questions to Ask: Things to Do

Ask yourself this: Is your business and your leadership team in a position to act quickly – to stabilize employees now and remain flexible for upcoming opportunities? Can your business motivate and incentivize demoralized workers perhaps in the aftermath of company layoffs and ongoing job concerns while still preparing for future growth that may be around the corner? It’s a fine balancing act but one that must be tackled now.

First Things First: Dealing with Survivor Syndrome

May was tough. According to the US Department of Labor statistics, there were 2,933 mass layoff actions by US companies, putting more than 280,000 people on unemployment. While the rate is slowing according to most reports, there’s a nasty after shock that often goes unrecognized and that can pose a further threat to business that already have made some tough decisions.

What are we talking about? Survivor Syndrome – and the critical need to protect your business and your people, or assets, against it.

A recent survey of companies undergoing layoffs of workers revealed that those companies later went on to experience a further 2.6 percent employee turnover after layoffs, due in part, to employee uncertainty and fear over job loss. That may not seem like much, but the US economy lost 2.6 million jobs in 2008, which means a further 67,000 could be at risk from the effect of Survivor Syndrome, a potent mix of emotions that can interrupt and damage employees’ ability to do their jobs well. Sufferers are relieved to have kept their jobs after layoffs, guilty about doing so when their colleagues didn’t and highly anxious that further cuts will mean the next time it could be them.

If you’re inclined to dismiss this as corporate coddling of employees at a time when tough decisions are being made, think again. And do the following:

Step 1: Implement Employee Support Systems

An employee's co-workers are almost like family – workers spend more time with colleagues at work than at home with their real families. But when layoffs happen, those colleagues are gone and workers are left behind feel their loss. Unlike losing a family member where a person can turn to supports systems or counseling, employees are left at their desks all too often to bottle those emotions and get on with their jobs.

Ignore this and you're placing your best assets in an environment of stress and potential flight from your company. Consider bringing in short-term counseling and create a forum for employees to share their feelings and concerns before the problem becomes bad.

Step 2: Expect Performance Damage

No doubt about it – performance is going to suffer. After layoffs employees keep their heads down. Nobody wants to be noticed or singled-out for any reason, good or bad. Solid performers, even, will suffer. In such circumstances, it is essential to motivate workers, and particularly to recognize anyone who manages to perform well. They are your key assets and the backbone of the future of the business. Consider changing the ways you monitor and reward performance to create an opportunity for communicating to staff about potential rewards.

Step 3: Demonstrate Caring

There will be a divide in the workplace. An assumed them and us. If your company's outlook is bad, this needs to be communicated soon; if things are improving, employ the same strategy. In times of change, there can never be enough communication and managers need to be both visible and vocal. It may be an idea to address any lingering feelings of resentment and mistrust by creating changes that make employees happier: flex scheduling, telecommuting, changed hours.

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“If a window is broken and left unrepaired, people walking by will conclude that no one cares and no one is in charge. Soon, more windows will be broken, and the sense of anarchy will spread from the building to the street on which it faces, sending a signal that anything goes.” – Malcolm Gladwell

Step 4: Lead by Example

Managers manage. You must set an example. If employees have lost jobs, freeze pay raises and bonuses for all management immediately to prevent opportunity for employees to feel polarized from their leadership. Consider, also, a grand gesture – the CEO working for just \$1 as in the case of Apple’s Steve Jobs.

Companies that can take these kinds of steps, can secure employee peace of mind quickly, allay fears and prevent employee flight. They may also create systems and an unexpectedly beneficial company culture that will prove attractive to new candidates and may function as a recruiting tool for the future and economic recovery.

Managing the Employees You Don’t Have - Yet

Ok, step two. You’ve stabilized your best assets, reassured your people, made concessions and changes that will immediately start improving motivation and culture. You have shored up, but what about long-term planning?

Too many companies wait until the market has fully recovered to start even thinking about hiring new staff to meet growing demand. By then, the market has returned to full competitive levels and an important opportunity has been missed.

It’s critical to start long-term planning today; to avoid being distracted by the current economic conditions and to have at least the foundations of a staffing strategy and growth plan in place for the coming recovery.

1. First Shake up Old Systems

Very important: before planning for the future, make sure your current systems and culture is intact and healthy after employee loss. Firstly, identify your current key performers, recognize them and reward them. They will become motivated and other workers will notice, hopefully following suit. The beginnings of a post lay-off employee culture need to be built carefully in order to create a base of employees who can then act as both referees and

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testimonials for your business when recruiting future staff.

It's not easy, but your management team needs to engender a new culture of communication too. Everyone needs to understand the road ahead and the way to get there. It's a good time to set new employee and manager goals, to get specific with deliverables and deadlines and create an atmosphere of industry.

2. Getting out from the shadow: managing reputation

It's hard to hear, but if you have had layoffs, your company is looking at a long shadow of doubt – experts say as long as 12 months. Customers, clients, vendors – and most importantly – future employees are all watching your business' stability and viability with concern. It's critical to take very visible steps to address any negative impact on your company's reputation with the people that will fuel its future success. Tell positive stories in the media; share success and growth with customers; generate word of mouth about your brand any way you can through newsletters, sales calls and a concerted effort to gain face time.

3. Retool and Redesign the Staffing Map

Take a breath. Then get started on a company-wide analysis of your current talent pool. If, like many companies, you have made cuts to the workforce, that map has changed. So too have employee roles' and the plan for the future.

Consider using one of the new sophisticated but simple-to-use, online performance review tools to redesign your staffing map and identify where areas for growth and additional resources may exist.

Doing this can help answer important questions: are your best people in the right positions within your organization to make an immediate difference given the post-layoff world? Are your assets organized appropriately for your company's changed role and needs moving forward? It's time to find out. It's also time to make a shopping list of the talent you may need six, seven, eight months from now.

An external recruitment specialist, such as any one of our specialists at McKinley Group, can help you work through this process with a more objective eye on your business and your needs.

4. Go Window Shopping

Your competitors have been laying-off and restructuring just like everyone else. The landscape for available candidates for future positions has shifted. Make sure, while business may be slower, to invest the time in understanding who is available. In choppy labor markets, job candidates have perhaps changed their expectations, altered their immediate career goals and are obviously eager to talk. Price tags on salaries are lower, bargains are out there. You may not be able to hire today but your organization needs to be positioned with the intelligence, contacts and understanding to act quickly when the situation changes as change it will.

5. Extend Your Online Network

In the search for future staff, it's the single most important factor. Nielsen reports that social networks are 68 percent more popular than email. Facebook is now used by more than 150 million people and in 35 languages. Half of those users use Facebook every day.

Social networks and online communications cannot be ignored. At the very least your company website should be up-to-the-minute and a portal of breaking news and industry information in order to attract as much attention as possible for potential recruits. Make sure your company's online profiles are up to date and also updated frequently. Your firm's leadership should be working continually on Linked-In networking and a sound, cohesive approach to tackling other social media outlets should be devised. In today's recruiting world, your company should have a highly visible Linked-In, Facebook and Twitter presence as a start.

- *Facebook is now used by more than 150 million people globally; half use it every day (source: Mark Zuckerberg, January 2009)*
- *Total number of US Twitter users has grown 1,000 percent from February 2008 to February 2009 to 4 million users (source: Nielsen online)*
- *LinkedIn now has 30 Million US users and is the most powerful social networking site for business use (source: Comscore)*

“The way that you communicate – the value that you show for people – goes a long, long way toward assuring them about the sincerity of your care and your compassion for people as human beings,”
Barry Conchie,
leadership expert and
coauthor of *Strengths Based Leadership*

6. Pick Up the Phone

It can be easy to hide behind email and online candidate-searches, but any salesman will tell you, you have to pick up the phone.

Don't just send or post a job opening, find a reason to call your contacts, network and stay in front of those who may share intelligence or aid in the search for future staff.

Do all of these things and your company will be armed with the intelligence, data, contacts and ability to act quickly as the economy returns to strength and your business needs change rapidly alongside that.

Summary

Things To Take to the Bank

We think about all of this stuff all the time at McKinley Group. We may not be financial market analysts or money managers but we do understand key assets for any major corporation or business: the value of people, the currency of key career opportunity and the absolute bankability of talent.

While the media watches, dissects and serves up blow by blow analysis of the rocky economy on a daily basis, we're far more interested in your own short-term gains and long-term growth strategy. Do you have enough people, too many, the right ones, do you have the talent pool and sub skill sets to meet today's challenges as well as tomorrow's growth possibilities.

To learn more about us and the McKinley way, contact one of our partners today. We'd be more than happy to get to know your people better. www.mckinleygroupinc.com.

About McKinley Group (www.mckinleygroupinc.com)

McKinley Group has been named to the Inc. 5000 and Minneapolis St Paul Business Journal Fast 50 two years in a row and is ranked by Twin Cities Business as the number one executive search firm in Minnesota. In 2007, the firm placed more than 350 candidates in key positions for a wide variety of clients and regularly fills more executive search positions than any other firm in the state. McKinley Group's roster of clients includes a long list of blue chip, household name clients as well as growing businesses across Minnesota who use the firm's expertise and services to find, negotiate and secure talent in the fields of consumer products, sales, marketing, engineering/operations and information technology.

"I am convinced that nothing we do is more important than hiring and developing people. At the end of the day you bet on people, not on strategies." – Larry Bossidy, author, former CEO AlliedSignal/Honeywell

