

How can you keep your talent in a downturn?

A major dilemma facing organisations in an economic downturn is which people they should let go and which ones they should retain. Release or retain is not as straightforward a choice as it may appear.

It's a general fact that organisations have a poor fundamental understanding of the high-value skills and abilities of large numbers of their people. When a major commercial bank decided to get rid of 500 of their branch managers because they were assumed not to have the ability to take initiative and grow business, they found, to their amazement, that over half of them had started their own businesses within three months of leaving the bank.

A downturn is a good time for CEOs and their managers to rethink their approach to human capital. They need to source or develop processes that enable them to know who they can make redundant, how to handle that process, and who they should make every effort to keep. Companies that do this will be able to retain and recruit middle-level talent – a group that is generally overlooked in favour of the few high profile stars, but who are the people who form the backbone of the firm's performance, are the "farm system" that creates bench strength, and who, in a tightening job market, provide stability and continuity and deliver value. In a tough business environment companies that develop these competencies and processes will move ahead of the pack.

A recent survey from The Institute for Productivity showed that in response to the economic downturn 88% of firms plan to cut costs, while a separate survey, this time by Towers Perrin, found that 40% of companies expect to do this by cutting people. This is, of course, a relatively standard approach in times of slowing

business, but before companies go down this route they ought to read the health warning on the packet.

The May 2008 issue of the *Harvard Business Review* cites research showing a positive relationship between laying people off and increased voluntary turnover – i.e. firing people has a knock-on effect on the rest of the organisation, and increasing numbers of people choose to leave of their own volition. Perhaps the most startling finding of the research is that only a small number of forced redundancies cause a large number of volunteer departures. The research found that as little as a 1% layoff of employees triggered, on average, a 31% increase in voluntary turnover.

So how do you cut cost – and people – and still retain the talent you need?

The first decision companies need to make is what they plan to cut. Is it people or jobs? Too often it's the former. The word comes down to each division or department "Reduce headcount by 15%". Which, in any practical sense is nonsense! Do the lowest paid 15% get fired, or the highest paid 15%, or just a random 15% picked from a hat? What are the criteria and do they ensure that productivity and performance are maintained while costs are reduced?

The place to start is with jobs. What outputs, results or deliverables are least important? It's a matter of forcing the priorities - the jobs that produce the least essential outputs are the ones that need to be cut. But what about the people that are doing these jobs? Are they just collateral casualties in the process, or are they

valuable individuals whose skills, knowledge, experience, and potential can be applied elsewhere?

In a number of situations where jobs are being cut (downsizings, mergers, takeovers, etc.) we have found that most individuals do not have a good understanding of their strengths, their potential and their value and because the company doesn't have a good handle on these things either, our approach has been to get the company to segment people into three groups: (1) those they are sure they will be retaining, (2) those they are sure they will be letting go, and (3) those they are unsure about. We have then given the company a process for the individuals in groups 2 and 3 that focuses them on gaining an understanding of what their strengths are, what their abilities are, what their capabilities are, and what their value is (which we call their "personal equity"). They are then trained in how to present and market themselves either for possible jobs within the company or in the external marketplace.

The cost of this process is far less than the normal cost of redundancy and outplacement. Its first major benefit is that some of the people who would have been let go are recognised as having valuable skills and retained. And the second benefit is that those who are made redundant spend significantly less time getting other jobs and therefore incur significantly lower outplacement costs. But the biggest bottom line benefit is that talented people are retained.

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strategy people performance

Penumbra is a strategic business consultancy. We bring clarity by using research to drive understanding and direction. We deliver success by balancing experience and innovative thinking.

Whatever your aspiration, we'll provide the tools, information and analysis to turn your strategy into operational reality, in a way that motivates your people to outperform the market.

Overview

As a strategic business consultancy, our expertise is in helping our clients executing strategies and delivering results.

We achieve this by combining a robust management planning system with a focus on people which drives alignment and commitment

We work in partnership with talented and committed leadership teams to help organisations build corporate value with a wide range of customised, cross-functional advisory programmes and services delivered from four complementary service groups:

Strategy

(Development, formulation, implementation and alignment)

Our innovative **Penumbra Balance** approach creates dynamism, drives and sustains momentum and makes strategy real for stakeholders

Organisational Development

(Behavioural issues)

We call our holistic approach **Balanced Motivation** which encompasses activities that improve performance both for the organisation and the individual

Research and Insight

Our stimulating **Clarity** approach draws on our business consulting skills to deliver a mix of business analysis and market research which

provides compelling insights for winning decisions.

Operations

The Operations practice brings all of our hands-on practical experience to bear on execution and delivery of results.

Our technology enabling approach called **Totality** facilitates business focussed services and solutions, aligned to business needs, for people, processes and tools.

Why Us?

Organisations turn to us when they:

- Want to find a new strategic direction
- Have created a strategy and now need to execute it
- Need to drive more value from existing initiatives
- Have a big issue to resolve, usually dependent on lasting employee buy-in
- Need to explore new ways to drive value
- Need a breakthrough result
- Are seeking measurable results

Our Experience

We have real world experience spanning 20 years with our clients. This includes working with:

BP, Citibank, Morgan Chase, WestLB, RBS, UBS, Bankers Trust, Kleinwort Benson, Coutts, Natwest, Intel, Nokia, Adobe, Kall-Kwik, Glaxo Smith Kline,

Dupont, Pfizer, Savills, British Council, Clifford Chance, British Airways, Gillette, Unilever, Shell, Volvo, Vauxhall, British Gas, TradeStation, MWB Business Exchange, Investors in People, University of Cambridge

On projects such as:

Strategic Planning, Strategy development and implementation, Culture change, Post-Merger Integration, Vision, Purpose and Values, Current State Analysis, Organisation Re-design, Transformational Change, Client Focus Strategies, Perception Studies, Client and Staff Engagement surveys, Global Rebranding, Know your Customer, Market Forecasting, Consumer Insight, Market Segmentation, Process optimisation, Lean/Six Sigma, Project Management, ERP Systems Roll-out, Market Research, Financial Modelling, Franchise Start-up Evaluation models, Cost Benefit Analysis, Implementation Alignment, Strategic Alignment, Complex Database development, Custom Application development, Supply Chain Optimisation

Covering diverse sectors such as:

Financial Services, Pharmaceuticals, Manufacturing, Energy, Mobile Telecoms, Travel and Tourism, Aviation, Property, Hi-tech and Business Services