



Talent Sustenance During Economy Slowdown

KEYWORDS

Retention – asset – strategy People – slow down – employee Talent – brand – work culture

Dr. M. Nasir. Zamir

Associate Professor, Deptt. Of
Commerce, AMU, Aligarh.

Dr. Sheeba Hamid

Associate Professor, Deptt. Of
Commerce, AMU, Aligarh.

Shoaib Mohammed

Research Scholar, Deptt. Of
Commerce, AMU, Aligarh

I. INTRODUCTION

Jim Collins once said, "People are not your most important asset. The RIGHT people are." As the economic slump continues to loom, employees across the industries are concerned about the security of their jobs. They have started to look outside their company for security and growth. The current situation has made retrenchments a real possibility and therefore job-security has become a key deciding factor for employees. When uncertainty prevails, there will be employees who will want to move out to safer places or jobs that will be guaranteed for a longer time.

There will be hiring and there will be attrition, though the numbers may be small even if the economy has slowed down.² Loss of talent can have a serious impact on customer service and severely impair the capacity to develop future leadership. It is a catastrophic situation for the organization in the times of economic downturn when employees with the right kind of competencies decide to leave as slowdown requires improved productivity with lower costs. Because of the economy cooling down as of late, lay-offs have begun to plague the economy, unemployment is rising yet statistics have proved that companies have lost maximum number of employees during this period. Hence, in the current context of global recession, the most nebulous issue for human resource professionals is pertaining to retention of employees.

The "war for talent" continues despite the slowdown. The latest recruitment survey from people management experts, The Chartered Institute of Personnel and Development shows that three-quarters of the 747 organizations surveyed are experiencing recruitment problems – this compares to just over half in 2000. This figure rises to a staggering 89 percent in the public sector. Over fifty percent of the organizations surveyed are also struggling to hold on to their employees.³ Successful organizations realize employee retention and talent management are integral to sustaining their leadership and growth in the marketplace.⁴

Retention is growing in importance due to recruitment difficulties, high labour turnover and the need to motivate staff affected by reorganization.

II. ATTRACTING AND KEEPING THE RIGHT TALENT: A CHALLENGE IN TODAY'S TALENT STARVED MARKET SCENARIO

According to Creeten (2008), 'war for talent hits every manager's desk'. For the successful working of an organization and in a quest to retain talent, there are three very important elements that need to be kept in mind:

- people join great brands;
- people want to work for great companies;
- people never leave their organizations, they leave their managers.

i) Keys to Talent Retention

a) Becoming employer of choice

The groundwork has to be discovered that builds employee motivation, morale and price. Those factors have to be dis-

covered that influence a company's ability to hold on to people. For stronger sustainability of the workforce, the focus has to be on the employer brand. Employees want to work for a company that fits their values. The employees need to know that their work is valued and they contribute to the company's success.⁵

The fact that the downturn has highlighted is the importance of working in a reputed, professional and value-based firm.⁶ Employee-friendly organizations, having a professional management culture will be at an advantageous positions rather than those companies that have a 'hire and fire' culture, because as of now, job-security is a key deciding factor for employees when downsizing is not a remote thought for all the companies. Even in the current context of global recession, irrespective of the times, rarely the employees have stayed back in a job that gives them no joy and no future value.⁷

The way an organizations treats its employees through a tough time will shape their talent brand and send a message to the current workforce, whether they are treated as true assets or as dispensable fodder in the war for talent. The company that treats its employees as the latter will have employees who will seek more secure companies and the company will struggle to hire when the economic cycle takes of again.

In times of recession, it is tempting for the employers to slash training budgets on grounds of practicality. But it is important for the organizations to realize that trained people give the business a competitive edge which is urgently required in lean period and enhances their sense of value and job security especially in a downturn. On the contrary, if the employee feels that he is not getting enough development opportunities, he may decide to leave. So providing training opportunities to the employee will integrate his/her career plans with organizational objectives and help the company retain the best staff without difficulty. A slowdown can also heighten the value of developing existing talent. Unique development opportunities offered to the employees makes them feel valued as individuals and this uplifts their morale. These valued employees give their organizations maximum benefits from their skills and knowledge so developed. A worker becomes a "knowledge worker" after training and all progressive companies have to come up with innovative ideas that can retain their most critical resources, the "KNOWKERS" i.e. knowledge worker.

In times of economic slowdown, and turbulence, the core values of a company are put to severe test. It is at this time that the work environment and organizational culture play a decisive role in the retention of employees. Employees differentiate a good employer from any other employer through the feeling of well being generated at the workplace. And if the employee feels good about being associated with a particular organization then even reduced remuneration and salary packets during a downturn may not be able to disassociate an employee from his/her workplace because other major factors like job-security, recognition, gain advantage over financial aspects during a downturn. There is a significant percentage of employees who are worried about the future

and wise employers, during a recession, show appreciation for their workers and reignite passion and excitement that challenge employees to achieve high performance levels. These are people with exceptional skills, meritocratic and performance driven. Each time a talented knowledge worker walks out of the door, they take valuable expertise and organizational knowledge with them. A new study by leadership IQ reports that 47% of the high performers surveyed are actively seeking another job. All but the most short sighted employers will respect talented workers for their contributions as these "KNOWKERS" are well versed as to how to reduce cost and improve productivity which is the pressing need of the hour. Research has shown that employees who feel good about their jobs are more likely to work hard as compared to those who dislike what they do.⁸

To create a sustained cadre of 'knowledge workers' the factor that has to be kept in mind is, "while fair pay is an important factor in keeping an employee happy, there is so much more that the workforce looks for-trust, respect, feedback, training, active participation, having a say in matters, control and above all, the feeling of being needed."⁹ Even though most companies realize all this, there are many who still do not give these matters that attention they deserve.

b. Employee Engagement

Most firms lay emphasis on financial performance as an indication of success. But according to Girish Johar, VP, people and culture, Ericsson India, "people are the key asset at the end of the day. Thus, assessing their engagement and satisfaction is necessary".¹⁰ Most organizations these days aim at mapping employee engagement levels through regular and periodic surveys, opinion pools, group discussions etc. in order to improve productivity index and reduction in grievances. This leads to better organizational health and performance as an engaged employee is always willing to put discretionary effort, in the form of extra time, brain power or energy. Employee engagement is thus the level of commitment and involvement, an employee has towards their organization and its values. Research shows that committed employees perform better. An engaged employee stays longer and contributes in a more meaningful way. Employees' belief that they have a future with their employer is a leading driver of employee commitment, a recognized precursor to engagement. Thus employee engagement is a barometer that determines the association of a person with the organization.¹¹ Smart companies are readily addressing this issue by changing their own job environment in order to solidify their ability to compete now and in the future.

Employer-employee compatibility has to be brought to have a highly motivated workforce. Both pay and benefits can motivate workers to an extent. Over the years, researchers have proven that when it comes to retaining employees, money does not buy happiness. Most human resource professionals know that while workers welcome pay raises, the boost in satisfaction that comes with extra money typically does not last, nor do raises along keep employees loyal. The glow of more money wears off quickly without other rewards.¹² Corporate cultures characterized by teamwork, pleasant working conditions, considerate treatment of employees, growth opportunities, skill enhancement and abundant training opportunities can contribute to employee engagement. Companies with high employee engagement show a 50% differential in operating income over those with low engagement scores, making engaging employees critical for company success especially when a company is struggling for margins during an economic down turn.

In 2007, a team of researchers from Villanova school of Business and from Right Management, a human resources consulting subsidiary of Manpower Inc. that is based in Philadelphia, Pennsylvania, embarked on a project to learn more about the non pecuniary rewards that drive employees to stay with a company or flee. They chose the booming Indian labour market and examined the talent management practices of 28 companies operating; the researchers surveyed

4811 of those companies' employees about their attitudes towards their employers, including their intentions to stay or leave.¹³

The team's findings were as follows:

In India's despite salary increases averaging more than 15% annually in some industries, annual turnover rates among young professionals are averaging 15% to 30% and go as high as 50%. The explosive combination of ballooning salaries and rising attrition signals a tight market for talent that could constrain India's growth in the future. Of the many factors that affect turnover rates, the researchers discovered that when satisfaction and pride are at high levels, employees are likely to stay.¹⁴ No matter what the environment, employees care about non pecuniary rewards i.e., pride, satisfaction and support of the management team. In slow times, it is a mistake to cut back on these aspects.¹⁵

Studies and surveys analyzing the psyche of the employee have found that the work environment has a major impact on the behaviour of an employee. A balance between work and the personal goals and wants of an employee contributes positively to the retention of employees.¹⁶ The organization that are sensitive towards providing support and balance between work and home environments of employees have more probability of having engaged employees. With on-job stress taking a toll on the health and psychological well-being of a large section of the working population many people are pushing work life balance to the top of their priority list. By providing flexible working opportunities and appropriate policies for the employees, the company can help in balancing job stress and personal commitments. Thus an ideal environment can be created where employees have work satisfaction and happiness both. Challenging work, growth opportunities and a happy working environment will lead to retention of the best staff without difficulty. The organization must work to develop and nurture engagement.

Employee empowerment is another effective key to motivating employees. Today it is more than just a management buzzword.¹⁷ It means giving employees the liberty to perform their role to the best of their abilities. By giving the employees the paradigm to make decisions pertaining to their team, the organization helps them in executing their role better. A free hand to operate and take independent decisions in the interest of the company helps him/her perform the best. Clarity in role and objectives make them more goal oriented and focused. This leads to achieving accuracy in work, resulting into job satisfaction and confidence building.

According to B. Venkataprasad, Head, HR, Indus League Clothing Limited, "An employee will be motivated by rewards, both monetary and emotional and with the practice of better methods provided in training, it will provide role clarity and help to channelise the energy in the right direction".¹⁸ In many organizations which do not empower their staff, employees often feel micro-managed. This leads to a slow moving workforce that is minimally productive, lacks self-motivation and is unable to take prudent business or make innovative changes. In a nutshell, employee empowerment leads to employee engagement and thus adds to their productivity.

c) Energizing the Workforce through effective communication and healthy leadership

Employees look towards their bosses for motivation, encouragement and confidence. Morale building is just as important as goal setting and performance appraisal. A small gesture on the part of the boss can truly motivate the employee to do even better the next time. Managing morale becomes difficult during a slowdown. Employees, during these times, are anxious and distracted because of the fear of lay-off. With this growing insecurity, productivity also seems to be hampered. Hence, it is vital for organizations to keep their employees informed and make them aware of the various management decisions taken at times like these. During these

testing times, communication has become an important tool to keep employees in the loop.¹⁹

Companies need to share their approach to weather the downturn, reaffirm their commitment to the best performers and seek their support and commitment.²⁰ Wise employees will show their appreciation for their workers and reignite passion and excitement with activities and contests that challenge employees to achieve high performance levels.

According to Roy (2009), "To win in the war for talent, you need to create an ambience of learning, provide opportunities to grow, ensure fairness and, above all, invest in leadership that inspires and infects the team with passion".²¹ In times of stress and slowdown, the leaders must put their arms around their best people and tell them the true story. Constant and candid communications are of great importance. Open communication from management gives clarity and transparency and also accurate information reaches employees directly from the management instead of the rumours getting propagated.

According to Pankaj Agarwal, Managing Director and Group CEO, Mindteck (India), "Leadership teams, at all levels must work towards clarifying all doubts with facts and figures, thus avoiding potential negative vibes to grow within the office premises."²² It is more important to have an open channel of communication during trying times also. It helps the employees in making informed decisions, as it is important that they are equipped with the right information to make judgments on the veracity of the situation. For this purpose, a variety of communication channels can be used²³ for e.g.-

- one-to-one meetings
- many-one meetings
- notice-boards
- intranet
- informal discussions
- strategy discussions with top workers

Communication is a two-way street and so such a medium should be used that allows feedback. It is essential to have the pulse of employees and know what is exactly happening in their minds. Infosys Technologies reaches out to its employees through their corporate intranet "Sparsh". The content published on Sparsh covers the depth and breadth of what is happening in the company. News, events, policies, awards, e-newsletter from the various units, wikis, blogs etc. are published on the site and it gets updated twice daily.²⁴ According to R. Ramkumar, Vice-President, Corporate Marketing, Research and Communication, Cognizant, "At Cognizant, the management makes sure that every associate is empowered to know about the happenings in the organization and express their opinions and grievances. Our CEO, CFO maintain active blogs and it serves as an excellent mechanism for collecting feedback, expanding network, across our global employee base. Through this, we have made the entire management decision making process a lot more transparent."²⁵

When communication is opened up and a more fluid organization is created, an effective leader in the form of boss has already established trust and confidence in the minds of employees. When the employees feel valued, they get involved and they would like to stay. Bosses who try to create a positive work environment, have better workers who are willing to work extra hours or go the extra mile. On the contrary, a bad boss can severely affect working environment. A study from Florida State University published in Leadership Quarterly has attempted to quantify the same.²⁶ According to this study, 40 percent of workers in the business world think, they work for bad bosses and hence carry a feeling of discontentment. This discontentment may lead to looking out for another place and thus a company may lose a qualified employee due to incompetent and bad management. In short it means that bad managers cost corporations money. Losses in productivity above due to a bad boss are in the area of 50-70% of productivity.

According to Shailesh H. Mehta, eLearning evangelist and founder CEO, Gurukul Online Learning Solutions, "if an organization is transparent with its employees, the suggestions to tackle a difficult situation would come from the employees themselves and this would help the organization in handling the situation in a better way."²⁷ The leaders have to put their arms around their best people and get into honest communication with them. If costs are to be cut, the leadership must take a fair share of it to set an example. The worst decision a company could take is to keep the salaries of managerial staff high as usual while pruning the pay packets of the supervisory and lowers level staff. This could be the worst posture of the leadership in times of stress and slowdown. Downturns tend to make people stressed out and pessimistic. It is the duty of the leaders to bring in positivism through effective communication, take them into confidence so that they may understand business priorities and contribute towards sustained high performance. Leaders transform workers into winners as "management is an 8 to 5 obligation but leadership is 24 hour-a-day responsibility".

d) Succession Planning in the age of Millennials

It is essential for organizations to have a succession pool for undisturbed functioning especially in times of economic turbulence. Managers need to evaluate their current workforce with an eye for the future to ensure that they have the skill sets essential for the business of tomorrow. They should possess knowledge retention plans that preserve the intellectual capital of the company, retain their existing critical talent and also develop that talent to meet the competitive demands once the recession has ended. Many companies get rid of good staff and weather economic downturns only to find themselves short staffed once the economy has recovered and forced to hire second rate people. Hence succession planning assumes a strategic role as recession hits talent supply.

Tough economic times are not about financial meltdown alone. For the human resources function, the challenge lies in the ability of the organization to maintain a competent and healthy bench strength without digging into the corporate wallet. Retention is going to be a top business initiative over the next couple of decades in the age of the Millennials because this generation belongs to a more open culture, they are upbeat and ambitious in nature and want to achieve everything in a short span of time. A 2008 survey by UK recruitment consultancy FreshMinds Talent in partnership with Management Today suggested that Generation Y are generally more ambitious, brand conscious and tend to move jobs more often. A 2007 episode of the American TV news magazine 60 Minutes titled. "The Age of the Millennials" proposed that members of this generation are exceptionally tech-savvy. They are especially tuned to their own value in the job market, have limited loyalty to any particular employer, and insist on working in a stimulating job environment.

They have more options, more opportunities and a wider canvas to choose from, whether it's education, career or enjoyment. Clear thinking, crisp communication and restlessness is what defines them aptly. For this generation, growth, change and variety are the key factors. Managers have to coach them through problems rather than simply tell them what to do. This generation is more tech-savvy, possesses the kind of confidence the corporate world needs today and are high performance driven.

Organizations need to have a robust succession planning strategy which should begin in the hay days when the economy is booming, when both the risks and gains are limited. In a downturn, organizations have little to spare and turning inwards to help is the only option. This, however, would only be possible if succession planning was tended to as a critical strategic function in good times. Having a competent bench strength can help organizations produce more without pulling purse strings. But most organizations have a weak succession strategy and this can spell disaster for organizations in a dismal economy. The succession plan has to be more

of a 'progression plan' to hold back Millennials where the emphasis is on individual's growth and career progression. Succession planning should be articulate and must ensure that the right job moves are made.²⁹ Employers should target high-potential employees extremely early in their tenure and create accelerated development plans for them. In the high-velocity market place, if the young, high-potential employees do not get professional opportunities soon, they begin looking around for other organizations that can provide them.

Succession planning is integral to corporate management and can save organizations caught in a downward spiral. However, this is only possible if organizations adequately invest in it during good times.

III. SUGGESTIONS AND STRATEGIES FOR TALENT SUSTENANCE DURING DOWNTURN

The primary challenge during a recession is that employees have long memories. Those who survive lay-offs are the talented high-performers that companies want to keep. Once the market recovers, those employees will remember how the company treated them and their less fortunate colleagues and may leave for "a more appreciative work culture". Hence human resource managers must manage strategically so that the right people remain in the right jobs when the market turns. The focus, therefore needs to be on building a work-culture that can bind employees to the organization in such a way that they feel more engaged and generate a sense of ownership towards their workplace. The following suggestions will go a long way in creating a foundation of sustained retention:

- i) many companies are delaying raises and promotions under the belief that these actions will reduce costs. But they reduce costs only in the short-term. On the contrary, it allows morale to drop and damages employment brand which ends up costing more. So cuts and freezes should be based solely on employee performance and future opportunities.
- ii) Critics argue that a continuous inflow and outflow of people into any organization keeps it healthy but care should be taken to ensure that outflow does not exceed the inflow. Necessary steps should be taken to identify the causes of turnover and to ensure that it is kept at an acceptable level. Succession pool has to be drawn up and deepened.
- iii) Incentive plans were put in place to reward and motivate. If talented employees are underpaid for too long, due to market place changes, there is a risk of losing them whether the economy is stable or not. So the situation has to be fixed.
- iv) It is always advisable to look for opportunities to give back to employees wherever possible. For instance, if extra finances are not available then flexi-time working op-

portunities can be considered. Some employees may not mind taking a pay cut in exchange for additional time-off, although temporarily.

- v) Emotional loyalty has to be created. An environment of fun and togetherness makes the bond between employee and employer tighter and the staff feels more connected to the business. So it is never advisable to cancel their Christmas party or the teams' night out or their monthly lunch out. The team-spirit has to keep soaring high. When people feel they have a common goal and are pulling together, it creates a sense of loyalty that no amount of money can buy.
- vi) Building a culture of appreciation is most advisable. Consistent, appropriate and frequent recognition encourages increased employee performance. The employees should be made aware that their daily efforts contribute to the company achieving its goals. Companies should reinforce their psychological contract with employees through a recognition programme.

In a nutshell, during this slowdown, employers should continue to develop and enhance their corporate compensation and benefits packages to avoid high turnover. Employers can retain skilled workers by offering competitive salaries, flexible schedules and making sure individual employees feel challenged and appreciated.

IV. CONCLUSION

While the economic sky may be gray, it is not falling. Opportunities abound for corporate human resource professionals to grow their organization in a more focused, calculated way. During the current economic storm, the stress is on minimizing damage, surviving and then rebuilding. For this purpose, a strong team of people is required. So as the uncertainty within the economy continues, the focus should be on retaining the right people. Building an internationally competent workforce whose members know the business, are flexible and open-minded can take years. So as budgets get slashed, human resource professionals have to ensure that their talent does not drain away with its profits. It becomes critical for companies to use good retention techniques to attempt to preserve the layer of talent rather than let it leave.

In today's uncertain economic environment, it is important that organizations address talent issues promptly but it is equally important to get them right in the first place. This is so because there is little room for trial and error as all initiatives are expected to produce solid financial results. Unfortunately, most companies are still struggling to institutionalize effective talent retention practices and programmes. There are quite a few silver linings in today's scenario consumed by the clouds of gloom and doom. Human resource professionals who implement streamlined retention strategies during this recession are poised for a more aggressive growth when the economy rebounds.

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