

WHITE PAPER

Managing in Uncertain Times

The Importance of HR Planning December 2008

*Includes complimentary Checklists to
guide you through the processes*

Uncertainty is our Certainty

In years to come, when economists look back on 2008, they will have the benefit of reflective pause, of figures and statistics, of hindsight and clarity. This is in stark contrast to the situation we find ourselves in now- facing an uncertain future. The only thing that we know with any degree of certainty at the moment is that business confidence has taken a hit and many employees are concerned about the future.

In the space of 12 months, the business sector has moved from a period of record breaking growth and a critical skills shortage, to a situation that can only be described as a loss of economic confidence and rising unemployment levels. As a result the question on the typical business owner's mind is- should one cut back to prepare for a sustained downturn, or prepare business for growth?

Unfortunately, the climate of fear and uncertainty can force businesses to focus on the short term by looking at potentially scaling back operations and staff. The engagement of this short term strategy is only perpetuated by the exposure redundancies have received in the media. Large portions of the business sector take their cue from the "wisdom" of the corporate sector and may think that redundancies are inevitable in their business or industry.

The change in market conditions has highlighted the shortcomings of a corporate environment that does not have the agility of the business sector. The Business Review Weekly (BRW), highlighted in a compelling article titled, "Economy '09 – The Way ahead" – December 4 – January 7, the larger the organization, the harder the fall. Organisations that have built scale with high investment in infrastructure due to a static business model are suffering the most. Hence the need for drastic measures like employee redundancies.

The reality is that it is not all doom and gloom for the business sector. As the true powerhouse of the Australian economy, there are long term opportunities to be gained for small to medium sized organizations that are poised for growth. The business sector has a clear advantage over the corporate sector in responding to the market. With careful planning, SME's can be agile and move with the times. With lean operations, the business sector has the ability to improve efficiencies in productivity, sustainability and to establish market share.

Failure is a Self Fulfilling Prophecy

What will be critical in the coming months will be a mechanism to impose some degree of certainty to business operations. While individual businesses aren't able to control the myriad of external factors contributing to the general economy, they can measure, benchmark and understand their own business and chart a course forward to growth. This internal data will provide owners and management teams with the evidence they need bring certainty to uncertain times.

Research conducted by the HR Coach Research Institute has identified that leading into 2009, many business owners are *hoping* for a positive change in the market, not *planning* for it. There is a sense that the decisions about their internal business operations are somehow outside of their control.

One of the reasons for this is that the collective experience of business owners in dealing with economic downturns is limited. Research has identified that over 80% of businesses currently operating were not in business during the economic downturn of 1991 – 92. Even in prosperous times, dealing with the complexity of HR and workforce planning can be a minefield requiring careful analysis, planning and open communication.

But HR planning, and the crucial communication component that underlies the plan, is a necessity to stave off potentially crippling fear within businesses. If employees within a business believe that failure is on the horizon it can be a self fulfilling prophecy for the business. That is why the role of HR is essential, for both employers and employees, to support the business and create a sense of control and direction.

HR Managers Meeting the Internal Demand

The role of an HR Manager within an organisation is extremely time poor, dealing with day to day management, risk management and capability development. The pressure on the HR Managers time is now under increased stress with the added demand for technical expertise and management of change. Further to this, there is often a disconnect in what internal parties want from HR Managers and what they need.

Employer Demand on HR Managers

It is easy to overlook the responsibility and the subsequent pressure that is placed upon management teams in changing times. Emotive reactions are often rationalised as necessary or expected with very little consideration given to longer term consequences. Fear, uncertainty and other negative emotions are understandable- not only is the health of a business at stake but the livelihood of families and communities that are connected to it stand to suffer if the uncertainty is not managed proactively.

Employer demands on the HR Manager are escalated during times of uncertainty. As productivity management becomes more prevalent on the list of priorities, the HR Manager is looked upon to provide up to date management reports, employee information, productivity analysis and scenario planning to support the business in making decisions.

In the situation of reviewing internal capacity and cost structures, redundancies are often the first consideration, where this should be the last option. Careful analysis and planning is required by the HR Manager to manage the risk and reputation of the organisation. This is on top of their already heavy work schedule.

The value of HR planning with objective management information to be able to call on to support and guide decisions is a necessity. Employers and managers need to be able to assess the immediate and long term effects of decisions and be supported in the decision making process with fact- not emotion. Put simply, management information and benchmarking is crucial for clarity within the decision making process. This objective framework is also a catalyst to be able to challenge conventional thinking and create innovative solutions to new challenges.

Employee Demand on HR Managers

Having been exposed to a substantial shift in both the employment market and the overall economy in the past 12months, employees are cautious and concerned about the future. This reservation and questioning can lead to crisis of employee confidence which can have devastating effects on the productivity of an organisation (the self fulfilling prophecy of failure).

“Employee Paralysis” is a symptom of change and the fear of the unknown that can cripple a business at a time when it can ill afford a decrease in efficiency. The current economic climate means that communication management with employees is a necessity. The process is crucial to address employee concerns over the security of their job and the business.

Employees are looking for hard evidence that their roles are safe and that there is a plan ahead. Real data pertaining to the health of the business and the capability of its workforce is invaluable in times of change. HR Managers who have a well articulated HR Plan supported by benchmarking data will assist in supporting employee confidence, employee retention and internal productivity.

Employees and employers alike are looking for security and reassurance and are left wanting when they look to the wider economy, the media and industry bodies. External factors, driven and shaped by the global business and financial systems, are out of any individual businesses control. What can be controlled are the internal capabilities and strategic direction of business. HR Managers have an opportunity to create sustainable growth by planning and responding to change rationally and responsibly.

HR Coaching Meeting the External Demand

Having researched and worked with the business sector since 2000, the HR Coach Research Institute has identified that there is an information and resource gap in the market for quality assistance on effective HR and workforce planning. Many HR Managers have the skills and knowledge to create and implement HR Plans, but they lack the appropriate resources and support. And for the businesses without HR Managers, primarily in the SME sector, they desperately need quality information and support.

The HR Coaching industry has never been busier. HR Coaching is a relatively new industry sector which emerged from the confusion and business need surrounding the Workchoices Legislation. The demand has shifted now to productivity and sustainability strategies through people based in the framework of an HR Plan.

In times of uncertainty, business cannot afford to mismanage both the planning and the execution of HR strategy. Those businesses that find themselves managing their human capital reactively are at risk of creating an inconsistent organisation ill prepared for difficult times. External professionals, like certified members of the national HR Coach Network, can fill the information and resource gap for businesses and provide a relevant framework for effective HR planning and support.

According to Louise Broekman, the increase use of external HR professionals by businesses and HR Managers is not unexpected or surprising. "The majority of business owners have never been in this position of dealing with a high volatility in the market and fixed employment structures. Our 40 offices across Australia have been working with local businesses and communities to assess and work through creating sustainable business models. This is a critical role to ensure the survival of our business sector that employs 42% of Australian private sector employees. It is imperative that we help as many businesses that we possibly can. We are grateful that we are in the right place at the right time to assist and improve the powerhouse of the Australian Economy – the SME," Broekman said.

HR Planning- Refocus Your Business Strategy

HR Coach has prepared a series of checklists to assist businesses begin evaluating their HR Plan and business strategy for the future. To achieve the best possible outcome, business owners are encouraged to include managers and employees in the problem solving process. An external professional, like a HR Coach can help facilitate the planning and problem solving sessions. You may be surprised at the creativity and commitment that can come from within your own business.

Redundancies and HR Planning

Previous downsizing or right sizing activities in the Corporate Sector have created a slowdown in the "Leadership Pipeline", the affects of which are apparent today. We must not repeat the mistakes of the past. Therefore care is required in reviewing the options for productivity gains and short term fixes with a long term cost. The alternatives must be explored genuinely before jumping to the obvious – redundancies.

There are a multitude of alternatives to redundancies and there is not a one size fits all answer. Redundancies can be the last option after exploring the alternatives. Then a tailored approach for a “fit for purpose” plan may be created.

According to Louise Broekman, organisations who get this right will be poised to manage through this change, but also prepare for the upturn. They are not waiting to be rescued. Using this time in the market to gain competitive advantage and move beyond survival will see innovative organisations reap the rewards.

Business Strategy Checklist

Complete the following business strategy action items with your team to gain a true understanding of where your business is at today and your plans for the future. This is a critical step before you consider implementing redundancies.

- **Define your service offering-** does it need to change with the current market?
- **Current and future cash flow forecasting-**is your business experiencing a slump or a sustained cash downturn? Are there efficiencies or savings to be found?
- **Current and future productivity requirements-** can your business do more with less? Where can you improve?
- **Measurement of the Strategic Capability of Employees-** does your business have the internal capability to achieve your goals?
- **Measurement of the pressure between Strategy and Employee Engagement-** are all of your people focusing all of their efforts on the business strategy?
- **Develop a HR Plan linked to your Strategy**

Internal Productivity Checklist

If a change in internal infrastructure and workforce planning is required, develop a range of alternatives through genuine exploration. Workshop with your team the following possible alternatives:

- Move to part time/ flexible employment
- Job Sharing
- Leave without pay
- Alternative employment or redeployment
- Relocation
- Personal or study leave

- Business exchange programs
- Fixed employment contracts and contractor arrangements
- Revised rostering including reduced overtime, use of casuals, etc.
- Effects of natural attrition
- Early retirement
- Recruitment freeze
- Increased Annual leave in return for wage reductions

Redundancies- the last option

If all other alternatives have been explored and redundancies are the strategy for survival, then proceed with care. Ensure the process is conducted with fairness, openness and respect. The following checklist may assist you with your planning and preparation.

Plan and Evaluate:

- The business case for redundancy
- Internal capability
- Identify a specialist to assist you if required
- Create a plan including process and communication

Due Process:

- Make sure you have the right facts documented for reference
- Identify the legislative requirements and payment details
- Organise paperwork and information

Implement:

- Take care during the process and guide employees through the facts with respect
- Manage your communications plan with employees and external parties
- Provide evidence to existing employees about the way forward in your business and their role in the future

Follow Up

- Provide outplacement services to the exiting employees to assist them through the transition
- Provide support to existing employees and open communication to answer any questions they may have

Creating a Sustainable Future for Business and HR

For the HR profession, this is the moment to step up to meet the demand. Be prepared to be an integral part of the business strategy and create for yourself the opportunity to be the catalyst for sustainable change.

The more business savvy the HR Professional is, the stronger the business case can be developed and delivered for sustainability. And for businesses that do not have internal HR capability, you have a duty to create a secure future for yourself, your business and your employees. Seek external assistance to help achieve your business strategy. A small investment now can reap bountiful returns for the future.

STAR Workplace Program Assisting Organisations

The STAR Workplace Program has been designed to measure internal productivity pressure between strategy and the activities of employees. It establishes key priorities for sustainability, risk and growth as a blue print for a 12 month HR Plan.

Complimentary Productivity Analysis

If you wish to obtain a complimentary confidential meeting to review your Productivity Analysis and obtain a free Productivity Improvement Calculation, please contact star@hrcoach.com.au or 1300 550 674.

For further information, please contact:



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