

# Survival by the Quickest: HR Leaders New 2009 Game Plan

*By Patrick R. Dailey*

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U.S. recession has *officially* arrived. Most likely, a *global* recession also has been triggered by over-leveraged financials, frozen credit markets and consumer pull-backs. Pundits predict a “V-shaped” recovery is quite unlikely.

Retrenchment is underway. Strategy firms and investment bankers are advising clients toward a survival course designed to preserve capital and protect core assets. Controls on headcount, training, product inventions/introductions, business development, marketing and advertising are now being slammed into place. Experts’ collective mantra is-- *those that cut the quickest have the chance to survive.*

Most likely, HR leaders are now developing a very different 2009 Plan than was contemplated just months earlier. *Survival by the quickest* demands that you offer your organization...

Well-honed functional skills to manage retrenchment projects, and

Emotional courage to lead and coach organizational transformation.

This article is offered to better prepare you, the HR Leader, and your organization for the short-term challenges of 2009 and beyond. With your plate filling with new priorities, it is suggested that you leave room for initiatives that include:

## **Prepare now for dramatic labor legislation**

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*Don't risk your management team being surprised by this legislation*

The new Administration *may* pursue a *First 100 Days* legislative package. Embedded within this recovery package *could* be The Employee Free Choice Act-- legislation that would fundamentally alter the collective bargaining process. Remarkably, the legislation would abolish the secret ballot used by employees to vote for/against union representation. This legislation would also authorize binding arbitration as an aspect of finalizing bargaining agreements.

R.E.S.P.E.C.T. is another legislative initiative which has moved forward quietly. It seeks to narrowly define the role of a supervisor. If enacted, many *current* supervisors would be thrown into the bargaining unit. This would limit the number of supervisors on your “shop floor” and redefine their role in campaigning on behalf of management in organizing elections. Supervisors handling employee discipline would also be conflicted as many would be union members, themselves.

FMLA was revised late in 2008 requiring employers to now scramble to implement changes. New provisions include Military Caregivers and Qualifying Exigency Leave. Long-term, the legislative *push* appears aimed at company-paid leave entitlements for up to 12 weeks per year.

Regardless of any legislative *push*, HR leaders should prepare for a surge in organizing activity at the onset of the new Administration.

## **Overhaul your compensation and performance management programs**

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*Don't leave it to CFO to decide compensation programs to be cut.*

HR leaders have the key design role in *differentially* managing the workforce. Broad brush approaches to cut backs are easy yet non-strategic for companies in deep retrenchment or survival mode—i.e., across the board freezes on merit and bonus payments. Focus is suggested on:

- ◆ Exiting poor performers; aggressively retaining “change makers”
- ◆ Targeting mission critical function compensation at higher levels than non-core
- ◆ Retaining spot bonus award programs as relatively low cost tools for recognition
- ◆ Forced distribution of performance ratings thus preventing smaller merit pools from generating inflated individual performance ratings
- ◆ Updating sales compensation programs
- ◆ Invent compensation schemes that reward for year over year improvement in contrast to utilizing range structures

Executive compensation plans are under assault. Shareholder advocacy groups including RiskMetrics, the Corporate Library and others stridently lobby for change in executive compensation programs. Their influence is constructive---toward more transparent, shareholder-aligned pay for *real* performance plans. However, these changes may limit your candidate pool or ability to retain executive talent. Additionally, the spill-over impact from the Emergency Economic Stabilization Act remains undetermined. But, there are implications now emerging that most likely will *not* delight your executives, and generally will impact your overall compensation program. Anticipate shareholder and political pressure for:

- ◆ Reduced executive pay packages. Eliminate executive perquisites and tax gross ups
- ◆ Stiffer restrictions on tax-advantaged features within 162(M) and 280(G)
- ◆ Stronger 'claw back' provisions in the event of 'statement of material inaccuracies' in financial statements
- ◆ Limit annual stock option “burn rates” to no greater than 2% of total share pool
- ◆ Greater scrutiny of so- called 'pay for failure' elements of pay packages
- ◆ Nonbinding shareholder vote on "say for pay"

Most likely, your Compensation Committee and you will rework your total rewards philosophy and programs during 2009.

## **Upgrade your financial acumen and workforce analytics**

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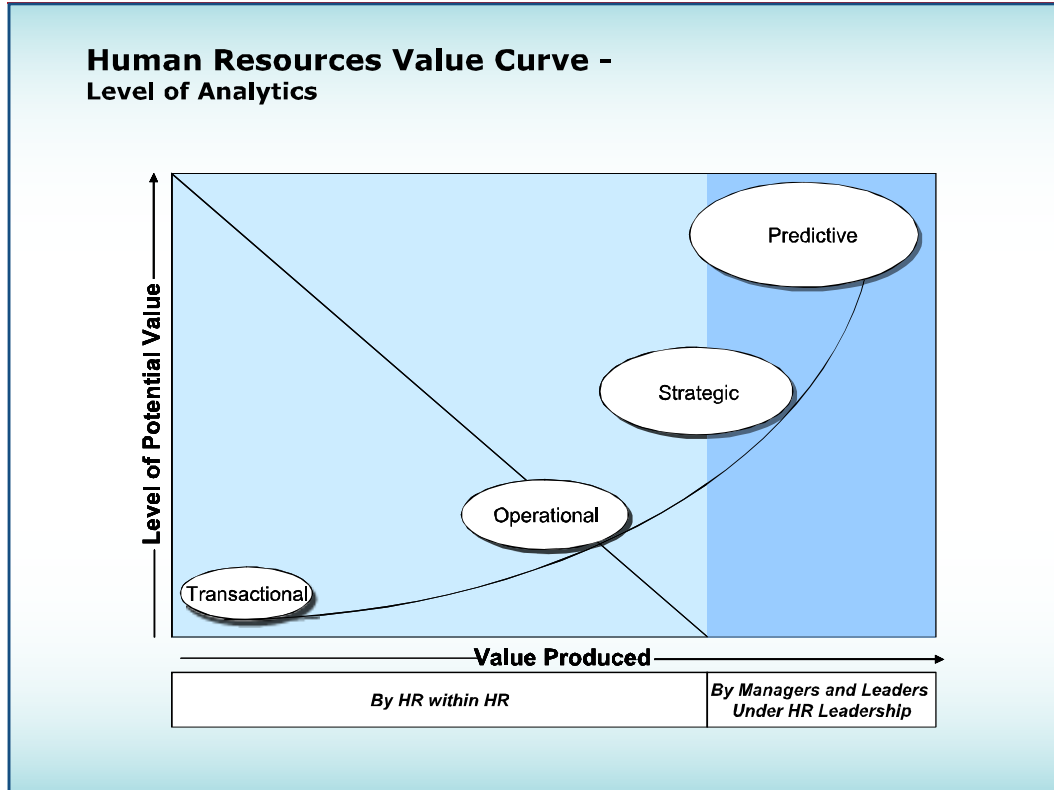
*Don't be left out of informal financial discussions among your peers.*

Financial literacy is a core competency for senior HR Leadership. While a variety of financial measures of profitability are available (including operating income, operating cash flow,

adjusted net income and EBITDA), leaders and investors with heightened concerns about companies' ability to pay its bills are favoring Free Cash Flow as the standard measure of profitability. Free Cash is favored because it is more difficult to manipulate than net income or earnings per share. Calculation is straightforward:

$$\text{Free cash flow} = \text{Cash flow from operations} - \text{Capital expenditures}$$

Workforce Analytics is the term used for a wide variety of metrics used in understanding the workforce. Metrics are categorized below to graphically represent their nature and differing value.



*Transactional metrics* capture information about jobs and employee demographics. Not much innovation here but the operational issues of accuracy, privacy and data base cost management remain primary.

*Operational metrics* capture information about the service effectiveness and cost efficiency of the Human Resources Department. Chronic inability by HR to provide convincing "value" propositions has in part allowed the ongoing shrinkage of the function. During retrenchment, the absence of a convincing value proposition portends additional cutbacks, out sourcing and the inability of the function to rise beyond administrative status.

*Strategic metrics* track work force drivers of business outcomes. These metrics provide answers and insight into the organization's current competitive capability. During retrenchment, information about morale, health, skills, safety and productivity are critical. Middle management capability metrics provide guidance regarding team performance and work flow coordination. Being the eyes and ears of management--- putting together the "story"--- enables HR professionals to function as business partners.

*Predictive metrics* provide modeling, prediction and forecasting that maximize human capital investment. Predictive capability allows HR leaders to quantitatively coach and influence the future of the enterprise. This elevates the function to a *business* function.

By speaking the same language as other executives---financial, and supplying strategic and predictive information, you earn your seat at the leadership table.

## Stay engaged in the "War for Talent"

*Don't abandon your "game changers"*

During retrenchment, leadership development initiatives are often scrapped because the *future is now*. But, one clear signal to your *entire* workforce about their future is the abandonment of leadership development initiatives. When organizations withdraw investment from its emerging leaders, *game changers*, the informal organization interprets and amplifies the message into predictions about the viability and future of your entire enterprise. Negativity is fueled.

Retrenchment presents a superb opportunity to accelerate the learning of lessons of experience for emerging leadership. You become the champion in placing *game changers* in the most developmentally challenging slots. Make it someone's accountability that this talent is fully challenged, engaged and *sticks*. Get *game changers* close to senior decision makers. Furthermore, your role must also include protection of game changers against short-sighted forces that would serve up this talent for RIF programs.

Retrenchment is an opportunistic time to upgrade with game changers who enter your organization—at attractive compensation and equity levels—and can be fully assimilated as recovery takes shape.

Staffing Pivotal Roles with "Game Changers"
<b>Alert</b> --"Strategic vision;" perceives and consolidates issues and opportunities into a plan of action before others; curious; alert and accurate.
<b>Objective</b> -- "Analytic;" driven by facts but never a captive of them; asks targeted/insightful questions to size up situations and options; understands and can explain to others the key issues, options and obstacles to achievement; connects the dots.
<b>Makes the Case</b> --"Pushes;" advocates change using facts and emotional appeals; knows when and how to judge win-able challenges; will "face up" to unpopular topics and seemingly unreachable challenge; focuses on the important issues...not just the urgent or easy ones. Instills passion and intensity in the challenge ahead; not a thrill seeker that overly risks brand reputation, credibility, resources, or people.
<b>Organized</b> -- "Solid Management;" implementation plans are well conceived; resources are effectively deployed; actions are well coordinated; milestone and end goals are achieved; action and results are predictable.
<b>Relentless</b> -- "Out hustles, out paces, out flanks the competition;" models and organizes disciplined

<p>execution characterized by decisive commitments and sure-footed execution; excels in coordinated cross functional work flow management; knows when and how to make midcourse corrections that avoid wasted effort and resources and chaos.</p>
<p><b>Agile Navigator</b>-- “Adaptive;” skillful deflection of detractors and dead-end detours, alert to surprises and changing conditions and adroitly navigates mid course corrections; skilled in keeping the organization’s attention focused on the important and away from off target matters; able to withdraw or step around non constructive conflict and ‘no win’ engagements.</p>
<p><b>Builds Alliances</b>-- “Catalyst”; makes others feel accountable and connected in common purpose; crosses organizational boundaries to build partnerships and alliances; skilled in managing diverse views and stepping through complexity; channels tension and conflict toward productive gain and common ground.</p>
<p><b>Talent Scout</b>-- knows what “A” players “look like”; attracts them to the team; assimilates, manages, motivates, develops, protects, and retains them.</p>
<p><b>Attracts Followers and Believers</b>-- “Charismatic;” appeals to team members’ head and heart;” blends talented professionals into high performing teams; skilled in mobilizing effort into common cause and sustaining spirit; effective in diverse and complex situations; recognizes solid effort---rewards “real” contribution.</p>
<p><b>Delivers...with Honor and Ethics Intact</b>-- “Wins;” consistently achieves goals on time and on budget; wins with ethics and values in tact; gives more than he/she takes.</p>

## Be a player in Sustainability

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*Don’t overlook an initiative that can build your brand and foster engagement*

Sustainability is doing business in a way that meets the needs of the present without compromising the future. Its roots are from Total Quality as well as environmental protection/ law. For years a peripheral issue, sustainability has arrived as a full blown business strategy, pursued globally by leading companies with advocacy coming from influential interest groups including the United Nations.

Its *primary* mission is the prudent use and conservation of waste, water, energy, and health preservation. Sustainability projects involving suppliers, employees, customers and consumers are summarized by the words.....Reduce, recycle, recover and reuse.

In the midst of pain and uncertainty of retrenchment, sustainability offers a pathway to vitalize your organization’s performance culture delivering cost savings, building the company brand, and bolstering morale at a pivotal time when employees need reasons to believe in your company and their future.

HR’s contribution comes from the *organizational effectiveness tool kit*. Resources include training, education, cross functional team building and employee engagement initiatives.

Sustainability aids survival. As recovery takes shape, sustainability leadership and achievement will aid in recruitment and retention.

## Harness your performance culture

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*Don't allow your workforce to become disengaged and "quit" on the management team*

Culture is the foundation of workforce productivity. Harnessing culture provides competitive "lift." Neglect or mismanagement creates organizational "drag" which *always* over-consumes time and resources.

*No* amount of financial engineering will overcome a workforce that has emotionally repudiated its management. As the primary keeper of culture, your first challenge is ensuring your CEO and management team understands -- emotionally and quantitatively-- that stronger cultures *dramatically* outperform weaker cultures.

Diagnostic listening is next. Most likely, you are now discovering trust declining and negativity rising. Negativity is fueled by:

- ◆ Excessive workload generating uncertain and disappointing achievement/results
- ◆ Invisible management offering little recognition or empathy
- ◆ Too little 'real' information
- ◆ Diminishing work challenge. Disrupted cross functional coordination

Historically, culture has been plagued by the inability to define itself in *business* terms understandable by senior management. Notably, the Denison Culture Model provides a clear, powerful roadmap for diagnosis and action. "Lift" comes from organizational effectiveness initiatives targeted in four areas:

**Mission.** Renew clarity of purpose. Provide short term focus.

**Consistency.** "Stand for" core values. "Stand together" for goals and commitments.

**Involvement.** Empower. Ask employees for help in solving the organization's problems. Don't unduly shield employees from information and obvious challenges.

**Adaptability.** Ask lots of questions. Understand customers and the new marketplace. Re-engineer from the outside; in.

While some *may* allow their culture to meander aimlessly or destructively, strategic leaders invest and tap into their culture like any other asset on their balance sheet.

## Message to HR Leaders

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Undoubtedly, your CEO is looking for help in navigating the current path that *literally* no one has previously traveled. Regrettably, there are turnaround experts whispering in the ear of your CEO that HR can contribute little in resolving the company's turnaround agenda. Their messages include the assertion that HR leaders are strategically inept, lack objectivity; implementation is slow and relatively expensive.

Prove them wrong...as a *manager* and as a *leader*.

With research showing that three-quarters of all change management initiatives fail because of employee-based reasons, human capital matters are at the top of the agenda during turnaround discussions. HR leaders are in a unique position to demonstrate skill in navigating change and designing healthy, competitive organizations that can survive and are poised to be the “quickest” into recovery.

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