



## ENGAGEMENT:

### Building Loyalty in Downturn

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There is a saying that when life hands you a lemon, make lemonade. Well this year HR folks are definitely dealing with plenty of lemons: pay freezes, no bonuses, hiring freezes, RIFs (reductions in force), and pay cuts. So how do you turn all these negatives (lemons) into a positive (lemonade) for your company and its employees?

To accomplish this requires re-thinking the old approach to dealing with actual or potential downturn in revenues. In the past, many companies took the slash and burn approach to reducing costs, usually focusing on reducing overall headcount. This inevitably creates a culture of fear, confusion and resentment which can be a challenge to change. In a service-oriented company this can prove to be a disaster. Employees who are distracted and upset by company policies have a reduced capacity to meet the demands of their job. Long-term, these policies can permanently impact the culture of the company and employee trust and commitment.

Instead HR can look at the current financial situation and resultant need to reduce costs as an opportunity to improve employee loyalty and commitment to the company. By doing this the company will be poised to move ahead when the economy turns around.

Of course, it may be difficult to see how HR can improve employee loyalty when their primary directive is to find for ways to save the bottom line, but there are ways.

First, fall back on some key principles:

- Assess your compensation program, is it designed to reward and help retain top performers – these are the top 20 percent that will help the company rebound.

- In these times it is especially important to differentiate between hard workers and those who achieve exceptional results – both are important but special rewards are for people who achieve results.
- Be sure to place ample focus on middle management and below as these individuals are the future of the company.
- Ensure that your company's performance management system is effective and is being utilized. These hard times are opportunities to let poor performers move on, but clear documentation of their performance is essential.
  - Make sure that hiring freezes do not have the unintended consequence of encouraging managers to retain poor performers. Work with departments to remove the poorest performers and use internal transfers to retain employees. Internal transfers can also have the added benefit of providing cross training (career development) opportunities!
- Ramp up communications – the universe abhors a vacuum. If the company allows an informational vacuum to develop, employees will expend energy attempting to figure out what is going on and generally jump to erroneous conclusions.

Secondly, think past the economic downturn,

- Develop a strategic plan for training – financially the company may be reducing the training budget, but avoid the peanut butter approach!
  - Use training as an additional reward for strong performers – a reward that they will appreciate and will help the company in the long run.
  - Identify top talent in mission critical functions and take advantage of some extra time that may be available if they are not as busy as usual, use this time to make sure that they update their skills.
- Review all HR programs and simplify! Eliminate ineffective bonus plans, initiate the transition out of passé benefit plans, do an overall house cleaning of HR plans.
  - This is also a great opportunity to improve program communications to ensure employees understand and appreciate the programs available to them.
  - Identify programs that only benefit a few people and eliminate – it may not save a ton of money but sends a strong message to the employee population that everyone is willing to make sacrifices.
- If RIFs are being considered, assess whether proactive use of across-the-board compensation reduction measures are enough. Avoiding a RIF can be one of the most effective ways to build employee loyalty.

- By quantifying the cost of severance and the eventual need to re-hire, and retrain, alternatives such as salary reductions and unpaid furloughs can be cost effective.
- Remember, it requires a strong communications effort to help employees understand the challenges facing management and how managers are working to ensure the best outcome for everyone.

There are reasons why companies are voted the best place to work and the level of compensation is typically not the reason they win these awards. Employee friendly programs, strong communications, and a team approach all help build employee loyalty and can be used effectively to get through these tough times. 🌍

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