

MANAGING IN UNCERTAIN TIMES

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*Winners aren't always dealt the best cards,
they're just good at playing the cards they're dealt.*

No matter what the politicians or economists tell us, which is usually not very much, many businesses are feeling the impact of a recession. We believe the current economic climate will require companies not only to work harder and smarter, but also to make fundamental changes in the way they do business. We also believe it will present opportunities for those companies who make the tough decisions necessary to become more competitive, customer-focused, creative and flexible.

As consultants who believe the success of any organization is highly dependent on the caliber of its people, we see many opportunities for you to use your human resources more effectively to help you weather this economic storm.

LEADERSHIP

Let's start with **leadership**. This is the time for the CEO and top management to be highly visible, set the business direction, provide positive reinforcement and above all, communicate openly with employees about what is going on and how the company plans to deal with the issues.

The object of communications is understanding. If you want your employees to help you achieve the organization's goals in these uncertain times, they must know what those goals are and how they fit into the plan.

People behave according to the way they're treated. If your organization keeps employees in the dark, they will act like they're blind.

We aren't suggesting a memo-a-day policy. There doesn't need to be a lot of communication. Some great messages have been known for their brevity: The Ten Commandments, the Bill of Rights, and Lincoln's Gettysburg Address all make their point in less than 400 words. (A lot less than this newsletter!)

What **is** important is to be truthful, empathetic and open. It's smart practice in the good times; far more important in uncertain times. If things are bad, let employees know why. But don't stop there. Share with them what's being done to correct the situation and invite their input.

Ask each employee to suggest one cost reduction idea -- most employees know how to make their job or business unit more efficient and productive, but are reluctant to speak up. And, as we said in our last newsletter: Recognize and reward those who do.

PERFORMANCE

Focus employees on critical **performance activities**. You need everyone pulling together, producing more with fewer resources. So let them know exactly what's expected of them and hold them accountable for achieving those expectations. Set short-term goals based on the overall business plan and make sure your performance review process:

- Focuses on results, not tasks.
- Improves productivity, not maintains the status quo.
- Provides a strong link among company, team and individual performance.
- Forces managers to give clear, unambiguous feedback to employees.

STRATEGIC PLANS

Think **strategically**. Are layoffs the only answer? Executives who cut costs by focusing only on labor costs can undermine morale and cause profits to fall even further. Layoffs should be a last resort, not the first. Consider:

- Reduced work hours
- Flexible scheduling or job sharing
- Salary freezes or reductions
- Elimination of overtime
- Cross-training of staff to perform other functions
- Combining job responsibilities
- Termination of nonproductive employees.

If you have to reduce your labor force, do it right. Restructure once, not piecemeal. And make sure you communicate the reasons and the new direction. You have to get people to buy in to the direction -- and to understand their part in its success. It is critical to get the momentum going again after a restructuring.

Avoid knee-jerk reactions. Don't cancel the employee of the month luncheon or morale building meetings. Employees need to get together now more than ever to overcome anxiety, build team spirit and believe in the success of their enterprise.

COMPENSATION

Manage your payroll dollars more effectively. Compensation is the largest single operating expense for many companies. It is critical, therefore, that it generates the highest possible returns. In these uncertain times, it is not enough to reduce your salary increase budget by 1% or 2%. Now is the time to be bold and creative and to reward only those individuals who truly contribute to the ongoing success of the organization. Some food for thought:

- Clarify job roles and priority expectations.
- Lengthen salary review cycles and shorten performance review cycles.
- Reward performers with lump-sum bonuses; freeze base pay increases.
- Expand use of noncash recognition programs.
- Allocate available dollars to strategically important business functions and positions.
- Reexamine your sales compensation plans to ensure focus on sales priorities and goals. Leverage compensation accordingly.
- Eliminate all status perquisites.
- Reduce CEO and top management compensation before anyone else. (Well, are you serious or what?)
- Restructure your compensation philosophy to include variable pay programs for **all** employees, and vary pay based on financial results and performance contributions.