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October 26, 2009

How to prepare for the upturn

Will you be a winner or a loser as we emerge from the recession? **Dan Kaplan** argues that investment in people could be the difference between failure and success.

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It is during times of recession that those with genuine leadership skills emerge: Leaders bold enough to take decisive steps, so their company is best-placed to capitalise on opportunities when the economy improves. And there are indications that Britain is set to emerge from the worst of the downturn. The most recent purchasing managers index (PMI), for example, shows the service sector has expanded for the past two months while Nationwide's latest quarterly survey revealed a small rise in house prices across England.

Of course, a full recovery may be some time off. But, as in every downmarket cycle, in a few years when we look back over this recession, we will see there were winners and losers to emerge. The losers will be those who during this period weren't proactive on the talent management agenda. Those who sat on the sidelines weighed down by fear and inertia, choosing not to nurture the people within their organisations in preparation for the upturn.

The winners will be those who set a firm foundation for the future through growing their existing talent while also taking advantage of the wealth of high-performing individuals more inclined to listen to the market than any time in the past.

There are few companies or organisations that have not had to restructure in some form or another in recent times. In many cases, this has meant redundancies and it is truism that these situations can impact those who remain with a company as much as those who are laid-off. Managers often find 'survivors' are demoralised, uncertain about the future and resistant to change.

Many managers opt to do little in this situation, presuming their best people have no choice but to stay with the business simply because there is a scarcity of jobs around. This is a sure-fire way of eroding the trust you have built up with your key people, who will soon walk out of the door at the first good opportunity.

Progressive leaders, on the other hand, understand that an engaged workforce is fundamental to helping them navigate the challenging times and emerge as a competitive business. Indeed, we've seen a trend towards a growing number of organisations that recognise the link between people and the bottom-line appointing human capital experts to their boards an indication that progressive companies see their people as crucial to emerging from the recession in good shape.

Managers should be using this time of change to map out the kind of talent they require going forward and to identify people within the organisation who they can develop to fill these roles. Inevitably, some of these people will hold senior positions. Others, who are currently positioned lower down the hierarchy, will emerge as potential future leaders and will already demonstrate many of people and leadership skills required.

Brave leaders realise they must empower these people. Let them know they have avoided redundancy because you believe in them and want them to develop with the business. Cutting back on training may seem an easy win when budgets are tight but this can be outweighed by the de-motivating message it sends your people. Activities such as bite -sized learning and pairing future leaders with senior mentors within an organisation are just two cost-effective avenues that can offer rich returns. Ultimately, there is no greater form of development than experience of a real–life work situation. Therefore, it is crucial the people you have identified are brought into the decision-making process during this time.

Many organisations revert to a command and control structure during difficult periods where decisions are made by senior executives with little consultation with the workforce. But if, for example, further costs need to be cut from the business, it is important that people at all levels of the organisation are involved in deciding how this should be done. In this way, they are more likely to regard any restructuring as something that is necessary for the future health of the business rather than a situation where yet more resources are being taken away from them.

It will be the case that employers are unlikely to find all the talent they need internally. But today's job market, with many high quality candidates having been made redundant for the first time, offers companies a once-in-a-generation opportunity to cherry-pick from the wealth of talent currently available. The situation is particularly good news to small and medium-sized businesses, which previously may not have been able to compete with the blue chips in the war for talent. However, this is not to say that the market for top talent does not remain highly competitive. In both bull and bear markets, the best talent have options and can be selective.

For example, in the finance sector we have seen the job market flooded with skilled individuals who previously worked at blue chip banks such as Lehman Brothers, Bear Stearns and Meryl Lynch. Many of the best of these candidates have already been earmarked by private equity companies who are setting up banking capabilities or smaller investment banks moving in to fill the void – firms who previously had little hope of recruiting such talent and experience.

This situation is being played out across numerous sectors - from retail and telecoms to media and life sciences – where the smart companies are right now looking at where they can manage out the poor performers in their businesses and identify challenging roles to attract this windfall of talent.