

Briefing 1: People Management During the Recession

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Employee Relationship Management

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This paper is one in a series of Ipsos MORI White Papers, which aim to shed new light on the business and research issues of the day.

Introduction

The current recession presents the HR profession with the greatest challenge it has faced for more than a decade. The focus is now very clearly on improving performance *whilst at the same time* reducing cost. For many organisations this means restructuring, downsizing and redundancies, and the need to manage employee and industrial relations carefully. For others this may also involve a fundamental review of HR strategies and policies.

Despite difficult decisions having to be made, this is an opportune time for HR to demonstrate how it can add significant value during these turbulent times. Organisations face very big challenges in increasing employee engagement and improving their performance, managing talent and communicating effectively. Handled well, this provides a huge opportunity for HR to make a significant difference because it is the organisations who deal with these issues effectively that will be quicker to reap the benefits from an improved economic environment in the future.

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Economic outlook and financial performance

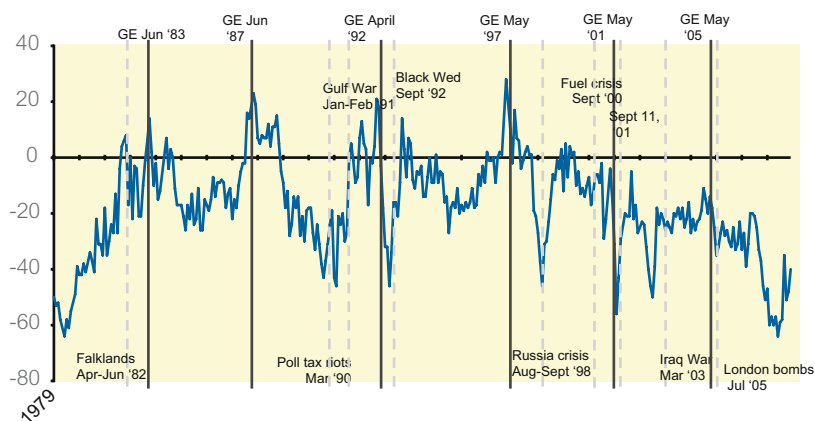
The CIPD's latest survey of its members (undertaken by Ipsos MORI) revealed that 80% felt the economy would get worse in the short term.¹ The same survey also identified that around one third (34%) felt that the financial performance of their own organisation would get worse, with only one in eight (13%) saying they felt it would improve and just under half (46%) saying it will stay the same.

Ipsos MORI's regular survey of Captains of Industry revealed an even more pessimistic longer term outlook, with almost half of respondents (49%) believing that the prospects for their own business would get worse over the next twelve months and only one in five (20%) are saying that prospects will improve.² The prognosis fares no better amongst the general public, as Ipsos MORI's public monitor of economic optimism highlights (Fig. 1), levels of economic optimism have barely been so low since the early 1980s.³

Fig 1.

Economic Optimism Amongst the General Public Since 1979

Q. Do you think that the general economic condition of the country will improve, stay the same or get worse over the next 12 months?



Source: Ipsos MORI Political Monitor (2009)

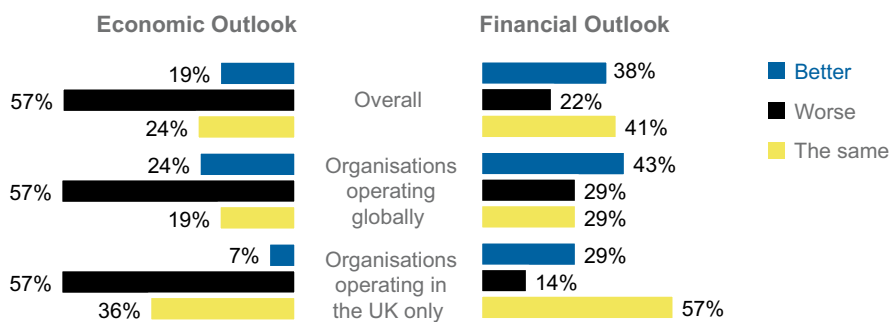
As we move through 2009, things have got worse (so far) rather than better. It is clear that the recession will last longer than we thought and the nature of the business climate once we emerge from the downturn feels more uncertain.

This January, Ipsos MORI conducted a 'micro' poll of Senior HR Professionals at the European HR Directors Business Summit (2009).⁴ We found that most (57%) felt the global economy is going to get worse in the next 12 months, whilst a quarter felt it would stay the same. However, organisations with European/global operations were three times more likely than those based solely in the UK to indicate that the economy will improve (24% vs. 7% respectively).

Fig 2.

Economic and Financial Performance Outlook (2009)

Q. In the next 12 months, do you think the economic/financial outlook will get...



Source: Ipsos MORI Poll of Senior HR Professionals, European HR Directors Business Summit (2009)

Predictions of a worsening economic climate did not translate into a perceived worsening of financial performance for these organisations. Indeed, whilst 49% of Captains of Industry believed that the prospects for their own business would get worse over the next twelve months⁵, only one in five (22%) senior HR professionals felt their organisation's financial performance would get worse.

Are senior HR professionals out of touch with their bosses or are they simply far more optimistic about the economy and their organisation's financial performance than the media would lead us to believe?

It is clear that the recession will last longer than we thought and the nature of the business climate once we emerge from the downturn feels more uncertain.

Are things really as bad as the media portrays?

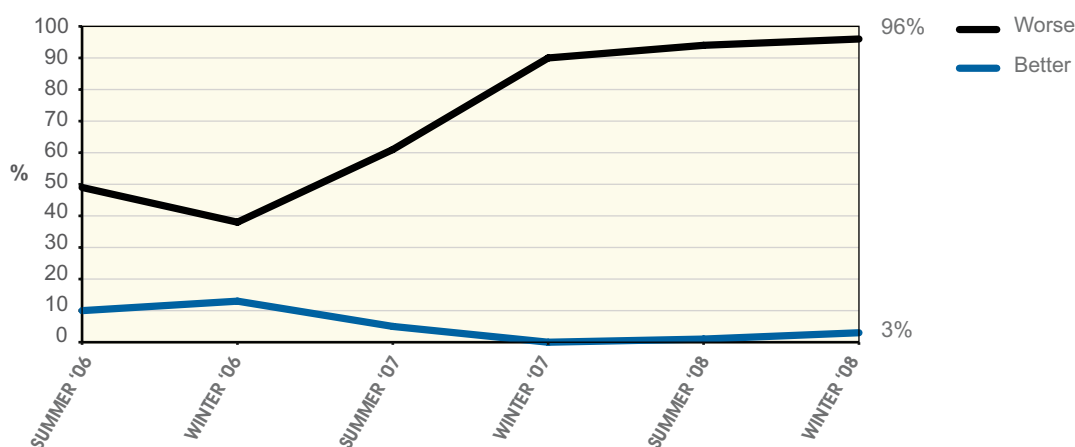
Dr Edward de Bono, keynote speaker at the European HR Directors Business Summit (2009) suggested that about 30% of the present economic crisis is real and arises from toxic (unmanageable) securities, while 20% can be accounted for by 'games playing' - *parties who take advantage of the situation* - and 50% is led by panic and fear caused by media hype.⁶

With more than a third of companies saying that loss of confidence is the factor having the greatest direct impact on their business, for both businesses and consumers⁷ the media is undoubtedly playing a key role in influencing people's perceptions of the current financial climate. Indeed, Ipsos MORI's bi-annual poll of business and financial journalists revealed that the banking industry's reputation has been on the slide for some time. Since winter 2007, more than nine in ten business and financial journalists have thought that the general economic condition of the country would get worse.⁸

Fig 3.

Britain's Business and Financial Journalists' Perception of the General Economic Condition of the Country (2006-2008)

Q. Do you think that the general economic condition of the country will improve, stay the same or get worse over the next 12 months?



Source: Ipsos MORI Business & Financial Journalists (2008)

This is not the place for a detailed dissection of the role of the media in the crisis, but it is clear that one of the key challenges for any organisation is how to maintain normality in the workplace (where this is what is required), empathise with employees and avoid adding to their concerns. Similarly, where organisations are being forced to make big changes, there are very different internal communications challenges.

Internal communication is critical

In the current economic climate things are changing quickly. This inevitably means that decisions need to be made speedily. This new environment often creates shifts in corporate strategy and direction. Employees need to know where the organisation is heading, how it aims to get there and what their role will be in achieving this, if they are to remain engaged.

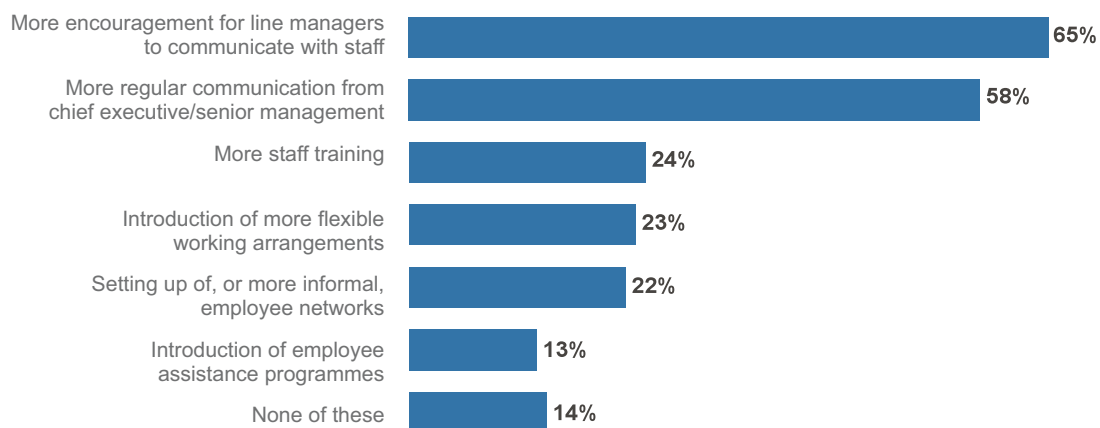
Ipsos MORI's experience in employee engagement research shows that effective communication is linked to employee engagement. In times of change it is very difficult to engage employees who feel divorced from what is going on due to a lack of communication, understanding and involvement about what is happening in the organisation and its direction. As Mick Holbrook, Director of Organisational and People Development at PwC, suggested *"the best companies will keep their staff committed by involving them in what's going on... people will maintain a high level of engagement if they feel their company is being honest with them, and involving them if they can [in company decisions]."*⁹

In the CIPD's latest Labour Market Outlook survey (undertaken by Ipsos MORI) employers cited improving internal communication as the predominant strategy being used to improve employee engagement during the credit crunch (Fig. 4).¹⁰ Almost two-thirds (65%) of employers surveyed suggested that they are giving more encouragement to line managers to communicate with employees and three in five (58%) are using more regular communications from their chief executive and/or senior management.

Fig 4.

Measures to Improve Employee Engagement

Q. Which of the following is your organisation doing to improve staff engagement during the credit crunch?



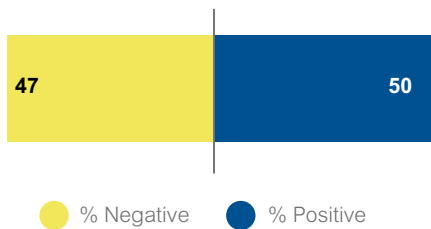
Source: CIPD (2009) 'Labour Market Outlook – Focus: Coping with the Credit Crunch'; Quarterly survey report, Winter 2008-09

In times of change, the thirst for communication grows but perception of its delivery worsens. Almost as many employees do not feel informed as say they do (Fig. 5), whilst trust in, and credibility of, information falls. There is a strong need for reassurance and honesty in formal communications about the impact change will have for the business, its customers and its employees. If internal communication cannot respond quickly and effectively to this it creates a communications vacuum and employees look elsewhere to feed their information needs. External communications and media are a starting point for them, but they also have a greater reliance on rumour, the grapevine and union communication.

Fig 5.

Downward Communications During Times of Change

Q. I feel informed about what is going on...



Source: Ipsos MORI Change Norm

Clearly, good internal communication is more than just downward communication or provision of information. For communication to be a true engagement tool it needs to provide employees with an outlet for their views, ideas and concerns, which means that line managers play a key role. Employees are more likely to respond positively if they believe their line manager is listening and responding to their concerns and communicating as openly as possible about any prospective changes.

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Improving employee engagement through communication

A lack of communication and clarity causes uncertainty, which can lead to negative shifts in employee opinion and associated job performance. So, how can organisations maintain - and even increase - levels of employee engagement through effective communication in these turbulent times?

- 1. Internal communication needs to be timely, clear, consistent and, most of all, honest.** You cannot expect employees to be sifting through a potential minefield of conflicting messages. If there is bad news, say so. Employees may not like it, but you will have their respect and trust for being honest. Ineffective and dishonest communication just undermines that trust and makes it much harder to implement change.
- 2. There is no “one size fits all approach” to communicating difficult messages.** Make sure that the tone, content and channels used for communication are targeted at the intended audiences. However, an organisation should use communication channels which have historically worked well, whilst ensuring the opportunity for two-way dialogue exists.
- 3. Contextualise corporate communications at a local level.** By doing this employees will be able to understand what the key business messages and objectives mean to them and how their role will fit into this going forward. This will help them understand how their own performance relates to the organisation's success and achieving its objectives.
- 4. Be clear about when face-to-face communication needs to be used.** Ensure that those who are responsible for delivering it are equipped with the necessary skills and information to do so.
- 5. Although your focus has to be on dealing with the most affected people initially, do not forget about your “survivors” who are the future of your organisation.** If their motivation and engagement drop it will affect the performance of your organisation and you may even destabilise these people.
- 6. The focus for communication should be on all stakeholders receiving the same message at the same time.** Employees can easily be overlooked in favour of other stakeholders (e.g. customers, shareholders and suppliers), but unless your employees are with you on the journey, your customers won't be with you either. Indeed, as Sir Terry Leahy, Tesco's Chief Executive, once suggested, if you look after your people they then in turn will look after your customers, and those customers will come back.¹¹
- 7. Key messages need to be around organisation direction, strategy and employee involvement along the journey.** These may include: Where is the organisation heading and why? How do you aim to get there? What is the role of the individual? How does the individual feel involved?

Key people challenges moving forward

Our micro poll of Senior HR Professionals found that maintaining and increasing employee engagement is the key people challenge facing organisations in the next 12 months (54%).

Table 1: Key People Challenges Facing Organisations in the Next 12 Months

	% Organisations operating globally	% Organisations operating in the UK only	% Overall
Employment engagement	62	50	54
Talent management	62	36	49
Redundancy	38	43	43
Downsizing / restructuring	38	29	38
Cultural change	38	29	38
Learning / development	29	43	35
Greater efficiency	29	50	35
Pensions	14	29	19
Pay and benefits	19	14	16
Employee wellbeing	19	14	16
Employer branding / recruitment	14	7	11

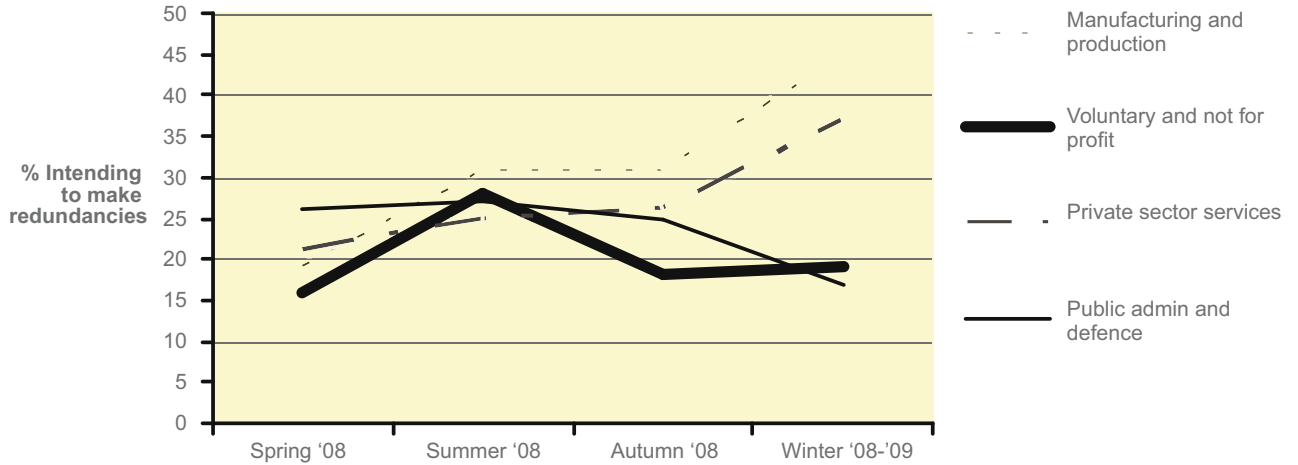
Source: Ipsos MORI Poll of Senior HR Professionals, European HR Directors Business Summit (2009)

Redundancy levels in most business sectors in the UK were relatively low during the last 12 months, but we are already seeing this change in the first part of 2009 (Fig. 6). The CIPD's recent survey of its members (undertaken by Ipsos MORI) revealed an increase in the number of organisations planning to make redundancies (especially among full time employees) and reduce recruitment (62% in winter 2008-09, down from 75% in autumn 2008).¹²

A lack of communication and clarity causes uncertainty, which can lead to negative shifts in employee opinion and associated job performance.

Fig 6.

Redundancy Intentions by Business Sector



Source: CIPD (2009) 'Labour Market Outlook – Focus: Coping with the Credit Crunch'; Quarterly survey report, Winter 2008-09

Ipsos MORI's Political Opinion Monitor revealed almost half (49%) of full-time workers said they were concerned about being made redundant over the next few months - a 6% point increase over the previous quarter.¹³ Clearly, fears over redundancy and decreases in recruitment intentions have created significant uncertainty amongst British workers.

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Tackling those challenges

So, how can organisations effectively tackle the people challenges they face?

1. Recognise the importance of employee engagement

This is particularly important for survivor management as Mike Emmott, Employee Relations Adviser at the Chartered Institute of Personnel and Development (CIPD), believes *“It’s not just about the impact on the people that go; it’s also the impact on the people that stay.”*¹⁴ This is not an easy task in the current economic environment. It is worth taking a moment to think about how you look in to this issue because it is vital for long term retention of employees as well as performance improvement.

2. Make employee engagement real for your organisation

Employee engagement is a two-way relationship, benefiting and satisfying the needs of both the employer and employee. This means there is a need to identify and stimulate the drivers of engagement that are most relevant to you and your people.

3. Measure employee engagement

Use employee research to measure, build and maintain a culture that encourages employee engagement and delivers tangible improvements to people and performance by helping to focus on what is truly important. This is as applicable to new starters as it is to longer serving employees, because it is in the early stages that you start to build engagement.

4. Continue to focus on Talent Management

In times of economic uncertainty, it seems too easy to abandon talent management programmes or put them on hold. If you don’t nurture and develop your high performing people they will become disenchanted. Companies that do so will not only weather the current storm, but will also be better equipped to reap the benefits from the good times when they return. You can’t do that if your best people are no longer with you.

5. Manage performance effectively

Ensure your performance management system is aligned with personal and business objectives, so that employees are measured on and made accountable for what is important. Whilst it remains important to recognise good performance, it is also important to measure and manage poor performance. No organisation can afford to carry passengers who aren’t prepared to pay for the ride, especially in these tough times.

Conclusions

Now more than ever before, HR needs to show itself to be about more than making redundancies and helping the organisation to save money. We will find the organisations that rise to the challenge, are courageous and demonstrate how they can add significant value during turbulent times. Organisations that champion employee engagement, intelligently manage talent and communicate with employees honestly, accurately and at the right time will ride the current market turbulence and be successful in the future.

If you are interested in learning more about any of the issues raised in this paper or would like to find out how Ipsos MORI can support your employee relationship management needs, please contact us.

Organisations that champion employee engagement, intelligently manage talent and communicate with employees honestly, timely and accurately will ride the current market turbulence and be successful in the future.

Endnotes

1. CIPD (2009) 'Labour Market Outlook – Focus: Coping with the Credit Crunch'; Quarterly survey report, Winter 2008-09
2. Ipsos MORI (2008) British Captains of Industry (c.100), Interviewed Sep-Dec
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Further information

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