

As the Dust Settles

KEEPING YOUR EMPLOYEES ENGAGED DURING A DOWNTURN

Engaging employees may be the single most important challenge in today's business environment. Many organizations face decreasing revenues, budget cuts, and tough decisions about what they'll be able to continue. Yet during these demanding times, smart organizations realize the importance of keeping employees focused, productive and committed to organizational goals. Maintaining a strong employee engagement program throughout the recession may be the best decision they'll ever make.



You don't need an economist to tell you that we're in a recession. Job losses, falling stock markets, bankruptcies and business closings – we see the evidence every day in the media. Articles discuss the effects of the recession on industries from farming to retail to banking, from construction to education. Large businesses, small businesses – companies from China to LA, from Costa Rica to Sri Lanka – the impact is global.

The word "recession" conjures fear for most people, and with good reason. According to the Bureau of Labor Statistics, employers took 2,328 mass layoff actions involving a total of 224,079 workers in November 2008. The unemployment rate for December 2008 was 7.2% – the highest it has been in a decade. And the worst may be yet to come. According to a survey by the Society for Human Resource Management, while 48% of organizations laid off employees in 2008, 60% plan to layoff employees in 2009.

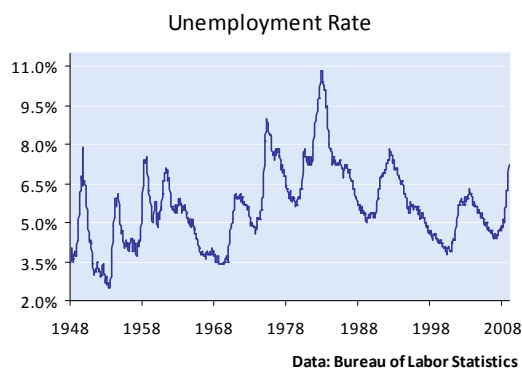
Research shows that layoffs, restructuring and cutbacks often have detrimental effects on employee productivity and focus. Sometimes referred to as "survivor syndrome," it is not uncommon for those who remain employed to experience guilt, anxiety, and even adverse physical health outcomes. And employees aren't only impacted by layoffs, but by salary reductions and freezes, forced early retirement, elimination of bonuses, profit sharing and 401(k) matches. As employees are being asked to do more with less, the cumulative effect of these stressors takes its toll on employees – and ultimately on the business' bottom line.

The impact of these stressors on employee and business performance is well documented. The American Psychological Association estimates that stress costs US industry more than \$300 billion annually in terms of absenteeism, diminished productivity, and direct medical, legal and insurance fees. Changes in perceptions of control have been shown to influence an individual's ability to concentrate, make decisions, and perform routine tasks. Health problems associated with job stress are not only bad for the individuals who suffer them, but have an indirect impact on productivity and profitability.

And as if the impact of these stressors were not enough, many businesses find that their best employees are MORE likely to leave

during times of uncertainty. Our research shows that employees who are concerned about their job security are less likely to remain with the company if offered another option (48%, compared with 67% of those who are not concerned about their job security). This effect is accentuated when layoffs occur. A recent study published in the *Academy of Management Journal* found that organizational layoffs decreased commitment among remaining employees, and resulted in significantly higher voluntary turnover following the layoffs. The researchers found that even small layoffs led to increases in voluntary turnover. In fact, layoffs of only one half of one percent (.5%) resulted in 13% voluntary turnover – 2.6 points higher than that of the average non-downsizing organization. This translates to five people leaving (who would normally have stayed) for every one that is laid off. Too often these are an organization’s best people – certainly the ones with the most marketable skills – and the employees the company is relying to keep their business going.

Smart organizations prepare for recovery and think long-term. As we plan for the future, we are reminded of the cyclical nature of our economy. Good times are followed by bad times – expansion followed by contraction. Then the economy reinvents itself. In fact, recessions have been likened to seismic activity. After years of prolonged growth, pressure builds and is released in the form of recession. It is part of the natural cycle of economic growth.



Whether in a down economy or not, having an engaged workforce is critical. Beyond retention, engagement focuses on work outcomes. Engaged employees tend to be highly motivated, energetic, focused on work, committed to the organization, and willing to put in extra effort to accomplish work-related goals. And that’s exactly the sort of commitment that is needed when attempting to weather the economic storm.

Employers must ask themselves what they are doing to engage – or perhaps reengage – their workforce. Recessions and organizational cutbacks signal massive change for most businesses. It is important to take action *before* the dust settles. In order to keep employees focused on their work and engaged in the business of the organization, organizations must know where they stand. Do employees have what they need to do their jobs? Do they understand what is expected of them in the newly realigned organization? Do they understand organizational objectives and how their jobs contribute the company goals? In times of uncertainty and change, it is more important than ever to ensure that employees are focused on the “end game” and have the support, training, and resources they need to be successful.

The bottom line is simple: organizations must keep the talent that they have focused on their work and engaged in the achieving organizational objectives.

As organizations make tough decisions about what to cut, most look for more cost effective ways to engage their employees. Many find a survey process one place they do not want to cut. An engagement survey can gauge the organization’s readiness to deliver, alignment with direction, and commitment of employees. Once levels of engagement – and its key drivers – have been assessed organizations have the necessary information to take action. A meaningful engagement program must be a process – gathering information, analyzing and interpreting data, communicating results, taking action, and

back to gathering data – but it starts with a survey of employee opinions. In a time where program budgets are being cut, the cost effectiveness of an employee survey should be remembered. Considering the negative impacts of not knowing the issues employees are facing, a survey will always be a small price to pay.

And the very act of conducting a survey reinforces an organization’s commitment its employees. It is an ideal way to open the lines of communication and get people to focus on the job and what they’re doing. It is future-oriented; it sends the message that the company intends to not only survive these challenging times, but thrive and move

forward. Think of the message that is sent when organizations postpone or cancel an engagement survey. That they no longer care what their employees think? Or that they don’t expect to be in business that much longer so doing a survey would be moot?

Organizations that neglect employee engagement issues when things go bad run the risk of being “penny-wise and pound foolish.” Cutting back on engagement initiatives (including surveys and other programs) might help an organization in the short-term, but those who focus on the long-term – and the inevitable upturn – will have a distinct competitive advantage.