

# Managing Business During Recession

## Survival of the Fittest

The article essentially highlights the cause for recession, need for mapping and how it could be predicted in advance. It emphasizes on the HR perspective of retaining the employees, implementing job rotation, training them on new skills, and creating a better platform for change management during recession to get the business going. The in-depth analysis of forecast, progressive planning, and managing the business with combinational factors is discussed with the remedy to emerge out unscathed. It opens a new dimension to the positive alternative growth induced by HR.

‘Survival of the fittest’- the short mighty mantra holds good for all times. This famous phrase of Herbert Spencer applies not only to biology but also to business management. A recession is the paralyzed state of economy, inflation and cash flow. Almost all corporate organizations in the world have to survive tough times in order to exist in the business market and get going to overcome the next tide. Owing to the fitness some organizations may take over others, some may hop with minimal operations while some may be washed out to extinction. Tough measures are taken at the higher level to balance the grunt of economy. All steps prescribed for a

sustained running need not be looked as necessarily bad but predominantly some of the practices seen are emergency operations.

In an organization, crucial remedies are evenly applied on all fronts leading to a cut in Infrastructure, HR operations, diversifications and acquisitions. The immediate impact of downbeat of economy echoes with gradual downfall of new projects inflow. This subsequently leads to surplus employees, unoccupied infrastructure, reduction in operations which appear redundant. The strategic parameters are effectively applied and organizations in



spite of this carryout announced layoff, partial closure and sometimes total closure. Many times the operation would be a total success leaving the patient dead.

### Non-Recognition Vs Recession: Demarcate the Top and Bottom in Appraisal

Day-to-day running during the recession is essentially an exercise with shoe-string budget. However these employees are the assets of the organization and those in the high performing brackets are indispensable.

As a strategy in the HR performance appraisal, top ten and bottom ten percent of the employees are identified. The low performers can be put on essential training for up-gradation and elevation to next level. This would give them a scope for learning and to continue on their jobs. Even if a skilled employee resigns, there is continuity in work as the next man steps into job in no time.

Generally it has been a practice to honour the high achieving individuals and teams with huge bonus and rewards. In the process other employees would come to know what it means to be recognized and motivated. If any company views salary as avoidable cost and staff welfare expenses as measurable waste, then the company is sure to lose its quality productive staff and get out of the market and internet search engine. You don't stop buying a new dress or skip a movie or stop dining at hotels just because you are not leading a luxury life. Even if employees are not recognized normally, they have to be supported during recession.

Recently, a CEO of leading IT company was heard saying that lack of proper recognition both financially and verbally does a hell of damage in his company.

How many of the medium level employers have actively and whole heartedly given recognition awards and incentives? How many have given hike not more than 5% - 10% to middle and bottom level workers? As all staff members look at the organization as their 'family', they seldom complain even if the pay hike is very little owing to economic recession.

### **Recession allowance: Extra mileage to recover from negativity**

Even before a recession is realized by the management,

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HR and Finance have to sniff it and blow warning whistle. Employers should know that recession is not only for business people but for the entire nation. When regular salary becomes inadequate to help both ends meet, the workers need 'Recession Allowance' exclusively to fight against the tough times of bad economy. This can be stopped once the situation improves. This allowance has nothing to do with the Dearness allowance or performance hike, but would go a long way to patch up with cost of living. As the employer cares for the employees, this would perhaps be a major attractive factor for retention. By giving resources to staff to recover from negativity, the practical fear can be removed.

It is the duty of a HR Manager to keep up the promises made at the time of interview. An employee will come to know the 'promises' of HR in six months. During the initial probationary work period the employer precisely gauges the performance of an employee and similarly this is an observation period wherein an employee studies and analyzes the employer. Building trust by both is crucial in the first six months as this period is a 'two edged knife'. There had been instances recently when

employees who completed probation, resigned on the grounds that appraisal was not done due to recession. Indeed, a Herculean task to persuade the management for Performance Management System (PMS).

On many occasions, the recession goes unpredicted and unnoticed which would later prove to be malignant and disastrous. Owing to these reasons the management while doing the annual performance appraisal has to do a little stretching. When management alone decides on the restructuring, it will end up in cost cutting measures and staff welfare will be ignored. Consciously, an economist has to sit with HR and Finance heads to discuss on the decent hike recommendation in line with market standard. Any irresponsible cost cutting measure implemented against the employees will lead to attrition that supersedes the impact of blow from economic recession. Attrition may surface again after recession too.

### **Symptoms to sense recession and the fate of HR**

Recession does not occur overnight. It is symptomatic and the outcome ought to have been felt by the business houses well ahead at least by few months prior to entering the critical phase. The Ministries of HR, Labour, Industries, Trade and Commerce, Finance, Statistics, Imports and Exports, Urban development, have a

great role in predicting the catastrophe that should be mitigated to the highest possible level to keep the economy running. Let's look into some of the pre-diagnosis symptoms of recession.

Unemployment prevails over a period of time and when there is a spurt in the proportion on the chart alarmingly; one can sense recession storm is approaching. The jobless number may include reasons like layoff, voluntary separation, termination, death,

many employees in the HR department have to be shown the exit door. Releasing advertisements in the papers, subscription to job portals, paying fee to placement agencies, spending on campus interviews, and salary to recruiters will be looked at as avoidable expenses.

Writing in the company's official blog, the vice president of people operations - Google, said: "Google is still hiring but at a reduced rate. Given the state of the economy, we

better option to distribute surplus employees afflicted by recession on job rotation to other departments of the company or other units that have hectic workload. Once the severity is down, they can be called back to resume regular work. The employees have to exercise patience and cooperate with the management which had not axed them in tough times. This phase is apt for learning additional skills and getting trained in other domains. HR has to coordinate with Tech heads in training schedule to keep them abreast of skills. This strategy may help them to adapt a new technology and change management can be a turning point in their career. Separation of staff in spite of training may be only 2/10.

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superannuation etc. If layoff number exceeds the usual figure, then it is a clear indication. Recently large companies had shown pink slips to many employees around the world. As a result of a fall in overall fund flow and the downsizing by large companies, credit card purchases shot up. This is a clear implication that people no longer have cash for day to day operations.

HR has a vital role to monitor the hear-say words on the downbeat of economy moving around in the company. If unchecked, the words may cause irreparable damage to the image of the organisation. A recession does not show mercy to HR department as well. When productivity and turnover of the company falls down,

recognized that we needed fewer people focused on hiring. It also cut an unspecified number of contractors and downsized its annual holiday gift to employees."

### **Planning methods to manage business in recession**

The following lines depict the HR perspective and role as a guide to alternative strategy. During recession, showing exit door might be easier than retaining and recruiting manpower. All pillars of a company need to devise a strategy to minimize the impact of recession on the employees, marketing, customers, clients, and goodwill value. It is foremost for a HR manager to counsel and be transparent on the remedial moves. It is a

Frequent feedbacks from employees would help the HR to redraft policies that suit them. All grievances have to be redressed and it is advisable to keep them counseled and motivated. During recession, employees who are earmarked redundant have to be kept engaged else 'an idle man's brain is devil's workshop'.

If budget allows, a short trip can be planned to forget the shock of reality and to relax from stress. Let not the staff symbolically exhibit recession effect in their appearance. Normally when a company pays its employees far below the market scale, the net pay received by them becomes volatile during recession.

If operational costs escalate in running different shifts, let HR implement a general shift to save power and fuel consumption considerably. Rethink if any appreciable amount can be saved by working five days a week. 'Work from home' concept can be considered for those whose absence on floor does not hamper the back office operations. It is true that most companies cannot eliminate the HR function altogether. Even if the HR Manager and Executives have to be downsized, the role is taken by someone who is not a HR specialist. When someone is doing the HR job, that person is disturbed from his core business job function and ultimately quality declines.

Our Indian middle class culture does not support the American culture of large scale job cutting measures. 'Employees are made the scapegoats for the mistakes of the top management. Recession is the time when companies should come forward and assure their employees about their future and analyse the cause of slump.'<sup>1</sup>

Major companies abroad outsource the support service and finance operations. Though this appears good, the outsourcing is not available for free. Instead of placing vital employees on lay off, the perks of managers and directors can be rolled back temporarily. The services of employees can be

scalable and can act as 'help-desk' models. Recruitment is in full swing in the industries of medical tourism, hotels, cruises, travel, e-publishing, holistic resorts, handicrafts; value added goods, bio products, handloom, processed foods fruits, herbal products, extracts, perfumery, arts and culture. These industries have been the sources of foreign exchange through our own independent infrastructure, total manual contribution and open selling.

### **Utilise recession, for it may not occur frequently**

When the activities of HR department fade during recession, the team can be engaged in research on prospects of business exploration. It is time for a parallel continuous research to look on avenues for alternative business activities. Let the unwanted posh allowances be diverted to fund for 'business toggle switch' arrangement during recession. Existing manpower can be utilized for business that demands new age skills, reengineering and change management.

People come to HR when they cannot see a way forward. The graphs of recession show that people are not even looking for strategy and leadership when they are looking for job saviors! Counseling is imminent for the board of directors also. If some of them belong to old school of obsolete thoughts and find it difficult to accept 'change

management', then unarguably and unanimously they have to be changed and fresh blood pumped in. Adaptability to a new business at a shortest time is a must. Giving the employees a robust option with multifaceted career would make them grow with the company, would boost up their morale and assure retention on the long run.

'Make hay while the sun shines', 'Christmas comes but once a year' are applicable proverbs. Don't curse; welcome recession, for it may open a new leaf in the annals of a standalones company practicing ethics and quality in its prime business to grow into a diversified group. With fewer competitors in the foray, time is ripe to float secondary business and attract customers. In *recession phase*, keep ready alternative business plans, wait for the moment, get set and go. If success strikes, the research is right and can be added to adorn the success cap.

Increase the time spent on HR strategy and don't stop until you have a positive vision for everyone in the company. Get ready like daffodils from sleepy frozen era to burst into exuberant life at the first smell of spring. Very soon you can hear 'Recruiters are busy'.

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<sup>1</sup> *Defeating recession: The Hindu, Jan 4, 2009*

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