Growing Your Business in a Down Market
Separating the Exceptional from the Average

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Challenging market conditions certainly tests human capital strategies and forces an organization to take a hard look at its people, given that personnel related costs often represent more than 35% of a company's operating expenses. Companies may be tempted to think of employees in terms of an expense liability and respond by making drastic cuts across the board. However, the fact is that talent is an organization's most important asset, especially in tough economic times. Most business executives agree that human capital impacts profitability, customer satisfaction and business innovation. According to a study by Mercer, organizations that understand their "people strategy" can provide a competitive advantage outperforming those that do not by more than two to one.

Talent Management during tough times requires that companies reevaluate their business strategies. It's not business as usual. New challenges may require new teams, new skills and new leadership to weather the storm and outpace the competition. Companies must identify top talent and its lowest performers and determine if they have the right people in the right positions. Companies should look for ways to optimize their workforce by identifying the talent and skills required to achieve the company's new goals, training employees for high performance, releasing their lowest performers, moving their best employees into strategic roles and hiring top talent away from the competition.

It is critical that employee performance objectives are aligned with the company's goals. Companies must clearly communicate both short and long term goals so that employees have a sense of the bigger picture and how their specific roles help the company succeed. Research shows that the more closely company goals are aligned with management and employees, the higher the financial performance of the company.

Given that most companies will rehire 20-25% of their workforce every year regardless of economic conditions and that top performing employees are most at risk of leaving, companies have become increasingly focused on retaining and motivating existing talent. Investing in existing staff should be one of your company's top initiatives for 2009. Companies should pay particular attention to top performers by mapping out their career potential and paying for performance. Studies show that a pay-for-performance culture is one of the best methods of motivating employees to perform at maximum levels and can improve retention by up to 27%.

Even in this weakened economy, companies expect the war for talent to continue and consider recruiting critical skill employees and top performers one of their major challenges in 2009. Organizations must develop strategic hiring and tactical recruiting methods to fill new job openings created by turnover, growth or changing business needs and continually upgrade the company's talent base. In this dynamic market, companies should look for windows of opportunity created by corporate downsizings, mergers, dispositions, etc. in an effort to acquire top talent previously unavailable or out of reach.

The proposition of a comprehensive talent management program - recruiting, on-boarding, performance and goals management, career and succession planning, learning, compensation programs, etc. - is daunting even in good times. Most companies are outsourcing at least some of their talent management activities, such as recruiting and training as a tool to compete in the down market. Companies are most interested in using outsourcing as a means to deliver cost effective services and keep their internal resources focused on core business. In today's climate, those companies that focus intensely on talent management strategies will separate the exceptional from the average. •

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