

Excerpt from:

Keeping Up in a Down Economy: What the Best Companies Do to Get Results in Down Times

By Bob Nelson, Ph.D

Introduction

We are in an economic downturn that is deeper and more damaging to the American economy than anything experienced since the 1930s. Recent research conducted by Kenneth Rogoff, a Harvard economics professor, concluded that the current economic crisis will not recover until at least 2011. While the economy may one day surely turn for the better, government economists believe that day may be several years away and that conditions will get worse before they get better. In the meantime, to thrive – or even just to survive – company owners, executives, managers and employees must take action now to help ensure their success and to be able to make it to better times.

By focusing on the right things now, management in any company can make a marked difference in its ability to create more positive circumstances for its employees that allow the organization to compete more effectively. Managers can do this by motivating their employees to achieve focused, revised goals that touch all aspects of the business from innovation and cost-cutting ideas, to process improvement and enhanced customer service, to strategies for enhancing sales, referrals, and follow on services.

While this focus may seem like good management practice that companies should already be doing, these basics are even more critical in tough times and can make the difference between success and failure for many organizations today.

Quantum Workplace, a company that tracks employee engagement scores of over 1.5 million employees within 5,000 companies nationwide, has found that 66 percent of the firms they studied saw a decrease in employee engagement in a recent year that seemed to be in direct response to the negative circumstances of the recessionary environment.

Common Mistake #1

Waiting for an economic turnaround to make changes

Putting business decisions on hold too long takes a toll on your bottom line. If you have a good idea, don't wait for a recovery to implement it. You'll get a head start on the competition by making your move now.

A comparison of those employers that had higher engagement scores with those whose scores had dropped revealed five key differentiators, all of which will be addressed in this book: 1) Setting a clear, compelling direction that empowers each employee, 2) Open and honest communication, 3) Continued focus on career growth and

development, 4) Recognizing and rewarding high performance, and 5) Continued employee benefits that demonstrate a strong commitment to employee well-being.

“Employers can significantly influence, if not control, how motivated and satisfied their employees are,” says Greg Harris, president of the firm. “A more engaged workforce can act as insulation, a buffer if you will, from the effects of the economic turndown,” concludes Mark D. Hirschfeld, principal of Goldenrod Consulting, Inc.

What We Can Learn From Past Recessions

Management taking positive actions in challenging times to obtain positive results is a proven strategy of today’s most successful companies, some of which either began or grew substantially during recessions and/or depressions. For example, General Electric started during the panic of 1873 (i.e., “The Long Depression”), a time when Andrew Carnegie also launched his very first steel mill. Carnegie had the foresight to recognize that lower construction costs would allow him to build his dream with little money, a move that ultimately secured him the title as the world’s richest man.

Disney started during the post-war recession of 1923-24 and the Great Depression served as a great “incubator” for creativity for that company. Moreover, in addition to GE and Disney, Procter & Gamble, Kellogg, nearly every airline, and Chevrolet all bucked the business trend of the times and actually expanded during the Depression. And, near the end of the Depression, two men took a leap of faith and built a computer company from the ground up in a garage. In the subsequent decades, Bill Hewlett and Dave Packard drove their company, Hewlett-Packard, to be one of the most recognized names in the computing business.

Here are some more recent examples of successful companies that blossomed in challenging times:

- Microsoft was founded during the oil crisis in the mid-1970s.
- At the height of the recession in the early 1980s, IBM led the crusade to introduce the personal computer that would become a milestone for the company and the industry.
- During the 1991 recession, California-based semiconductor company Intel Corporation initiated its “Intel Inside” marketing and branding campaign, and emerged a household name. Before that, it was an anonymous microprocessor supplier. Now, we think of Intel as a brand and we want an Intel chip inside our computer. Since then, Intel has rarely retrenched and has consistently made investments during recessions.
- During the 2002 recession, American discount retailer WalMart pushed its “Everyday low prices” slogan. This year, it has launched “Save money, live better.” WalMart, known for its low prices, doesn’t mind recessions because most everyone looks for better bargains during tight times. In the last two recessions, they took advantage of this fact to position the company strategically.
- When the big car companies were busy laying off workers from 2000 to 2003, Toyota expanded operations, and emerged with a higher market share. During

that time, it shut down a plant in Turkey for 10 months, but kept all its workers and trained them. When the plant reopened, it went on to have some of the highest productivity and quality ratings at any Toyota plant globally. Toyota promised that for 2009 it was not going to lay off any of its 4,500 or so U.S.-based employees. Instead, they are shutting down plants for three months and training workers in new techniques and new models.

- In 2008, senior managers at Hewlett-Packard significantly reduced costs, rid themselves of businesses that were no longer profitable, and turned all of their attention to the historic strengths of the company. The result? The company not only survived, but they also managed to report profits while competitors did not.
- JPMorgan Chase management made sweeping changes in preparation for tough times ahead and, as a result, cleaned up the bank's balance sheet, placing them several steps ahead of rival banks who crumbled in the resulting financial crisis.
- At a time when everyone else seems to be cutting back or retrenching, AT&T recently announced the \$1.2 billion purchase of two additional companies in an aggressive signal that they were not going to let the current downturn prevent them from growing.

In the most recent tumultuous financial environment, these companies not only managed to survive, they continue as recognized industry leaders. Each company took an approach of deciding to do things differently, and successfully communicated and implemented that approach with their employees. Understanding and knowing the consumer mindset was imperative, as was looking for opportunities to excel in challenging times. For some organizations, preparation was the key. It's one thing to have a grasp of performance when things are going smoothly, but it's those companies that have the wherewithal to prepare for the worst of times, and have a plan for navigating through those times, that emerge as the true success stories.

The Impact on Employee Morale

Recessionary times bring more stress, anxiety and fear to all employees, which, if left unchecked, creates a negative work environment that leads to declining morale, eroding trust and loss of productivity for the company. Even before the latest recession, 40 percent of today's employees reported that their jobs were very or extremely stressful, with 25 percent saying their jobs were the #1 stressor in their lives. Sixty percent of employees felt pressure to work too much, and 85 percent reported feeling overworked and under-appreciated.

With the onset of the recession, not only are employees worried about the stability of their jobs, they are also concerned about their personal finances and future. Stress wreaks havoc on the body and manifests itself in ways that are often not even evident to the person enduring the symptoms. Regardless, the result at work is almost always a decrease in productivity and an increase in absenteeism. Long hours, lack of support and

poor communication are all contributing factors to stress among employees, not the least of which is poor morale.

In early 2009, Accountemps released survey results about the impact of various business practices on employee morale. The survey results were based on interviews with close to 1,500 CFOs throughout the United States who were asked the following question: Which of the following has the most negative impact on employee morale?

- 33 percent cited a lack of honest communication
- 19 percent cited a failure to recognize employee achievements
- 17 percent cited micro-managing employees
- 16 percent cited excessive workload for extended periods
- 14 percent cited fear of job loss.

For far too many Americans, getting up and going to work is becoming more difficult. From what we read in the morning newspapers to what we learn online or see on the evening news, the economic outlook is grim. Constant news of the dire state of the world economy creates pessimism and fear in employees. Fears of layoffs and disappointing reductions in salaries and benefits occupy the minds of all employees. People are struggling at home with how to adjust to personal economic setbacks, and they are paralyzed with fear and uncertainties at work. All of these anxieties and pressures make for unhappy, stressed employees and an unproductive workplace.

It's a natural tendency for anyone facing difficult times to feel hurt and threatened. As a result, employees can become withdrawn, fearful, and myopic. Unfortunately, this reaction tends to perpetuate the original circumstances, causing an entirely new set of concerns, enhanced fears, and negative reactions that can further worsen the situation. According to Peter Capelli, a professor of management at Wharton, "Workers in a downturn can get so nervous that they just freeze up and aren't able to do good work, especially if they're afraid of being laid off and it's not clear what the standards are." The key, then, is to motivate your workers towards improved performance, and not to paralyze them with fear.

Simple Actions Can Make a Difference

Many companies, especially those who have weathered previous recessions or depressions, have come up with practical, simple, and inexpensive ways to keep employees inspired and their businesses above water. Take a look at some of the low-cost, morale-boosting ideas that have recently worked for companies across America.

- One company offered "redeployments" to unrelated positions instead of layoffs.
- One firm established a 24-hour "news desk" on its company Intranet that was constantly updated with the latest company news for its employees to check.
- A number of organizations allowed their employees (not just management) to run cost-cutting programs.
- One company cut back operating hours and shifted all employees to a four-day work week while others allowed more flexible work schedules for their employees.

- Many organizations scheduled more team-building activities, but they also allowed employees to decide which team-building activities they would like to do (not everyone enjoys paintball after all).
- One bank created an Asset Relief Program in which all employees, not just upper management, were asked how to increase business and help address slumping profits.
- Many organizations encouraged managers to write sincere, handwritten thank-you notes to their employees rather than giving them cash.
- Many companies gave employees additional time off in lieu of pay increases or bonuses.
- One large company established a monthly “Take Your Dog to Work Day.”
- Another company established a monthly “Family Day” in which workers were encouraged to bring their family in for the day.
- One company replaced expensive catered lunches with brown bag lunches prepared by managers.
- A few companies got creative and recycled employee trophies as new awards.
- One firm allowed employees to bank and share vacation time.
- To lessen economic anxiety, a few companies created money management courses for their employees to take.
- Other firms encouraged their employees to take their vacation time and maintain a better work-life balance in their lives.
- To get their employees to stop thinking about doom-and-gloom in the news, one company in the Northeast allowed their employees to organize fundraisers for those less fortunate than themselves.
- Some companies allowed faith-based groups, diversity groups, and book clubs to form.

These are just some of the simple, useable ideas that you can start to have work for you and your employees to help make a difference today. Many more ideas and techniques will follow that can be weaved into your daily practices and the fabric of your company’s culture.

Combating the ‘You Should Just Be Happy to Have a Job’ Syndrome

One of the worst mistakes managers today can make is to assume that recognizing their employees is not as important now as when unemployment is low. Managers can’t assume that employees should simply be thankful for having a job and so don’t need to be further motivated or encouraged to be productive. While there is no doubt that employees who have survived a layoff are indeed thankful for their job, this feeling will hardly be enough to engage them to new heights during a time when their focused efforts are most needed. From strong communications programs to remembering to say thank you, there are many ways to motivate employees and help them endure the changes that come with a down economy.

Common Mistake #2
Feeling people are lucky just to have a job

This assumption is based on the belief that when the economy is weak people feel fortunate to have a stable position, even if it's not their ideal job. While this may be true in some cases, remember that your most talented employees always have options. Good people are marketable in any economy, and you want your best performers to stay with you for the long term.

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Published by Pragmatic Publications, an imprint of Nelson Motivation, Inc.

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San Diego, California