

Podcast Transcription

Act Now to Position Your Workforce for Long-term Growth

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Thought leader: Rich Wellins, Senior Vice President, DDI

Pre-recorded opening: Welcome. You're listening to the DDI Podcast series, heard around the world by people who propel their organization's talent strategies. Turn to DDI to close the gap between today's talent capability and the people you need for tomorrow's business strategy.

Rachel: Thank you for joining us. I'm Rachel Moody, your host for this Podcast. I'm here today with Rich Wellins, Senior Vice President at DDI. Today we're taking a closer look at several of the key issues raised in DDI's recent White Paper, Surviving and Thriving in Today's Economic Environment. Among those issues are retention of key staff and on the flip side, the unfortunate and often inevitable staff cuts necessary for your organization's long-term financial health. Rich, in your paper you stress the importance of using, not losing, your "A" players. Who are these "A" players and how can they best be utilized during these challenging times?

Rich: Well that's a good question, Rachel. And we define "A" players, a new way of thinking of "A" players is the highly capables. They are perhaps the top 20 percent of your workforce, they can be in leadership positions or in individual contributor positions but they are really high performing, value creators. So to answer your question specifically, how can you use them in tough times? Well, they're "A" players for a reason. They're bright, flexible, committed to the business, have good insights, know their areas well. So I think the way you use them is to tackle problems in your business relative to the recession, involving them as advisors, putting them together as teams to look for ways to reduce costs, or to look at ways to boost the top line, to look at ways for restructuring your organization, to look at ways to improve customer loyalty. These are the people in your organization who are going to have the best ideas and they need to be used.

Rachel: Fantastic. So what we're really talking about here with these "A" players is putting their great minds to work on immediate issues that can automatically, right now, today, impact the businesses bottom line.

Rich: That's right. One of the things that's ironic in a recession is a lot of

times leaders who lead these “A” players can tend to clam up. They’re going through some fear themselves, things are much tougher to manage, and they don’t necessarily become more open, and that’s the danger because your “A” players will get turned off. So the message to leaders is really take a look at those “A” players and how you can bring them in to the business so that you’re working together to solve these crucial business issues we’re facing right now.

Rachel: And in addition to getting some fresh ideas or some fresh takes on your current business challenges, there are other benefits to using these “A” players, aren’t there?

Rich: There sure are. Ironically, I was just reading an article this morning done by a research organization that showed that retention of key players is a number one issue in this economy. I need to be honest, that surprised me a little bit. The job market’s pretty tight. I would think that any player, “A” or otherwise, would be hunkering down, there aren’t the opportunities there. Yet, it seems that organizations are very concerned that their “A” players will begin to look and if they’re good enough they can find a better job in a more secure industry or environment. So I do think you need to keep an eye on these players, not just involve them in helping you solve business problems. So their engagement is key, I think they should be protected from poaching. By using them, as we suggested above, I think that will automatically help make them feel part of the organization. But the more leaders can engage these “A” players and make them part of solving problems, I think the longer they’re likely to stay around and the chance is that you’ll come out of the recession quicker and in a better position when we enter in a growth mode again, and we will, I think the better off we’ll be.

Rachel: And this also gives you a rare chance to evaluate these up and comers in action, doesn’t it?

Rich: Yes. I think it’s sort of a test. You can look at it as real job simulation. You can see how well they do, how they’re reacting to the stress, the value of the contributions they’re making.

Rachel: On the other side of the coin, though, are staff reductions, which are certainly one of the hardest actions to undertake, even though often the very future of your company might depend on it. You mentioned that the situation can go from tough to disastrous if this process is handled incorrectly. So what do some companies do wrong when it comes to making these hard decisions?

Rich: Well, downsizing is never pleasant. It's a tough thing to go through. It's not easy, obviously, those that get laid off and there's also consequences for the survivors, the people who are hanging around. I think we've learned from past recessions that there are a few concerns. One would be what we call peanut butter spread approach to lay-offs and this is where you basically take a egalitarian approach to lay-offs. Every department has to lay off so many people by X date across X number of positions. That tends not to work very well. And, in fact, an article in the last recession, big recession in 2002, an HBR article actually showed that companies who did massive lay-offs were actually punished by Wall Street in terms of their stock price when the market began to recover. So we think you need to be a lot more selective and we'll talk a little more about that later.

I think the second thing is what I'll call the "cut an inch of the dog's tail off at a time." And we see lots of companies where they'll announce 5,000 lay-offs in January, another 5,000 lay-offs in March, and another 5,000 lay-offs in May. Well, what does that do to a culture? Obviously, everyone who's left is waiting for the ax to fall. Productivity plummets. Engagement plummets. It's very hard for anyone to focus. So I know you don't want to cut more than you need to cut, but certainly my suggestion would be, if possible, try to do it with one or two reduction in forces and not something that's very painful and very prolonged over time.

Rachel: And so often we'll see that a company might begin to offer maybe an early retirement package. Are there some detriments to doing this?

Rich: Well, I think what we've found in some of the early retirement packages, in the past, is anyone could take them. And the players who were good players and who know they could find some sort of other kind of work elsewhere left. So universal packages is perhaps not as painless because people are volunteering to leave but the risk is that you could end up losing some of the people you don't want to lose.

Rachel: Now Rich are there any upsides to downsizing?

Rich: These are all painful experiences but downsizing can be turned in to an opportunity. First of all, in a growth mode companies have what I'll call players who are not performing optimally. There are A, B, and C players, but every company has D and F players. In a high growth economy, people are hesitant to take any action on

low performers because they're afraid they won't be able to replace them even if they're not performing optimally, they're still doing something. And so the attitude is we can live with this. Not the case in a recession, every resource needs to count. So I think if you're selective about who you lay off, it's an opportunity to remove low performers. People say dead wood, I hate to use that when we're talking about human beings, but I think it is an opportunity to get people out of the organization who don't have the commitment, who are not performing. And you know the funny thing in a recession is everyone's working harder, and everyone's doing more so your A and B players or C players are probably annoyed that you're not taking action on the low performers. So that's one benefit. I think another benefit that is related, it gives you an opportunity to look at your business and how it operates. Do you need as many management levels as you currently have? Are there processes that can be streamlined which would mean less people are needed to run those processes? Are there old businesses maybe you shouldn't be in? So I like to say it's an opportunity to put your business on a diet and that's a plus as well. Done correctly, I think pruning, and that's why we use the term pruning because when you prune a bush it looks pretty ugly but a year later, or a season later, I'm not a gardener, it comes back a lot healthier and a lot more beautiful. If we approach our lay-offs correctly as unpleasant as they are, I think we can come back stronger than we were before the recession.

Rachel: Well thank you so much for your time, Rich. This has been very informative. And if you'd like to learn more about these and the other key issues to surviving and thriving in today's economic environment, be sure to download our newest White Paper from ddiworld.com.