

Helping Corporations Survive

A well-known business author and adviser offers his thoughts on the current economic downturn and HR's role in helping to effect corporate survival.

By Ram Charan

Almost all corporations are operating in an environment that is unprecedented. It is an environment of fear feeding off of fear. Many leaders still cannot see when the decline will stop and when it will begin to move upwards. All of this creates anxiety, not only in individuals, but in entire organizations as well.

Many people have lost most or all of their savings, not because of what companies are doing, but because of the global economic downturn.

In this context, make no mistake, the boss of the company is fully engaged. Many of the board members and top managers are meeting on the phones regularly, because liquidity has dried up and is turning into insolvency. They are taking full responsibility for their company's survival; seeing what needs to be done, how far, how deep – with cash as the top priority.

Given this level of seriousness, HR has a demanding and highly intensive task to carry out. And HR must get it right.

Here are the top six things that HR really must do:

1. It is imperative for HR senior executives to fully understand what the company's short-term goals are, quarter by quarter, and which ones are more dominant and why.

In most companies today, the top goal is watching for cash, liquidity. Nevertheless, top management is engaged in re-evaluating all costs, all assets, all sources of cash, all uses of cash, and at the same time taking action: which customers to keep, which not; which plants to close temporarily, which ones permanently.

HR needs to be part of this planning and execution. Understanding it is not enough. It is imperative that you master it. The better you understand it, the better you will communicate it. Understand what the effect is on people, which people should stay, which should go, and what the best sequence will be in letting people go.

2. As you master the details, be emotionally prepared to learn what Plan B will be if the assumptions about the economy turn out to be wrong.

It is your job to be sure that you and management do not lose credibility with the people. It's your job to be humble and tell the people what you think the truth is. Tell them at the same time that you are giving your point of view and you may not turn out to be correct because things are changing very fast.

Listen to other peoples' viewpoints; then repeat your viewpoint and repeat your viewpoint. This is the time you will be tested for your credibility, your integrity and your communication skills.

3. Deal with people humanely.

Don't do what one Wall Street firm did. In October, two people at that firm went to lunch. They came back at 1:30 p.m. One was able to get through with his pass key, the other was not. The first one

then let the second one in; however the guard stopped the second one, saying his employment had been terminated and he needed to go to Room 103 and see HR.

Employees understand that people need to be laid off, but not this way. HR, you are the trustee of the values. You are the trustee of the culture. You have to exercise your trusteeship to preserve these values.

4. Now, HR leader, it is up to you and your HR colleagues to work with the line managers to re-energize the people who remain in the company.

Communicate, and communicate some more, and have the line people become more communication-intensive in such a way that the people understand what needs to be done, what the new priorities are and what needs to be stopped and possibly shut down; and the management needs to be decisive.

5. One of the things HR leaders and their staff need to do is get engaged quickly – hopefully in collaboration with the CFO and his or her financial people – to be sure all leaders in the company are following the right key performance indicators and targets under the new conditions.

Let us not forget, no matter how you talk, no matter how you inspire, leaders will always align their energies to targets and KPIs. In the downturn, targets have changed.

6. Let us also not forget that every company is a social organization.

A social organization can have a depression or a collective depressive commiseration. On the other hand, a company's leaders can be highly excited, highly energized, even when times are difficult, because they have confidence in the management and confidence in you. They believe in the past and they can see a better future after the storm. Your title may be HR executive, but you are a leader. The time demands it. *Be a leader.*

Ram Charan, a well-known business author and adviser and speaker, has a new book, Leadership in the Era of Economic Uncertainty: The New Rules for Getting the Right Things Done in Difficult Times, hitting bookstore shelves this month.

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