



THE HR ASSET

Balancing short-term cost cutting with attaining long-term productivity.

When companies experience cash flow issues, whether they are caused by external conditions such as an economic recession or simply a result of overexpansion or poor management, human resources (HR) is normally one of the first areas of the business that is examined in an effort to cut costs. Budgets are slashed, recruitment is halted and salary freezes are put in place in an instant and swathes of staff can often be let go with what seems like little time spent evaluating the consequences.

Depending on the gravity of the situation, some of these initiatives are going to be essential in securing the company's immediate survival while others are likely to have the knock-on effect of improving the company's long-term health and prospects by cutting wastage and improving efficiency. However, it seems that once they have been carried out and the full effects are felt, those stakeholders may get a better understanding of the old adage: 'throwing the baby out with the bathwater'.

Long-term Vision

Of course, when this subject is tackled the first term that springs to mind is 'wholesale redundancy' and this is completely understandable as it's the one term that is most dreaded by employees and the course of action that few immediate line managers want to take. Wholesale redundancy programmes brought in by medium sized companies will always be the talk of the local community while a major programme actioned by a national employer is likely to be the lead story on evening news. However, there are many other ways in which HR budgets can be cut and the question is, 'how much of an effect can these have on the long-term health of a company?'

Take the cutting of training budgets as an example. While these are often seen as easy to carry out in the short-term with little chance of adverse side effects, in practice, the opposite can be the case. One of the most obvious consequences will be a lowering in the standard and currency of the skill and knowledge base among the workforce. However, the absence of training can also cause other more subtle problems.

In the short-term, cutting back on training can be a PR disaster, both from an internal and external point of view. Learning of training cuts can cause the workforce of a company to worry about the possibility of more extreme cost cutting measures being taken while external parties, such as customers and investors, are likely ask questions such as 'will the quality of product/service be affected?' in the

case of the former and 'is my money safe in that business?' in the case of the latter.

When looked at in the long-term, training, if carried out properly, will increase the self-esteem of employees by providing them with a sense of value within the company. It can also act as a reminder of motivating factors that led them to take the opportunity to work at the company in the first place. Both factors can only be good for the company's productivity and, therefore, it is logical to assume that a lack of training can have a reverse effect.

Pay freezes are another course of action often installed without considering the full range of ways in which they can have a detrimental effect on the long-term health of a business. A pay freeze is likely

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to affect the motivation of a workforce as a whole but this can be negated somewhat through the adoption of carefully thought out internal communication strategies. However, those pockets of the workforce consisting of the highest performers are likely to have an idea of their worth on the open job market and any changes to their remuneration packages that they feel are injurious are likely to encourage them to look for employment elsewhere. As the value these highest performers are contributing to the business is disproportionate to their proportion of the workforce, their leaving will dilute the quality of the team that remains.

When it comes to recruitment, companies will look to lower the number of new employees they are looking to bring into the business in an effort to cut overheads. This is often a sound move but needs to be thought over and managed carefully. New recruitment should only be lowered to a level that allows for the company's own employee attrition rates and the overall headcount should be monitored closely so that it stays within pre-defined parameters. If a company is looking to cut recruitment without cutting headcount it may find that it needs to introduce programmes aimed at increasing employee satisfaction and loyalty to compensate.

Close Scrutiny

When taken from the strategic down to the

intradepartmental level, the methods and channels that HR uses to recruit are most likely to come under the closest scrutiny. Bottom line cost often becomes the most important factor in choosing channels rather than the overall effectiveness and value for money that each method may represent. Businesses will often turn to those recruitment companies and media channels that are offering the lowest price rather than most focussed and suitable solution. This can often limit the choice of candidates that are made aware of an opportunity which, in turn lowers the potential for the company to secure the best person possible for the position. While the effects of this may not be felt immediately, employing the cheapest methods rather than those that offer

the best value over the long term can also have an adverse affect on a company's productivity and employee attrition.

Any company would be wise to examine its overheads constantly in an effort to ensure they are contained regardless of whether it is experiencing cash flow problems or not. Those that do this effectively are likely to be in the best position to withstand economic difficulties and take advantage when conditions become more favourable. However, this process should include every function of the business rather than just one or two and the potential consequences of any action should always be taken into account. Over time, the benefits of achieving long-term productivity and value for money will always outweigh minimising immediate cost. ■

AUTHORPROFILE



John Doyle is Group Marketing Manager at Pentasia. John joined Pentasia as a Consultant in November 2004 after five years in Marketing, having held the position of Marketing Manager for the UK's largest B2B Electrical Supplier. After three years overseeing the recruitment of key personnel into a range of key iGaming clients John moved into the newly created position of Group Marketing Manager for Pentasia in November 2007