accenture

High performance. Delivered.

Managing Talent in Uncertain Times

Talent Management Actions That Help Companies Navigate A Difficult Economy

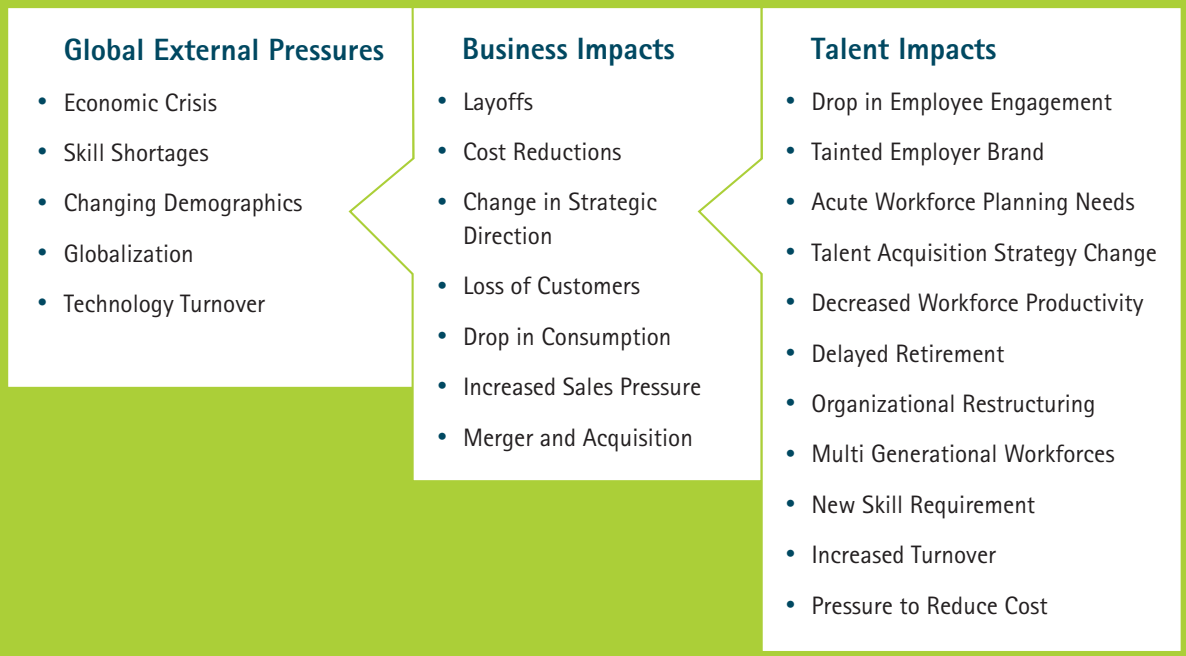
• Consulting • Technology • Outsourcing

Managing Talent in Uncertain Times

Some may question whether the "War for Talent" has ended or whether the cost-cutting this quarter will trump the need to nurture the workforce. To those who pose this question, we ask: In a downturn, would any leading retailer make deliberate moves to damage its brand in the marketplace? Would it evaluate its customer base and decide that it was okay that customers were unhappy with the product and looking for alternative brands? To the contrary, the retailer would consider increasing its marketing effort to highlight the benefits of its stores and products over others, and consider increasing customer retention strategies by implementing unique programs to build brand loyalty, engage the customer and ultimately improve revenue performance.

The same could be said about a company's talent base. Should companies risk damaging their brands in the minds of current and prospective employees for years to come by enacting reactive, indiscriminate cost-cutting programs simply to save money in the near term? Unfortunately, we've found that in many organizations, the answer

Figure 1: Making the Connection: Market Pressures, Business Strategy, and the link to Talent



is yes. In these enterprises, little thought often is given to the long-term consequences of short-term "fixes." Such companies live to regret their decisions when conditions ultimately improve, as they find their employees leaving for more attractive situations, prospective employees more difficult to attract, and gaps in critical parts of the workforce that are needed to fuel future growth.

Today, few would argue that we are not in a down cycle. Yet the difficult economy is not the only pressure that's being exerted on companies. The globalization of the labor market, changing workforce demographics, challenging financial markets and the need to fuel sustainable innovation has made talent management more than just a human resources issue. It's become a strategic business imperative that leaders must address quickly and proactively. We would propose that a sound talent strategy is just as critical as a marketing or finance strategy. For executives, this means recognizing the link between market pressures, business strategy and the value talent provides, and thinking through the implications and impacts that talent management initiatives can have on bottom-line business results (see Figure 1).

Uncertain times call for innovative thinking

Business will always experience ups and downs. And it's precisely those ups and downs that, in many ways, help distinguish winners from the rest of the pack. Indeed, as Accenture's ongoing High Performance Business research has found, high-performance businesses consistently outperform their peers over a sustained time-frame, across business cycles, industry disruptions and cycles of CEO leadership. One of the key reasons these companies outperform their peers even in down cycles is that they continually innovate. Innovation must come from somewhere or, more accurately, from *somebody*, which makes an organization's talent absolutely critical to achieve high performance.

Driving high performance through a differentiated talent capability requires the ability to adapt to varying market conditions and shift the performance of the workforce to keep it focused on the right goals. As Figure 2 illustrates, we find that

Figure 2: How prepared are companies to identify, engage, and deploy the resources and programs that will sustain high performance through challenging times?

Positioning for **Survival**	Positioning for **Advantage**	Positioning for **Growth**
Workforce rightsizing	Accelerating innovation	M&A integration
Labor cost optimization	New operating models	Culture alignment
Operational efficiency improvement	Critical skills upgrade	HR integration
Back to basics	Talent acquisition	Organization architecture
	Strategy agility	Governance models
	Engagement and alignment	

companies are positioning themselves in one of three ways, based on the degree to which their business has been impacted by the economy. For many executives the question is not "Should we respond?" but "Can we respond?" How prepared are companies to identify, engage, and deploy the resources and programs that will sustain high performance through challenging times? Are they capable of adapting their HR and talent programs and scaling their operations based on the strategic imperatives of the business?

For those that recognize the importance of addressing these issues proactively, the question will become one of "speed-to-market." Will organizations be able to adapt and scale their operations quickly enough to turn their capabilities into a sustainable long-term competitive advantage, or will they struggle to respond and lose the battle to their competitors? The speed with which these shifts in economics, demographics and talent sources are occurring creates an environment that will separate the high performers from the laggards—as was the case during the 1990–91 recession (see Figure 3).

The response is critical. Should executives trust their instincts...or question them?

In a complex business environment, where pressure is being exerted on companies from a variety of sources, it's tempting to rely on "tried and true" measures that have been used to varying degrees of success in the past. However, leaders may find their gut instincts lead them down the wrong path. We believe there are more innovative—and effective—approaches to dealing with key aspects of talent in uncertain times that will help companies manage through the downturn and position themselves for growth and high performance when conditions ultimately improve.

What's the role of senior leaders in today's economic environment?

For most companies, the aging workforce and upcoming retirement of the baby-boomer generation is a significant challenge in and of itself. However, with falling stock market prices and diminished retirement accounts, many of these would-be retirees will have to continue working for some time. This poses a new set of challenges for organizations: How

Figure 3: Winners pull away from losers after recession

Performance Comparison
following the 1990 - 1991 recession

The divergence in post recession performance between "winners" and "losers" is dramatic

Winners coming out of the recession tend to maintain their lead and have lasting advantages, not just a fragile edge.

Source: *When Good Management Shows: Creating Value in an Uncertain Economy,* Accenture Management Consulting Research Report, August 2008.

do they effectively leverage these leaders during times of trouble? Can they afford to keep them given the need to cut compensation expenses? Traditional methods may suggest the need to force early retirement in the name of cost-cutting, or executives may rely on their senior leaders to pull them through this business cycle without much consideration of their more junior associates. Successful companies may find that retaining these executives and structuring formal leadership development programs can be the key to unlocking the potential in their next generation of leaders.

Should I acquire new talent or put a hold on hiring?

Many executives traditionally view a downturn as a trigger to enact a hiring freeze. While slowing of the recruitment engine is necessary when the economy is stalled, halting recruitment will dry up the flow of talent that's needed in the forthcoming period of growth. It's critical for companies to follow rigorous workforce planning processes that allow them to align their business strategy, the anatomy of their workforce, and their sourcing strategies accordingly. By using a solution to draw talent maps—essentially mapping the supply of talent in the marketplace—organizations can gain a firm understanding of how global talent pools have reacted to the recent demographic and economic changes. Doing so will enable companies to take advantage of the surplus of skilled workers who in good times may have been too difficult or expensive to attract but are now available thanks to workforce reductions in other companies.

How and where should I reduce workforce costs?

While across-the-board job cuts may seem like an easy way to reduce operating costs, it may jeopardize a company's ability to rebound and could have a negative impact on the employer's brand when news of layoffs spread through the media. Instead, companies should consider analyzing key positions, evaluating the performance of their employees, and making strategic decisions about how to keep their top performers engaged in areas of the business that are growing. To that end, leveraging a shared services model or outsourcing arrangement to scale operations based on demand could be the key to achieving cost-reduction targets while retaining top performers in leadership positions within the unit. By implementing innovative programs and flexible work arrangements and by keeping an eye on the employee as much as on the finances, companies can meet financial goals and generate the "goodwill" that ultimately can be marketed in their Employee Value Propositions to current employees and future candidates.

When losing employees is necessary, the question becomes "Am I losing the right people...*or the wrong ones?*" The ability to assess the workforce at any point in time and determine both the gaps and the key resources to be retained is a crucial capability, especially in the context of a merger or acquisition. Understanding the risk profile for critical workforces and key leaders is a company's first line of defense against attrition and loss of productivity. By assessing their level of engagement, an organization can develop and deploy targeted messages and programs to mitigate these risks.

How do I keep employees engaged, productive and committed to the company?

When it comes to an economic slowdown, it's easy to assume that an organization's workforce will share the same concerns across the board. But that's rarely the case. Regardless of whether they are positioning for survival, advantage or growth, all companies must pay considerable attention to keeping employees engaged with their jobs and aligned with the overall corporate direction to maintain high levels of productivity and performance. Segmenting workforces by their values, demographics and skills—and customizing communication to and treatment of these segments accordingly—can help increase employees' engagement with and commitment to the organization. This, in turn, will help boost overall employee productivity and willingness to help the company manage through difficult times.

Successfully managing through the downturn

In challenging times, acting quickly and decisively is critical. However, executives must remember that the decisions they make in the short term will have a long-term impact. In many cases, following one's gut instinct can lead an organization down a path that can have negative consequences for the company when conditions ultimately improve.

While the current economic downturn has taken its toll on institutions around the world, executives should keep in mind that it's only one phase of a business cycle. Other factors such as the globalization of the labor market, changing workforce demographics, and shortages of skilled workers will continue to impact businesses long after the economy improves. While these are certainly challenging dilemmas, they also are a source of competitive advantage for those companies that take a strategic approach to talent management.

Accenture firmly believes there is opportunity in adversity, and that companies that respond quickly with innovative actions will reap the greatest benefits, both now and in the years to come. If you'd like to talk about how Accenture can help your organization on the journey to high performance, please contact us at *management-consulting@accenture.com* or +1 (312) 737-4568.

About the authors

Peter Cheese is the managing director responsible for the Accenture Talent & Organization Performance service line, which focuses on talent management, the HR function, and organization change management. Mr. Cheese, who has more than 25 years of experience in consulting, works around the world with clients in all industry sectors. He speaks at a wide range of conferences and events, and is the coauthor of *The Talent Powered Organization: Strategies for Globalization, Talent Management and High Performance* (Kogan Page, 2007). He was recently named one of *Consulting* magazine's "Top 25 Consultants" for 2008. Based in London, he can be reached at *peter.cheese@accenture.com*

David Gartside runs the Accenture HR Transformation consulting practice. He has more than ten years experience helping clients envision their future HR operating models, map out a value-based journey to that model and transform their organizations to achieve the vision. Mr. Gartside specializes in large scale global transformation programs that impact all aspects of an organization's HR capability, from implementation of new HR information systems to managing the HR-influenced spend and supporting the talent management agenda. Previously serving as the Accenture HR Transformation lead for Europe, Africa and Latin America, he understands the geographic complexities that companies need to overcome to drive a global HR agenda. Based in New York, he can be reached at *david.gartside@accenture.com*

David Smith leads the Accenture Talent & Organization practice in North America. He specializes in designing and developing talent and organization performance strategies and solutions for clients. He has more than eighteen years experience working within the Accenture high technology industry, serving global high tech, communications and media clients. David is a frequent speaker at industry conferences and events. He is coauthor of a new book titled *The Workforce of One: Revolutionizing Talent Management through Customization* to be published by Harvard Business Press in the summer of 2009. David holds a Master's Degree in Business Management and a Bachelor of Science degree in Engineering. Based in Hartford, he can be reached at *david.y.smith@accenture.com.*

This document is produced by Accenture as general information on the subject. It is not intended to provide advice on your specific circumstances. If you require advice or further details on any matters referred to, please contact your Accenture representative.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With more than 186,000 people serving clients in over 120 countries, the company generated net revenues of US$23.39 billion for the fiscal year ended Aug. 31, 2008. Its home page is *www.accenture.com.*

About the Accenture Talent & Organization Performance Practice

The Accenture Talent & Organization Performance practice provides consulting, technology and outsourcing solutions that enable clients to improve the performance of their people, their organization and their business. Committed to innovation and delivery excellence, this group of more than 8,000 skilled professionals has extensive experience across a range of talent, organization, human resources, change management and learning capabilities. Backed by a comprehensive research program, as well as unparalleled tools and assets, Accenture collaborates with clients to multiply their workforce talent and organizational capabilities into a strategic force that can drive high performance.

Copyright © 2009 Accenture
All rights reserved.

Accenture, its logo, and
High Performance Delivered
are trademarks of Accenture.