15five

The HR Investment Inflection Point

Why Investing in Strategic HR in Times of Upheaval Creates a Sustainable, Strategic Advantage

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Introduction

During times of economic uncertainty or upheaval, spending on talent and HR is often first on the chopping block. In times like this, companies arrive at a crucial moment of reflection, where they must determine the best way to invest in strategic HR as part of a long-term business growth strategy.

This guide will illustrate how investing in strategic HR, rather than abandoning it, is the key to setting an organization up to not only survive times of uncertainty and upheaval, but build a foundation for continued growth and thriving.

What is strategic HR?

Co-creating short-term and long-term business outcomes with your people by creating culture, capabilities, and partnerships.

A Strategic Inflection Point

Although the waves of disruption that have rocked the workplace in recent years have been unsettling and challenging, at their core, they represent an opportunity.

Every challenge or disruption brings an organization to a fork in the road: maintain the status quo and risk folding, or make a significant change at the structural or strategic level to ensure success in the moment and also to strengthen the org against future challenges.

In terms of the decision to allocate time, money, and resources, this fork in the road is an investment inflection point, where an organization must make difficult decisions about how it is going to invest.

In the midst of the pandemic, many businesses had no choice but to adapt in order to survive. This mass shift is characterized by a global openness to redefine “business as usual” and reimagine the workplace.

This primary wave of changes has paved the way for another wave — HR leaders re-envisioning and redefining the role that HR plays in the success of a business.

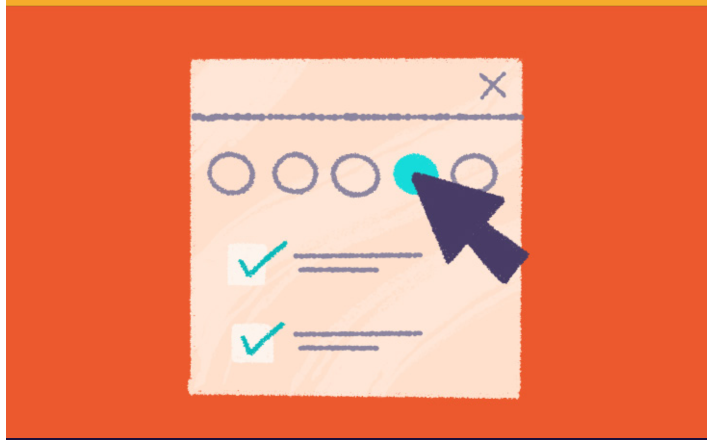
Right now, we face an HR investment inflection point, where HR leaders are tasked with painting a picture of how investing in strategic HR initiatives and closely aligning people strategy with business strategy is critical to the success of an organization.

HR leaders have an opportunity to show the rest of the executive team that the best thing the organization can do to mitigate the damage of external upheavals — like a pandemic or a recession — is to invest in its people through strategic HR.

What does that look like in action? It could mean a performance management overhaul, improvements to the recruitment process, changes to pay/perks/benefits, the decision to go hybrid or fully remote, a renewed focus on employee engagement, an investment in manager coaching, the list goes on.

But before we dive into the role that strategicHR can play in helping companies emerge from a recession stronger than ever, let’s take a step back and examine what history tells us about the choices companies make during a recession, and how those decisions could play out.

Strategies Companies Employ in Recession



1. After the 2008 recession that shook the nation, Ranjay Gulati, Nitin Nohria, and Franz Wohlgezogen published a deep dive in Harvard Business Review that uncovered how the companies that emerge from a recession stronger than ever lay the groundwork for success.

2. The research found that even companies that were performing well before a recession don't always retain or regain that momentum — a whopping 85% of market leaders get dislodged during a recession. Additionally, firms that cut costs faster and deeper during a recession actually have the lowest probability of pulling back ahead of the competition when the recession ends.

3. Companies that have historically pulled out of recessions even stronger are those that master a delicate balance between cost cutting for survival and investment for future growth. And within that group is an even smaller group of companies ("progressive companies") that become laser focused on operational efficiency.

Let's dive deeper into the four typical ways companies respond to a recession

Prevention focused companies, which focus primarily on avoiding losses and minimizing downside risks. The primary tactic deployed by prevention focused companies is cost-cutting, especially in the form of workforce reductions.

Promotion focused companies, which angle more towards opportunities in the face of economic downturn by making strategic investments including the acquisition of talent, assets, and even other businesses.

Pragmatic companies, which are those that recognize that a mix of cost cutting and investment in future growth, including HR, is necessary to weather a recession and emerge stronger.

These companies typically cut costs by reducing the number of employees, improving operational efficiency, or some combination of the two.

Progressive companies, which is a small subset of pragmatic companies that seem to have mastered that delicate balance of defensive and offensive moves.

What sets these companies apart is that they cut costs by focusing more on improving operational efficiency and less on reducing the workforce.

During the 2000 recession, two similarly positioned companies, Office Depot and Staples, found themselves at a strategic inflection point, and took separate paths.

Office Depot decided to cut 6% of its workforce, but did not manage to make any significant reduction in operating efficiency or costs. As a result, sales growth fell from 19% pre-recession all the way to 8% after.

Staples took a different approach. They did close down some underperforming facilities, but they actually grew their workforce by 10% to support new product categories and services.

The company also managed to keep its operating costs low, and as a result, emerged from the recession stronger than it had entered it, with sales doubling from $7.1 billion in 1997 to $14.6 billion in 2003.

The Hidden Costs of Downsizing, Restructuring, and Budget-cutting

As mentioned earlier, many companies turn to cost-cutting during a recession, and they do so by making reductions in the workforce and overall divesting from talent in the form of pay cuts, benefit cuts, discontinuation of training and development programs, etc.

And historically, this tactic has not proven to be successful — but why? Because there are many hidden costs associated with this tactic that leaders sometimes fail to see.

Downsizing is often viewed strictly as a cost- cutting survival tactic, but the truth is that the price tag of downsizing is often greater than it appears on the surface. Layoffs often greatly damage employee morale, which can spillover into dampened productivity and/or burnout as less employees are doing more work. Furthermore, when the economic downturn eventually ends, companies will have to expend a lot of money — most likely more than they saved by downsizing — to recruit and train new employees to fill roles.

Downsizing should be done only after other options have been exhausted. Some alternatives to fully downsizing include hour reductions, furloughing employees, temporary salary reductions, reskilling, and of course, cutting costs in other ways by improving operational efficiency.

If you are in a position that requires significant cost reduction, you will likely need to employ a variety of these approaches.

How Honeywell changed course from one recession to the next.

In the midst of the stock market crash of 2000, Honeywell laid off nearly 20% of its workforce in an attempt to weather the subsequent economic downturn. Afterwards, the company struggled to recover despite taking such a drastic cost-cutting measure. So, when the Great Recession of 2008 began, leaders decided to try a different approach.

Instead of mass layoffs, the company decided to furlough employees for 1-5 weeks and provide unpaid or partially paid leaves (depending on local labor laws). By doing so, the company saved an estimated 20,000 jobs, and fared way better than they did in the 2000 downturn, even though the 2008 recession was much worse in terms of duration, GDP decline, and unemployment rate. Source: HBR

Why Investing in Strategic HR Now is a Good Idea

By now, we've made the case that strategic investments made during an economic downturn can actually help a company emerge stronger.

But what makes this time particularly ripe for a rethinking of the status quo?

Supply and demand for change are aligned.

"Everybody loves change!"

The above is likely not a sentence you hear uttered often at the executive table. Change is hard, especially trying to implement change at an organizational level when most employees would be perfectly content to keep operating in the familiar way.

In order for organizational change to occur successfully, leaders are tasked with providing a convincing answer to the question "Why do we need to change?" In ordinary times, providing a satisfactory answer to this question can prove to be quite challenging.

In times of upheaval (like a pandemic or a recession), however, the answer to this question is made evident by external forces, and messages reinforcing this need for change will be everywhere — the news, the internet, in conversations with friends and family, etc.

Of course, leaders still need to explain the "why" behind the changes they are implementing in the organization, but they don't have to do all of the

Underneath the "Why change?" question is the "What's in it for me?" question. Even if a change makes sense at an organizational level, it can be hard for employees to wholeheartedly get on board to making that change if they can't see how it will positively impact them.

In times of upheaval, however, that answer is also much more evident. For example, agreeing to adapt and change could help members of an organization avoid pay cuts, layoffs, etc.

For these reasons, we can see that in times of turbulence, there is an increase in pro-change attitudes. The supply for change rises to meet the demand, making the conditions ripe for a rethinking of the status quo and a shift to new strategies

There is a strong need for leadership.

During times of upheaval and crisis, the need for leaders is stronger than ever.

This creates an opportunity for HR leaders to step up to the plate and propose human-centric solutions that will benefit all members of the organization.

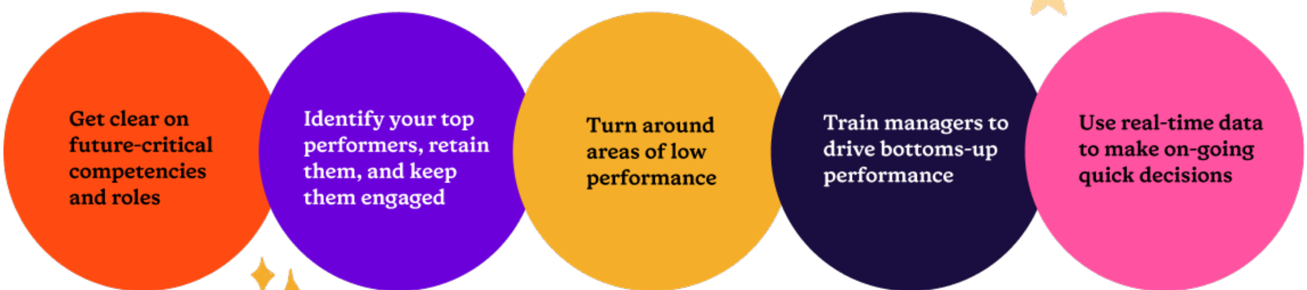
Furthermore, investing in strategic HR means investing in the growth and development of future leaders, so that if and when another crisis or period of turbulence occurs, the organization will be full of capable leaders ready to take on the challenge with both grit and grace.

Let's get specific about what exactly this means for HR.

The Role of Strategic HR in a Downturn

We know that, in an economic downturn, it is crucial to strike the right balance of cost-cutting measures and growth-focused investments. But what does that look like from a people perspective?

With the following framework, a company can continue driving results with fewer resources — and actually set a foundation for continued growth when the recession passes.



Get Clear on Future-critical Competencies and Roles

In order to kick off these changes, there needs to be a moment of pause to find clarity on what the organization actually needs to be successful right now and in the future. Getting clarity on company objectives helps to identify gaps that could warrant a strategy shift.

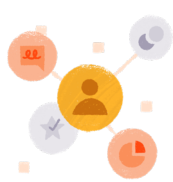
GOAL CLARITY AS A NORTH STAR

Having organizational goal clarity is always important, but during times of uncertainty it is more important than ever, as goal setting is crucial to setting a "north star" to focus on. Without this north star, you risk spending time and resources on the wrong activities and goals, and moving backwards as an organization.

Also, during times of rapid change, goal clarity makes it easier to quickly communicate changes to strategy and provide the upskilling or retraining necessary to keep everyone aligned on achieving the company's goals.

A good goal setting framework will:

- Clarify company and individual objectives with ease.
- Allow for goal progress to be tracked in real time
- Help teams and individuals stay on target.
- Create space for collaborative goals that engage teams.
- Help uncover challenges so they can be quickly addressed.
- Motivate everyone to make progress.



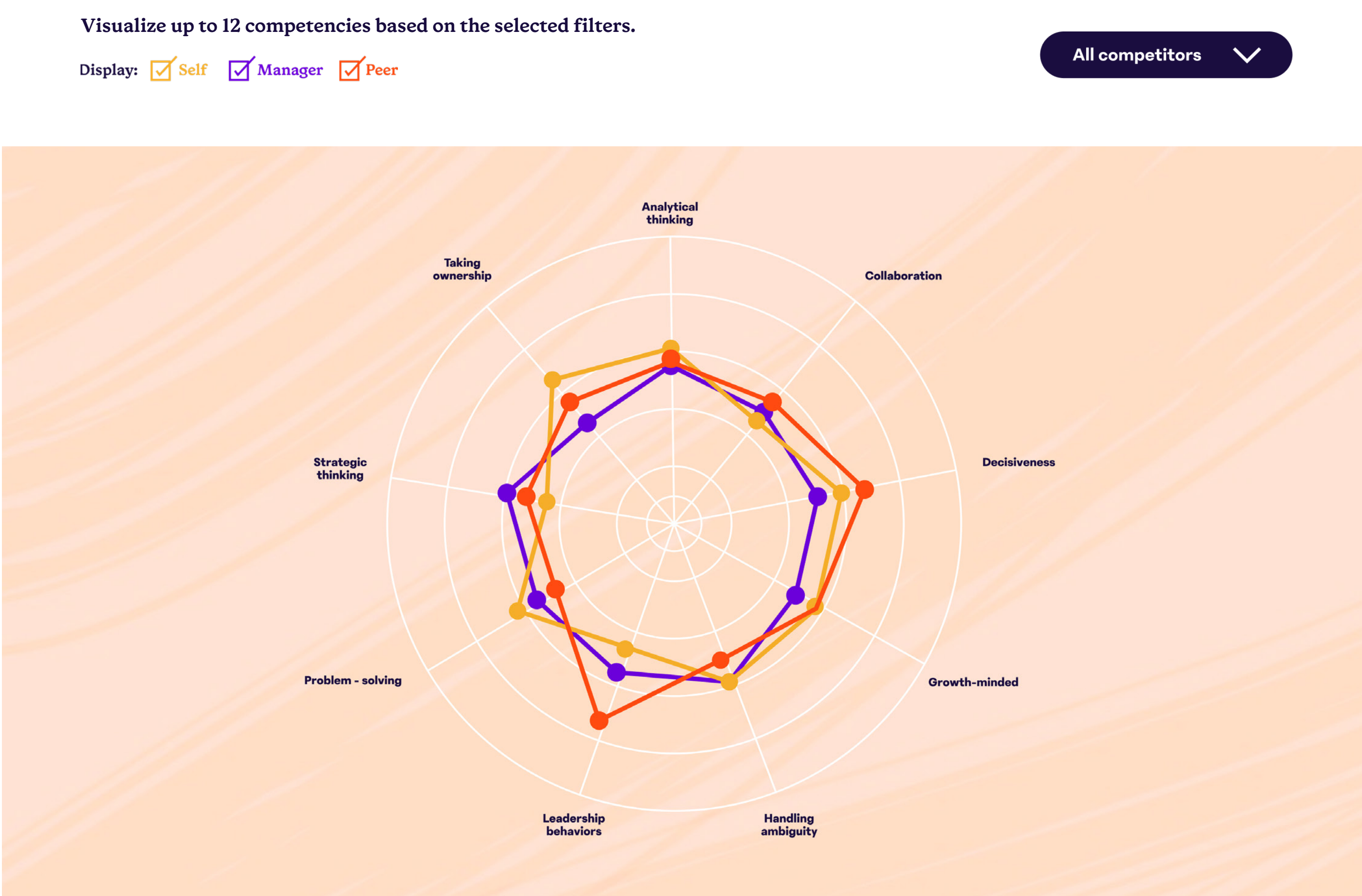
All of the above are of heightened importance during times of change and crisis.

Using goal clarity to guide employee development

Having goal clarity allows for leaders to visualize competencies across departments to assess whether the company is equipped with the skills, abilities, and behaviors for a shift in company strategy. It also gives employees the clarity they need to maximize their contribution to the company's performance, based on the role tasks and responsibilities the company needs today and in the future.

Furthermore, it greases the tracks forleaders to be successful pinpointing career growth opportunities for employees that match the company's changing strategic priorities and market realities. And as we've discussed, continued investment in employee development is important no matter what the market looks like.

With 15Five, leaders can visualize competencies across departments to assess whether the company is equipped with the skills, abilities, and behaviors for a shift in company strategy.



Identify your Top Performers, Retain Them, and Keep Them Engaged

RETENTION (AND RECRUITING) STILL MATTERS

During a recession, retention and recruiting may be the last thing on your mind. You may be falling under the assumption that people will be less likely to leave their current role because it will be harder for them to find something new.

Or maybe you think that you must deprioritize recruiting and employer branding efforts as hiring budgets freeze up.

Many organizations fall into this thinking during economic downturns, and it ends up hurting them in the end, because the job market always improves.

First, let's talk about retention. Believe it or not, there are actually organizations that are growing during an economic downturn. These organizations will be looking for talent, and underdeveloped employees at your organization may be considering a move.

Because the market is slower, those employees may be willing to take a job for less than what they typically would, giving those growing organizations a chance to snatch them up at a good price.

Thus, it is critical to not lose sight of the importance of investing in employee development consistently, regardless of what the job market looks like. Deciding to divest from employee development could greatly come back to bite you — even if not during the downturn, then after, when conditions improve again and employees are ready to jump at the first chance they get to leave an organization that has shown it does not prioritize their growth and development.

Now onto recruitment. Even though your hiring budgets may be frozen or significantly reduced, it is important to note that economic downturns can actually be a great opportunity to hire really talented people.

Due to mass layoffs, many high performers may be in the market for a new role, and may be willing to accept a lower offer that better matches what your organization is able to offer at this time.

If there are roles in your organization that have been open for awhile, or if new roles are being created to meet new needs, now could actually be a great time to make an investment in hiring that pays off tenfold.

Lastly, consider the effects that continued investment in both retention and recruitment can have on growing a diverse bench of successors.

You always want to be prepared if a top executive or high performer leaves the organization, and by investing in hiring, growing, and retaining top performers all the time, not just when the going is good, you are setting your organization up for survival and stability even in the face of great change.

MONITORING AND MAINTAINING EMPLOYEE MOTIVATION

During difficult times, many employees may become distracted, demotivated, and burnt out. HR leaders should not seek to eliminate those feelings altogether, as it is natural to feel a sense of concern and stress when things are happening that are outside of our control.

That being said, it is the job of leaders to ensure the business keeps running smoothly. The best way to do this is to monitor employee motivation and work to keep teams excited about doing their best work, even during tough times.

Having a growth-oriented performance review process in place is part of this puzzle. Research shows managers seek a comprehensive and streamlined review process that is more about growth than checking boxes and ultimately is a better way to recognize and motivate employees.

And employees want comprehensive reviews that are more transparent, focused on growth and development, and provide specific feedback and real motivators.

The 1,000 employees we surveyed in [The Great Upheaval Report] shared that after salary and benefits, the top two drivers of performance are effective

But an annual performance review is not enough to understand and strengthen employee motivation and performance.

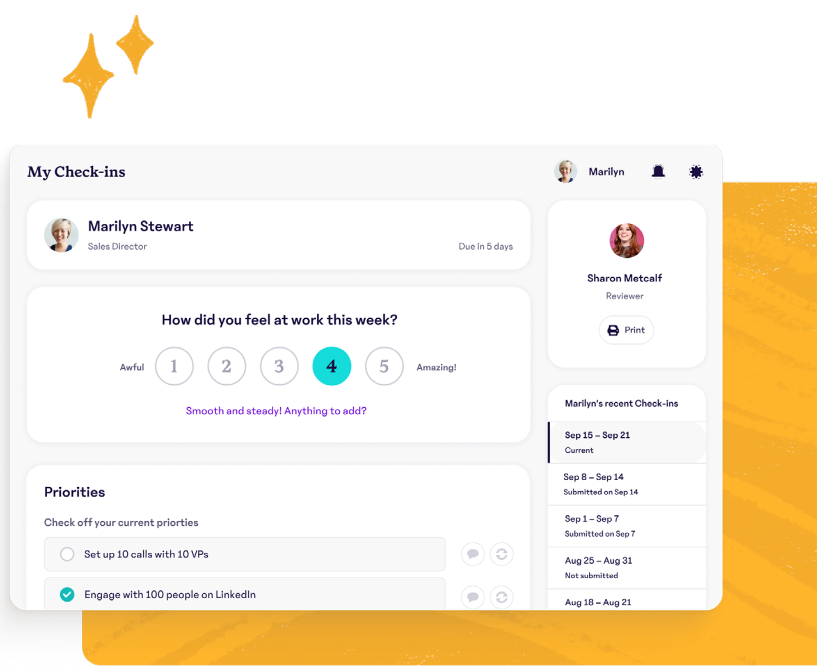
It is crucial to provide opportunities for managers and employees to regularly touch base, so there are organic opportunities for feedback to occur. Managers cannot help employees if they don't know what they are struggling with!

A good way to operationalize this continuous pulse on employee sentiment is by using a tool like a weekly check-in. This check-in can include questions about progress the employee has made on their priorities, but also include more personal/wellness focused questions such as "Is there anything you are worried about, or anything I can help you with?"

Performance management systems like 15Five can provide an accurate, 360 degree view of how each employee is performing, and a pulse on how they feel every week.

The system can be used to set goals and facilitate regular check-ins and 1-on-1s between managers and employees, so that trust increases and people are given the space to get their work done in a way that makes sense for them.

Learn more about our check-ins tool that empowers employees to share how they're really doing with managers - in just 15 minutes.



You can also implement quick-take surveys to assess employees' feelings on specific topics. This provides HR with the data needed to ensure company policies and benefits align with what employees seek.

Armed with these insights, it also helps you make the case to the rest of the C-Suite for any changes necessary to ensure employees remain motivated and productive.

IDENTIFY TOP PERFORMERS (AND KEEP THEM ENGAGED)

During an economic downturn, it is especially important to identify who the top performers are, and keep them engaged. Analyzing performance data at the individual, team, or department level can help to determine who these top performers are, and where they sit in the organization.

This can inform where to focus efforts across teams or departments that are critical to the company's new direction. Keep top performers engaged by giving them the tools they need to carry out their career plans that align with the company's success.

Finding a way to leverage top performers' strengths to achieve business objectives leads to continued innovation, productivity, and profitability.

Furthermore, work to recognize and enable recognition across the company every time somebody goes above and beyond in their role. This creates a bottoms-up culture of productivity and performance.

TURN AROUND LOW AREAS OF PERFORMANCE

While focusing on high performers is key, don't ignore or write off low performers. Now is an opportunity to help them improve, or consider how their strengths might be better leveraged to meet the company's current needs.

AN OPPORTUNITY TO SPEND MORE TIME ON TRAINING AND UPSKILLING

One positive upside of an economic downturn is that reduced demand gives employees more bandwidth or capacity than they would normally have to focus on growth and development activities.

During "normal" times, it can be hard for employees to fully invest in training and upskilling because it requires them to take time away from their day to day tasks. But when capacity utilization is below normal, there is time to fill.

Of course, the decision to retain underutilized staff and have them invest that extra time in training is a more expensive alternative to simply doing layoffs to ensure that the organization only has exactly as many employees as it needs during that time.

But as we've discussed, jumping to make layoff decisions during a downturn can actually prove to be more costly once the market bounces back and you're forced to invest even more time and resources into hiring and getting new employees up to speed.

By seeing this time as an opportunity to give employees space to invest in development, you are:

- Showing that you value them and are invested in their career growth, which makes them more likely to stay with the organization, and in turn can result in savings from decreased turnover.
- Sending a signal that the organization is in good shape to weather the downturn and lessen employees' fears about being laid off — which can increase motivation and performance.
- Developing employees and filling out the bench so that there is always an internal supply of capable and high performing employees to promote to leadership positions.

TRAIN MANAGERS TO DRIVE "BOTTOMS UP" PERFORMANCE

Do not downplay the critical role that managers play in driving engagement and high performance during a downturn.

Poor management during normal times is bad enough, but during times of turbulence, it can greatly exacerbate lack of clarity, demotivation, loss of productivity, and even turnover – and greatly hurt your organization's prospects of coming out of a downturn unscathed.

Don't leave managers hanging — help them become better prioritizers, improve resourcefulness, and successfully support their teams through uncertain times.

Sounds great, but how? Invest in skills training and coaching that helps managers learn how to leverage their strengths, set team objectives, motivate their team, drive. performance, and provide coaching and feedback that fosters growth. This investment will empower managers to be the support that the rest of your employees need to make it through a difficult time — but it is an evergreen investment.

The dividends of investing in your managers through training and coaching will continue to pay off even when times are good, and will go a long way towards building your bench of resilient leaders for the next time a downturn or challenging time occurs.

BALANCING HIGH CARE AND HIGH PERFORMANCE

During challenging times, managers are feeling the pressure of two competing needs — the need for high care, and the need for high performance. Although these two things may seem to be at opposite ends of the spectrum from one another, they are not mutually exclusive.

In fact, equipping your managers to be able to provide a high level of care for their employees can actually lead to consistent high performance, even during times of turbulence and instability.

Despite this, many managers are struggling with knowing how exactly to provide a high level of care for their employees.

They may feel uncomfortable talking about sensitive topics, or be reluctant to try to connect and understand employees' struggles for fear of being too personal or coming across as intrusive.

Care is an important competency for managers, and one that can be developed through training and coaching. Investing in manager coaching is an investment that ultimately can support the wellbeing of your entire workforce and the bottom line.

Here are some tips for balancing high care and high performance in your organization:

- Make objectives clear at all levels of the organization
- Create regular feedback touchpoints between managers and employees
- Ensure employees always have the pulse on their performance level
- Make transparency the norm
- Reinforce positive behavior and celebrate wins (big and small)
- Navigate tough people decisions with grace
- Know what to outsource
- Invest in growing managers' people skills

Use Real Time Data to Make Quick Ongoing Decisions

During times where strategies can shift on a frequent basis, it is crucial that leaders have access to data to aid them in making decisions.

Partnering with a people management software with robust data reporting functionality can make getting access to this data a breeze — so HR leaders can spend less time gathering and aggregating data, and more time making sense of the data and what it means for the future strategy of the organization.

Understanding all the key metrics about your organization without having to dig through silos is key to success. With access to data for quick, ongoing decisions, leaders are able to make decisions efficiently and measure the impact of those decisions through subsequent reporting and analysis.

Here are just a few ways data collection can be used during turbulent times:

For HR leaders:

- View check-in submission and check-in review rates as well as 1-on-1 frequency rates to ensure managers are consistently checking in with and supporting their teams.
- View employee pulse scores and engagement scores by team to determine where managers might need additional support.
- Ask managers and employees key questions in the flow of weekly check-ins and gather insights to inform quick decision making from week to week, supporting key HR and company initiatives.
- View goal attainment rate by team to determine where managers may need coaching in performance management.

For leaders:

- View comprehensive, real-time reporting on key leading indicators for performance to determine areas of weakness.
- View company wide goal attainment to have a clear picture of how the organization is performing overall.

For managers:

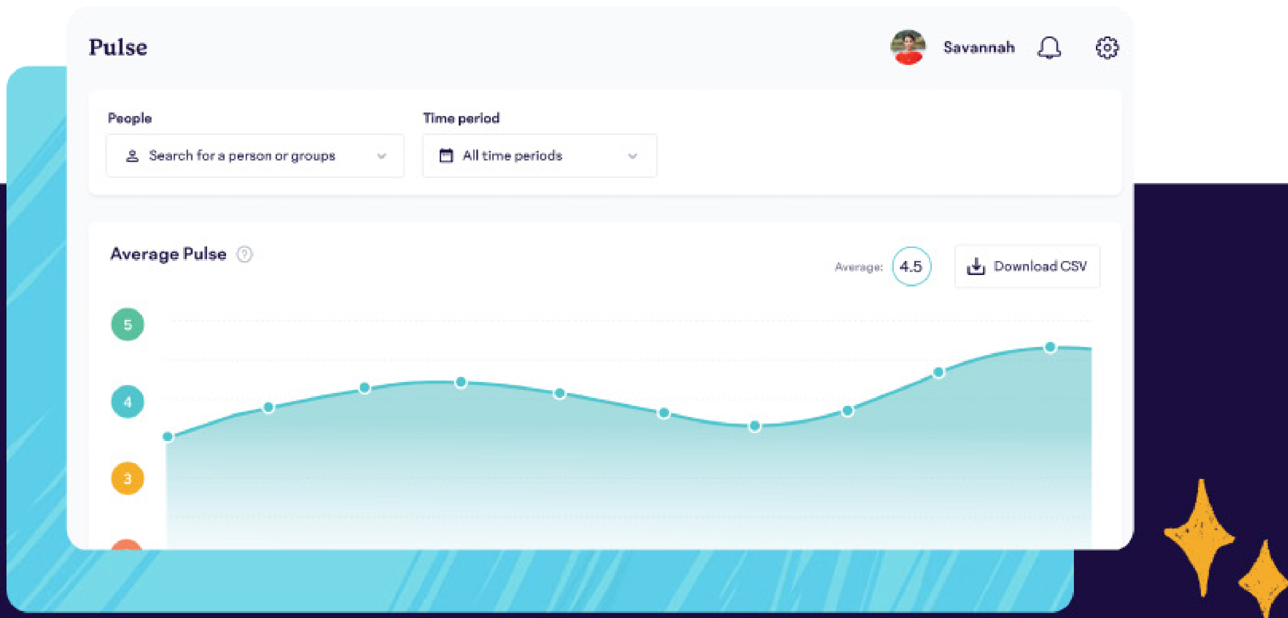
- View real-time reporting on their team's progress on OKRs to determine areas of weakness or risk.
- Keep the pulse on their direct reports' morale through weekly check-ins.

How 15Five Supports Strategic HR

Making the case for investing in strategic HR initiatives is always easier when you've got a holistic suite of products to cover your organization's needs that are proven to be effective.

That's where 15Five comes in. Our solutions offer a richly integrated, evidence-based approach to employee engagement and performance management, to drive performance from the inside out.

Whether you need support with employee engagement, performance reviews, goal setting, or manager training, 15Five has a solution for your organization's unique needs.



Learn more about what 15Five has to offer.

Schedule a Demo

Try 15Five free

To keep the pulse on strategic HR topics,

check out the 15Five blog

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About 15Five

15Five is the holistic performance management company. 15Five equips HR teams with a complete, single-platform solution to improve manager effectiveness, drive high performance and engagement, and increase retention.

By combining easy-to-use software with coaching, manager training, and a thriving professional community, 15Five's approach provides HR leaders with everything they need to achieve their strategic people objectives.

15Five offers a full suite of products including 360 performance reviews, in-depth engagement surveys, robust goal & OKR tracking, and weekly manager-employee feedback tools like 1-on-1s and pulse ratings.

Together, all of these enable HR leaders to continuously measure engagement and performance within the flow of work and then empower their managers to drive change from the bottom up. HR leaders at over 3,400 companies, including Credit Karma, Spotify and Pendo rely on 15Five's software and services to make their talent a growth driver.

For more information, visit www.15five.com.