

## HR has learned the lessons of past recessions, says Hudson

*Businesses are taking a nuanced approach to talent management in a downturn*

**SCOTLAND – 21st MAY, 2009** – Businesses are handling the HR challenges of the current recession with unprecedented care, according to recruitment and talent management consultancy, Hudson, which recently released the findings of its international HR study.

*Tackling the economic crisis: has HR learned from the past?* illustrates the depth of the dilemma for businesses facing the need for cost savings and who are still keen to retain vital talent. This bodes well for an economic recovery, says Hudson, although it cautions that HR leaders, while working towards the right goal, have various ways of reaching it.

The study reveals three key findings:

### 1. **Businesses better understand the cost/risk talent equation**

The recession has resulted in an average of 79% of companies across the globe operating headcount freezes in 2009 up from 22% in 2008. In Europe, 81% of organisations report that their HR strategy now incorporates downsizing. While many organisations are making cuts, 62% of organisations across Europe are also actively and strategically hiring newly available external talent (up from 38% in 2008) and 66% of European organisations are focusing on development programmes (up from 34% in 2008).

Marc Timmerman, Executive Director of Talent Management of Hudson Europe, said: “Cost is the first dilemma in the HR storm that is threatening businesses right now. Perhaps surprisingly, we are seeing a considered approach from many organisations we work with which know that conducting major lay-offs of high value professionals may save money in the short term but losing competencies that take substantial time and cost to re-build represents a serious cost and risk. We recommend that all organisations make a rigorous assessment of competencies needed, being particularly careful when making cuts. Organisations must consider the balance between immediate impact on cost and long-term talent needs; as their decisions are likely to have a major long term impact on the capability and competitiveness of the organisation.”

### 2. **Engaging and motivating talent is a key challenge for HR leaders worldwide**

Despite the gloom, businesses around the world are ultimately recognising that they cannot afford to lose further talented staff – particularly potential leaders and high value specialists. In Europe, after

'right-sizing', engagement is the second HR priority and retention of key talent was listed as the second top difficulty.

According to Timmerman: "We are seeing a learning effect from past crises: organisations now realise that talent engagement is key and the challenge is the retention of their key people. These are as important as the right-sizing exercises."

"However, a word of warning: we have found that some organisations see retaining key talent as their first challenge, after right-sizing, then move on to trying to engage staff. This process should be reversed. By investing in engaging their talent, performance will increase and retention will be a natural consequence."

### **3. Overall, a multi-faceted approach is being seen in the HR strategies put in place to address the downturn**

Across Europe, 61% of businesses are using assessment programmes to identify talent (vs. 39% in 2008); and 66% of businesses are incorporating talent development programmes into their HR strategy (vs. 34% in 2008).

Timmerman stated: "There are positive initiatives to balance the necessary cost cutting programmes, headcount freezes and accompanying outplacement. The importance of other key programmes around talent assessment, and talent development, show that organisations are taking sophisticated approaches and are implementing actions to limit risks and optimise their strength for the next upturn phase."

"An area where we certainly suggest HR still needs to increase its focus is around the notion that 'one size fits all' no longer applies. The requirements of someone with high potential are not necessarily the same as those of an irreplaceable professional. Market segmentation is something that marketers have been doing a long time to understand and better serve customers. HR must do the same and learn to mould talent management offerings to meet the needs of different employees".

According to the OECD, unemployment is expected to continue rising across through 2009. During this time, making the right talent decisions will be critical to future business success. Hudson is offering the following advice to companies wanting to weather the storm.

- **Consider long-term needs** - Continue to consider longer-term talent strategies. Is your company prepared for the end of the recession and the resulting talent needs? It is important to retain critical talent and keep an eye out for talent poachers while considering long term returns.
- **Segment talent** - “One size fits all” no longer applies to HR. Ensure your talent management offering is flexible enough to meet the needs of different employees. The requirements of someone with high *potential* are not necessarily the same as those of an irreplaceable professional.
- **Provide clarity and transparency** - Be honest and authentic in communications and encourage people to raise questions and contribute ideas. It is especially important that employees feel it is safe for them to raise issues and suggest innovations.
- **Identify critical players and put them in critical roles** – Organisations who put employees with the most potential in high impact roles will have a strong advantage.
- **Consider job redesign** - Talent reductions often leave the remaining people in fear of their losing their positions and they are demotivated as a result. Cost-cutting is a perfect opportunity to assess and revamp jobs so that they are more interesting and engaging for employees as well as providing more efficiency, productivity and competitive advantage for the organisation.
- **Consider non-traditional cost-cutting methods** - Cutting the workforce is not the only way to cut costs. A number of organisations are having their employees vote on whether to take one day of unpaid leave per month or face redundancies. Usually, employees decide to take unpaid leave or take advantage of longer unpaid sabbaticals. This solution can cut costs, address the right-sizing challenge, engage and retain good employees and contribute to work/life balance.
- **Career guidance** - Redundancies can have a tremendous impact on people’s engagement, depending on how such events are handled. We recommend that organisations plan for transition initiatives that are in line with their corporate values, reduce risks associated with changes and protect their brand. Specialist services can mean that change is handled effectively for both the ones who have to leave, and the ones who stay.

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