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**Building Talent
Advantage in
Recession and Recovery**
*A Memo to the
Chief Human
Resources Officer*

As the leader of a function that affects people and performance across the business, the CHRO's responses to this recession will contribute to a company's long-term success as well as its short-term survival. CHROs can help their companies attain both goals by quickly cutting unnecessary costs from the employee base and the HR function and then addressing four major issues: the proper alignment of people and HR strategies to business needs, the overall talent portrait of the company and enhanced performance management, the vitalization of the workforce, and sustainable leadership development.

BUILDING TALENT ADVANTAGE IN RECESSION AND RECOVERY

As many companies rethink strategies and structure in response to the short-term demands of the global recession and its anticipated long-term impact on the business landscape, their HR rationales must change as well. To help their companies survive, chief human resources officers must work to reduce talent and function-related costs. But to improve talent management and performance over the long term, they should also revamp and realign their function, policies, and services, as well as seize other opportunities created by the economic downturn.

Given the downward pressure on revenue and profits, many CHROs have been immediately and intently focused on rapidly reducing head count, and rightly so. But the best HR heads are avoiding across-the-board reductions that often destroy value and damage capabilities. Instead, they are eliminating jobs that represent excess capacity, that are noncritical, or that no longer fit with the strategic direction and structure of their companies. And as always, they are ensuring that separated employees are treated fairly and respectfully.

In addition to reducing head count, CHROs should be eliminating low-value and low-priority HR investments and deferring major technology implementations, while making sure that essential long-term investments, such as those aimed at building critical capabilities and key leader-

ship development initiatives, have the funding and support to continue uninterrupted. They should also seek to reduce HR service costs by considering alternatives, such as outsourcing and offshoring, and renegotiating vendor contracts.

Once the initial need for cost reduction is met, CHROs can help prepare their companies to profit during the recovery by turning their attention to opportunities to strengthen the talent base and capabilities and to enhance the effectiveness of the HR function. There are four tasks that support these goals: realigning HR with corporate objectives, reappraising talent and performance management, reenergizing the workforce, and reinforcing leadership development efforts.

Realigning HR with corporate objectives: The recession and the changes it has caused have spawned many strategic and structural changes in companies. CHROs need to reshape their HR strategies and operating models to align with the new economic environment and the revised priorities of their companies. Toward this end, they should thoroughly understand the revised people priorities of corporate, business unit, and functional leaders, and support them as they seek to effectively execute their restructuring plans. CHROs must also ensure that HR's structure, capabilities, and services are aligned with new business imperatives and

conduct contingency planning in order to be prepared for potential future adjustments to their companies' business and staffing priorities.

Reappraising talent and performance management: Once HR is realigned with the company, the CHRO can continue to reduce costs and prepare the company for recovery by conducting a rigorous talent review aimed at creating an enterprise-wide talent portrait. This review should identify the company's most critical talent segments and optimize their contribution to strategic success, as well as pinpoint and close critical capability gaps in high-priority areas. A rigorous talent review serves as the foundation for maximizing the productivity and performance of the workforce: Low-performing employees can be identified and aggressively addressed, and leadership capabilities and bench strength improved.

The demands of recession make it imperative for companies to redouble performance management efforts. Savvy CHROs can tie talent reviews to their continuing efforts to build performance-based meritocracies, to measure performance more effectively, and to build more business leader

ownership of performance management and improvement processes.

Reenergizing the workforce: Now is also the time to reenergize and reengage the surviving workforce. Employee trust, productivity, and commitment levels typically decline dramatically in uncertain times. Top performers, who are always in demand, are tempted to leave. And the limitations on cash and stock awards in many companies create a greater need for a more strategic focus on enhanced employee value propositions. This is particularly important given the multigenerational and multicultural nature of today's global workforce. Employees have very different expectations and motivators; a one-size-fits-all employee value proposition is no longer an option. Finally, CHROs should also encourage senior leaders to be visible and ensure that internal communications about the business are frequent, transparent, and honest.

Reinforcing leadership development efforts: For companies to prosper and grow during recovery, performance management efforts must be tightly intertwined with continued and reinforced leadership development efforts.

If they haven't already, CHROs need to invest in building better leadership capability and effectiveness (a key driver of employee engagement and performance); Booz & Company's annual CEO succession studies confirm that companies find it challenging to attract and retain leaders with the capabilities needed to execute their strategies. Leadership requirements for this new environment must be defined, and the programs and processes needed to meet those requirements must be developed—especially a rigorous process to identify high-potential employees and ensure that they get the right developmental opportunities.

The current downturn has created many human capital challenges, but it also harbors opportunities. Successful CHROs can position their companies to emerge from the recession with a higher-performing workforce, differentiated capabilities, and a deep leadership bench. Just as important, they can align the HR organization and talent programs to better deliver the kind of strategic impact that enhances business performance in good times and bad.

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For additional insight into the challenges of the current recession and practical advice for leading your function and company through it, please visit www.booz.com/recession.

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