



PHCC Educational Foundation

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Tough Times – Tough Decisions Actions for Survival in the Downturn

From the PHCC Educational Foundation via third party

Believe it or not, we're coming up on the one-year anniversary of the recession. Lately we have been talking to business owners to learn more about what they are experiencing and what they have learned. One big discovery is that there are more "recession surfers" than we are led to believe by the media. When we say "recession surfers," we mean everything from companies that are surviving to those that are thriving.

For business owners who are seeking good ideas to help as the economy bumps along the bottom for the next several months, we asked the "recession surfers" to share how they've responded to circumstances and molded and changed how they do business. Four themes emerge: Leadership and Communication; Rethinking Your Workforce; Touching Customers and Retooling Your Offerings; and Cost Savings. The business owners we have spoken to are methodical in their consideration of options under each of these categories, their specific planning to implement changes, and the flexibility that they have developed within their businesses so that they can respond to changes both now and in the future. Let's look at definitions and ideas within each category.

Leadership and Communication

Have you ever sat in an airport, having been informed that your flight will be delayed, but not why it has been delayed or when it is scheduled to actually take off? Did it frustrate you? When we don't have the information that we need to process our situation, we become frustrated. In the case of the recession, where almost everything that makes up our contextual surroundings—our job, our money, our home, our future—is under threat, the absence of information can become more than frustrating. It becomes fear inducing.

Undoubtedly the single most consistent and energetic response to the recession by the business leaders we spoke with was to ramp up communications with their staff—in some cases by a factor of ten or more. And these communications have not been insignificant. They have been planned campaigns of leadership designed specifically to share the burden of what people are experiencing, comfort and inform, and almost physically lead employees through the trials and tribulations of the recession experience that are unique to each company and working team.

What is the framework for communicating with your employees and how can you support and stimulate them? First, if you have not already reached out to your staff, it's not too late. Second, it may be difficult for you to put a positive foot forward when you yourself are not feeling very positive. Surprisingly, many business owners we spoke to addressed this specifically. They were concerned about being positive when there was not much positive news. What was truly interesting was that, for many company leaders, the very act of putting their thoughts together,

and thinking about how to convey the message changed their own emotional state of mind: the act of communicating and leading increased their positive feelings.

So what do you need to do?

- First, get out there and be with your people; hunkering down sends the wrong message. Getting out, talking and functioning as normally as possible is a great starting point.
- Allow people to express their concerns. Nothing helps to dispel worry more rapidly than talking about it. You may not be able to answer people's concerns beyond those in your control, but you can be a good listener.
- Be open and honest about what is happening with your business. Proactively share what actions you are taking to monitor and respond to your market situation. Identify and focus on a near-term goal that everyone can get behind and contribute to—even if it's a simple goal.
- Create an “Employee Stimulus Plan” to renew enthusiasm within your workforce.
 - Develop a program to keep everyone informed. Seek out the information that employees would like to hear about and consider sharing more than you would ordinarily.
 - Plan for and initiate “Good News” meetings at every reasonable opportunity. Celebrate those involved in identifying or producing good news outcomes.
 - Share your plans and ask employees for their ideas and input.
 - Where you have to introduce cost savings or cuts, do so through an “Opportunity Search Day” where employees bring forward their ideas (see below for some of the winning ideas).
 - When you can, change historical rules and protocols to relax the working environment – it's tense everywhere else, does it have to be tense on the job as well?

Leading your company through the recession may seem intimidating and difficult. However, this investment of time, energy, and effort appears to be one of the smartest investments you can make to thrive during these difficult times.

Rethink Your Workforce

After positively leading by example, the second most common success factor is workforce planning. Whether a layoff is necessary or not, now is the time to take a good hard look at how you are organized; where you can inject new flexibility; and how you can retain your top performers.

First, review how you meet the needs of your customers. This is the time to understand what you really need to attain your long-term business goals. What roles are required and what skills within those roles? Are there areas where functionality can improve? Are there “sacred cows” – either projects or people – that have needed to be addressed for a long time but have been difficult to face? Now is the time to address these issues, and the recession is all the reason you need to restructure, to improve productivity and to increase your chances of achieving long-term goals.

Don't just look at how your business operates, think also of how your employees deliver your services. Can you outsource work such as accounting or IT to decrease costs and leverage your capabilities? Can you identify temporary employees who can easily be added or released as labor needs fluctuate? Assess whether you have the talent you need for the future as well as for the present.

Match roles and skill sets more carefully. Assess your workforce to identify you're "A", "B" and "C" players.

- "A" players are consistently high performers who contribute to the success of your business by exceeding job expectations. They have potential now and into the future and are highly likely to grow within their positions as well as help the company grow.
- "B" players are consistently competent performers. They may not have significant potential to grow, but their quality and constancy form the backbone of your business offerings.
- "C" players contribute, but are either erratic in quality or difficult to manage.

Make sure you have "A" players in "A" roles. Determine where your "B" players can most successfully contribute and move them there now. Work hard to retain both "A" and "B" employees (see attached [Retention Tips](#) for low cost retention ideas). Replace your "C" players with new talent. Many of the business leaders we spoke with said that the recession gave them the reason they need to replace poor performers. Now, more so than the last decade, the opportunity to upgrade staff with new talent is great. Whatever you do, don't sit still on rethinking your workforce. Action in this area will pay off immediately and long into the future.

Touching Customers/Retooling Your Offerings

We know how important it is to reach out to customers during tough times. Retaining customers is ten times more cost effective than acquiring new ones. And for many businesses, the best source of new business is referrals from current or former clients. So what is separating the winners from the losers on this particular theme?

It is *how* company managers have been listening to the information provided by customers. As soon as the economic situation began to evolve, many companies sent managers into the field to talk with their key customers and garner what ongoing commitments they could. These "good will" visits were aimed at shoring up relationships as well as gauging "customer health." However, as the recession deepened, these visits became less and less successful because many customers came under economic stress that service providers could not address.

Therefore, a new approach to customer visits evolved. These focused not on building (or rebuilding) old relationships, but on working together with customers to assess their situation and more closely meet customer needs. In many cases business owners found that by making very small changes in the way they provided and delivered services they could not only retain a client, but more importantly demonstrate to that client a value that had previously been either unrecognized or forgotten.

Cost Savings

There is no question that many, if not all, companies have responded to the recession at least in part with cost controls or taking specific cost cutting measures. While cost cutting may feel like an obvious early step, if undertaken rashly it can have unintended long-term consequences. Business owners speak about the challenges of making the right cost cutting choices, avoiding cutting “lean vs. fat,” and avoiding cutting too deeply. Those who feel that they were successful in cutting costs agree on two critical factors: that their underlying business premise and core culture were not fundamentally disturbed by the cuts. In some cases, they gained focus and buy-in by engaging their management teams—and employees—in the decision making process.

The right cost cutting ideas are unique to each company. Here are a few of the many cost cutting or cost control topics that we heard about over the last 4-6 months.

Facilities/Operations

- Sub let extra space
- Move to less expensive office space
- Renegotiate a lease
- Review all vendor contracts and adjust your services to the levels you currently need.
- Outsource selected functions (HR, Accounting, IT)
- Outsource (or conversely bring back in house) printing and mailing functions
- Invest in teleconferencing
- Use technology to send items such as invoices, thereby saving paper, postage and shipping
- Put printed materials on your website rather than printing and sending hard copies
- Coordinate planning and ordering of supplies more efficiently
- Audit telephone costs and make associated changes
- Insist on staff using corporate cards to earn cash back for company
- Cut office or landscape plant maintenance and watering service
- Negotiate building services or if you manage your own cleaning service, shop for better pricing
- Cut down or eliminate “business lunches” or other perks that don’t truly contribute to adding profits

Services/Client Interface

- Get creative about new revenue streams
- Raise fees sooner rather than later, or implement planned increases sooner
- Cut out frills at meetings or client relationship activities
- Reduce the number of meetings or combine meetings to maximize expense savings
- Know your true overhead numbers. The PHCC Educational Foundation has a great new product to help you calculate overhead costs.

Staff

- Go to the employees for ideas first. Use an employee task force to identify potential areas for cost cutting/savings. Their ideas and involvement will likely provide a large payback in cost cuts identified and at a minimum it will get them invested in the cost reduction process early on. This can ease the adjustment pain if further cost cuts are needed.
- Freeze hiring and salaries
- Offer unpaid days off to achieve pay reductions with less pain

- Leave vacant positions unfilled
- Cut “C” performance level staff
- Cut the benefits used least by the employees
- Increase the employee portion of health insurance premiums and discuss alternate ways (Defined Reimbursement Plans, etc.) to reduce premiums with your insurer.

Conclusion

Live or die? Survive or thrive? What is separating managers from leaders and survivors from thrivers is less *what* they are choosing to do to protect their businesses and more *how* they are choosing to embrace to the challenges they are facing. Small and mid-sized businesses constitute an enormous component of the employment and economic engine in this country. They possess a unique ability to flex and respond, which is directly reflective of the entrepreneurial style, resilience, and creativeness of their founders. The very nature of these leaders who have founded, fought for, fixed, grown and developed their businesses is what is called for to make the survive-to-thrive jump. Go back to basics: lead, communicate, keep your workforce lean and well-suited, help your customers, and manage your costs. You can change the outcome for your own business and join the winners that have walked out of every recession in history.

This content was provided by a third party via the [PHCC Educational Foundation](#). Please consult your HR professional or attorney for further advice, as laws differ in each state. Employment laws continue to evolve; the information presented is as of May 2009.

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