



ITS ALL ABOUT PEOPLE

Taken by storm

By Stuart White
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I don't understand economics but I do understand people, so when I hear economists say this and that I am always slightly wary, preferring to watch with my own eyes and feel economically with my own wallet. The signs I look for in the market regarding how the economy is doing tends to be based on a feel for how many people are in the shops and what they are buying, if people are hiring, training, developing...all the visual things that suggest to me things are okay, or not My biggest gauge of good or lean times is what business leaders tell me about the state of affairs in their own line of work, often over a casual cup of coffee. I don't need to probe much – just a simple 'how's business' and somehow I formulate my own economic review.

Let me tell you from where I am sitting things don't look good.

Retailers are complaining that people aren't buying bigger-ticket or luxury items, restaurateurs bemoan too many empty tables, the casinos purport they are likely to make half the money they did last year while travel agents note that people are holidaying less. Just as suitcases stay empty so do the supermarkets and restaurants.

During a budget speech presentation in February, the Minister of Finance and Development Planning, Kenneth Matambo, said the nation should brace for tough times ahead, I think they are here. And the place where we are likely to see the biggest movement is in job losses in the private sector. I hope I am wrong but said one commentator. "In nearly all African countries, job losses are mounting, job creation is slowing and the number of working poor is increasing dramatically."

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What has been really interesting however is the timing of it all. Those of us less in the know braced ourselves for hardship when the global credit crunch hit some eighteen months ago and Europe and the US economies were thrown into chaos and panic in equal measure. Yet whilst government here did announce more frugal management last year and we waited to feel the pinch, all in all for most medium sized businesses they didn't appear to hurt too much – neither did the restaurants, shops or other easily-visible indicators.

But they are feeling it now and wondering what to do. The most obvious measure is trimming the wage bill by cutting workforce size. Generally 'big businesses find it easy to handle potential layoffs and cuts and see this as the most effective way to save the bottom line.. The American Management Association reported in 1997 that small firms (defined as those with less than 500 employees) are half as likely as large ones to lay off employees. Normally in larger companies sweeping cuts are mandated from above, often from head offices far away that have no connection to the people to be affected. It's an economic decision they lament – tough times requires tough actions, difficult decision to make, very regrettable but necessary yada yada yada. Small businesses the world over are rarely so thick-skinned and gung-ho. Having built rapport with their employees they approach bad times much like parents do with their children. Reassurances that things will get better are commonplace coupled with encouragement to try harder to weather the storm. Waste-trimming, money-saving and smarter-working are the remedies mostly put into practice but many eventually face the decision to shed the financial load caused by too many staff and not enough work. And it's at a price.

Ask any manager or business owner about how they felt when having to deal with layoffs. Phrases such as "I got depressed" and fell into a "state of helplessness" and "I experienced many sleepless nights" are common. They experience frustration, guilt, anger, disappointment and conflict. These emotions are exacerbated by the fact that as a small businessman they have primary contact with the person being exited and their family. This primary contact is the source of the feelings of conflict and a sense of failure. Business owners often feel they failed at their jobs and let the employees and the company down by not making it more successful. The business owners also experience sadness and detach themselves from the situation so that they can make a sound business decision. Its all "gut- wrenching" stuff and nobody really wants to do it.

But it's worse for employees. Faced with the potential of being unemployed is like having a loaded pistol aimed squarely at your head waiting for the trigger to go off. Tough times all around!

Unfortunately cutting costs has become synonymous with cutting heads. But I challenge that. Too often it's the easy way and provides only a short term solution. Layoffs can cost you more in the long run. The short-term gain is not worth it when considering decreased morale and productivity before and after any layoffs, coupled with the loss of expert and institutional knowledge. In addition there is the tangible cost to hire and train new employees once the economy picks up and a larger workforce is needed, along with the added difficulty of attracting talent when your company now has a reputation for 'letting people go'.. The stress of the whole experience for management and staff is immeasurable and the intrinsic damage to the company may still be experienced for a very long time to come.

So my advice in these unsteady economic times is not to look for the short-term easy option. Be brutally honest with your staff and bring them on board to look for effective methods of paring operational costs and sourcing new business outlets. Proclaim that cuts will be the last resort and only after every single avenue has been explored to drum up business, change track, innovate, create and change your crisis into an opportunity. People will rally behind a cause they have a stake in and believe in. It's all about people acknowledging and recognising a change in their environment and doing something about it.

To borrow from nautical terminology, you can sail straight into the storm's path and suffer the consequences as your ship takes a severe, possibly terminal battering or as you see it coming you can change tack and make some course corrections to try and avoid the worst of it. Storms pass, climactic or economic but to weather them you must batten down the hatches and make sure every member of the crew is aware of the impending rough sea and at their stations, ready to cope with it. Better a few inconvenient course-changes than capsizing catastrophically and when the storm does pass, though some ships may have gone under, a few minor repairs yours will be shipshape and Bristol-fashion in no time.

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