

# Good HR in Bad Times

## White Paper

Member-driven benchmarking reports



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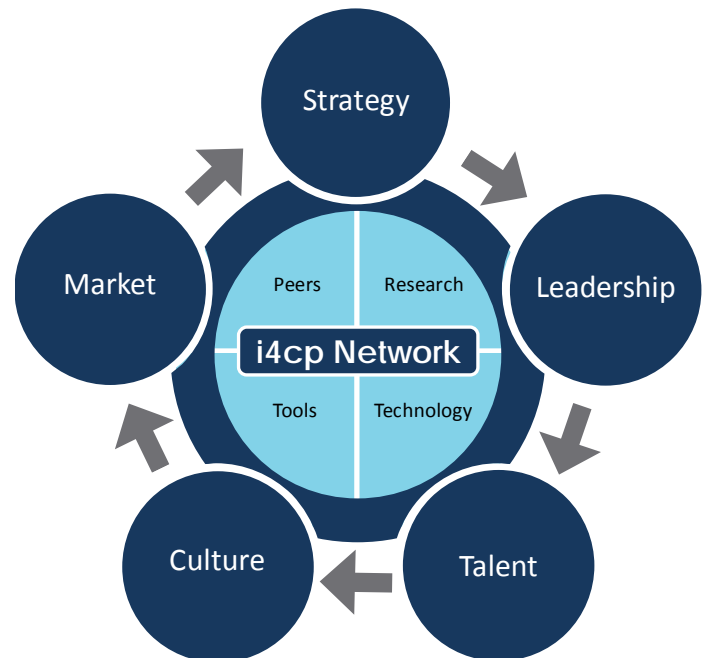
## About i4cp

i4cp enables high performance in the world's top companies.

i4cp is the world's largest vendor-free network of corporations focused on building and sustaining a highly productive, high-performance organization. Through a combination of peer networking, human capital research, tools and technology, we enable high performance by:

- Revealing what high-performance organizations are doing differently
- Identifying best and next practices for all levels of management
- Providing the resources to show how workforce improvements have bottom-line impact

Over the last 40 years, i4cp research has revealed the five key human capital domains that companies leverage to drive performance. Our members - many of the largest and most respected companies in the world across a wide spectrum of industries - use this research, i4cp's expertise, tools, technology and vast network of peers to improve productivity and drive business results.



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## HR During an Embattled Era

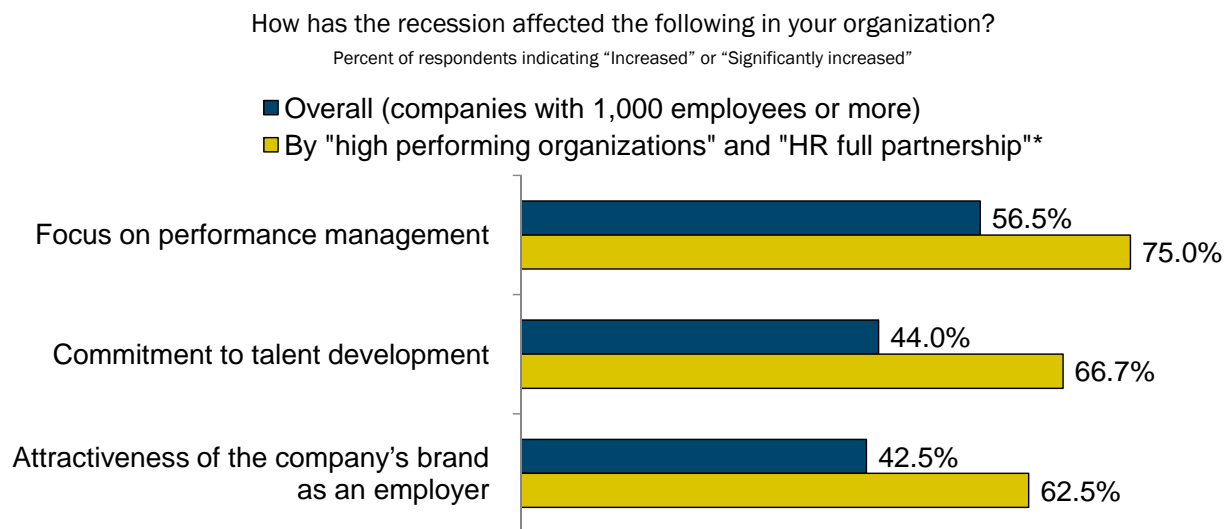
The Great Recession took a brutal toll on many corporations and their employees, and we're still suffering serious effects from that socioeconomic disaster. Those who were laid off and have had a difficult time finding new work have suffered most, but it hasn't been easy on "surviving" employees either. Many HR professionals have been embattled, asked to cut labor costs on one hand while keeping key employees engaged and productive on the other.

Some organizations have done a better job of maintaining a commitment to talent during this era, and they have tended to enjoy higher market performance, according to findings from the recent [The Future of HR](#) study conducted by i4cp in partnership with the [Center for Effective Organizations](#) at USC's Marshall School of Business.

We must note that cause-and-effect can be difficult to tease out in business studies. Higher performing organizations may have greater latitude in terms of compensating key employees, maintaining premium healthcare benefits, implementing new engagement programs and the like. A stronger commitment to talent can be viewed as both a possible effect of better market performance and a possible cause of it as well.

Given these caveats, however, we know that respondents who say their organizations have enjoyed better market performance in terms of market share, profitability, revenue growth and customer satisfaction also tend to say that the recession affected their HR practices in specific ways. Specifically, we used regression analyses to identify three practices that have the best relationship to market performance.

### Three HR practices that have the strongest relationship to market performance



\*"High performing organizations" are determined by i4cp's Market Performance Index (MPI) score. "HR full partnership" is determined by respondents' notes that, in their organizations, "HR is a full partner in developing and implementing the business strategy."  
Survey n=807. For firms with 1,000 employees or more, n=474.

## Practice One: Focus on performance management

Focusing on performance management is linked to higher market performance. This is an interesting finding because there has been so much skepticism, if not downright cynicism, about performance management, especially in regard to the accuracy of performance appraisals and the delivery of performance feedback.

There's good reason for the skepticism. A badly managed performance management process is probably worse than none at all, alienating both employees and managers. But previous i4cp research has shown that there are [nine keys to effective performance management](#):

1. **Creating plans for helping employees develop in a given work period after the appraisal**
2. **Ensuring there is ongoing goal review and feedback from managers**
3. **Training managers on how to conduct a performance appraisal meeting**
4. **Measuring the quality of performance appraisals**
5. **Having ways of addressing and resolving poor performance**
6. **Ensuring that appraisal information isn't limited to the judgment of supervisors**
7. **Having a performance management system that is consistent across the whole organization**
8. **Using some form of multirater feedback**
9. **Providing feedback (and the expectation of feedback) on employee performance more often than once a year**

i4cp also has another survey in the field to further explore what distinguishes excellent performance management. In addition, a group of practitioners are participating in a [Performance Management Accelerator](#) where they can share best practices and challenges in a safe environment.

## Practice Two: Commit to talent development

We got a sense of déjà vu when we saw this finding in our analysis. That's because we uncovered something similar in an i4cp study commissioned by the American Society for Training & Development (ASTD). Called [Learning in Tough Economic Times](#), that study found that a "stronger emphasis on learning" during the recession was significantly and positively correlated with learning program effectiveness and with market performance. Meanwhile, organizations that reduced support

for learning, especially over the long haul, were more likely to see a negative impact on market performance and learning effectiveness.

*The Future of HR* study supports the idea that staying committed to talent development is a good idea even during recessions. Such development can take many forms, from highly structured [global leadership development programs](#) to informal learning and development practices that are relatively inexpensive. *The Learning in Tough Economic Times* study showed, for example, that many participants felt their companies could conserve resources even while maintaining their commitments to development by using the following practices:

1. **Use more mentoring and peer coaching.** Only about 23% percent of respondents said their firms do this to a high or very high extent, but 67% said their organizations *should* use these techniques to a high or very high extent. It's clear that participants believe that these practices provide “bang for the buck” during a recession.
2. **Encourage more communities of practice and, more generally, a greater use of informal learning.** Many learning professionals think their companies can benefit from making learning more personal and informal. In communities of practice, those who share common work goals or fields of expertise can regularly interact to teach one another. Informal learning is, of course, a broader term that can include the use of practices and tools such as:
  - a. online social networks,
  - b. wikis,
  - c. directories of subject area experts,
  - d. open conference areas where people can congregate informally,
  - e. informal lunch-and-learn sessions.
3. **Shift more to e-learning and virtual delivery.** Such technologies can be expensive, depending on how learning is developed and delivered, but they can also create the kinds of economies of scale that allow organizations to deliver learning and development very efficiently.

## Practice Three: Burnish the company's brand as an employer

In tough times, it can be hard to protect, much less burnish, your brand as an employer. This is especially true if the firm is engaged in layoffs, reductions in benefits or other cost-cutting practices. However, there are ways of protecting the brand in cases where there is a reduction in force. For example, the organization can ensure that outplacement programs are used to help former employees, that workforce cuts are made as fairly and judiciously as possible, and that the company has initiatives for keeping employees engaged during trying times.

But truly *burnishing* your organizations' image requires much more. In a study i4cp did on [Talent Branding](#), we found that some organizations are making more concerted efforts than others to establish their brands among specific talent pools. We found that only about a third of firms say they've developed an employer brand to a high or very high extent, and even fewer are using more sophisticated marketing techniques to communicate their brands.

For example, when we asked participants about the extent to which their organizations "segment the labor force so that targeted messages can be delivered to different segments of potential workers," only about a fifth of them said they do so to a high or very high extent.

Marketing departments tend to be much more canny about branding and segmentation than HR departments are, but if the competition for talent is truly going to increase over the next several years (and 84% of respondents think it will), then HR had better get better at targeting messages to select groups of talent. Given these findings, below are some specific ideas for how to burnish the company's brand as an employer:

1. **Work to become an employer of choice.** Determine what this means in the context of your industry by examining the literature on this topic and by conducting research into what prospects think about your company and what they want out of an employer. Then devise a plan for "marketing" your organization to prospects.
2. **Make sure your culture supports your brand.** There is so much online information about companies these days that it's increasingly difficult to "hide" employee-related problems. Employees and even prospects quickly learn when they've been "sold a bill of goods" and make this information known to others. So, it's important that your culture supports your brand, making it legitimate and resulting in excellent word-of-mouth (or word-of-blog) about your firm.
3. **Market to the talent you want.** Burnishing a brand often requires targeted marketing based on sophisticated segmentation. Start by speaking to marketing professionals in your firm, learning more about how to build the market brand. Then see if you can work together with them to build and burnish the employer brand. Determine who you want to "sell" your brand to and the best ways of reaching that audience.
4. **Investigate which tools should be used to locate job candidates.** For example, corporate web sites and career web sites have traditionally been the online tools of choice for finding candidates. Only a much smaller segment of employers use search engine advertising to find job candidates, and an even smaller share use social networking sites. Yet, these latter choices may be a better bet for targeting certain demographic and skill groups.

## Conclusion

These best practices are derived from just one segment of a [much larger study](#) that will be further analyzed by the [Center for Effective Organizations](#). These highlights, however, give us a solid idea of what good HR functions do in tough times.

- First, they focus in on getting solid performances from their employees, who are the people who will ultimately determine whether a firm survives a serious recession.
- Second, they make sure performance is aided by learning and development. Rather than getting distracted by day-to-day pressures, they commit to making their employees even more capable of better performance.
- Third, they look outside as well as inside of the company, protecting and burnishing their brand as an employer. Not only does this help the firm attract excellent talent during difficult times, it ensures that the firm will have future recruitment advantages.

We believe that, over time, such practices can result in better corporate performance during a recession, giving companies advantages that will only grow stronger in the good times.

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