

WHITE PAPER

Building Success in an Uncertain Economy:

CEOs Reveal Their HR Management Strategies

“Don’t be afraid to buck the trend of conservatism. You don’t have to do what’s been done before; use these uncertain times to your advantage.”

Govi Rao

Govi Rao, CEO of East Coast-based Noveda Technologies, and **Tom Hayse**, CEO of ETM-Electromatic on the West Coast, both think of human capital challenges as opportunities to do a better job of doing what they normally do. They agree that best practices are best practices in any economy, and should be followed during both uncertain times and in booming business cycles.

Here we break down these best practices into three categories that address the most common difficulties C-level executives face in an unsettled economic climate.

1. Experiencing Significant Growth in the Number of Employees

As human capital management is a vital ingredient in the building of a company, a significant key to success is finding, hiring, and retaining the best people in your field.

Background

Competitive advantage heavily revolves around a company’s people. They literally are your core asset, the source of your growth and success. Talent-driven and knowledge-intensive firms win in the marketplace by being an employer of choice. This is difficult to do, however, when competing against other employers—perhaps much larger firms—for the same talent. The ability to attract, develop, and retain top talent, therefore, warrants strategic focus.

What Applies Most Today

- **Recruit for the entrepreneurial spirit, and growth will follow.**
“Always look for creative people who are able to recognize the opportunity in front of them. Market- and game-changers require a different DNA.” – Govi Rao
- **Don’t be in a rush to hire.**
“If you hire based on a person’s resume without looking at their personality and fit with your company culture, you are stuck with that person. Remember, ‘no one’ in a position can do a better job than a bad hire. Interview multiple people at least three times before hiring—don’t forget due diligence and pay attention to red flags.” – Tom Hayse
- **Find the right talent at all levels of the company—not just the executive team.**
Also find the right balance between the numbers of senior- and junior-level employees. Top-heavy organizations can topple, while managers with too many people to supervise can collapse.

“Persevere and pivot—both are needed to grow a great company.”

Tom Hayse

- **Knowledge and skills can be taught, but core values and motivation are intrinsic.**
Look for a common set of core values and a strong work ethic in the people you hire. These are qualities that do not go away when times are demanding.
- **Keep people challenged and work hard to retain them.**
Engagement goes both ways. Showing that the company is interested in its people increases their interest in the company. The employer-employee relationship is like any other relationship in that regard. Both parties will stay committed and work hard to make the team a success so long as they see the other party sharing that commitment.
- **Scalability is a key factor to success.**
“Nimble growth can only be realized if you scale with agility and speed. Noveda went from 12 to 52 people in the last 18 months. Our goal is to soon be at 100 employees. To find great people I use networks, schools, and even look to my friends at TriNet for assistance. HR outsourcing should be a collaborative partnership—an extension of your company, not just a separate HR firm.” – Govi Rao
- **Once you’ve hired, take the time to get people up to speed.**
A personal involvement in training on the part of management shows new hires just how important they are, and encourages a deeper sense of loyalty and desire to perform at or above expectations. *“Each person spends between three and four hours with me learning the history of the company and gaining an understanding of our core values. I take them through a program I call the ‘Flawless Teamwork Model.’ Each new employee is assigned a mentor and is given a bonus structure to motivate them to complete assigned training.” – Tom Hayse*

“Focus on building passion rather than on paperwork. Take the focus off transactional stuff—payment, regulations, planning, and management—and focus instead on marketing and selling.”

Govi Rao

2. Handling Management Changes and/or Layoffs

No matter what the economic climate, management changes and layoffs are a fact of life for small to midsize companies.

Background

Ebb and flow in the workplace is normal. Sometimes economic conditions are the culprit in staff reductions, sometimes it's the staff themselves. According to a 2009 Gallup poll, only 33% of workers are fully engaged in their jobs. The Department of Labor, meanwhile, reports the average cost of a bad hiring decision amounts to 30 percent of the new employee's first year's potential earnings, if the employee is replaced in the first six months. The lesson is clear: Every company at some point in time is going to experience dissatisfaction with employees, no matter the economic climate, and the more quickly management prepares for these situations, the better. This is a prime example of being willing and able to do in times of uncertainty what one should learn to do in normal times.

What Applies Most Today

- **Continually review teams to determine optimal size.**
Some departments may need to grow, while others may need to shrink. *“I review people, processes, and strategy for at least two hours on a weekly basis so I don't fall behind or become out of sync.”* – Govi Rao
- **When managing layoffs, be “pessimistically realistic.”**
Cut boldly when you have to cut, but give a generous severance and, above all, maintain your focus on the team that still remains. For those who remain, seeing fair severance packages makes a lasting and favorable impression of how you treat your employees. *“Small, frequent cuts decrease morale and are more expensive in the long run.”* – Tom Hayse
- **Don't be afraid of management changes.**
Stability is important, but successful CEOs seldom look back and wish they had waited longer to make major management changes when they were clearly necessary. Waiting only serves to exacerbate a situation.

“It’s easy to live by your core values when times are good. The true test is proven by your actions during difficult times. Whether scaling up fast, or forced to cut back, continue to actively reinforce and build your company’s culture.”

Tom Hayse

3. Offering Benefits for a Diverse Employee Population

Company growth leads to a greater diversity of employee benefit needs. Marital status, age, and financial goals create different desires and priorities for each individual.

Background

Benefits are the second-most important job satisfaction factor for employees after job security (Society of Human Resource Management, 2008). Therefore, finding ways to offer adequate choices in benefits to satisfy the demands of a diverse workforce is clearly in your company’s best interest. Outsourcing your organization’s HR functions can enable you to offer Fortune 500-level benefit programs with an array of options and plans that give your employees maximum choice over the benefits that matter most to them, often without driving up costs. By offering choice, quality, and flexibility, you’ll be able to attract and keep top talent

What Applies Most Today

- **As a company’s workforce grows, employee needs become more complex.**
The ability to offer multiple benefits plans that address changing and varying demographics is critical to success.
- **Benefits absolutely make a difference in the ability to hire and retain top employees.**
“Give benefits that are better than what employees could get themselves, pay to market, share in success above market, and treat people well.” – Tom Hayse
- **Small to midsize companies must offer benefits equivalent to those at big companies when competing for the same talent.**
Few desirable employees are going to make a move if it entails accepting a lesser benefits profile. Nor should they be expected to. Outsourced HR can often give access to more extensive, expansive, and cost-efficient choices in benefits.
- **Allow employees a healthy family/work balance.**
“I want their whole family to be excited about our employees’ jobs. I want people who care, and who want to make a difference in the world, and an employee can’t do that as well if their family isn’t on board.” – Govi Rao
- **It’s not just about the money or the benefits.**
Offer your employees transparency, an entrepreneurial environment, and interesting/challenging work.

About TriNet

TriNet serves as a trusted HR partner to small businesses to help contain costs, minimize employer-related risks, relieve administrative burden, and keep focus on core business functions. From routine employee benefits service and payroll processing to high-level human capital consulting, TriNet's PEO expertise is integrated with every facet of a client's organization. Its solutions specialize in serving fast-moving companies in fields such as technology and professional services, who recognize that top-quality employees are the most critical competitive asset.

For more information, visit www.trinet.com

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