



HR Study:

Can the economic crisis turn into opportunity of sustainable development for the organizations?

PERSPECTIVE GROUP *November 2009*

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INTRODUCTION

2009 is the year of redesigning and rethinking of the business activities and priorities in each and every field. All the companies regardless of their size had to reevaluate their activity and come up with sustainable strategies, according with a reality that did not match anymore any forecasted plan.

The beginning of the year was marked by many changes and unexpected situations and continues to surprise us even now. Some people say that Romania has not experienced the worse yet... if it is true or not, this rumor should be thoroughly analyzed in order to assess its implications over the Romanian business environment.

On this occasion, **PERSPECTIVE Group** has initiated a study that began with a pilot phase that provides qualitative information. The title of the study is: ***“Can the economic crisis turn into opportunity of sustainable development for the organizations?”***

The need for such a study appeared after noticing the major changes that the organizations are experiencing in 2009. We conceived this project because we wanted to present the reality and ***to be able to draft a concrete action plan, in order to be able to address the long term development needs of our business partners.***

During July-October 2009 the questionnaire we built as support for this research was discussed together with 40 HR Managers from Romania, coming from various industries, medium and large companies, national or multinational.

We chose as target the HR Managers because we considered them to be informed persons able to provide us relevant answers as they are in contact with both the employees and the top management. We used our own database in order to select the HR Managers that represented our target and we also extracted different information from the mass-media or specialized websites.

The final purpose of this study is to analyze if and how could the economic crisis turn into an opportunity of sustainable development: more precisely, ***which are the perspectives and the trends from the Romanian business environment (Judging from the Human Resources point of view)*** in this difficult year for both employers and employees.

We hope that this study will be of help for our business partners and other companies that want to preserve their competitiveness. In a year when the details make the difference and when any idea or decision may become vital, it is important that we know how to transform the difficulties into challenges and the economic crisis into opportunity of sustainable development.

We wish you all success,
PERSPECTIVE Group team

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1. SHORT DESCRIPTION OF THE CONCEPT NAMED „SUSTAINABLE DEVELOPMENT“

It is necessary to initiate and sustain some concrete measures in order to prevent, counteract and remove all the repercussions of the great problems that the humanity is facing nowadays and also in order to insure the economic development, social progress and human evolution. These measures can be synthesized in specific and measurable objectives.

The theory of “**sustainable development**” is still young and not yet completed, but its notoriety has increased in the last period – unfortunately though for some of the companies operating in the Romanian business environment this is still an unknown concept.

If we tried to define the term **sustainable development** here is how it would sound: *„For a business activity, sustainable development means adopting strategies and actions which meet the company's and shareholders' present interests, while at the same time protecting, sustaining and developing the human and natural resources that will prove to be necessary tomorrow“.*

The definition emphasizes the fact that, apart of its material and financial resources, a business depends also at a large extent on the human capital and the natural resources that it uses. No economic activity must produce any irreparable damages to these two types of very precious resources.

It is desired therefore to switch to a pattern of development that generates added value, it has at its core the interest for knowledge and innovation and it is oriented towards the permanent improvement of the quality of people's lives and the harmonious relationship between people and the environment.

The present economic situation that has strongly shaken even some of the most powerful companies in the world should be an alarm sign for those who preferred to panic then to react in some way in this period of time. Instead of complaining, they should come up with viable strategies and build a competitive advantage.

“What does not kill you makes you stronger” - this could be the motto in 2009.

The economic crisis can be valued by those who understood that the action is more profitable than the reaction and that the positive attitude is better than a pessimistic one. Identifying new niches, markets and financial opportunities, building competitive advantages, focusing on creativity and innovation, valuing the employees: here are just some of the actions that could be maximized in this period.

It takes courage, resourcefulness and a change management approach to make things work properly. Beyond technology, finances and strategies, the most important assets are the people, these vital resources that can make the difference between success and failure.

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2. THE OBJECTIVES OF THE STUDY

The need for such a survey appeared after noticing the major changes that the organizations are experiencing in 2009. We conceived this project because we wanted to present the reality and ***to be able to draft a concrete action plan, in order to be able to address the long term development needs of our business partners.***

The main objective of this study is to reflect the image that the HR Managers have over the significant changes that take place in the companies. The HR Managers are in contact with both the employees and the top management therefore they can notice important details which influence the business.

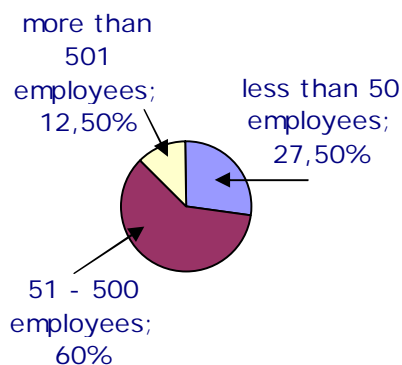
Our challenge is to discover some of these important issues that occur in this turbulent period characterized by changes and to identify some concrete directions that the HR Managers are heading to. The study is designed as a complex project, it is composed of a first pilot stage that offers qualitative information: what do the HR Managers notice and how important these aspects are.

The questions of this pilot-study were built to outline 4 major directions:

- The reaction of the employees to the changes inside and outside their company;
- Important actions to be done in 2009 by the HR Managers and the Top Management;
- Sustainable development opportunities;
- Management of the internal communication.

The final purpose of this study is to analyze if and how could the economic crisis turn into an opportunity of sustainable development: more precisely, **which are the perspectives and the trends from the Romanian business environment (judging from the Human Resources point of view)** in this difficult year for both employers and employees.

For this pilot stage we gathered answers from HR Managers activating in different domains such as: automotive, services, transport, FMCG, real estate, IT, retail, etc. Here it is the type of companies that participated to the survey ranked by size:



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3. CONCLUSIONS

According to the results of the study, the top management should not forget to value their capable employees in this period of economic crisis. Even though these employees might be unsatisfied now, they cannot change their job because of the limited number of offers that are on the market at this moment. Still, they will not hesitate to leave when the market will allow them so.

The employers must be aware that momentarily the balance is in their favor but they risk remaining in the future without their main resources – the people – if they do not value them. This situation reflects also the way companies are and will be perceived on the market because they should not forget how important there is to maintain a strong employer brand.

Over 63% of the respondents consider that the costs should be optimized but not only by cutting budgets and restructuring. Alternative solutions should be found, more cost-efficient than those adopted until now.

60% of the HR Managers think that the employees' level of satisfaction has dropped off and they are unsatisfied either because the company gave up measuring this aspect in a concrete way, or because this measurement has never been done and they do not consider implementing it in the future. The specialists say that doing professional surveys of this kind inside the company would represent a considerable plus because it has been previously proved that there is a tight connection between satisfaction and performance.

More than one third of respondents agree that the top management does not communicate enough with the employees, displaying a secretive attitude. It appears that there is not enough transparency in what concerns the inter-human relationships.

4. MAIN RESULTS

This first pilot stage of the study is meant to outline some main directions of the HR activity in the Romanian businesses. It is important to mention that in this phase of the project we have only drafted some **general trends** that were identified thanks to the HR Managers' answers. The final results will be published afterwards, when the quantitative study will be finalized.

The conclusions of this stage of the study describe 3 main coordinates of an organization:

- a) *The reaction of the employees to the changes inside and outside their company;*
- b) *Establishing priorities in what concerns the HR Managers' responsibilities;*
- c) *How the top management is involved in sustaining the HR activity.*

a) The reaction of the employees to the changes inside and outside their company

Most of the respondents answered that the economic changes had a noticeable impact over the companies. **The workforce dynamic** in an organization is one of the most relevant indicators for an HR Manager. Regarding this, the respondents noticed the following things:

- **Dismissals** (37% of the respondents, see Image 1) – especially when this process is not accompanied by a coherent and efficient communication plan, its effects on the morale and the involvement of the employees in their activity can be quickly observed. If the reasons and the criteria that led to dismissals are not clearly transmitted (some professional objective evaluations are recommended previously), the most frequent effects that appear are the following: confusion, anxiety, lack of trust, low satisfaction, low work performance and frustration of the employees.

- **Stagnation** (47% of the respondents, see Image 1) – important hiring was not made but neither mass dismissals; Moreover, the employees themselves prefer the safety of their present job. If last year the employees were tempted by the competition's offers, now even those who are unsatisfied with the present job prefer not to make any changes. Judging by the principle "the last to come is the first to leave" the unsatisfied employees who do not perform at their maximum will not risk leaving the company. This aspect has – as the respondents agreed – both advantages and disadvantages for the organization.

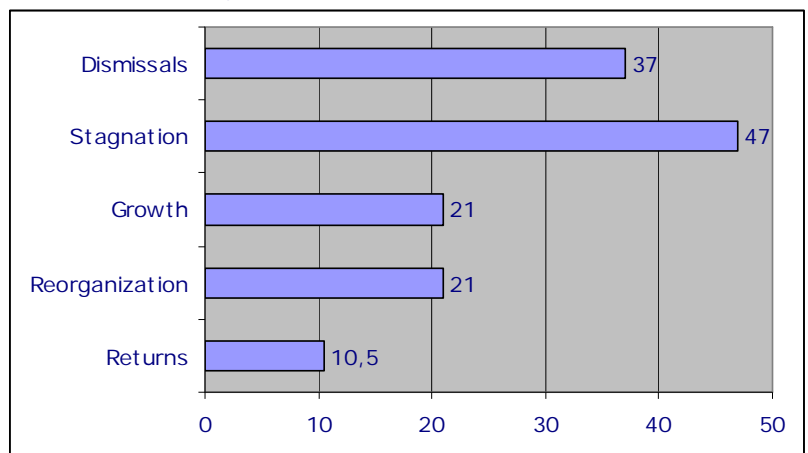


Image 1

- **Growth** (21%, Image 1) – it is felt in certain fields and understood as an activity expansion (e.g. organizing the activity in work centers in several countries) or even as a business growth. In the above mentioned situations the staff increase was also recorded.

- **Reorganization** (21%, Image.1) – only a part of the respondents mentioned about rethinking the processes and redistributing responsibilities by redirecting the workforce in the areas that registered lack of personnel. This reorganization phenomenon appears after a careful analysis of the market and the company's activity. The newly-established objectives must be closely analyzed and communicated together with the HR Managers so that they can identify afterwards the right persons who are interested in changing their position and responsibilities in the organization.

- **Returns** (10,5%, Image 1) – some situations in which employees who left their job for another one decide to return to their previous workplace because they were unsatisfied with the atmosphere, work conditions and the obtained results. Most of these cases are connected with very specialized positions. The employer brand (described by the attention, respect, but also the salary and motivation of each employee) shows its visible importance particularly in situations in which a comparison with other organizations is possible.

As a general tendency, 60% of the respondents answered that they noticed changes in the **level of satisfaction** of the employees. Here is in percentages the frequency of the HR Managers' answers:

- 60% consider that the level of satisfaction dropped off because of the benefits and/or salary reduction.

- 45% believe that the level of satisfaction dropped off because of the modifications of the responsibilities and the reorganization of the activity.

- 65% agree that the level of satisfaction dropped off because of the lack of transparency and communication from the top management.

Most of the times these factors are linked and the effects can be amplified. More than one third of the respondents considered that a maximum attention must be given to the communication in the organizations.

"The internal satisfaction surveys have shown that the employees understand the nature of the changes and support them as long as there is a climate of communication and transparency" - declares an HR Manager from a company that offers audit services.

There were also pointed out situations when the employees are happy with the type of activity and the relations in the company but they have a low moral because some other positions in the company were eliminated and some colleagues have been dismissed or because they are unsure of their present job.

Some companies gave up measuring the concrete degree of satisfaction of the employees because of the budgets cutting and also because of the lack of time generated by the increase of the workload. It is known that the employees are not satisfied but measures to assess the degree of non-satisfaction are not seen as being urgent or useful. All these issues are linked with the fact that initiating any compensation actions is seen as an extra cost not accessible.

These studies could discover important aspects and generate more implication from the employees and a greater orientation towards performance and efficiency, combined with the effort to explain the change to the employees, involve them actively and provide them also positive feedback.

Studies done before have shown the relation between satisfaction and performance. More than that, the impression that the opinion of the employees does not count could have even greater negative effects on a middle and long term, the moment when the economy and the workforce market will be stable again.

In some companies it is desired and obtained an increase of the productivity. This is obtained through methods as: dismissals, reorganization of the activity, cost optimizations.

The productivity can be endangered if correlated with a low satisfaction of the employees.

b) Establishing priorities in what concerns the HR Managers' responsibilities

When the **HR Managers** were asked about how their working agenda should look like, we identified some main aspects (see Image 2).

The central message was that **the costs structure must be optimized** but not necessarily through eliminating some actions or activities because of the lack of the budget. Some activities should be maybe reduced or done through alternative solutions, less expensive then the ones used in the past.

Another important focus is on **the communication**. Over 57% of the respondents considered it to be of a major importance for the organizations.

The communication was indicated as being a necessary instrument in the relationships with both employees and top management.

- **Towards management** – in order to emphasize the impact of the decisions regarding the employees; involvement at a decision level correlated with communicating the HR in terms of business and financial (31.5 –“strategic” partner)

- **Towards employees** – information about the situation of the company, the impact of the external events on the business, the understanding that the company depends on its employees and the employees depend on the company.

Over 63% of the respondents consider that the **costs should be optimized** but not only by cutting budgets and restructuring. **Alternative solutions** should be found, more cost-efficient than those adopted until now.

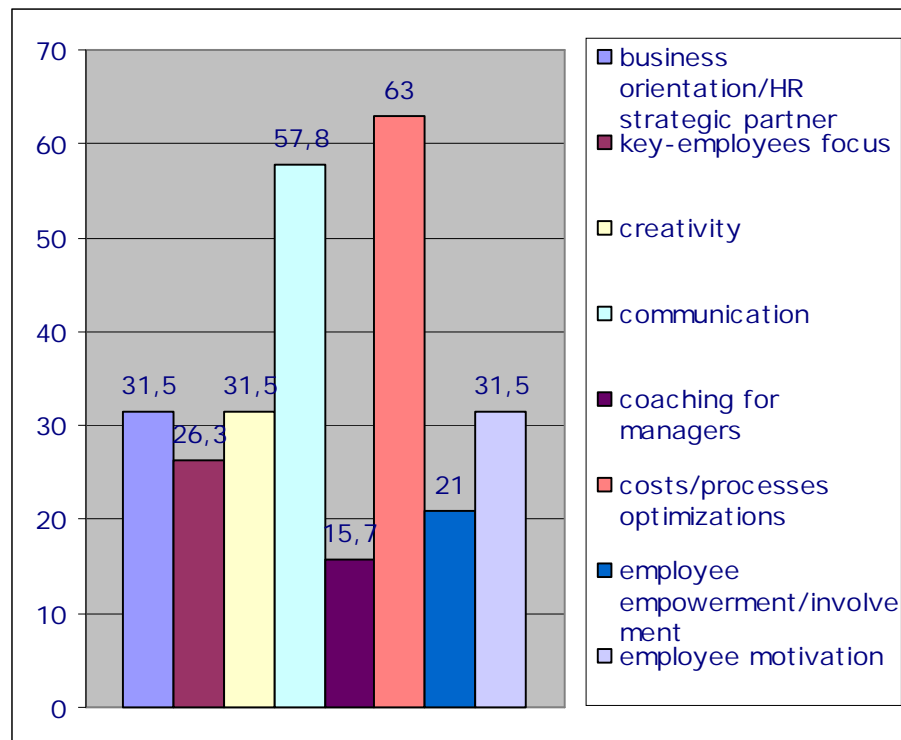


Image 2



The main identified activities that were done in this respect are (Image 3):

- modifications in the system of compensations and benefits (more orientation towards the bonuses system, based on a clear evaluation of the individual performance)
- limitation/closing some activities in branches or unproductive business units
- suspending some projects- also in HR departments (as recruitment, training)
- renegotiations of the contracts with the suppliers

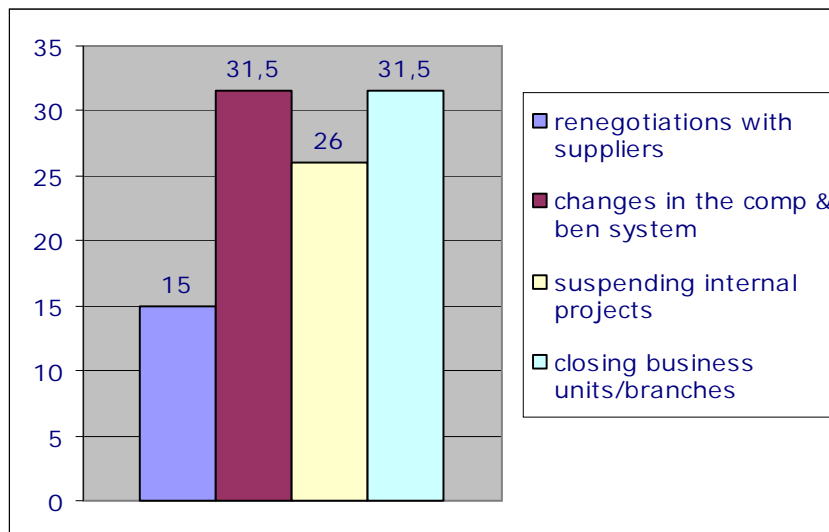


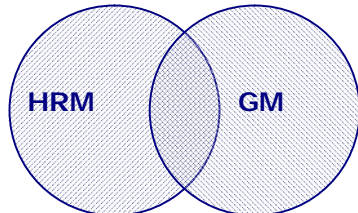
Image 3

Regarding the activities that can be outsourced the managers suggest the outsourcing for:

- a part of the HR Consultancy in order to receive valuable information from competent consultants and find optimization solutions, meant to help redressing the HR activities;
- recruitment for key-positions that present a higher difficulty (the capable people are hard to find also in 2009 so by outsourcing would be gained time and money and the company would have access faster to the necessary resources);
- evaluations with professional instruments, made by experienced specialists;
- payroll.

It appears that there are ways to obtain good results if well established objectives are followed and specialized help is requested: outsourced consultancy, "help on the projects", not necessarily the whole realization of the process by a consultancy company.

c) How the top management is involved in sustaining the HR activity



- The **cost optimization** is maintained but it is desired to be done through finding alternative solutions and not totally eliminating some activities – for example the internal training when the company has experts that can do it professionally (maybe with the support of a consultant), satisfaction surveys, creative and local solutions for the teambuilding etc. In these moments having a strong team, getting its implication and motivation, offering feedback and communicating in a transparent way, are ways to increase the performance in parallel with the costs reduction.

-It is felt the need for communication and more orientation towards the people - here are some examples in this respect:

1. **Communicate in a transparent way the company's situation and its future plans:** even if the plans cannot be established as clear as before, the direction and the intentions of the company must be announced. Communicating this information transmits the trust that the management is searching for solutions and making efforts to maintain the activity rolling. The vision can be expressed through internal communicates and through the direct contact with the employees.

The message must contain the reality sometimes tough but also the proposed solutions in order to correct the situation. The message must contain: the brief explanation of **the causes** for which some measures were taken (for example: „because of the economic context of this year, the difficulties that both us and our providers encounter...);

2. **Empathy** towards the affected ones (for example: “we regret the fact that we had to give up some valuable employees and we hope that we shall have again the occasion to collaborate in the nearest future”);

3. The idea of **unity and appreciation** for the ones still working (for example: “we are glad to work together and we understand that it is a hard period for all of us”);

4. **Implication and motivation of the people** (for example: „in this period any your idea and any result counts and we are confident that by working together we can increase the chances of results so that we can surpass this difficult moment”);



The message conveyed to the employees must be carefully thought so that not to damage instead of helping. It must be personalized depending on the specific situation of each company and the organizational culture. Promises that cannot be respected should not be included and there must be identified the most efficient ways of communicating with the employees in order to obtain a maximum effect.

4. Solution for business resuscitation and involving the employees in the decision-making process: the top management must realize that this is a good moment to listen to the opinions of the employees and encourage the brainstorming so that good solutions could be found. The new ideas can prove to be valuable and the action could determine the people to feel involved. With the help of a specialist can be established the criteria based on which these ideas can be generated (how to communicate the details that an employee must consider when proposing the solutions). Providing feedback for these ideas is also important.

Some other actions meant to stimulate the creativity can be done in the same way, in order to involve the people and eliminate the barrier employee-employer, actions that will be appreciated even more by the employees when the activity will be back on track.

Maybe it may sound like a cliché but the efficient communication is a compulsory ingredient for the success in business!

An efficient communication strategy done and implemented correctly by the top management together with the HR Managers will have a visible impact on the sustainable development of a company.

5. SUGGESTIONS FOR THE ACTION PLAN

The conclusions we have drawn from the 40 interviews with the HR Managers gave us the opportunity to draft some suggestions for an action plan needed in order to be able to cope with the economic crisis (from the Human Resources point of view) and transform it into an opportunity of sustainable development:

Improving the internal communication – more transparency from the top management in which concerns the business decisions;

Cost optimization – applied not only through cutting budgets and restructuring but also by implementing alternative solutions, less expensive compared with the ones in the past;

Stimulating the employees' creativity – putting more emphasis on innovation and "lateral thinking" so as to be able to create competitive advantages;

Outsourcing some of the activities – this approach would bring a "fresh vision" and could make more efficient both the costs and the processes;

Preserving the brand of a strong employer – this is a strategy that enables the company's access to the best human resources on the market, thus implicitly increasing its performance;

Moral support, coaching and training of the key-employees – in order to be able to quickly adapt to the changes that occur, to generate added value, to have a good moral and be motivated;

Evaluation and performance measurement to be done objectively – so as to decide correctly and transparently who remains and who leaves the company;

Satisfaction surveys – enable identifying concrete ways of maintaining the employees involved in their responsibilities and having a greater orientation towards performance and efficiency in a very tense period.

6. PERSPECTIVE GROUP - HR CONSULTANCY COMPETENCES

PERSPECTIVE Group is a Romanian HR Company with a “boutique” feel but global approach and vision. We adapt quickly to change and offer HR Consulting services, providing to our clients global solutions for the human capital.

We address both Romanian and International companies - we have a consultancy approach and work with our clients on a long-term basis, focusing on building strategic partnerships.

Our clients, large companies, choose us for our drive, enthusiasm and expertise. Why? **We deliver.**

As a result, over 70 percent of our assignments of today represent repeat business. A substantial part of our new business is generated from Client references.

Our motto is: *“Every man is the architect of his own fortune”.*

Perspective’s Values: Ethics, Innovation, Proficiency and Enthusiasm.

We believe that it is essential to be *honest* with our clients and give them a *realistic* and *feasible feedback* regarding their requests and expectations.

We have the ability to discover the elements that create the chemistry between the employer and the employee.

We have a solid reputation for delivering tailor-made services at high standards. Our relational network is extensive but discreet and for us *confidentiality* is the key-word.

Our consultants cover all the relevant sectors and speak several foreign languages such as English, French, German, Italian and Spanish. Our offices are centrally located in a villa and guarantee full privacy and easy access.

Our activity and the business relationships are always based on an Ethical Code worldwide accepted. We have a change-management approach - we believe that successful organizations cannot survive without a talented and professional team. We like to see the matters from a **positive perspective** and we try to “spread” this to all the others too.

PERSPECTIVE Group is **authorized** by the Ministry of Labor and Social Solidarity and ANOFM; it is partner of **ARIS Invest** (The Romanian Agency for Foreign Investment and member of the **HR CLUB** (The Human Resources Club).

Our recruitment projects cover a wide area of domains:

Marketing & Advertising, Marketing Research, Engineering, FMCG, Services, Finance, Accounting, Administration, IT & C, Transportation/ Logistics, Tourism, Pharmaceutical, HR, Law, Manufacturing, Medical, Hospitality, Construction & Architecture.



Our services:

A.) Executive Search and Recruitment

B.) Evaluation:

- *Assessment Centers*
- *Management Audit*
- *Human Resources Audit*

C.) Human Resources Consultancy

- Advice and assistance on Organization, including:
 - o Human Resources audit
 - o Identification of organizational development needs
 - o Development of job descriptions, job analysis and organizational design
 - o Implementation of changes to organizational design
- Assistance in Human Resource policy, including:
 - o Compensation and benefits surveys
 - o Compensation policy design
- Assistance and support in cross-cultural adaptation and integration, including:
 - o Advice on local laws, processes, attitudes and environment
 - o Team-building exercises
 - o Employee development programs
 - o Employee motivation systems
 - o Employee satisfaction surveys
 - o Succession planning

D.) Outplacement

E.) Career Consultancy

F.) Training