

THE NEED FOR INNOVATIVE HUMAN RESOURCES MANAGEMENT PRACTICES AFTER ECONOMIC CRISIS

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Abstract

The aim of article is to add some points to the discussion about value of different actions in area of human resources management and talent management practices realized and recommended in companies during transitional period between economic crisis and new prosperity phase expected. The theoretical psychological background of job insecurity and its organizational implications as well as an economical risk of too restrictive HR policy during crisis are indicated. Main practical directions of HRM strategies used by companies during crisis time are described and there are recommended these tactics which seem to be prospective in regards to future. Conclusions for more innovative HR practices based on offensive active strategies are discussed together with theoretical model and results of special set reports done in years 2009 – 2010 dedicated to talent management as a most prospective way to achieve competitive position on the market acting in knowledge – based – economical conditions.

The challenge of the current economical crisis has to be properly used as a chance to revalidate and change of kind and character of already implemented but mostly unsatisfactory HR strategies and practices. There is also occasion to change general status quo of HR department in a company – from till now mostly service oriented – to more central and strategic. This special time has to be creatively used for reorganization which doesn't mean only leaning and reduction of company's costs (what is obviously very important but insufficient) – but has to be taken together with prospective, innovative and developmental reorientation and reorganization.

Key words: human resources management, talent management, innovation management.

Classification JEL: J53 – Labour – Management Relations, J82 – Labour Force Composition M12 – Personnel Management

1. Introduction

During the year 2009 *Deloitte* together with *Forbes Insights* have conducted the set of questionnaire survey entitled „Managing Talent in a Turbulent Economy” (Delloite, Jan.-Nov. 2009). The tool was addressed to 350 CEOs of the main world companies and over 1600 answers of managers responsible for HRM strategy and talent management were collected. This study tracked the way participating executives and talent managers adjusted their workforces and talent strategies to deal with shifting economic forces from the depths of the recession in January 2009 to the first hints of recovery that began to appear in December 2009. The year after this big effort, when shy signs of recovery in economy are punctually appearing - is the high time to discuss the issue how to guide appropriate human resources policy during transitional period between economical crisis and new prosperity phase – which finally should to occur.

The interesting indicators for this way were indentifying in last European Company Survey (EUROFUND, 2009) and in special set of Manpower's and Deloitte's reports published during 2009 – 2010 and dedicated to this topic. Very inspire analysis of psychological background of workforce behavior and issue of management we found in set of essays of Adrian Furnham, at his book „*People Management in Turbulent Times*” (2009), at Kazimierz Dąbrowski's reinterpretation of theory of *positive disintegration* (1979) and at “*Model of 7E*” dedicated to talent management and formulated by M. Blašková (2006). In current European policy publications; European Company Survey (2009) or European Competitiveness Report (2009) the enhancement of labour market flexibility is considered as one of the key elements required to reach by EU the aims of the Lisbon strategy and to create more and better jobs for European citizens. At the same time, is concerned that flexibility measures do not become too one-sided at

the expense of employees. The aim of this paper is to summarize some remarks for this topic in context of challenges anchored in innovative human resources management strategies of companies which have to be used for their smooth transition from crisis time to time of economical recovery and – optimally – future prosperity.

2. Job insecurity as a key organizational stressor connected with economic crisis

It is easy to summarize that economical crisis leads to sometimes even dramatic changes in organizations, as well as in situation of individuals engaged in them. Many activities in companies have to be limited or eliminated. Some organizations freeze or cut budgets on matters they consider as less essential. For people employed it means generally *insecurity at job* – they observe like people around them start to be unemployed and expect that such possibility will touch them also. However it seems to be important to note that job insecurity represents very special psychosocial stressor which arises not simply by observing official statistics of the level of unemployment indexes or other objective measures, but on the basis of workers' subjective expectancy of job insecurity – which means the way how they are perceiving possibility of loose job for themselves (L.von Mises, 1996, pp.105-107).

It implicates that this *expectancy can grow faster than real possibility of loose job* would appear but the fear connected with this is strongly influencing individual and organizational level behavior of companies confronting with job insecurity. The problem doesn't touch only regular coworkers but also managers – including senior managers and leaders. They started to fear about their early retirement packages or looking for alternative job possibilities. It guides very fast to lower motivation and engagement at job. Internal and external communication of organization definitely changes and started to be more limited and often ambiguous. CEOs don't want to comment too much about the internal situation but they are often in focus of media interest. It is the reason of they also avoid to meet and openly communicate with own staff and the insecure atmosphere in company is rising up very quickly and is generating overall full of tension atmosphere.

The job insecurity interpreted as a special organizational stressful situation obviously has many repercussions – not only on employee's behavior level but also on the level of efficiency of whole organization. On worker's level it is however always differentiated by the individual way of job-related stress situation's interpretation: if he/she assumes the situation rather as *distress* – means as situation of subjective fear or waste (what is very probable) or – if – oppositely – he/ she is able to see any *challenges* in current stressful situation. The value of the kind of interpretation of job insecurity stress situation is equally important on individual, as well as on organizational level but leads to quite opposite results: obviously negative – in case of distress interpretation and often positive – in case of challenge interpretation (Matuska, Figurska, 2009, p.127).

From individual worker's perspective, the crucial factor for predicting the directions of individual reactions (and interpretations) of job insecurity is connected with the individual patterns of psychological characteristics to *stress responsiveness* and already elaborated during life-span different *copying – stress mechanisms*. These mechanisms represent very often different kinds of repression/escape behavior. Many of less resistant coworkers start to feel ill (mentally or physically) and really escaping from job by visiting medical services. Some – these most active, decide to resign from staying in an insecure company and trying to look for another job. In such variant of "escape foreword", they are catching chance to interpret stress situation as a challenge and can be beneficiaries of this positive reaction. But there is also another group – of people most sensitive to stress related to job insecurity who can summarize that there isn't any possibility of rescue and can even decide to make suicide. As we know – from history and also

from media reports which have appeared for last two years, the phenomenon of the “wave” of suicides between workers expecting own de-recruitment is sometimes experienced in connection to crisis events – as it was also present during current downturn (i.e. in French company Telecom). These facts dramatically show that in such situations organizations doesn't give sufficient social support to their employees during hard time of stress insecurity caused by crisis and too late they start to introduce stress management policy.

3. Shock cycle phases interpretations and its organizational implications

From theoretical point of view, the explanation of these variable individual reactions for the insecurity of job can be gave together with interpretation of well known *shock cycle* notion (described on often used in literature “U” curve). Such interpretation gives for example A. Furnham in his recent book „*People Management in Turbulent Times*” (2009) where in set of brilliant essays he tries to search for the sense of the titled “turbulent times”. As author summarizing, the different concepts of shock cycle from the point of the individuals who finally has lose his job operates on more or less five stages (Furnham, op. cit., pp. 2-3):

1. First he/ she suffers classic *shock response* which is accompanied by strong emotions - negative and /or positive. He loses of routine, status and income but in the same time – can enjoy the freedom that the change brings. Some people are immobilized, both physically and mentally, others – hyperactive, optimistic and expecting the new job will be easily found by them. But especially middle-aged or older executives can realize that they are totally unprepared for the new situation and they can be surprised by their own reactions.
2. The next come classic *depression phase* – low mood, pessimism, passiveness, social isolation. The structure of time is broken and there isn't any new motivation to be still active. Some people are escaping in sleep, others staying at home, vacantly watching TV, at c. In fact, after strong stress, organism has to rest and inertia represents the right way for psychobiological restitution but sometimes it can lead to developing risky defensive mechanisms as are for example: drugs or alcohol dependency or more deep symptoms of reactive depression.
3. The third phase is *searching for meaning* – although this stage may occur from the beginning. The individual put questions: what happened with me and why just with me? It can guide him to different answers. Mostly – blame formulated by him shifts from organization to social services and can – finally bring to self-blame. The last variant consequently prolongs only the second phase and can be individually dangerous. In our opinion – the third phase represents crucial stage in whole cycle because it decides if there will be next falling down phase in individual's behavior or – if it will be (after reaching the „bottom”) the starting point to recovery time and chance to better individual psychosocial organization.
4. The fourth phase involves a *testing of a new life*. This may mean the adoption of a new identity, new life-style or routine and the acquisition of new skills. This stage however doesn't have to occur where the former one isn't finished with positive response and doesn't necessary mean the progress in individual life-span in popular categories of career identified with life-success. But it represents special kind of the new individual developmental stage with offer of calm and new discovered sense after time of individual crisis.
5. The final phase is the phase of adaptation and adjustment – but as it was over mentioned – some never reach this phase alas and even if it is experienced by individual – it doesn't mean that he/she accepts the new situation or moreover – feels satisfaction because of changes. It could be more probable – if he/she has done the changes voluntarily – not to be confronted with decision of others.

The shorter version of the “U” curve cycle can be described in three phasis model, where:

- a) first phase: “*Numbness*” describes mechanical functioning and tendency to social isolation at job;
- b) second phase: “*Disorganization*” means experiencing emotions of fear and expectation of loose;
- c) and last one: “*Reorganization*” indicates re-entry into at least “normal” or similar to beginner level of psychosocial and organizational life of employer (Furnham, op. cit., p. 2).

However, according to our opinion, the reorganization can (and better if it occurs!) lead not only to come back to the previous – but to *upper level* of psychosocial or organizational functioning. Following this idea, the shock cycle can be adopted to the new configuration – where third phase, as „*Reorganization Plus*” phase means not exactly come back to the initial position, but shows quality improvement and psychosocial or organizational positioning on the higher level. We present it at Figure 1.

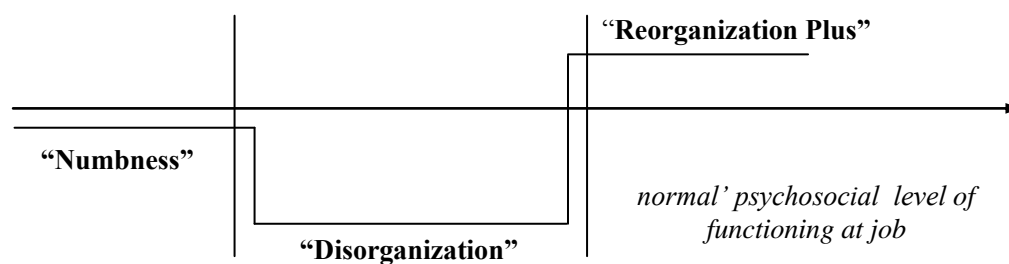


Figure 1: Towards “*Reorganization plus*” in individual and organizational transformation during shock – cycle

Source: own study

Over mentioned simplified U-curve graph can be described more deeply from psychological side as the exemplification of the phases of *positive disintegration theory* introduced by K. Dąbrowski (1979) into clinical psychology which seems to be now in period of word -wide renaissance (see program of *The Ninth International Congress of the Institute for Positive Disintegration in Human Development “Transformation”*, July 22-24, 2010). This theory appears to be very inspire for many scientific directions of research and seems to be also in interesting way adaptable to the organizational context as a frame of explanation not only of individual’s level of organizational behavior – but moreover – of group and process organizational behavior. As one of the speakers’ of the last *Congress of the Institute for Positive Disintegration* introduces, it could lead at least to:

- deeper understanding of the dynamics of organizational change and transformation;
- introducing more effective approaches for catalyzing deep organizational change;
- bringing to advance in organizational development practices (J. Jacobson, Ibidem).

Such implications are coherent to „*Reorganization Plus*” phase we put above in our interpretation of shock cycle and we will follow them in next part of this paper in which we will try to discuss optimal for the crisis time and prospective HR strategies.

4. HR strategies and practices applicable during crisis time with vision of future

The first, general question arises: what we actually name as HR strategy, and second: are there any specific HR strategies addressed to other phases of economical cycle? An answer for the first question seems to be quite simple: HR strategy set out what the organization intends to

do about its human resources policies and practices and how they should be integrated with the business strategy and each other (Armstrong, 2008, pp. 53-54).

The frame for general directions of HR strategies recommended during time of downturn we can find in content of the *European Economical Recovery Plan* (EERP) defined on the end of 2008¹ and aimed to specify the exceptional measures taken in Europe have been inspired by the idea of using the crisis as an opportunity for economical openness and reform. In short, the public intervention fixed in the plan complies broadly with the strategic aims of the renovated Lisbon Strategy: investing in R&D, the right skills, energy efficiency, clean technologies to speed-up the transition to a low-carbon economy, support for small and medium enterprises, and investing in infrastructure and interconnection in network grids in order to promote efficiency and innovation. The EERP is based on two principles: to stimulate demands and to make short-term action compatible with the structural reform agenda as set out in the new Lisbon Strategy.

But how is possible to built growth and jobs during crisis?

As it is well proofed – the observable impact of crisis is first seen in company's productivity indexes: the level of activity of the firm falls by a larger extent than the labour force, inducing a sharp short-term drop in productivity (European Competitiveness Report, 2009, p. 37). Because of it – the quite opposite phenomena to optimistic headwords of Lisbon strategy occurs much more frequent – staff costs are simply cut by using the strategy of de-recruitment or at least – freezing. Broken or too low productivity, caused by crisis is especially characteristic in case of manufactures and the most rational organizational behavior is to orientate into leaning company's costs, in this case, costs generated by unproductive staff. Consequently, the recovery plans of companies are generally focused on such practices. Moreover, it is very probable, on the basis of opinions of some authors that, even in the presence of recovery signs, firms may postpone any new hiring or investment projects, delaying recovery from the recession and implementing general „wait-and-see” strategy (Bloom, 2009). Indeed, the increase in unemployment and the length of the recovery can be further explained by the reaction of firms to the increasing uncertainty, typical for any recession. Bloom (op. cit.) explores the possibility that firms optimally choose a „wait-and-see” strategy when uncertainty about business conditions coincides with adjustment costs². But obviously – this *no-action strategy* affects both the labour force and investment in company's strategy – including HR strategy.

It isn't easy to find concrete recommendations about special categories of HR strategies useful in time of economical downturn. One of such direct suggestions we have found at M. Armstrong last guide, where to event of the „financial crisis or large downturn” the *strategy for organizational transformation* as one of organization development strategies is dedicated (2008, pp.136-139). Organizational transformation is there specified as a process of radical „changes which involving discontinuous shifts in strategy, structure, processes or culture”, (Ibidem, p. 136) but there isn't any concretization of the changes which are especially recommended for the case of economical downturn. Other examples of strategies partly adaptable to situation of recession discussed could be two kinds of employee resourcing strategies: *retention strategy* and *flexibility strategy* (Ibidem, pp.163-167). The first one – *retention strategy* aims to ensure that key people stay with the organization and the wasteful and expensive levels of employee

¹ „Communication from the Commission to the European Council: A European Economic Recovery Plan”, Brussels, 26.11.2008. For a detailed description of the EERP and the Member States' response, see European Commission: „The EU's response to support the real economy during the economic crisis: an overview of Member States' recovery measure”, DG ECFIN Occasional Paper 51.

² Even without the classical explanations for labour hoarding, the no-action strategy can be optimal if there is uncertainty surrounding business conditions and resizing capital or labour comes at a cost. In such a case, for a sufficiently high level of uncertainty, inactivity may yield higher expected returns than hiring or firing.

turnover is reduced. The main idea of it looks as adequate to crisis context but the recommended for the strategy HR practices, as are for example: „reviewing of payment systems and introducing job evaluation, tailoring benefits to individual requirements and preferences, expressing performance demands in terms of hard but attainable goals, enhancing existing skills and competencies as well helping in acquiring new ones, providing employees with wider experience and guidance on career paths”, (Ibidem, pp. 164-166) fit rather to time of prosperity than to crisis time. The second one: *flexibility strategy* contrarily seems to be more useful with its HR recommendations as: radical look at traditional employment patterns and consideration of alternatives to full-time staff, outsourcing, and encouraging multiskilling to increase workers ability to switch jobs or tasks (Ibidem, p. 167). Generally, theory of HR strategies recommended during recession is rather poor.

As we are often realizing, the theory stays behind the practice and in case of current economical downturn is quite easy summarize most popular and observable on the market HR strategic approaches implemented in companies. They are for example: *strategy of survival* (named also as *defensive*), *strategy of lower profitability* and *strategy of restructuring investment* (Reinfuss, 2009). Exemplifications of content of these three strategies – their main ideas and common practices are presented in Table 1.

Table 1: HR popular strategies during crisis time

Strategy	Main ideas	HRM practices
<i>Strategy of survival</i>	Fast cost reduction, Maintenance of finance fluency.	Reduction of staff, Cuts of global salaries, Free leaves, Freezing HR budgets, Hanging already realized HR programs (ex. trainings, developmental programs), Retention of bonuses
<i>Strategy of lower profitability</i>	Introducing solutions protecting long term activity in conditions of low profitability, Costs discipline, Caution in undertaking HR initiatives.	Cuts of basic salaries, Limits of bonuses, Retention of recruitment, Hanging of part of already realized HR programs.
<i>Strategy of restructuring investment</i>	Maintenance of hitherto existing profitability, Investment in improvement of efficiency and measurement of its refund.	Settlement in enumeration system, Enlargement of staff efficiency and their range of tasks, Simplifying of pay systems, Reference of level of bonus to measure of efficiency, Recruitment or training in area of gap in competencies.

Source: own elaboration on the basis of R. Reinfuss's presentation "Human potential management during crisis time", done on seminary Management in a company during hard time, Polish Organization for Regional Development, 29.04.2009. www.parp.gov.pl. PDF.

Choice of the HR strategy depends obviously on general economical situation of company and its interpretation by CEOs but common, useful trend in every kind of over mentioned

practically observed strategies is focusing on activities which strengthening efficiency of the workforce and overall productivity of company. In compliance to it there could be enumerated some concrete directions in which companies should to go forward with vision of their future desirable situation on the market. These directions are following:

1. ***To rethink and optimize payment systems.*** The situation of lower disposition of employees to renegotiate payment conditions and situation of freezing rises consists the good moment to check or to introduce policy of equality between real efficiency of employees and rewards their already obtaining for their job. The fear connected with objective possibility of reduction acts here as the natural motivational factor. So, first task for companies during transient time is to rethink their payment systems.
2. ***To introduce job – sharing in ambitious tasks and to select talents.*** The rising of the cross-bean for coworkers in company during crisis time seems to be much more useful than in time of prosperity, when, from the point of view of employee, it is easier to change the demandable employer. Because of it, managers should give new and more complex tasks to coworkers to check their potentials. Coworkers usually will not protest and even they could feel favored and self-motivated. Managers will know afterword who of the coworkers is more or less prospective and could built special motivational programs for the most talented of them. Such practices of sharing important tasks represents, as a secondary but important effect, also the way of escaping from expenses connected with covering necessary personal costs.
3. ***To maintain proper relations with de-recruited staff and to monitor their professional careers.*** In situation, when the de-recruitment process is finally necessary the crucial issue is human and friendly way of executing this procedure. Firstly, it holds the positive image of employer's between reduced staff. Secondly, it opens they probable return way to the company in future. One of practices connected with such way of thinking is the idea of guiding clubs of former coworkers which is implemented for example in such wide world companies as are: McKinsey & Company, Volkswagen Group, Mercedes Benz A.G., Metro Group, Tata Steel and many others. The basic mission of such clubs is to maintain relations with ex-coworkers as the customers of products or services of their former place of work but also they offer to managers easy possibility to monitor of professional lives their former coworkers and when it is necessary – to ask them to come back to company.
4. ***To rethink about service of outplacement.*** It seems to be good solution not only in case of group de-recruitment (like it is demanded by labour law) but even in case of few workers. Psychological counseling and offer of requalification represents useful tools for people who are actually losing job and the company is offering it to them is viewed as place to which they later want come back. According to reports of personal agencies there is more and more practiced not only in case of managers or specialists but also in cases of regular coworkers.
5. ***To introduce flexible forms of employment.*** The flexicurity – job which is flexible and safe in the same time, started to be promote for wider scale just in time of the crisis. It represents the activity which can optimize long-termed employment and guide to higher efficiency with simultaneously lower costs. From the perspective of employees, the flexible forms of job are good motivators to take job at any concrete company.
6. ***To make the position of the HR department in company's organizational structure more important.*** For many companies crisis is the right time for basically change the traditional, service role of HR department into its more partnership and strategic position. From theoretical point of view, it means switching from technically centralized model of managing company, where the main task of HR department is to follow personal decisions done by CEOs, to model more decentralized, where HR department is actively elaborating and flexible changing personal strategy together with CEOs of company and is the right place where whole structure and frames of general employment are planning. Obviously, this

planning firstly respects economical needs and possibilities of company. Every HR proposal has to represent well documented investment only as the occasion to testify new tools.

Such – and many other similar activities prepare companies to more smooth reactions on instable economical conditions and offer them chances to enhance their developmental potential necessary for the moment when the downturn will finish.

5. The need of theory for wider concept of talents

Current recession put new light on the issue of job supply and demand. Besides of high rate of unemployment there is observed paradox of stable and significant job shortages in filling key positions at companies, as well in developmental as in well economically prospering countries. This situation is widely discussed in many reports (Manpower, 2009, 2010) and the call „*war for talent*” which was introduced in last decade of XX century is not only actual but even harder then before time of crisis. The conclusions are that the existing definition of the talent seems to be too narrow for the general current situation of acute talent mismatches – where talents are in the same time „everywhere and nowhere” and when actually most wanted professions are equally high skilled specialists and qualified elementary workers (Manpower, 2010, p. 2; Matuska, 2010, p. 6).

The issue arises: *what kind of theoretical model could offer sufficiently adequate and prospective frames for managing of potential human resources with so complicated and contrary characteristics?* Presently we can only presume that such model has to present comprehensive and complex approach but has to be also sufficiently flexible and open in the same time to cover all challenges of world of work which we expect in close future. An interesting inspiration here seems to represent the idea of Open or Global Innovation (Matuska, 2010 b).

The systemic and complex model of leading of high qualified employees was formulated by M. Blašková (2006, pp.73-84) as successful exemplification of the theoretical frame which could be also adopted to the actual, and necessary wider definition of talent. This model, named as „*Model of 7 E*” is consisted with seven mutually connected and interfering attributes, which are: E1 emotional intelligence, E2 empathy, E3 efficiency, E4 erudition, E5 enthusiasm, E6 equity, E7 elimination of egoism.

Somebody could remarks that „*Model of 7 E*” puts very high demand to HR managerial competences but to such task as is leading of talents it seems pretty understandable. What is stressed by author, for successful HR management, the all components of the model have to be activated simultaneously (Ibidem, p. 76). The content of most of „7E” model components we can extract from rules and practices which are recommended as prospective for efficient HR managing during transient time and to which we are referring in next chapter.

6. The suggestions for adequate HR practices

Based on a full year of in-depth research, Deloitte (April, 2010) has identified *six key guideposts* for executives to consider in their efforts to map out their human recourses strategies as their companies accelerate into the recovery and confront the challenges of a new refreshed economy. Although they are focused on the talent issue, the main ideas are easy applicable to the general HR policy, as the most of modern competitive economical projects represent knowledge-based organizations and are vitally depended on engagement employees with high professional skills and competencies. Over mentioned guideposts can be summarized as following instructions:

1. ***To revise the existing talent strategies with look into future.*** While some companies are revising their talent strategies coming out of this recession, many are not. Many surveyed executives seem intent on returning to pre-recession strategies and talent programs as they

believe that can use the experience from the 2001-2002 recession. Current analysis of demographic trends in the workforce and technology advances, suggest however that relying on old approaches to address new issues may be inadequate for the HR challenges companies face in today's global economy. According to results of Deloitte's research - most organizations seem to be playing from their old playbooks. Yet only 39% of executives surveyed report their companies have a talent plan aimed at driving innovation (Deloitte, 2010, p. 2). They seem not to remember, that today competition on the market is not only global – what means that company's product or service development may take place across the world, but also very fast and increasingly fierce because of the using fast changing technologies, especially IT, and because of the growing up mobility of the professional workforce. It implicates that companies which do not constantly innovate by using high human potential engaged in companies could be easy overtaken by competitors. And advances in technology should led to the development of ever-more sophisticated and robust workforce planning and analytic tools. In the same time, (Deloitte, April 2010, p. 4): yet two out of three executives surveyed acknowledge that workforce planning is not being integrated at both the corporate and business unit levels when it comes to their annual business planning (69%), their contingency planning (69%), or even being updated as a result of shifting economic conditions (67%). These companies simply are missing current opportunities to leverage talent to drive innovation and are not investing in leadership programs to build robust pipelines of emerging and senior leaders.

2. ***To guarantee next generation of leaders and sufficient amount mentors.*** Demographic trends, including the impending retirement of growing segments of the Baby Boom generation³, are making the competition more crucial than ever for knowledge-based companies. They are vitally based on high-potential talent and have to on time cultivate future leaders. But according to discussed Deloitte's survey, a significant 20% of executives acknowledge their companies have not updated their retention plans to take into account a changing economy (Ibidem, p. 5). Also throughout 2009 global unemployment rates rose dramatically and were given the significant number of people out of work, the executives who are counting on a "jobless" recovery to fill their talent gaps risk are wrong. They could be being caught without the skills and leadership they will need to take full advantage of an improving economy. According to current world's data (i.e. Manpower, 2009), despite millions unemployed workers there are still job vacancies for which employers are actively recruiting, but have been unable to fill. Similarly is in European Union and this skills gap — the gap between job-seeking workers and jobs that go unfilled — is likely to compound as the massive Baby Boom generation moves toward retirement. And this generation is very important as the source of mentoring and coaching for the new generation of leaders. The economic recovery wants to stop the trend of Baby Boomers leaving the active workforce and taking their skills and knowledge. In some of the EU countries (i.e. in France) actually are implemented tries of law changes guiding to prolonging time of live vocational activity but they are encounter often with strong social resistance and protests. The similar situation is in Poland, where the age of leaving labour market is significantly low (about 58 years) and the situation has to change as soon as possible.
3. ***To keep morale and loyalty of already engaged employees.*** Deloitte's special report on employee attitudes shows that nearly one-in-three of them (30%) are actively working the job market and nearly half (49%) are at least considering leaving their current jobs (Deloitte, Sept. 2009). Other academic research indicates that 44% of these employees will actually act on these turnover intentions (Griffeth, R. W at al., 2006). Employers, on the other hand,

³ Baby Boom generation, Generation X and Y and also Veterans represent conventional names of four actually coexisting generations on labour market. The description of their preferences in HR practices is in Table 2.

hardly see what may be coming. For example, only 9% of surveyed executives expected voluntary turnover to increase significantly among Generation X employees in the 12 months following the recession (Deloitte, July 2009). In fact, according to Deloitte's survey results, about one of five part in surveyed Generation X employees (22%) have been actively job hunting over the last year and only 37% plan to remain with their current employers. The youngest and mostly best professionally educated members of Generation Y also have their sights set on better opportunities and less than half of those surveyed (44%) reporting they plan to stick with their jobs (Deloitte, Sept. 2009). It indicates that loyalty of employees to company is very weak – especially between youngest coworkers. Even most crisis situation is however in issue of morale. In the same report we founding that 62% of the employees surveyed said morale had decreased due to cost-cutting measures. More than three out of four (76%) of surveyed employees who intend to leave their current jobs reported lower morale at their companies (Ibidem). The main negative effect of it is transferred into their actual productivity what directly guides to economically insecure future of companies. Employee turnover intentions lead to lost productivity with employees looking for new jobs, resulting in lower profitability. Voluntary turnover inevitably leads to turnover costs, which represent a significant but poorly understood burden for companies. Already in the July 2009 survey, 44% of executives reported they believe voluntary turnover were actually improved profitability. The fact is, after taking into account the loss of intellectual capital, client relationships, productivity, experience, training investment, and other job skills, plus the cost of recruiting a new hire, is estimated that companies can expect the total cost of replacing each lost employee to be two to three times that employee's annual salary (Ibidem). These costs may significantly undermine recovery efforts of individual companies desiring to grow, even as the broader economy improves. Moreover, the departure of key employees can create a cascading effect as others follow their lead, compounding costs and the loss of skills.

4. ***To discover needs of four generations of employees and to effectively communicate.*** Deloitte's survey data revealed a striking „tale of two mindsets” when it comes to retention HR strategies and tactics. While both executives and employees believe that financial incentives are a critical component of any retention plan, the agreement stopped there. When asked to rank their top three retention tactics, in every instance, employees chose different non-financial incentives than the executives. Many surveyed executives also fail to grasp how different retention strategies appeal to different generations of employees.

Interestingly, corporate leaders who participated in this survey series tended to discount the effectiveness of strong leadership as a retention tool, while both Baby Boomer and Veteran participants ranked leadership highly. Their younger colleagues from Generation X and Generation Y crave greater job advancement expectations and guidelines, but these tactics did not show up when executives were asked (see Table 2).

Understanding employees' wants and needs is crucial but very important appears also, like it is very often, effective communication. Survey results suggest that many employers don't understand what really is the role of communication in prevention negative effects of conflict intern of the company and in coping with the human resistance against ongoing changes. Even when employees realize that they are survived as resident staff, they still can feel fear connected with possible reduction and they need feed- back from managers that is isn't realistic on that moment. Meanwhile nearly half (48%) of employees surveyed complained that their companies had not communicated effectively about belt-tightening measures during the downturn. Among surveyed employees who intend to leave their job, these grievances were even more pronounced, with 62% citing a lack of communication from executives during the recession (Ibid.) In the same time, only 35% of surveyed executives felt the need to increase the frequency of employee communication (Deloitte, Jan. 2010). It is worth to stress, that companies must understand what their employees really want, realign their

retention strategies, tactics and priorities to match those goals, and then communicate effectively with their workforce.

Table 2: Four generations of employees and their preferences of HR retention strategies

Rank	Generation Y under age 30		Generation X ages 30 – 44		Baby Boomers (BB) ages 45 – 64		Veterans (V) average 65	
	Executives	Gen Y Employees	Executives	Gen X Employees	Executives	Gen BB Employees	Executives	Gen V Employees
1	Additional Compensation (46%)	Additional Compensation (46%)	Additional bonuses or financial incentives (30%)	Additional bonuses or financial incentives (30%)	Additional benefits (i.e health, pensions)	Strong leadership	Additional benefits (i.e health, pensions)	Additional Compensation (46%)
2	Additional bonuses or financial incentives (30%)	Additional bonuses or financial incentives (30%)	Additional Compensation (46%)	Additional Compensation (46%)	Additional bonuses or financial incentives (30%)	Additional bonuses or financial incentives (30%)	Flexible work Arrangements (29%)	Additional benefits (i.e health, pensions)
3	Flexible work Arrangements (29%)	Job advanced Expectations /guidelines	Flexible work Arrangements (29%)	Job advanced Expectations /guidelines	Flexible work Arrangements (29%)	Additional Compensation (46%)	Additional Compensation (46%)	Strong leadership

Note: Bold –faced type indicates non-financial incentives. Columns add up to more than 100% as survey participants could select their top three most-effective retention initiatives.

Source: Deloitte Consulting, April 2010, p. 6

5. *To propose range of tailored non-financial incentives.* Money is an important part of any retention strategy, but non-financial incentives are critical to employees and offer opportunities for companies to differentiate themselves in the job market place. In the September 2009 special survey, Deloitte asked employees what top three retention initiatives would persuade them to stay with their current employers. The results are presented on Figure 2. As we observe the indexes: financial factors led the way by a significant 15-point margin, with additional compensation at 43%, additional bonuses or financial incentives at 41%, followed by strong leadership and job advancement expectations at 28%. However, when asked what factors would cause them to leave their current employers, employees ranked two non financial factors among the top three. In fact, lack of job security (36%) was cited as the primary factor that might induce employees to seek new opportunities, followed by lack of career progress (27%) and lack of compensation increases (27%).

Several other factors that employees cited as most effective were non-financial, including leadership strength/trust (22%) and support/recognition from supervisors/ managers (20%). Comparing both groups of reasons – to stay with company or to leave company – we remark that however finance reasons are always important, but greater compensation alone is not enough to keep employees satisfied in their jobs. This is particularly true during tough economic times when companies are trying to squeeze more out of their workforces and employees have reached the limit of their ability to take on more work.

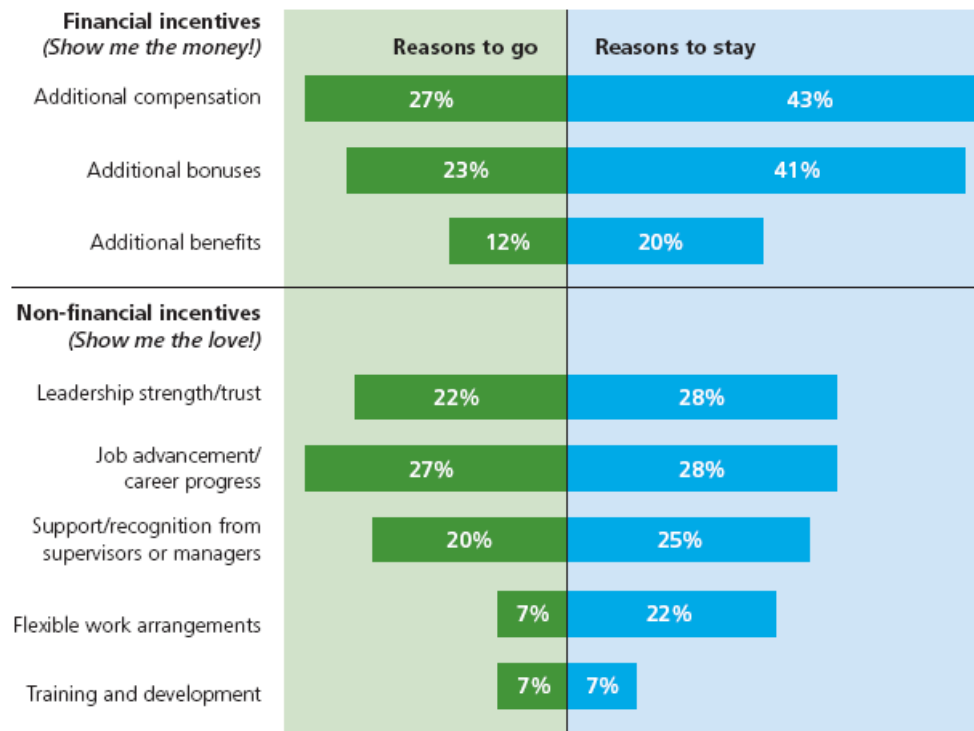


Figure 2: Employee's declarations about reasons to stay or to leave company in response to different HR practices

Source: Deloitte Consulting, April 2010, p. 7

6. **To have a competitive pack of leadership in company.** As we see on figure above one-in-five employees surveyed cited dissatisfaction with their supervisor or manager as a leading factor that would cause them to leave their jobs. Others data (Deloitte, Sept. 2010) cited excessive workloads (15%) and poor employee treatment during the recession (18%). The special issue is the kind of leadership which seems the most useful during transient time between crisis and recovery. When it comes to subjective self-esteem, only 10% of the executives surveyed described their companies' development programs as „world class” (Deloitte, Jan. 2010). While their counterparts are more focused on defensive measures such as further cost cuts or additional layoffs, companies that described positively their leadership programs appear to be openly offensive and they positioning themselves to take advantage of the opportunities brought on by an improving economy. The HR practices they are implementing are:

- two-thirds of them (66%) are increasing compensation;
- more than half (53%) are opening up new career path opportunities;
- nearly six in ten (59%) are expanding training and development programs for high-potential employees;
- strong majorities boast robust senior leadership (85%) and emerging leadership (66%) pipelines (Ibidem).

In addition to their internal development efforts, these „offensive” companies are constantly searching the market for the best talent available and reporting they plan to step up recruitment of critical talent. What is the result which can be observed already now? Companies that lead the pack on leadership are also experiencing higher morale: 59% of them report an increase in morale compared to 21% at competing firms. Similarly: trust and confidence in corporate leadership is also rising significantly faster in compare to another group (Ibidem).

7. Conclusions

Main results of theories and reports summarized above identifies some recommendations and suggestions executives and heads of HR departments in companies should consider as they move past the recession and face the challenges of the new economy. They generally rely on a variable adjustment of offensive and open HR strategy with the main goal to hold best employees and to maintain their motivation to stay in a company, as well as to encourage new talented workers to join it. Continuous talent recruitment and regular assessment of efficiency of coworkers in team working have to be conducted even when crisis symptoms are still vivid.

Moreover, employers need to constantly examine how attractive they are to experienced hires and to new employees entering the workforce and ensure they are proactively enhancing their employer brand. They also need to verify the way of their communication with staff and create an effective two-way communication pipeline between themselves and their employees. The main advantage of it will be avoiding of diminished engagement and morale between coworkers which could expect probable reduction.

Managers have to know, what their employees really want in job beside of finances and to tailor their HR strategies to different generational, gender and culture diversities of workforce with aim of building of an effective motivational systems based on attractive non-financial incentives.

The strong, but first competent and open mind leadership represents still crucial factor for success of company. The negative demographic trend in composition of workforce has to be balanced by encouraging older coworkers – from generations close to retirement – to stay in company and to play there role of mentors and coaches for young talented managers. Nowadays, where the workforce is mobile and quick to pursue new career opportunities employers must turn from a recession mindset focused only on headcount reduction and stretching the current workforce to proactive retention and strategic recruitment mindset. Because the issue of career path for most of coworkers is extremely important, the company has to clarify with them individually the possibilities of advance and place in organizational structure.

Innovative human resources practices with using goal oriented new tools of workforce planning, modeling and motivating, which are different end extensive in the same time, should help HR managers to maintain loyalty, motivation and productivity of staff on a good level. Talented human resources, adequately and openly managed, can meanwhile help the companies to better position themselves during transient time between economic upturn and recovery and to built competitive potential for the future.

The challenge of the current economical crisis has to be properly used as a chance to revalidate and change of kind and character of already implemented but mostly unsatisfactory HR strategies and practices. There is also occasion to change general status quo of HR department in a company – from till now mostly service oriented – to more central and strategic. This special time has to be creatively used for reorganization which doesn't mean only leaning and reduction of company's costs (what is obviously very important but insufficient) but has to be taken together with prospective, innovative and developmental reorientation and reorganization.

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