

Winning Through Talent in Uncertain Times: 5 Strategies to Get Ahead

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Winning Through Talent in Uncertain Times

MANAGING IN THIS uncertain economy can be incredibly challenging. If your business is experiencing decreasing revenues, shrinking budgets and increasing uncertainty ... you cannot afford to focus on talent. Right? Actually, wrong.

NOW, more than ever, is the time to focus on your people — the key to your future success.

This is the time when new market leaders emerge and fortunes are made — when winners are separated from losers. Everyone in your industry shares in the pain. This is your organization's opportunity to think strategically and invest in order to make relative gains against your competition and avoid knee-jerk or ineffective responses to external pressures that destroy value.

Strategic Talent Management should be an even higher priority than ever. If your business strategy is solid, now is the time to motivate and engage your employees — to reassure and cultivate your top talent, and make sure they recognize the bright future they have in your organization.

Now is the time to re-evaluate your goals, and make sure your entire team understands the impact their contributions deliver — to make sure everyone is working on the right things.

Right NOW, you should be looking at ways to accelerate your strategies. So when this economy turns upward again, you will be poised and ready to make the most of it — with an energized workforce aligned behind your strategic goals. Now is the time that strategic Talent Management matters most.

5 Strategies for Getting Ahead

BASED ON WORK with more than 2,000 leading businesses on maximizing people performance, SuccessFactors recommends the following five strategies that deliver superior results in adverse economic conditions:

- 1. ESTABLISH CLARITY OF GOALS AND RAPIDLY ALIGN YOUR WORKFORCE TO EXECUTE THE NEW STRATEGY —** When change is forced upon your business by the external environment, you cannot afford to lose focus or to delay the necessary course shift.
- 2. CUT WITH PRECISION, IF YOU MUST, BUT NOT BLUNTLY —** If layoffs become necessary, view them as your chance to weed out the low performers and let your best talent grow. Optimize the workforce!
- 3. FOCUS ON YOUR CORE TALENT AND INVEST WHERE IT COUNTS —** Identify the talent that will be essential for your new strategic direction and invest heavily when others are cutting. Turmoil is when leaders emerge.
- 4. BE TRANSPARENT —** Avoid the rumor mills. During uncertain times, transparency drives trust and employee engagement. Companies with high trust financially outperform those with low trust.
- 5. COMPENSATE MORE STRATEGICALLY: PAY ONLY FOR PERFORMANCE —** Optimize your spend: avoid the mistake of spreading limited bonus resources evenly across top- and low-performers.

“IN TIMES OF ECONOMIC UNCERTAINTY, THERE IS NOTHING MORE IMPORTANT OR STRATEGIC THAT WE CAN BE DOING TO ENSURE CONTINUED BUSINESS SUCCESS THAN TALENT MANAGEMENT. NOW MORE THAN EVER WE NEED TO BE FOCUSING ON HIGH PERFORMERS AND DEVELOPING TALENT.”

Tess Reinhard, director of organizational capability, CDW

Breaking the Negative Spiral of Uncertainty

YOUR ORGANIZATION is facing a high-degree of turbulence due to external economic factors. Here are some of the negative effects your business may experience:

Mixed messages (or silence) from leadership about the course of action can lead to:

- ▶ ERODED CONFIDENCE IN THE COMPANY
- ▶ CONFUSION AROUND EXPECTATION AND EXECUTION
- ▶ MORE SPECULATION AND RUMORS

Top performers — anxious about what's going on, their role, and loss of bonus comp — are likely to be:

- ▶ LESS PRODUCTIVE
- ▶ MORE FRUSTRATED BY UN-DIFFERENTIATED PROCESSES
- ▶ MORE WILLING TO CONSIDER EXTERNAL OPPORTUNITIES

Under-performers are:

- ▶ LESS LIKELY TO LEAVE VOLUNTARILY
- ▶ A COSTLY DRAIN ON PRECIOUS COMPENSATION BUDGETS
- ▶ MORE LIKELY TO BRING DOWN MORALE

Business results are dismal due to:

- ▶ MARKEDLY DECREASED AGILITY
- ▶ LESS CAPABLE AND MOTIVATED TEAM
- ▶ LOWER GROWTH, PROFITS, AND SHAREHOLDER VALUE RELATIVE TO PEERS

That is the bad news. The good news is you can turn to strategies that counter the negative impact of these effects. In working with over 2,000 organizations, SuccessFactors has observed 5 ways in which leading organizations can get out of this downward cycle — and even make relative gains on the competition.

1. ESTABLISH CLARITY OF NEW GOALS AND RAPIDLY ALIGN YOUR WORKFORCE TO EXECUTE THE NEW STRATEGY.

WHEN CHANGE IS FORCED upon your business by the external environment, you cannot afford to lose focus or to delay the necessary course shift. If you don't execute the right strategy quickly, more nimble competitors will.

In these times of rapid change and heightened uncertainty, possibilities for relative gains abound. Downturns make the impossible dramatically possible — for you AND for your competitors. If you know what your company needs to succeed tomorrow, an economic slowdown is the best time to buy or build those assets. It's easier to move upstream or downstream, develop a breakthrough innovation, take key customers away from competitors, and achieve operational efficiency.

But knowing is not enough.

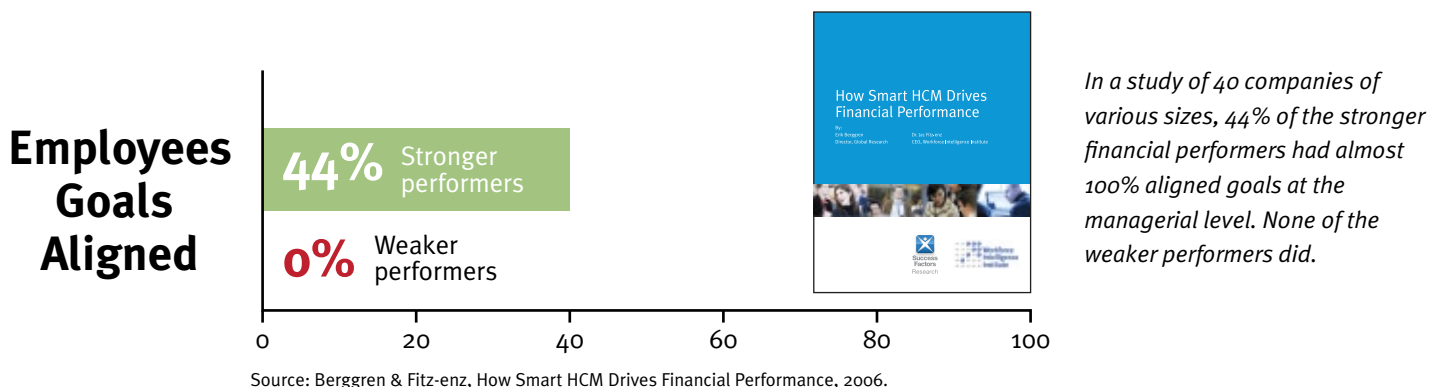
Managers must find ways to boost their company's strategic agility — their ability to respond to opportunities and threats more rapidly. Herein lies the challenge.

Executing change is never easy, especially if the new strategy requires a cultural change. But mobilizing people becomes particularly challenging when your organization is distracted by the lack of clarity. Agile organizations can successfully drive and monitor activities related to the strategic objectives. They adopt best practices to:

- ▶ FACILITATE CLEAR COMMUNICATION OF GOALS AND LINE-OF-SIGHT
- ▶ PROVIDE REAL-TIME ACCOUNTABILITY AND VISIBILITY INTO PROJECT STATUS
- ▶ TAKE ACTION IF INDIVIDUALS FALL BEHIND ON GOALS

Clear communication of company-wide goals is of paramount importance. By being transparent, you show employees you have a plan — you inspire confidence and motivate them with the knowledge that “someone's driving this ship in the right direction.”

This organizational-wide alignment translates into financial performance relative to industry peers:



QUESTIONS TO ASK***HOW EFFECTIVELY ARE YOU ABLE TO STEER THE SHIP?
ARE YOUR PEOPLE ALIGNED?**

- ▶ Do all your employees know what is expected of them?
- ▶ Can you rapidly commit people resources to new courses of action in response to changes in the external environment?
- ▶ Can you instantly communicate the new course of action and ensure employees map their own projects and priorities to them?
- ▶ Do you have the ability to see all project activity?
To check progress real-time?
- ▶ Can you act promptly when it's time to halt or reverse existing resource commitments?
- ▶ Are your people aligned?

*Companies can ask these questions any time, but the pressure of a challenging economic environment puts a premium on having the answers.

2. CUT WITH PRECISION, IF YOU MUST — BUT NOT BLUNTLY.

ONCE YOU KNOW the strategic goals for your organization, focus on costs. If layoffs become necessary, view them as your chance to optimize your workforce — weeding out the low performers and letting your best talent grow.

Avoid the traditional across-the-board cut. Untargeted downsizing sheds stars and leaves you with mediocrity. If you trim the wrong 10%, you could destroy most of the firm's value today. You could undermine your growth tomorrow. You could alienate remaining employees. Before making any big decisions about your workforce, it is necessary first to develop a clear picture of your talent pool.

How well do you know your talent? Poor performance management processes, systems and metrics can be disguised by strong business conditions. But during down times, a lack of solid information on workforce performance can lead to poor decision making. Moreover, lack of information can also delay hard decisions on downsizing your workforce.

Once you know who your bottom performers are, for example, you can immediately save money by either reducing their pay or letting them go.

QUESTIONS TO ASK

ARE YOU PREPARED TO MAKE TOUGH DECISIONS ABOUT YOUR WORKFORCE? WHO SHOULD STAY AND WHO SHOULD GO?

- ▶ What is the cost of terminating an A-player while simultaneously keeping a C-player? What message does that send to the remaining employees?
- ▶ If you had to make the cuts, can you:
 - Identify the bottom 10%? 20%?
 - Identify stars in your underperforming businesses?
 - Ensure that they won't be lost or de-motivated?
- ▶ Do each of your employees know what it takes to be an "A-player"? If you had to make the cuts, would they understand why certain employees were kept onboard, and others let go?

3. FOCUS ON YOUR CORE TALENT AND INVEST WHERE IT COUNTS.

NOT ALL POSITIONS are created equal. Some positions are simply more critical to the successful execution of your business strategy. Are you investing accordingly in those positions — whether your strategy is defensive or offensive?

Your top talent — loyal in the good times — may get anxious, frustrated and disenchanted in a downturn. Unlike the under-performers, who stay put in a downturn, top performers have more opportunities to leave you. Your competitors are targeting your top people and this will intensify in a down market. How are you going to respond? Underwater stock options have little retention value. To keep employees motivated, energized, and engaged, it is critical that you make them feel secure, and confident that they have a critical role in your plan for the business.

Good employees are always valuable, but outstanding performers who can help you grow your business against the broader market trend are like fine diamonds — and should be treasured accordingly. **Knowing that high performers make a disproportionate contribution to the success of your business, shouldn't your organization make a disproportionate investment in identifying them, developing them, and paying them?**

Now is the time to identify the talent that will be essential for your new strategic direction and invest heavily when others are cutting. That investment should focus not only on retaining top performers, but on addressing gaps in skill sets with training/development — because when your core talent is thriving, you can do more with less. If possible, you should even be looking outward to the market where good talent is likely to be available to hire.

In retail banking — an industry facing a severe economic downturn — forward-thinking organizations are looking to invest in key talent today, so that they can be ready to capitalize on the opportunity when the market rebounds. Says Brent Carter, Vice President Talent Management and Workforce Planning at Fifth Third Bank:

“We want talent focus to be year-round. It should be just part of a manager’s job, a leader’s job, to focus on talent:

Am I optimizing the talent that I have?

Am I developing them?

Am I very clear on expectations?

Am I clear on where their performance levels should be?

Am I providing the feedback I need to?

... And I think a lot of companies maybe don't realize that. They're focused so much on the bottom line, they're not focusing on talent. I think we're going to be much better prepared when that bubble opens up.”

Source: “Fifth Third Bank: Putting People First” Talent Management Magazine, June 2008.

Note: Fifth Third is a 22,000 employee retail bank and a SuccessFactors' customer.

QUESTIONS TO ASK**DOES YOUR TOP TALENT KNOW HOW CRITICAL THEY ARE FOR YOUR BUSINESS IN THE BAD TIMES AS WELL AS THE GOOD TIMES?****If you are pursuing a defensive strategy to minimize your risk, do you know the talent that can help you:**

- ▶ Know and manage financials, cash
- ▶ Re-negotiate with vendors, landlords, customers
- ▶ Forecast and manage key external business drivers
- ▶ Acquire and retain the most profitable customers

If you are pursuing an offensive strategy to capitalize on your competitors' weaknesses, do you know the talent that can help you:

- ▶ Expand into geographies/segments where competition has weakened?
- ▶ Provide solutions that exploit competitors' vulnerabilities?
- ▶ Adapt your selling proposition for the new customer environment?
- ▶ Acquire competitors at bargain prices?

For either strategy:

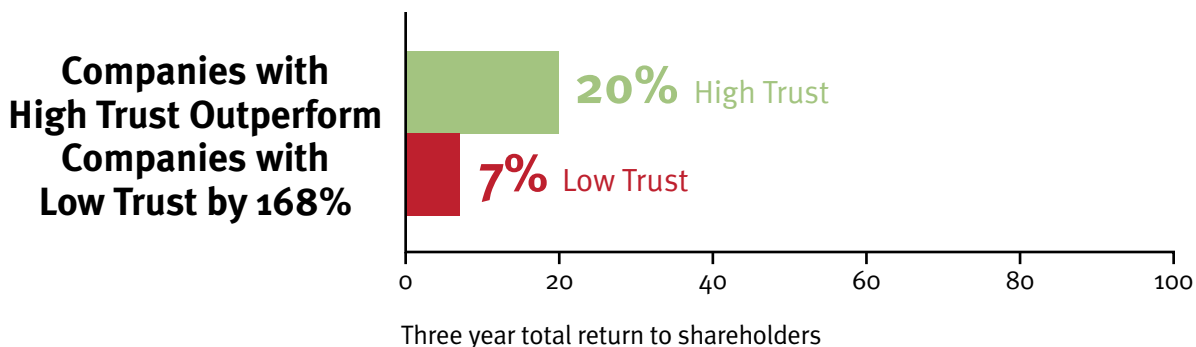
- ▶ Can you launch the right rewards mix (development, compensation, etc.) to retain these individuals critical to your business?
- ▶ Do you have visibility into bench strength and successor readiness for all key positions?

4. BE TRANSPARENT. COMMUNICATE. COMMUNICATE. COMMUNICATE.

EXECUTING THESE STRATEGIES isn't enough. You must also make sure that people understand what you're doing and why. Avoid the rumor mills. During uncertain times, transparency drives trust and employee engagement. When your key players feel secure, they are much more motivated and engaged as a result. It's no wonder that companies with high trust financially outperform those with low trust.

Market your message internally: Tell your employees your firm's recession-ready strategy — a strategy based on the realities of the marketplace. Especially target your top-performer and opinion-setters. If you are shifting your business strategy, show the role that everybody will play, show how you will realign incentive structures and reporting systems. This will help maintain loyalty and morale, and increases the acceptance of cuts and new strategic initiatives.

Fortunately, good morale does not require people to be happy or the market to be booming. In teams with good morale people's emotions contribute to, rather than subtract from, the unit achieving its goals. Many of the best examples of high morale come from situations of great unhappiness and stress — such as heroic actions in war. Thus, while it may be impossible to make people feel happy while their friends are being let go, that is not your job. Your job is to build your team's focus and dedication. You cannot do so without building trust. And trust, it turns out, pays dividends during and after the turbulence.



Source: Watson Wyatt: WorkUSA® 2002 – Weathering the Storm: A Study of Employee Attitudes and Opinions. <http://www.watsonwyatt.com/research/printable.asp?id=w-557>

QUESTIONS TO ASK**DO YOUR EMPLOYEES FEEL THEY'RE "IN THE KNOW"?**

Do they know what your plan is to “weather the storm” and come out a winner?

Do they know:

- ▶ How the organization’s goals and objectives have shifted due to recent changes?
- ▶ How they can contribute to the execution of the strategy?
- ▶ What success looks like? When do you expect it to materialize?
- ▶ How to measure progress?

5. COMPENSATE MORE STRATEGICALLY: PAY ONLY FOR PERFORMANCE

Now is the time to think about how you can compensate more strategically to make your payroll go further. Don't make the mistake many companies make — spreading the available comp budget evenly, based only on position/title or job level. Instead, think about how you can optimize your spend by compensating based on individual performance.

Pay-for-performance is considered a top tool by senior executives for achieving better financial results — in good times, and in bad. And for good reason: a strong pay-for-performance culture is a key element in getting employees to excel at maximum levels. How? By combining clear direction, quality feedback and tangible rewards, and recognition — key components to job satisfaction and employee dedication.

A pay-for-performance culture can also help your company save money in a way you may not think of: avoiding overcompensation. Companies can waste literally thousands of dollars a year by rewarding individuals whose performance doesn't help achieve key business objectives. The ongoing accountability developed in a pay-for-performance culture helps avoid this pitfall.

Finally, recognizing and compensating top performers is the key to retaining the best and brightest. According to Giga Information Group, retention can be improved by meritocratic management — or pay-for-performance — by up to 27%.

QUESTIONS TO ASK**ARE YOUR COMPENSATION DECISIONS TIED TO SPECIFIC PERFORMANCE GOALS FOR EACH EMPLOYEE?**

- ▶ Do you know which employees are contributing the most toward achieving your strategic goals? Are those top-performers getting higher comp as a result?
- ▶ Do your top-performers and bottom-performers get the same bonuses? Are they equally affected by pay freezes?
- ▶ Are you over-paying your under-performers?
- ▶ Do employees know exactly what they need to do to earn meritocratic pay?
- ▶ Do employees believe last years' compensation decisions were fair and realistic?
- ▶ Are you losing top performers due to compensation issues — lost bonuses, competitors offering more attractive packages?

Executing the Five Strategies, Today

SINCE TIME IS of the essence during an economic slowdown, you need a way to execute these five strategies as quickly as possible. Using a downturn as an opportunity to get ahead, leading organizations leverage Performance & Talent Management software and best practices to accelerate implementation of these strategies — and ultimately to energize their top people, increase workforce productivity, and drive better financial results.

“In times of economic uncertainty, HR systems with long implementation times face a real risk of obsolescence. By the time implementation is complete, the business drivers that supported such projects may have changed dramatically, undermining the benefits. In evaluating alternative HR solutions, the time to implementation should be an important consideration, since solutions that can be rapidly implemented are more likely to be in touch with organization needs and will start producing an investment return much earlier. This could mean, for example, using existing vendor templates to bring systems on line quickly, rather than opting for more extensive and time-consuming customization.”

“If the Bubble Bursts Will You Be Prepared”
Talent Management Magazine, February 2008

Evidence suggests that on-demand Performance & Talent Management processes bring about better financial results, including faster top-line and profitability growth relative to industry peers*.

Source: “Strategic Talent Management Solutions and Superior Topline Growth” Saugatuck Technology Inc., March 31, 2008
<http://www.successfactors.com/research/financial-advantages>

Summary and Action Plan

DURING UNCERTAINTY, organizations must perform a delicate balancing act: they have to make tough, data-driven decisions without losing sight of the emotions and concerns of employees.

Above all, organizations must act. Act urgently. Act with insight. Act with foresight. Act with prudence.

What is your action plan?

► HOW ARE YOU GOING TO ALIGN AND FOCUS YOUR WORKFORCE ON THE NEW STRATEGIES?

► WHERE ARE YOU GOING TO MAKE INFORMED CUTS?

► WHERE ARE YOU GOING TO MAKE TARGETED INVESTMENTS?

► WHAT ARE YOU GOING TO DO IMMEDIATELY TO MITIGATE EFFECTS OF UNCERTAINTY ON YOUR TALENT'S MORALE?

About SuccessFactors: The Leader in Performance & Talent Management

SUCCESSFACTORS IS the leading provider of Performance & Talent Management solutions with more than 3.7 million end users in 156 countries. With SuccessFactors, your company can directly align every executive, manager and employee with the mission of your organization. You'll cover more ground, faster, with the same resources — achieving the kind of success that moves markets.

AN INTEGRATED SOLUTION

The SuccessFactors Performance and Talent Management Suite is the industry's first complete suite of Human Capital Management applications delivered as a service, enabling organizations to rapidly source, align, develop, motivate, and maintain a high-performance workforce. With seamless integration across each module, SuccessFactors gives you the visibility to optimize the performance of your people to drive business results.

A RAPID TIME-TO-VALUE

Time is of the essence during uncertainty, so you need a solution that can be delivered quickly. SuccessFactors' SaaS (Software as a Service) deployment enables rapid implementations on a subscription basis to avoid protracted CapEx approvals. In addition, you will minimize risk by going with a proven solution that is helping over 2,400 customers get the most out of their talent.



Among its Many Capabilities, the SuccessFactors Performance & Talent Management Suite Includes:

- ▶ **GOAL MANAGEMENT.** Automates the process of creating, cascading, monitoring and assessing the progress of company-wide goal completion.
- ▶ **LEARNING AND DEVELOPMENT.** Supports management, delivery, and measurement of learning content and activities.
- ▶ **PERFORMANCE MANAGEMENT.** Streamlines the performance appraisal process and helps transform the often rushed and tedious once-a-year performance review into an ongoing performance management process that ties employee performance to bottom-line business results.
- ▶ **COMPENSATION MANAGEMENT.** Allows organizations to effectively implement pay-for-performance initiatives by integrating and aligning goal management, performance management, and compensation processes with a single integrated application.
- ▶ **SUCCESSION MANAGEMENT.** Helps organizations gain greater visibility into their employees' skills and background, identify and anticipate leadership gaps, and perform necessary planning and analysis to ensure there is adequate bench strength throughout the organization to ensure workforce continuity.
- ▶ **RECRUITING MANAGEMENT.** Streamlines the process of identifying, screening, selecting, hiring, and on-boarding internal and external job applicants.
- ▶ **EMPLOYEE PROFILE.** Gathers employee performance data and profile information, such as work experience and educational background, and puts it into a centralized, master data repository that can be accessed at any time, from any place.
- ▶ **BUSINESS ANALYTICS AND REPORTING.** Draws data from each application module enabling extensive views into the performance of the entire organization, including goal achievement, performance review ratings, and compensation.
- ▶ **CONTENT PACKS.** Delivers rich libraries of goals, development advice, competencies, job descriptions, wage data, interview questions and other general and industry-specific best practice tool-kits.

About the Authors

Alex Shevelenko

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Alex Shevelenko is Director of Business Transformation Solutions at SuccessFactors where he oversees the development and implementation of technology-enabled talent management solutions to maximize business results.

Mr. Shevelenko has over a decade of experience in providing strategic advice and delivering transformational technology solutions to Global 2,000 corporations.

Prior to joining SuccessFactors, Mr. Shevelenko held positions at technology providers Salesforce.com and Microsoft and a leading strategy consulting firm, Mercer Management Consulting / Oliver Wyman.

Mr. Shevelenko worked with a variety of industries including retail, healthcare, private equity, manufacturing, information technology, finance, and public sector organizations.

Mr. Shevelenko holds an MBA from Stanford Graduate School of Business and dual-degree from the University of Pennsylvania, cum laude: B.S. in Economics from the Wharton School of Business and B.A. in International Relations from the College of Arts & Sciences. Mr. Shevelenko is the U.S.A. recipient of 2004 Award from the Association of Management Consulting Firms & Foundation for Excellence in Management Consulting.

Erik Berggren

Sr. Director of Global Research

Erik Berggren, Sr. Director of Customer Results & Global Research, leads the Research and Strategic Consulting group within SuccessFactors.

Mr. Berggren has worked on strategic consulting service engagements with more than 30 companies across Europe and the US. He has held positions with Ernst & Young in Stockholm and New York and most recently worked with Capgemini in the Nordics.

He was the CEO and cofounder of a research based consulting company that developed thought leadership on measurement systems.

Mr. Berggren is a recognized thought leader in the HCM field and is frequently invited to speak at conferences around the world.

He holds a Masters of Business Administration from the University of Uppsala, Sweden. He has studied Marketing and Finance at an MBA program at K.U. Leuven, Belgium and also studied French in Katholique Université de Lyon, France.



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