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# Leverage HR strategies for stability and profitability

Octothorpe Software founder and CEO Peter Tingling: "unfortunately, more thought goes into hiring than goes into termination"

DOMINIC SCHAEFER

## *CEOs and human resource managers urged to navigate around common staffing hurdles*

KRISENDRA BISETTY

Heard the one about the company that announced layoffs during Bring Your Child to Work Day? Or those that rushed to hand out pink slips only to re-hire employees they couldn't do without?

With economic woes hitting closer to home, human resource strategies that companies are employing to ensure their survival may be doing more harm than good.

A rash of recent corporate downsizing announcements reflects the first response for many managers to negative conditions: batten down the hatches and cut staff in large numbers.

"Sadly, despite every single annual report of a public company that I've seen that basically talks about the importance of staff, that's very often one of the first things that goes," said Prof. Peter Tingling, who teaches risk management in

the masters of finance program at Simon Fraser University.

While fine as a short-term strategy, in the long term thriving is the better strategy, said Tingling, who holds a PhD in organizational and technological decision-making and is the founder and CEO of Octothorpe Software Corp., a decision sciences company that provides managers with the tools and framework to make better decisions more effectively and efficiently.

"Layoffs are not going away and companies need to ensure that the decisions that they make have been made properly and position the company to recover," he said.

That requires clear thinking about who creates value, and, surprisingly, these are not always the people who are the most liked, the most busy or who

have been there the longest.

"Unfortunately, more thought goes into hiring than goes into termination, particularly in situations like this," said Tingling, who is no stranger to downsizing as he's had a hand in laying off hundreds of employees during his years as a corporate restructuring manager and, later, as a strategist at one of Canada's big five banks.

Organizations trying to rein in expenses are using various staff-shedding strategies, including "last in, first out," and voluntary severance packages.

However, Tingling said sometimes it's the newest recruits who best reflect the reality of the operating environment, making the last ones in sometimes the most valuable.

Some companies tend to take the easy-to-announce and fair-sounding



Nancy MacKay, president and co-founder of MacKay & Associates: retaining top talent first means identifying who adds the most strategic value

horizontal approach of cutting a percentage of staff across all departments.

“And that in many respects is the absolute worst thing that you can do,” said Tingling. “It tends to evenly distribute the pain, which is not really the objective.”

The objective of any kind of economic downturn or crisis, rather, is to make sure that the company is well positioned afterward and that it can survive in the short term.

## “Companies need to embrace the needs of all generations”

– Nancy MacKay, CEO coach, MacKay & Associates

In some cases, the better approach is to eliminate entire functions altogether – the so-called vertical approach that allows for similar cuts in management.

In too many cases, however, empirical evidence from white-collar or knowledge-worker downsizing shows that it does not lead to better performance, said Tingling, but to what he calls “brightsizing” – where poor decision processes and incentives encourage the brightest and best to leave.

The same result is achieved by giving up on rewards such as bonuses.

Tingling suggests, as brutal as this may sound, that companies pretend that they have no employees and then figure out what kind of people they want to hire. They then compare the people

they feel they would need with those they already have and let go the ones that don't have the desired skill sets.

And if you have to make multiple staff cuts, it's better to have one or two deep cuts rather than lay off a couple of people every month or so, which only serves to create fear among remaining employees as to when the axe will fall again.

But ill-considered strategies may also come back to haunt companies, afflicting CEOs and HR managers with so-called “regrettable attrition” in the case of white-collar workers.

“We've never seen a situation where that didn't happen and in some cases, we're talking about hundreds of thousands of dollars, just pure money going out the door, along with management's credibility,” said Tingling.

Decision-making is the essence of management, he said, and new technologies are available that address and obviate many of the problems and biases inherent in deciding who stays and who goes in times of trouble.

A focus on attracting, retaining and developing top talent, particularly in a down economy, should be a priority for every CEO, said Nancy MacKay, president and co-founder of MacKay & Associates.

The North Vancouver-based consulting firm has been helping organizations such as Finning International, Ritchie Bros. Auctioneers, Business Objects, Teekay Shipping and RBC Royal Bank improve individual and organizational performance.

In a forthcoming book – *The Talent Advantage* – which she co-authored with Alan Weiss, MacKay says that retaining top talent first means identifying who is top talent, communicating this with those who fit the category and then “connecting” with them so they realize their important contribution is being recognized.

“In particular, CEOs need to focus on identifying the top 10% of the workplace that adds the most strategic value,” said MacKay. “And that is the talent that needs to be retained.”

The book also reveals a key shift occurring in the workplace: “generation clashes” where boomers, usually those in management, need to realize that generation X and generation Y have different expectations in the areas of life balance, career planning and technology.

“Companies need to embrace the needs of all generations,” said MacKay, who has been a professor and taught in the business faculty of several universities. ■

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