

Managing Your Business in a Recession – Part 2

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By Wade Glass, Director, Spire Chartered Accountants Limited

This week we look at how to manage your employees during a recession. For last week's instalment on managing customers, refer to www.spireca.co.nz

Business owners often state that people are their greatest asset. Unlike inanimate assets like machinery and buildings, people have wants and needs. For example, employees get nervous if they suspect their job may be at risk during a recession. For this reason, people require additional management.

However, the unfortunate reality of a recession is that you may have to reduce your workforce. There are a number of obvious strategies to deploy before redundancies are necessary, such as:

1. compulsory utilisation of annual leave balances;
2. reduced working hours (e.g., the Government's 9-day fortnight initiative);
3. offering employees on contract to competitors (however, your competitors may face the same economic predicament as your business);
4. redeployment to other parts of the business;
5. voluntary redundancies; and
6. salary and wage reductions.

Once the above possibilities are exhausted, compulsory redundancies may be necessary. The only advice we can offer in this respect is:

1. engage a specialist advisor with employment relations skills;
2. act decisively and quickly (whilst following legal processes);
3. ensure that affected employees are treated with respect and that their dignity is maintained; and
4. ensure that you retain high-achievers.

If remaining employees have spare capacity, put them to work on developing new business. Difficult times can be a catalyst for creating a stronger team spirit, especially when the link between the performance of the business and an employee's salary becomes very relevant.

Employees with a production role may spend more time on product development or identifying new applications for existing products. The latter may be used to secure clients in new markets. Don't assume that employees with a technical or production focus are incapable of identifying new products that will appeal to your customers; these individuals likely have a greater depth of product knowledge than their colleagues in sales and marketing!