PENNY WISE, POUND FOOLISH

Are we shooting ourselves in the foot?

Events, rather than sober reflection, are often the catalyst for action. Recent events in the global and local financial sectors have generated a plethora of behaviours, many of them nothing more than reflex, knee-jerk responses.

Over the years, organisations have been the vehicle for shaping and developing a wealth of human capital. Consciously or otherwise, our workplaces have allowed or encouraged people to identify their core skills, develop and utilise these skills, widen their information and knowledge base and fulfill their dreams. Employees came to know the business. They established helping relationships with suppliers and customers, established strong teams and became the face of our organisations. More than that, they often established a strong sense of loyalty to our businesses.

An interesting but seldom considered dimension of the work experience is the fact that it is not only employees who have this sense of relationship with the workplace. Over time, families too develop a sense of connectedness with the organisation. Children speak of the place where their parents work. Many understand the connection between the family's well-being and the fact of employment.

And then things change. Financial events overtake us. Conversations shift to a focus on meltdowns and crises. The mood changes to fear and uncertainty. And the reflex responses to cut costs kick in.

One wonders if the need to cut or at least manage costs was not always there. Business leaders need to challenge themselves and be honest about the fact that over time, many have allowed inefficiencies to flourish. The truth is that many businesses have been succeeding because there was buoyancy in the economy and not because of superior business acumen. The economy may have served to mask many organisational deficiencies while it provided opportunities for profit-taking.

The experiences of the downtimes in past decades are characterised by the philosophy of "lean and mean" and "cut the fat". This "fat" is inevitably in the area of human costs as organisations treat with the on-the-surface, immediate expense issues of payroll and benefits.

But are we shooting ourselves in the foot? What are we getting rid of? What do we no longer have? Sure, the payroll costs go down. Benefit contributions go down, and the costs appear to have been brought under control. But what might we have lost?

The organisation's investment in its human capital is jettisoned and abandoned. Money expended on training and time and effort spent on coaching constitutes value that is no longer available to the organisation. Often the loyalty that existed withers as people feel betrayed and exploited in spite of their contributions over the years.

Business-generating relationships with key customers are no longer there as the faces with which customers interfaced disappear from the frontline. The informal interpersonal understanding between people in different departments and between suppliers and the organisation is no more. We need to be reminded that it was these working relationships that added value and lubricated the machinery of our businesses over the years.

But even as these costs are cut, the inefficiencies and deficiencies in systems and processes remain unaddressed. Inappropriate structures and policies are allowed to continue. Jaded and outdated business strategies based on past successes rather than tomorrow's opportunities and challenges remain the guide for how our business is conducted. Fewer people are on hand to work with dysfunctional systems in an atmosphere of fear and uncertainty while business leaders expect higher productivity, morale and continued profitability.

Our consulting experience has been that staff are an untapped resource of business wisdom and insight. These people know the organisation. They have whispered among themselves about the gaps in the organisation, the things that they have seen as areas for doing better business. They know what can be done to save money and material. Their insight may not be at the strategic level but their on-the-ground practicality is an invaluable resource that cannot be accessed from anywhere else. They are in a place to see what business leaders cannot.

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It might be to our advantage to take some time to measure the quantum of our investment in the human resource over time. We owe it to ourselves and our shareholders to understand how much we have expended and to ask ourselves whether this is a resource with which we should casually dispense.

Might it not be more beneficial, in a time of reduced activity and production, to use our human resources to address areas of work that have long been put on the back burner because "we did not have the time" … to execute on projects that had been deferred or left unattended?

This might be the most advantageous time to stage activities that address some critical aspects of business operations … to problem -solve by using resources that already exist within the organisation and who are aware of the issues and difficulties that exist.

The benefits derived from this approach and these types of activities will create cost reductions. Organisations will save money and reduce expenditure and this may obviate the need for extensive separation of staff.

This is not just an organisational issue. Staff separations impact extensive networks of people who hold perceptions of our organisations. The impact of separation decisions reaches into an organisation's brand and image. These decisions raise the issue of our corporate social responsibility.

We have spent financial resources to build, sustain and improve our brand and to establish the perception that we are socially responsible. Are we undoing the efforts of the past? Is the knee-jerk reaction to reduce costs by separating staff the best way to approach our current challenges? Are we being penny wise and pound foolish? Are we shooting ourselves in the foot?

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