

Propping up Employee Morale

Not surprisingly, employee morale and commitment has worsened during the recession -- and in response to company actions to cope with the downturn. A recent survey finds that high-performing employees have been substantially more affected than the rank-and-file. Although HR leaders are hampered financially, there are ways they can address this issue.

By Lin Gensing-Pophal | Wednesday, October 7, 2009

It's hardly surprising that a recent study suggests that company actions during the recession have had a negative impact on employee morale and commitment.

However, it might surprise some HR leaders to know that high performers have been disproportionately affected by their organizations' responses to the recession.

The *2009/2010 U.S. Strategic Rewards Survey* by Watson Wyatt and WorldatWork found that employee-engagement levels for all workers at the surveyed companies dropped 9 percent since last year -- but the number was nearly 25 percent for top performers.

In addition, more than one-third (36 percent) of top performers said their employers' situation had worsened during the past 12 months and the percentage who would recommend others accept jobs at their companies had declined by nearly 20 percent.

Nearly three in 10 (29 percent) top performers were also less confident in management's ability to grow the business. And four in 10 (41 percent) believed that pay and benefit changes made by their employers over the past year had had a negative effect on both work quality and customer service.

"What we found in the survey is intuitive -- it's not surprising," says Laura Sejen, global director of strategic rewards consulting at Washington-based Watson Wyatt.

"The cumulative impact of all of these changes has been that employees and employers alike are concerned about the impact on quality or customer service, the impact on productivity and closer to home, the impact on engagement and commitment."

The uncertainty of today's work environment has employees understandably stressed and worried about their economic and professional futures.

Tara Jones, a Princeton, N.J.-based performance psychologist with Lane4 Management, a consultancy that focuses on organizational performance, leadership development and executive coaching, says "there is so much stress and uncertainty that people don't know where they are going as an organization and as individuals."

"It's more important than ever that leaders be highly visible, talk often about the vision, but also talk about the shorter-term and how the organization is realistically going to work toward the vision in the shorter term."

Transparency is critical, says Jones. "Leaders need to put themselves out there, be honest and role model the behavior they wish to see in their people -- and support those behaviors when they see them.

"They also need to be there to provide individual support to both the under-performers -- who are probably really scared about their future -- and the high performers, who are beginning to feel like their hard work is undervalued," she says.

HR has an important role to play in this process.

"When you look at the array of cost containment or cost-cutting actions that companies have taken, many, many of them fall directly in the HR space," says Sejen. "This has put HR at the center of companies that have to weather the storm."

It's Not *All* About Money

The good news for employers, says Roxanne Emmerich, is that it takes more than money to motivate and engage employees.

Emmerich is the Minneapolis-based author of *Thank God It's Monday! How to Create a Workplace You and Your Customers Love*, and a management and workplace consultant known for her work transforming negative workplaces.

"One of the biggest fallacies out there is that it's all about pay and performance and all about incentive pay," says Emmerich.

Instead, she says, "it's really about more intrinsic things -- what really matters to people is what makes them feel good about their work and being successful at their work."

HR is in a position to "dramatically transform the results of an organization -- it's really their job to make those things happen." But, to do this, she says, they "need to get up to the 30,000-foot level and give people a vision of something extraordinary to go after."

Emmerich also promotes the concept of "measure and celebrate" -- set clear goals, measure progress and celebrate successes.

Those celebrations, she claims, can have measurable impacts. She tells of one company she worked with that had an event billed as a "Kick Butt Kick Off" to recognize and engage employees.

"Within 30 days of the event, [the company] grew more than they had in the previous 10 years combined," she says.

It doesn't have to be all about money, benefits and perks, agrees Jones. HR is limited in terms of what it can do to create opportunities for high performers in terms of career advancement and bonuses.

But, she says, HR leaders should be "finding other motivations for high performers and working with those motivations, finding other ways to reward high performance and creating opportunities for leadership and personal development."

Specifically, she suggests:

*** Get creative.**

Offer flexible working hours, sabbaticals or brief periods off after a big case, a big new business win or a big project, for example.

One law firm Lane4 is currently working with initiated a flexible-scheduling policy of nine working days for every 10 days, says Jones. The company had been trying to implement such a program prior to the recession, but had met resistance; now, though, the time is right and the results have been positive.

The firm is experiencing increased morale, increased efficiency and greater productivity, says Jones. "So this is something they will continue once the better times return."

*** Find other ways to reward people for performance.**

"A key psychological need is competence," says Jones. "Leaders and managers need to offer much more specific and clear feedback, both in terms of the motivational and the developmental."

She tells of a soft drink company that withdrew a new product -- a situation that negatively impacted bonuses. "HR worked hard at exploring other ways of rewarding performance, which tapped into individuals' motivations like offering a weekend at a great city or spa hotel or a high-adrenaline sport experience," she says.

"Although small, the rewards were much more personalized and at a much lower cost to the company." As a result, she says, morale has remained high.

*** Offer development training.**

While these programs do have costs associated with them, Jones notes, the costs are significantly less than bonuses -- or than recruitment costs, if high performers leave.

One investment bank that used this strategy as a reward for high performers said the selected employees "found the program to be intellectually stimulating, it helped them cope with the uncertainty and frustrations and helped them support and challenge their teams and peers more effectively during the tough times," she says.

Ryan Johnson, vice president of research at Scottsdale, Ariz.-based WorldatWork, says that "one of the easiest things to do in an environment like this is to sit down with someone and have a discussion about their career development and where they're headed in the organization."

Simply letting high performers know that their performance is recognized and that they're important to the company can be motivating, he says.

But those types of conversations simply aren't happening as frequently as they could or should be, says Johnson.

Not surprisingly, he says, it is the higher-performing companies that have more often instituted such conversations between supervisors and employees, according to the survey.

"A lot of organizations get low numbers in terms of the frequency of those conversations," Johnson says.

Yet Pay and Benefits Can't be Ignored

While money, perks and benefits may not be the only motivators for employers, it would be naive to suggest these things don't matter. And, in fact, the Watson Wyatt/WorldatWork survey shows that they do matter -- now more than ever -- and particularly for high performers.

Base pay, says Sejen, has always shown up in the "Top 5" in terms of drivers of retention and attraction for employees.

"This year it's No. 1 among top-performing employees and second on the list among all employees," she says. "It's important to get base pay right."

Then it's time to consider bonuses, incentive plans, etc., ensuring that the right metrics are in place to drive performance -- and, critically, to ensure that communication is clear and effective, experts say.

Johnson stresses a focus on "total rewards" -- a philosophy WorldatWork is firmly behind.

Whether in a good or bad economy, he says, focusing on total rewards can help companies attract, motivate and retain employees. The economy, though, does impact where employers -- and HR professionals-- should be placing their focus, he says.

"In today's economy, not many organizations are recruiting, so the 'attract' piece of the equation isn't as relevant," he says. "Retention may not be as relevant because people are staying put. It's the motivation piece that, I think, is where employers can get the most value at this point."

Planning for the Recovery

One key issue that companies will have to grapple with as the economy picks up, says Johnson, is when and how to reinstate pay cuts that may have been made.

The majority of participants in the Watson Wyatt/WorldatWork survey report they intend to reverse hiring freezes (72 percent) and salary freezes (79 percent).

"You can do it across the board, or you can do it strategically for high performers," he says. "When you do it strategically to high performers, that's going to cause the organization to have conversations with the average performers and say, 'Here's the reason why we're reinstating the salary reductions for some, and not for you and here's how you can get to that level where you're a high performer and get your salary reduction reinstated'."

Sejen recommends caution when reversing pay cuts, though.

"This is pretty sensitive space and HR needs to be very careful," she says. "If you're not in a position to reinstate across the board, on what basis do you do it? It might be better to consider doing it by functional group or by skill -- identifying what your critical skills, functions or job families are."

And, then, she says, companies need to make sure they're communicating effectively to help employees connect the results of their actions with bottom-line organizational benefits.

"You need really solid communication materials," she says. "You need to make sure that communication flows all the way down to employees."

HR is certainly in a position to help ensure that employees understand how their compensation is tied to individual performance, and how individual performance drives overall organizational results.

And now is the time HR leaders should be planning the programs to reinstate and in what priority, for both the programs and the specific employee groups, she says.

"If you were among the companies that were forced to do salary reductions for all or part of the employee population, I would say that would be a priority for review, just because of what base pay represents from a financial and emotional perspective," she says.