



Keeping Heart When Times are Hard

By Roberta Scott, Director, New Mexico Small Business Development Center at UNM - Valencia

Raising morale while cutting costs during an economic downturn is one of the toughest jobs a manager can face. To succeed, managers must be honest with employees about the need to reduce costs, including those associated with wages and benefits.

Accurate information is imperative, and managers can pre-empt the toxic effects of speculation and rumors by being open and truthful about the company's performance. Well-informed workers can focus on the company's business rather than being distracted by anxiety about their future and the company's.

Rank-and-file wisdom

Workers can be a valuable resource when it's necessary to cut costs. A company that asks workers what benefits they most value might discover that it's spending money on unnecessary perks. Employees might prefer a less expensive benefits package if they know what's in it and how it affects them. Workers also can be asked to choose between other benefits, such as raises or vacation days. They might be willing to forgo regular raises in favor of performance-based bonuses.

If a company must defer bonuses or raises in order to balance its budget, it should do so only temporarily; employees should be assured bonuses or raises will be restored when the company becomes more profitable. And if rank-and-file workers are giving up their bonuses and raises, managers should do the same if not more so. There are few better ways to demonstrate leadership and common cause than for a manager to accept a deeper pay cut than lower-level, lower-paid workers.

Employee leaders can help a business find ways to reduce other non-labor operating expenses and can help motivate and re-energize the workplace. It's one way to keep the best workers involved and engaged and keep them from entertaining job offers from outside the company.

Handling layoffs with grace

If cuts in the workforce are unavoidable, the process should be fair, well-documented and easily communicated and understood. If handled poorly, even small reductions can have a negative long-term impact.

When possible, an employer can soften the blow of a layoff by paying partial salaries to laid-off employees to work for charities or community ventures, or an employer can offer career counseling or skills training. When it's possible for a company to rehire, these laid-off employees might be more inclined to return to an employer who showed such generosity.

No employee left behind

Employees retained during a downturn need to know what is expected of them and need the time, support and resources to succeed in trying times. The best way for a company to demonstrate that employees are its most valuable assets is to improve the company's talent level and strategic capabilities. Continuing to invest in training and development keeps employees loyal and up to date in their skills — better able to help the company act on new opportunities.

The state's Small Business Development Centers can help managers cope with today's enormous economic challenges. For locations, visit the organization's Web site at <http://www.nmsbdc.org> or call 1-800-432-4406.

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