IN EMPLOYEES WE TRUST, OR NOT?

In June 2023, several regional banks in USA were close to collapse with major banks depositing billions US$ to stabilize struggling banks. US Treasury Secretary and Federal Reserve Chair have been participating in bank rescue deal discussions. In Australian, we were facing the worst housing crisis ever seen. Rents rising in excess of 50% with people facing homelessness. Pension access age rose in France which was met with riots, and the UK was set to follow suit. The Australian Reserve Bank paused interest rate rises to the relief of mortgage holders but recommenced raising rates soon after. Economists disagree on the next steps, but Australian mortgagees were very nervous.

Unemployment rate in Australia had fallen towards 3%, underemployment had also reduced significantly. Although job vacancies were softening, the current job postings per month at that time remained 15% or higher than 12 months earlier. Although the economy remained steady, business confidence had downturned and there was talk about a consumer recession.

Times were not particularly difficult for the average business, however overreaction to the sense of difficult times ahead commenced to cause substantial damage to business' ability to respond if conditions improved. Which with hindsight we know it did, but we are still waiting for interest rates to fall.

Insync Surveys report[1] research project on high performance which studied responses from 100,000 employees across 200 Australian organisations found:

In times of uncertainty and periods of little or no growth many organisations downsize, outsource, restructure, cut or defer discretionary and capital expenditure and find other ways to cut employee and other costs.

Insync Surveys commented that many organisations in their research had implemented some or all of these methods to control costs and had cut so deeply that there was little left to remove without cutting into organisational capacity. Their advice was if these organisations wished to improve their performance and productivity, they need to change their cost cutting habits.

In times of uncertainty, many organisations will squeeze costs and hunker down to wait out the downturn. For most organisations, particularly service-based businesses, their people are the engine room of performance. Adopting a cut and demoralize strategy is not just damaging to the organisational capacity, it is damaging to the human capacity for high performance. Many employees see cost cutting as a breach of trust from which it is extremely difficult to recover.

In mid-2023, there was a whiff of uncertainty in the air in the Australian business community. As history now demonstrates, those who cut early and deeply struggle to recover from the exit of employee trust.

1. Insync Surveys, 2013. Seven organizational habits that drive high performance. Insync Surveys: Sydney, Australia.

NSC Group Business Planning

Nicholson Sheehan Consulting Pty Ltd ATF Nicholson Sheehan Consulting Unit Trust

Darwin | Brisbane | Sydney
71 Eagle Street Brisbane City
QLD 4000 Australia