THE BOSTON CONSULTING GROUP

European Association for People Management

Creating People Advantage in Times of Crisis

How to Address HR Challenges in the Recession

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The Boston Consulting Group (BCG) and the European Association for People Management (EAPM) surveyed 3,348 executives and conducted more than 90 interviews with senior leaders across Europe to understand current and future human-resources challenges. This white paper previews the findings concerning the specific people challenges—and opportunities—presented by the recession. It also lays out two likely recovery scenarios and a 12-point HR action plan to assist companies in addressing strategic people issues during the crisis and beyond. In the Appendix, we break down how companies within various countries and industries are addressing the recession. These data, together with the accompanying analysis, are based on the responses of 883 executives who answered questions about the actions they plan to take in this crisis.

Over the past few months, the global economy has faced stresses and strains not seen since the Great Depression more than 70 years ago. A crisis in confidence has emerged from nowhere, and the outlook for many companies is bleak.

The first casualty of a downturn is people: the employees, on whom the fortunes of a company rest. Companies do whatever they can to get costs under control, and they often act swiftly by cutting employee hours, imposing a hiring freeze, and taking other steps that affect their work force. This period of uncertainty may last for months or perhaps years.

There are dangers for companies that cut their work force too hastily. While people may appear to be in great supply today, the demographic tide will soon turn. The talent pool is poised to shrink, as the baby boom generation retreats into retirement and as younger—and smaller—generations enter their prime working years.

But there are opportunities, too. Despite the troubling economic outlook, companies can start to lay a strong foundation for creating people advantage in the future. And there is no better time to start than now, when so many competitors are treating their people as dispensable rather than as sources of competitive strength and creativity.

Our conclusions are based on a comprehensive survey of 3,348 executives in more than 30 European countries and more than 15 industries.[1] The joint BCG/EAPM survey was conducted between November 2008 and January 2009. The survey has been supplemented by a series of interviews with more than 90 senior leaders of large corporations, mainly HR members of the management board, between December 2008 and March 2009. The full results of the survey and interviews, along with a list of all interview partners, will be published in June in the latest installment in our series of *Creating People Advantage* reports.[2]

1. In our survey, 29 percent of the respondents worked at companies with more than 10,000 employees, 31 percent worked at companies with 1,000 to 10,000 employees, and 40 percent worked at companies with fewer than 1,000 employees.

2. See *The Future of HR in Europe: Key Challenges Through 2015*, BCG and EAPM report, June 2007, and its global follow-up, *Creating People Advantage: How to Address HR Challenges Worldwide Through 2015*, BCG and World Federation of Personnel Management Associations report, April 2008.

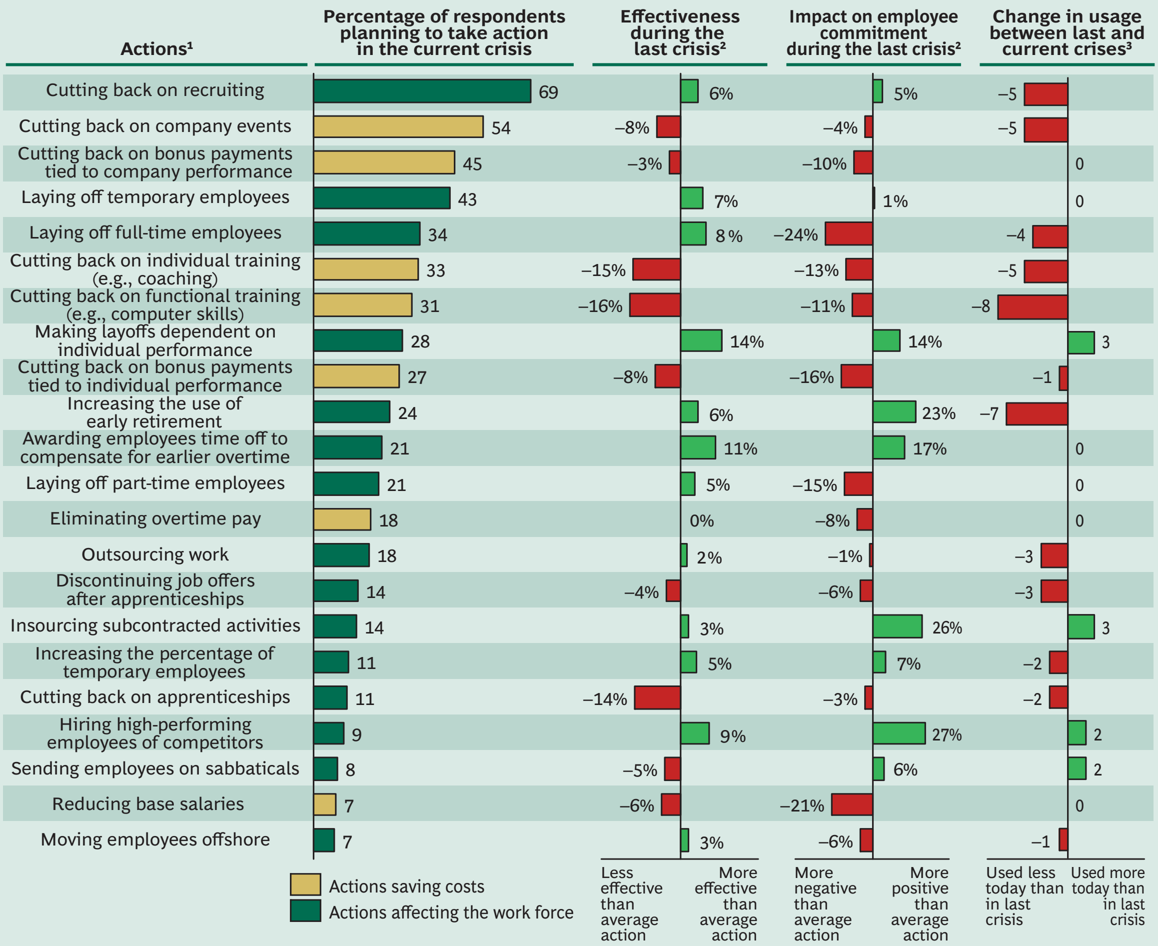
Avoiding Past Mistakes by Paying Attention to Effectiveness and Employee Commitment

In the survey, 883 executives answered questions about what actions their companies will take in this crisis, what they did in the last recession, whether their earlier actions were effective, and whether those actions had a positive or negative impact on the commitment of their employees. After all, companies with committed employees are more likely to do well during tough times. Exhibit 1 lists the actions that executives expect their companies to take in order to save costs and that affect the work force in this crisis.

The three most popular planned actions are *cutting back on recruiting, cutting back on company events*, and *cutting back on bonus payments tied to company performance*. Compared with the average of all actions, *cutting back on recruiting* was more effective and improved employee commitment. By contrast, *cutting back on company events* and *cutting back on bonuses tied to company performance* were less effective and reduced employees' commitment to their company.

These findings are instructive. HR executives should take into account not only the likely effectiveness of their actions but also their probable impact on employee commitment. A crucial test of a company's culture

Exhibit 1. Cutting Back on Recruiting, Company Events, and Bonuses Tied to Company Performance Are the Most Common Actions



Sources: Proprietary Web survey; BCG/EAPM analysis.
[1]In this section of the survey, 883 respondents answered questions.
[2]Respondents scored each action on its effectiveness and impact on employee commitment during the last crisis, using a scale of 1 (low) to 6 (high); percentages indicate how much higher or lower than the average overall score respondents ranked each action.
[3]Change is measured in percentage points; values are rounded.

is how it treats its employees in bad times—because when the good times return, employees will remember. Given that Europe will soon enter a period when people—and especially talented people—will be a scarce resource, companies should pay particular attention to employee commitment.

The most popular planned action in the current crisis—*cutting back on recruiting*—clearly makes sense from a cost-cutting perspective. But companies should cut back with caution. For most, it would be a mistake to eliminate hiring altogether. In the aftermath of past recessions, many companies found themselves facing a shortage of people with key skills. This time, the skill shortages are likely to be even more acute because more older people are entering retirement and fewer young people are entering the work force.

Recognizing this demographic destiny, farsighted companies are continuing to recruit. Hit hard by the crisis, Daimler is still looking to hire about 300 new engineers and about 1,500 apprentices in 2009, according to Günther Fleig, human resources and labor relations director and a member of the management board. Likewise, BNP Paribas, the French bank, also recognizes the need to hire highly skilled people—and the heightened importance of making the right choices in today's tough environment. As Frédéric Thoral, head of HR for the bank's international retail banking services, said, "HR has no more error margin in the recruiting process—we have to hire 100 percent quality."

Companies should also be careful about going after so-called quick hits or low-hanging fruit without recognizing the full consequences. *Cutting back on company events* is an easy cost-cutting measure, but—according to the survey—it is relatively ineffective and hampers employee commitment.

The fourth and fifth most popular actions cited by HR executives today both involve layoffs. More than one-third of respondents, or 34 percent, said that their company would be *laying off full-time employees* in the current crisis. In some industries, the share is significantly higher: 46 percent in the automotive sector, 45 percent at consumer goods companies, 44 percent at industrial goods companies, and 41 percent among technology and communications companies. The frequency of layoffs also varies by country. In the United Kingdom, 57 percent of respondents said that their company will be *laying off full-time employees*; in France, 37 percent; and in Germany, 32 percent. (See the Appendix for details about the expected frequency of HR actions within 11 countries and 12 industries.)

The most effective action in the last recession—*making layoffs dependent on individual performance*—can also have a positive impact on employee commitment, as indicated by the survey results. Yet it ranked only as the eighth most popular planned action. One explanation for this discrepancy may be the strict rules that govern work force reductions in many European countries. But executives should emphasize performance because it matters more than ever in a crisis. Most employees will rise to the challenge of a recession if they know that their hard work will be rewarded with job security. Also, a fair and merit-based process for layoffs will help those employees who remain in their jobs to overcome so-called survivor guilt—the fear, frustration, and distrust they feel when they see colleagues and friends leave the company.[3]

Training is a frequent casualty during recessions. One-third of respondents said that their company plans on *cutting back on individual training*, such as coaching, while 31 percent plan on *cutting back on functional training*, such as teaching computer skills. These actions are less popular than they were during the last recession. But they are still overused. In the survey, respondents said that these two types of cuts not only were the two least effective actions in the last recession but also had a relatively negative impact on employee commitment.

3. See "Managing Survivor Guilt," BCG Opportunities for Action, March 2009.

While training may be an easy item in the HR budget to cut, it is frequently the wrong one. Training, after all, prepares companies for the future. “We perceive learning, training, and development as investments in our long-term sustainable growth, and not as pure costs,” said Adelina Kostova, HR director of Nestlé in Bulgaria.

On a positive note, respondents said that *hiring high-performing employees of competitors* was effective in the last recession and strengthened employee commitment more than any other action did. Yet it is among the least popular of the 22 actions, even though it can be an innovative source of competitive advantage.

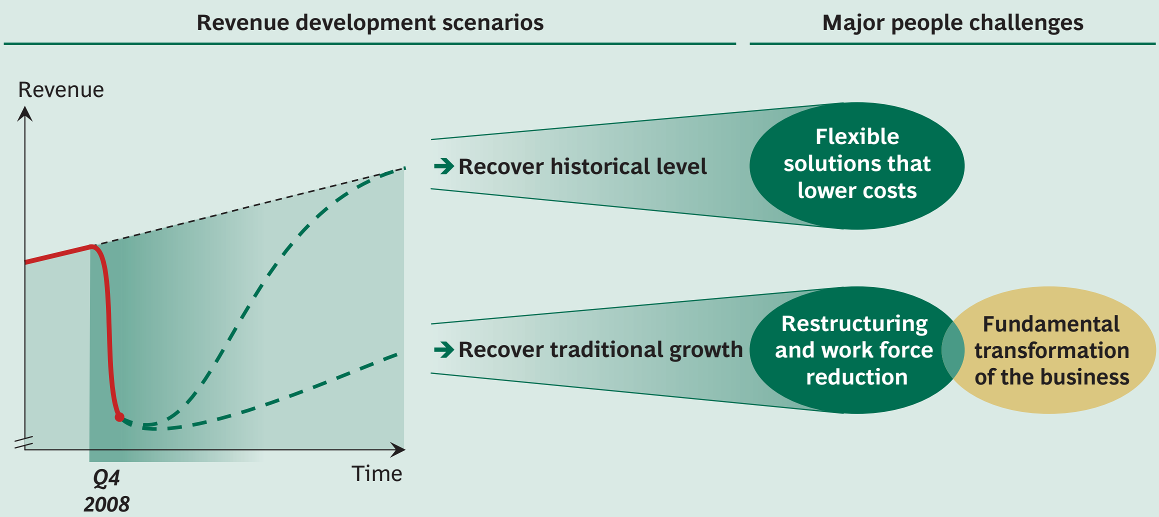
Among other findings, the survey showed that 30 percent of respondents considered their company to be poorly prepared for the recession, with 52 percent reporting that the recession had already seriously affected their company. The automotive sector is especially hard hit: 36 percent of respondents in this sector said that their company was poorly prepared for the recession, and 84 percent said that the recession was seriously affecting their company.

Swimming or Diving: What Does the Future Hold?

Although in recent economic history the future may never have been so uncertain, we think it makes sense to consider two main business scenarios as future possibilities. In the first, a company will recover and its revenues will regain historical levels sooner rather than later. Metaphorically, these companies are like competitive swimmers who dive off the block but rise to the surface and continue swimming.

In the second, a company will recover its traditional growth rate but not see its revenues return to pre-recession levels for a long time, possibly never. These companies will still be diving underwater while others have returned to the surface. Each of these scenarios requires a different approach. Companies that expect their businesses to recover to historical levels of revenue sooner should explore *flexible solutions that lower costs*, while companies dreading a longer recovery or permanently changed realities should explore *restructuring and work force reduction*. (See Exhibit 2.)

Exhibit 2. Companies Face Two Recovery Scenarios— and Two Distinct Sets of People Challenges



Source: BCG analysis.

The flexible approach is built around quick and reversible cost reductions, which include actions highlighted in our survey—such as *laying off temporary employees* and *eliminating overtime pay*—as well as other actions such as shortening work hours and relying on variable pay arrangements. Many of these measures had a positive impact on employee commitment in the last recession and are being used effectively in this one too. (See the sidebar "Flying at a Lower Altitude.")

The restructuring approach is increasingly viewed as a necessary evil. Layoffs, plant closings, and other measures that shrink a business are painful and long-lasting. Most European companies are not yet taking these steps, in the hope that they can make flexible adjustments while they wait out the recession. Yet it is increasingly likely that many companies will need to fundamentally restructure in response to the recession. In the face of this reality, most companies should prepare for both scenarios and make plans to use both the flexible and restructuring approaches.[4]

Some companies will recognize restructuring as an opportunity. Rather than looking simply to cut costs, they will fundamentally reshape themselves to embrace the future. Apple, for example, introduced iTunes

Flying at a Lower Altitude

Coping with crises has almost become business as usual for airlines. From the oil spike in the late 1970s and the Iraq war in the 1990s to the travel slowdowns that followed catastrophic events such as 9/11, the deflation of the New Economy bubble, and the SARS scare, airlines have always been on a roller-coaster ride.

Lufthansa, one of the largest global carriers, has made smart strategic choices to cope with this cyclicality. It provides maintenance services for other carriers—an annuity business that helps cushion the declines in passenger travel and freight miles. It has also been farsighted in building flexibility into its work force. Both the cabin and cockpit crews, for example, are given a range of hours that they fly each month, between the low 70s and the high 80s. In good times, the crews generally fly more than 80 hours a month, but when demand is decreasing, Lufthansa can reduce hours—and wages—to the lower end of the ranges without negotiation.

Lufthansa has also been deliberately moving away from hiring only full-time employees. Nearly one-quarter of its people are part-time employees, and the proportion is rising. This policy is beneficial to the company and to those employees who value work-life balance, which can be difficult to achieve in aviation. Within days of offering one-month sabbaticals to employees in November, Lufthansa was able to solicit 500 employees to sign up for them.

Collectively, these measures permit the company to generate savings quickly. As Stefan Lauer, chief officer of aviation services and human resources and a member of the management board, said, "We can save up to 10 percent of personnel costs within three months." Lauer credited the willingness of unions to entertain these flexible solutions. "During crisis times, conflicts of interest are usually put aside and the 'Lufthansa family' sticks together," he said.

The unions have also agreed to a so-called crisis clause. When revenue drops by more than 10 percent, the clause allows the carrier to make a proportional reduction in hours and pay—a move the company has not yet needed to make.

4. For an in-depth analysis of scenarios and forecasts for global market development in the current recession, see BCG's *Collateral Damage* series at www.bcg.com.

and the iPod in 2001, during the collapse of the dot-com bubble—a move that required radical changes in business models and people strategies. That decision has allowed the company to surf into the future on the cresting wave of consumer demand for online music, while other computer makers have struggled. In this recession, other creative companies will find their own wave to ride.

Shedding Light in the Darkness: A 12-Point Action Plan for HR Executives

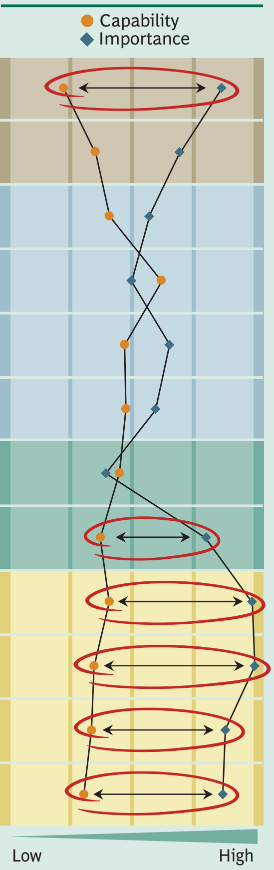
The rapid downturn has caught many companies off-guard. “We were ready for a crisis but not to such an extent,” said Gerhard Rübling, executive vice president of Trumpf, a German machine-tool company. For some companies, especially in the automotive sector, revenue has dropped through the floor. Truck orders in the European Union fell from 38,000 to 600 between January and November 2008.

In today’s volatile environment, the HR department is often pulled in several directions, with senior managers frequently issuing a range of new directives. For instance, specialist recruiters who usually focus on hiring may need to take on other HR tasks, such as managing the introduction of shortened working hours. In view of this, we have developed a 12-point action plan that can be used to guide the people agenda. During our interviews with more than 90 senior leaders, we asked them to rate, on a scale of 1 (low) to 5 (high), the importance of each point in our action plan and the capability of their company. (See Exhibit 3.)

Exhibit 3. In Interviews, Executives Identified Strategic Planning and Sustainable Implementation as Critical Areas

	Points in HR action plan	Description
Strategic planning	1 Strategic work force planning	Link work force planning with business strategy by introducing demand and supply scenarios by job category
	2 Productivity controlling	Introduce a new productivity metric such as value added per person to manage productivity programs
Work force adaptation	3 Work force flexibility	Utilize working-time tools like lifetime work accounts, sabbatical programs, and engagement with unions
	4 Work force reduction	Adjust work force size to the new economic environment while respecting job category forecasts
	5 Personnel cost management	Optimize personnel cost programs by transforming cash incentives to noncash ones
	6 Focused recruiting of key personnel	Hire top candidates for mission-critical jobs
HR and performance improvements	7 Restructuring the HR organization	Assess all HR activities to ensure excellence through bundling, process optimization, and governance measures
	8 Performance management	Align performance measures to the new environment by abandoning short-term views and enforcing long-term thinking
Sustainable implementation	9 Employee engagement	Focus on such values as honesty and trust and start an initiative to bring discipline and motivation into balance
	10 Leadership capabilities	Coach leaders to transition from growth to crisis with workshops, communication measures, and support from top management
	11 Change management	Establish best-in-class support by clarifying accountabilities, enforcing transparency, and soliciting employee feedback
	12 Internal and external communication	Deploy a clear communication strategy and processes that target critical stakeholders

Senior executive assessment



Sources: Interviews with more than 90 senior HR executives, executives outside of HR, and board members of large corporations predominantly in 11 focus countries; BCG/EAPM analysis.

For 6 of the 12 points, a dramatic gap exists between the importance of the topic and the capability of companies. Collectively, the following six points form a sweet spot for farsighted companies that want to develop state-of-the-art people processes in the current environment:

- Strategic work force planning: anticipate future shortages to redeploy competencies
- Performance management: move from short- to long-term approaches
- Employee engagement: focus on motivation and accountabilities
- Leadership capabilities: equip leaders for stormy weather
- Change management: adopt a systematic, cascading approach
- Internal and external communication: talk the walk

Below, we highlight all 12 points in our HR action plan, while emphasizing the 6 listed above.

Strategic Planning. It is essential that companies look beyond immediate events as they endeavor to counter the damaging effects of the recession. In the last downturn, 81 percent of the executives whose companies conducted scenario planning were satisfied with their company's crisis management, compared with just 40 percent of executives at companies that engaged in ad hoc planning.

1. Strategic work force planning: anticipate future shortages to redeploy competencies. Most companies do not fully understand how a downturn will affect their need for people and how layoffs will affect their future. Even if the economy continues to deteriorate, most companies will still face shortages in specific jobs. Companies should analyze their work force by creating job categories with similar skill requirements. By doing so, companies will be able to identify potential shortages in skills as well as pockets of capacity where retraining opportunities exist.

Companies should also analyze by job category their work force supply—which is largely determined by attrition and retirement—and work force demand—which is influenced by strategy and productivity. Armed with this analysis, they can understand what effect a 5 percent, 10 percent, and 20 percent drop in revenue would have on their work force. In times of high uncertainty, these different strategic scenarios will clarify the sometimes vague work force assessments of companies. As Thomas Sattelberger, chief human resources officer and member of the management board of Deutsche Telekom, explained, "The transparency we have achieved now is helping us to thoroughly assess the long-term effects of work force actions. Almost all HR initiatives and action steps like recruiting, qualification, layoffs, or transfers can be systematically derived."

2. Productivity controlling: move from input to output. Most HR departments do a good job of measuring headcount, personnel costs, and other inputs. Although many companies have started productivity improvement initiatives, most do not have a productivity (or output) metric—such as the value added per person—that a tool such as BCG's Workonomics can provide.[5]

5. For more information, see Felix Barber and Rainer Strack, "The Surprising Economics of a 'People Business,'" *Harvard Business Review*, June 2005.

Work Force Adaptation. Once companies understand their needs by job category, they can make smarter and longer-term choices about their work force.

3. Work force flexibility: create reversible scenarios. As discussed earlier, companies expecting their business to recover should try to institute headcount measures with built-in flexibility. Rather than lay off employees, especially in those markets where work force reductions are costly and time consuming, companies can reduce regular and overtime hours, create sabbatical programs, make use of government-supported schemes for shorter workweeks, install so-called lifetime work accounts that allow employees to bank time for later use, switch full-time employees to part time, and take other measures. Bosch, the largest automotive supplier in the world, has reduced the workweek of 15,000 staff, mainly engineers and technicians, either from 40 to 35 hours or from 35 to 33 hours, according to Wolfgang Malchow, the chief human resources officer and a member of the management board.

4. Work force reduction: be careful to cut in the right places. Companies whose business may be in a deep or long-term decline need to consider steps that are more permanent, such as *laying off full-time employees*. After some careful strategic work force planning, they will have a better understanding of which job categories have surplus employees and which are critical to a company's future work force needs. They also will have identified the star employees who should be retained.

5. Personnel cost management: create innovative compensation models. Whether companies will be adopting a flexible or a restructuring approach, they can take several actions relating to pay—such as postponing tenure-based raises and deferring bonuses—that can help to smooth out cash flow and reduce the need to lay people off. Sibur, a Russian petrochemicals group with over 70,000 employees, has installed a productivity-linked compensation system for blue-collar workers. Seventy percent of the compensation of these employees consists of fixed salary, while 30 percent is tied to the company's productivity. This affords Sibur flexiblity, helps keep total cash compensation at market levels, and ties variable pay to the group's financial results.

6. Focused recruiting of key personnel: upgrade talent. In this buyer's market, smart companies are selectively plucking key employees from competitors or the marketplace, wherever they become available. While some companies may find that their finances limit their ability to poach talent, others are using the chance to hire away engineers, IT specialists, risk managers, and other professionals usually in high demand.

HR and Performance Improvements. A crisis can be a great opportunity to cut back on unnecessary reporting procedures and performance management measures. But it is the wrong time to scale back on the use of metrics and tools that can help top executives gain insight into the effectiveness of their people.

7. Restructuring the HR organization: be lean. The HR department needs to be highly efficient in these times. Otherwise, HR executives will lose credibility when they try to lead people initiatives elsewhere in the company. A business downturn presents an opportunity to eliminate redundant tasks, bundle activities into shared service centers, cut service levels, and create common HR processes.

8. Performance management: move from short- to long-term approaches. Companies now have a prime opportunity to calibrate their performance management and incentive systems to long-term business goals that have gained new relevance, such as growth and sustainable business practices that are focused on long-term success rather than quick profits. While the causes of today's economic crisis are complex, short-term incentives were certainly a contributing factor, especially in the financial sector. Companies should also take into account factors such as teamwork, cooperation, engagement, and ethics when reforming their performance-management systems. (See the sidebar "Making Ethics and Values Count.")

Sustainable Implementation. Culture is more important than ever in turbulent times. It can be the glue that holds a company together, and executives told us that their companies are increasingly focusing on values such as loyalty, collegiality, and honesty, and on soliciting the support of employees and unions. The next four topics reflect—and help reinforce—a company's culture.

9. Employee engagement: focus on motivation and accountabilities. Employees are most effective when they are motivated while working within a disciplined system. This balance between motivation and discipline is difficult to achieve in tough times because the main motivators—promotion and higher pay—may be unavailable, and the need for tight discipline is greater than ever. Employees will respond to the challenges of a recession if their leaders are honest, direct, and empathetic about the difficulties and create excitement about the opportunities. In this environment, quarterly "pulse check" surveys of employees can pinpoint causes of concern. Leaders need to create a culture and a set of explicit employee expectations that foster innovative, entrepreneurial behavior. Sissel A. Lindland, senior vice president of corporate HR at Aker Solutions, a leading global provider of engineering and construction services, technology products, and integrated solutions, said that it is a critical task for HR to identify methods and HR practices that foster an environment of innovation in support of the company's goals.

10. Leadership capabilities: equip leaders for stormy weather. Traditionally, farsighted leaders have used times like these to prepare their organizations to sprint past their less nimble competitors. But the fact is that today's executives have never before had to manage through a crisis of this scale, and they may unconsciously project their own doubts and discomfort onto their employees.

Making Ethics and Values Count

When the financial crisis emerged last year, one European bank wanted to send the message that it expected employees to generate value, act with high ethical standards, and adopt a long-term view. This message had already been delivered in the past, but not all employees were fully supportive of it.

This time around, the bank laid out precisely what it meant by ethics and values: protecting long-term client and bank interests and acting with integrity, courage, discipline, and accountability. It incorporated these criteria into a 360-degree evaluation metric. Executives received a score between 0 and 1 for their adherence to the bank's ethics and values. Bonuses were calculated on the basis of business results and multiplied by the ethics and value score. So an €80,000 bonus could be reduced to €40,000—or conceivably to nothing—if an employee received a low score on the metric. The message hit executives in their pocketbook and made it very clear that a short-term focus would be discouraged.

Recognizing this skills gap, many companies are giving their executives special training in the art of leadership in tough times. The HR department of Philips, the Dutch electronics giant, is helping to prepare communication packs for its leaders, while Swiss financial services giant Credit Suisse is holding coaching seminars for leaders on the crisis. Siegfried Hoenle, head of the Credit Suisse Business School, said that "these are some of the most timely and effective seminars we have offered in the recent past." (See the sidebar "Leading Through the Valley.")

It is especially important that frontline managers receive this training. Unlike top executives, these managers have a good sense of employee motivation and engagement. They know the so-called opinion leaders whose support it is critical to solicit within the organization, and they can detect trouble spots long before they surface.

Looking beyond the crisis, successful businesses will want to develop strategic leadership capabilities with a strong foundation in ethics and values. Bruce Henderson, the founder of BCG, once observed, "Leadership is motivating the organization to change its conception of ideal performance."

11. Change management: adopt a systematic, cascading approach. Change does not just happen. It requires sustained and rigorous program management and a clear agenda. Executives will need to establish schedules, metrics, and clear accountabilities to mobilize the organization. They will need to rigorously track progress against those metrics and milestones, intervene when necessary, and communicate both successes and course corrections so that their people have confidence in the future. A structured, rapid cascading of revised mandates and goals that are communicated layer by layer throughout the organization will decrease ambiguity and align and engage employees.

12. Internal and external communication: talk the walk. Executives need to spell out their message, expectations, and reasoning as bluntly, clearly, and frequently as possible, showing the links between rhetoric and action, values and decisions, goals and metrics. One-on-one communication, an open-door policy, and active listening all are essential in this environment. Germany's Commerzbank, which is currently acquiring Dresdner Bank, has developed a three-step process to communicate corporate information. Initially, line managers have a short time frame, usually just three days, to communicate news to their employees before, in the second step, that news goes live on the intranet. The third step is to hold a town hall meeting; these occur two to three times a year.

Leading Through the Valley

In addition to tall business challenges, banks must also address the feelings of fear and uncertainty harbored by some employees. While many companies have chosen to ignore the emotional side of change, Credit Suisse has created a workshop, "Managing Through Difficult Times," to help leaders help their people through this economy. The workshop, which can be a half or full day, combines traditional leadership training with an open exchange of personal experiences among the leaders. The main objectives of the workshop are to raise awareness of the behaviors that employees might exhibit and their emotions, to improve communication, and to increase employee engagement and effectiveness. Credit Suisse is offering the workshop at all levels and expects 800 managers from all operating regions around the world to attend by the middle of the year. Local managers and leadership experts jointly run the sessions, which have been well received.

Surfing into the Future

The current crisis poses great challenges for all departments, business units, and executives within a company. As the experts on people issues, HR executives are in a critical position. They need to be thinking strategically about work force supply and demand, maintaining employee engagement, developing frontline leaders, and restructuring the organization. All HR employees need to strive to create value in these turbulent times and earn the title of “business partner” that so many companies use. We hope that the 12-point HR action plan will embolden HR executives to assert themselves and that the plan will help frame and guide their actions in the months ahead.

Finally, we expect that, in these difficult times, the best companies will find the courage and the conviction to make fundamental changes in strategy, business models, and organization that will eventually help them create a high-performing organization. While lowering costs may be the short-term goal, such changes will, over the long term, inject agility, accountability, and speed into the organization at the same time. The best organizations have few layers, large spans of control, and clear accountabilities and roles. Flattening the pyramid saves money and improves execution, because the corporate hierarchy is no longer mired in long chains of command. Rather than merely swim or dive through the crisis, some farsighted companies will catch their wave and surf into the future with confidence because they have created lasting people advantage.

The full report will be presented at the EAPM 2009 conference in The Hague on June 12. If you are interested in the full report, please e-mail your contact information to creatingpeopleadvantage@bcg.com.

Appendix

The actions that executives are planning to take in response to the recession vary by country and industry. Below we have broken down the results of our survey, first by country and then by industry. The top ten actions cited most frequently in each country and industry are highlighted in blue, with the darkest shade denoting the most popular action.

Country Comparison

Several Actions Are Popular Throughout Europe, but Each Nation Has Its Own Priorities

Percentage of respondents planning to take action

Actions that respondents plan to take in the current crisis	European total	Austria	Bulgaria	France	Germany	Ireland	Italy	Netherlands	Norway	Russia	Spain	United Kingdom
Cutting back on recruiting	**69**	76	56	65	75	69	50	76	75	50	71	85
Cutting back on company events	**54**	38	48	53	52	65	38	57	54	45	55	57
Cutting back on bonus payments tied to company performance	**45**	43	40	33	61	57	47	43	29	60	32	46
Laying off temporary employees	**43**	29	28	65	48	49	24	76	54	15	34	59
Laying off full-time employees	**34**	38	16	37	32	37	15	38	25	40	37	57
Cutting back on individual training (e.g., coaching)	**33**	43	20	33	40	31	35	30	32	20	34	46
Cutting back on functional training (e.g., computer skills)	**31**	19	32	24	38	38	26	24	21	30	29	26
Making layoffs dependent on individual performance	**28**	29	32	33	33	11	15	41	14	20	34	37
Cutting back on bonus payments tied to individual performance	**27**	29	24	29	25	29	29	24	21	35	26	37
Increasing the use of early retirement	**24**	43	16	8	30	17	32	32	18	5	37	26
Awarding employees time off to compensate for earlier overtime	**21**	57	12	8	46	17	24	30	4	15	16	17
Laying off part-time employees	**21**	14	24	14	16	25	9	32	14	0	16	30
Eliminating overtime pay	**18**	19	20	10	23	34	12	3	7	25	24	24
Outsourcing work	**18**	29	12	18	18	20	6	22	21	10	8	13
Discontinuing job offers after apprenticeships	**14**	14	20	16	16	11	15	8	4	20	24	4
Insourcing subcontracted activities	**14**	5	20	12	10	8	24	22	4	0	21	17
Increasing the percentage of temporary employees	**11**	10	24	0	20	8	21	16	14	5	11	4
Cutting back on apprenticeships	**11**	10	28	10	7	9	12	16	7	20	16	4
Hiring high-performing employees of competitors	**9**	5	20	10	9	8	6	5	4	5	5	7
Sending employees on sabbaticals	**8**	5	16	2	7	9	6	5	4	0	3	15
Reducing base salaries	**7**	10	8	6	7	15	6	8	4	20	3	0
Moving employees offshore	**7**	24	12	6	7	6	3	11	0	0	13	4

Most popular action in the country — Tenth most popular action in the country

Sources: Proprietary Web survey; BCG/EAPM analysis.

Industry Comparison

Industries Are Taking Many Similar Actions but Vary in Their Treatment of Bonuses, Early Retirement, and Overtime

Percentage of respondents planning to take action

Actions that respondents plan to take in the current crisis	European total	Automotive	Banking	Chemical	Consumer goods	Energy	Health care	Industrial goods	Nonprofit	Public sector	Retail	Tech. & comm.	Other services
Cutting back on recruiting	**69**	74	70	74	68	72	79	70	65	58	64	74	64
Cutting back on company events	**54**	54	57	44	57	40	50	49	55	39	39	72	56
Cutting back on bonus payments tied to company performance	**45**	60	49	63	43	36	29	42	40	10	36	49	52
Laying off temporary employees	**43**	54	32	48	43	52	29	52	50	48	43	47	35
Laying off full-time employees	**34**	46	27	22	45	28	18	44	25	16	29	41	31
Cutting back on individual training (e.g., coaching)	**33**	40	35	22	23	28	16	42	25	29	29	36	32
Cutting back on functional training (e.g., computer skills)	**31**	40	27	30	26	24	13	37	35	23	36	41	32
Making layoffs dependent on individual performance	**28**	34	38	30	30	12	24	30	15	10	25	35	27
Cutting back on bonus payments tied to individual performance	**27**	40	32	37	17	20	11	28	25	23	29	30	27
Increasing the use of early retirement	**24**	23	22	30	28	48	24	28	20	35	18	11	18
Awarding employees time off to compensate for earlier overtime	**21**	34	11	22	23	32	11	28	25	19	21	12	22
Laying off part-time employees	**21**	11	16	11	17	24	11	33	20	23	39	19	18
Eliminating overtime pay	**18**	40	14	7	19	8	16	21	25	26	18	8	19
Outsourcing work	**18**	9	19	15	21	24	26	16	10	13	14	24	16
Discontinuing job offers after apprenticeships	**14**	20	24	11	15	16	8	14	0	3	21	14	12
Insourcing subcontracted activities	**14**	20	8	15	17	12	13	17	10	10	11	11	14
Increasing the percentage of temporary employees	**11**	6	14	15	13	8	18	10	15	10	7	7	11
Cutting back on apprenticeships	**11**	11	22	4	13	8	3	15	10	3	11	9	10
Hiring high-performing employees of competitors	**9**	6	16	4	4	8	11	11	0	6	14	9	12
Sending employees on sabbaticals	**8**	20	5	4	6	0	3	9	20	6	11	5	6
Reducing base salaries	**7**	11	3	11	4	0	5	12	15	3	7	3	7
Moving employees offshore	**7**	6	5	4	4	0	8	11	5	3	4	8	5

Most popular action in the industry — Tenth most popular action in the industry

Sources: Proprietary Web survey; BCG/EAPM analysis.

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