

## Making the Most of your HR Budget

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[Mary Clarke, Cognisco Ltd.](#)

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In today's rocky economic climate, many companies have been forced to re-examine their spending and make cuts in company expenses. This means that businesses across all industry sectors have seen recent reductions in outsourcing, travel and especially staff. Company costs are being slashed, and as a result, the American unemployment rate recently skyrocketed to 7.2 percent in December 2008, the highest it's been in 26 years.

Much to the chagrin of workers and business owners alike, forecasts for the near future are not overly optimistic. According to a recent study conducted by Mercer, a global provider of consulting, outsourcing and investment services, 81 percent of 1,028 global respondents said they expected to see a decline in their corporation's performance in 2009. Thirty-five percent also said it was likely they'd be making considerable reductions in staff, and 69 percent said they expect to see a reduction in overall hiring to below replacement levels--bad news for those already out of work. Results also showed an anticipated reduction in wage raises for current employees in the coming year, as well as the elimination of bonus programs. American respondents were deemed some of the most optimistic in this study, and an astounding 82 percent of them still reported that they expect to see their business decline in the coming year. The most pessimistic nations were Japan and Hong Kong, with 90 percent expecting a decline.

While no business departments can claim complete immunity from economic-related pressures, some have been hit harder than others. So far, the human resources department is one that has managed to escape the worst of the economic blows. According to a recent study by the International Association for Human Resources Information Management (IHRIM), 42 percent of nearly 210 survey respondents said they don't expect to see their HR information technology budgets change between 2008 and 2009. And, in regards to investments in business software, the HR software market in particular has seen some of the biggest growth.

The increase in HR software sales is reflective of corporate efforts to get the most out of their existing employees while preparing for impending shortages. This tactic is a smart way to take advantage of consistent HR department budgets during tough economic times. With budgets being slashed in other areas, most corporations cannot begin to think about bringing on new staff, so investing in the staff currently on board is critical.

Another way in which steady HR budgets can be put to work is in the implementation of knowledge development programs. Often, these knowledge development programs are fueled by the consistent

administration of customized employee assessments. Employee assessment tests can be a valuable tool for executives because they provide insight into workers' understanding by examining strengths and weaknesses of individual employees. They are specifically designed to take a more holistic view of individuals and not focus completely on outcomes. Customized employee assessments measure employee competence and confidence in conjunction with confidence. The measure of confidence is important because if workers don't have complete confidence in their knowledge, they're more likely to exert unnecessary caution and are less likely to perform to their highest ability. On the flip side, if employees have complete confidence in incorrect knowledge, they are likely to commit errors that could potentially hurt the corporation's reputation and/or result in financial losses.

An established knowledge development program within companies is an excellent way for businesses to take a proactive approach to preventing costly employee misunderstanding. A recent IDC study revealed that US and UK businesses are losing \$37 billion annually due to employee misunderstanding, which can manifest itself in a number of different ways, including business downtime, poor procurement, personal injury claims and tribunal settlements. Misunderstanding can also result in a number of incalculable costs, such as injured corporate reputation and a loss of future sales. Bad publicity surrounding personnel or public injuries, court settlements and data losses can often be difficult to shake and can have a lasting impact on company image.

Avoidable losses like these are difficult to deal with at any point, but during such challenging economic times they can deliver an even greater blow. With budgets and employee numbers already being slashed, businesses cannot afford to throw away more money and future sales because of avoidable mistakes. For this reason, it is critical that executives make all attempts to safeguard their companies against costly employee misunderstanding. Instituting employee assessment programs is one effective way for executives to ensure that they have a solid grasp on what their employees know and don't know.

Employee assessments can also prove useful in the development of more effective training programs. Understanding what areas your employees are most competent and confident in helps executives see what parts of the training process are effective and what parts need revamping or greater focus. Even in times when hiring rates aren't high, it's important to have an effective training program in place to make sure that those who do come on board are properly taught and are performing highly within a short period of time, thus delivering a return on the investment the company made in hiring them.

Effective training programs can also be beneficial for existing employees. Having a clear picture of where misunderstanding lies will help executives develop additional training workshops that focus on a specific business area. These educational workshops benefit the company as a whole by bridging knowledge gaps and reducing risk, but they also benefit individual employees by adding to their skill sets and improving their marketability. Knowledge development programs are a service that employees should demand for their own advancement and companies should provide for their risk reduction, protection and profitability. It's a system that benefits both parties, and it's an excellent way to utilize steady HR budgets for the benefit of the entire corporation during rocky economic times.

It is not surprising that IDC's research revealed a strong similarity in numbers between survey respondents without employee assessment programs (73%) and those that said that they felt their HR systems didn't provide a single view of the employee (72%). These results indicate that in companies lacking assessment programs, a low awareness level of employees' knowledge, understanding and confidence is likely, all conditions that make employee misunderstanding and resulting company losses more likely.

IDC's research also made evident the clear and measurable benefits to be earned from taking the correct approach to employee assessments. Some of the highly rated results reported by survey respondents include reduced errors (63%), reduced health and safety breaches (60%), reduced data policy breaches (52%), increased policy compliance (48%) and improved regulatory compliance (29%). Reduced employee churn and increased productivity were also reflected.

These findings testify to the value of assessments and the more complete employee picture they can deliver. With hiring down, HR budgets will not likely be used for recruiting and interviewing costs, which leaves a surplus for use within the company for the benefit and improvement of current employees. Creating an employee assessment and knowledge development program is an effective way to utilize that budget in a manner that benefits a large number of people.

In this shaky economy, it's more important than ever to have a clear picture of your employees and their knowledge and confidence levels. With reduced budgets and trimmed staff, managers need to make the most of their existing employees. This means knowing who is most capable of taking on more responsibility and who misunderstands certain aspects of their job. Executives should take advantage of steady HR budgets during these times and use them to make sure their current employees understand all aspects of their jobs and are performing to their highest ability. Effective knowledge development programs can deliver valuable insight into employee performance and help executives keep their businesses running like well-oiled machines, even in times of reduced resources.