

The Monster Inside Human Capital

No matter how your business has been hit by COVID-19, your leaders are focusing on financials, suppliers, materials, capacity, and customer demand. But if you're not simultaneously managing the human capital impact, you're putting the very future of your business at significant risk.

Key Takeaways:

- The coronavirus has not only dramatically altered operations for virtually all manufacturers, it is taking a heavy toll on employees that extends beyond furloughs and RIFs.
- Left unchecked, the people problem could become your biggest nightmare, undermining all other efforts to manage the impact of COVID-19.
- The time is now to invest in human capital scenario planning to ensure the business can survive both the crisis period and the recovery.

4/23/20 | Shannon Gabriel, Ken Koenemann

For every manufacturer, the capabilities, availability, mindset, and health of the team—both in the leadership ranks and on the shop floor—are critical factors in weathering the crisis as well as the recovery period. While human capital issues might not be screaming for your attention, you can be sure they are lurking beneath the surface. Here are some critical steps, with a summary checklist (see Exhibit 1), for getting ahead of the problem before it becomes too monstrous to manage:

1. Take the Pulse of Your Front Lines

Unlike some businesses that can send employees home with their laptops and printers, manufacturers need people on the line. And that makes the impact of the coronavirus on the people your business relies on particularly palpable. Don't underestimate it. And don't expect people to raise their hands and tell you how they're feeling—news stories about companies like [Amazon firing a warehouse employee](#) or the [navy captain who was removed after voicing virus-related concerns](#) have taught employees to keep quiet. So, it's up to you to proactively assess the situation as it evolves and reach out and talk to your people, no matter the circumstances.

If your business is booming right now, employees—and especially those who fall into high-risk categories—are putting their own health at risk simply by walking through the front door. And they are stepping into a situation where they are being asked to work harder, be more accountable, and perhaps take on new responsibilities and roles, all under an environment of extreme stress. It's a pressure cooker ready to blow without notice. Be vigilant about monitoring the emotional toll. Be on constant lookout for warning signs of burnout. And take action now to motivate and help employees sustain the pace over the long haul.

On the other end of the spectrum, furloughed employees, those who have been laid off, or those whose hours have been cut, are worried about the financial impact. How long can they make it without their regular pay? Some will look for other opportunities outside of manufacturing and some may head straight to Amazon or Walmart to grab what they see as presumably more secure positions.

Finally, there are employees who can't report because they are ill or taking care of kids. It's a mistake to think that people in any of these situations will stay put due to fear. Instead, they will do what's best for their families.

2. Look for Leaders Who Shine and Start a Plan to Develop Those Who Don't

If it hasn't already, the crisis will soon make it clear which members of your management team have what it takes to lead through times of stress and extreme change. Leaders who are merely maintainers are not going to cut it right now in what is probably the most stressful period of their careers.

You need people on your team who can thrive under pressure, quickly size up the situation, realistically forecast the future, and quickly determine the best path forward. Be in tune with who is stepping up, and who may need to step aside, at least temporarily. And don't hesitate to make moves and put the best suited leaders in the right position for the circumstances.

The crisis will shine a spotlight on the leadership and communications styles that will work for your business and your team right now. Teams working extra shifts need more than someone who just stands still in his leadership role. They require a motivator who inspires them to keep running at capacity without risking burnout mode. Employees waiting to be reengaged need someone who can assuage their fears by communicating openly and compassionately. All leaders must be forthcoming with employees about how, when, and if things will 'go back to normal.'

3. Plan for Various Scenarios and Be Ready to Execute

Given all the variables at play right now, the availability of your current leaders and workforce could change at any time. Think through the most likely possibilities and put plans in place now so you are ready to act as the situation evolves.

One key will be planning for different percentages of your workforce being unavailable when you need them most. You may want to run a few different models based on different percentages, such as a loss of 15% or even 30% of your team. Consider how you will optimise the remaining resources to handle the most critical product lines in these different scenarios.

Succession planning has never been more crucial. Retirements are occurring immediately and without notice. Shop floor teams are heading to essential businesses that appear more stable, and critical leaders may do the same. If you currently don't have someone who can step into a leadership role or a highly technical position, now is the time to make your backup plan. Being quick to spot and fill critical gaps and enlist help when and where you need it can make all the difference in surviving the crisis and thriving during the recovery.

Finally, put parameters in place that can help limit some of the downside risk for your people. No one could have predicted the massive impact of the coronavirus and no one can foresee every possible situation that could affect manufacturing in the future. But your people will rightly want to know how you will better protect them going forward.

Get ahead of the people problem before it gets the best of your business

It's easy to let human capital needs take a back seat to other pressing issues you're facing during COVID-19. But without a healthy, motivated, and committed team to do the work, nothing else matters. By giving underlying people issues the attention they deserve now, actively assessing the impact of the situation on your team, and taking steps to ensure the continued and future ability of the people and skills you need most, you dramatically improve your ability to handle the crisis. And you may emerge even stronger in the aftermath.



SHANNON GABRIEL
*Managing Director,
Leadership Solutions
Practice*



KEN KOENEMANN
*Vice President,
Technology and Supply
Chain Practices*

EXHIBIT 1:

Attack Your Human Capital Problems Head On

Do a Front Line Pulse Check

- ✓ Proactively assess the workforce situation
- ✓ Be on the lookout for warning signs of burnout among employees in the thick of the crisis
- ✓ Think through how to motivate your people to sustain the pace over the long haul

Look for Leaders Who Shine

- ✓ Identify leaders who thrive under pressure and go beyond maintaining to lead through change
- ✓ Don't hesitate to make moves and put the best suited leaders in the right position for the circumstances
- ✓ Pay attention to communication styles and encourage honesty and accessibility of all leaders

Do Human Capital Scenario Planning

- ✓ Do analysis for different levels of attrition—temporary or permanent—and build a plan to optimise limited resources to handle critical product lines
- ✓ Fast track succession planning for essential positions and skills
- ✓ Be quick to spot and fill critical gaps and enlist help when and where you need it

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