

*Global Project Strategy (011) (603) 862-3374*

## How the Recession Affects Project Staffing Levels

*Project Managers are Affected by the rapid response to market contractions and the slow response to market recoveries*

The economy continues in tailspin as more people are cut from payrolls, more companies close their doors and more projects are killed.

The Forbes Layoff tracker reports that fortune 500 companies are still trimming their workforce in order to keep pace with falling demand. Layoffs totaled 108 thousand in December and 163 thousand in January.

But there is good reason to believe that the cuts may have been too dramatic.

Recent advances in information technology make sales data immediately accessible to top executives whose electronic dashboards provide them with real-time data on how their company is doing. In the past these same managers would have had to wait one or two months before demand data, sales data and inventory data would have been accessible. As a result executive response to changes in markets was much slower.

What we now have is enterprise information systems that provide near real-time data. With real-time data managers can make quick decisions and avoid bloated workforce levels and the unnecessary inventory buildup.

Also, contributing to the knee jerk reaction to these data is that an increasing amount of the work done both at the manufacturing and service level is outsourced.

Cutting a supplier is easier than cutting the company's payroll and leads to a surgically clean result with fewer social and HR repercussions.

But here is what hasn't changed. While the reduction of workforce levels is quicker, rebuilding a workforce once the economy recovers is much slower. Rebuilding is slower for the same reasons it has always been slow. Management may not trust the increase in demand and instead prefer to label it as "dead-cat-bounce."

With the workforce still under the threat of possible job losses, most are willing to do more with the no increase in resources.

Finally, the options to outsource are much greater than they have ever been. It is easier to find suppliers throughout the world, there are brokers who will help in this process, and there is still a significant cost advantage. So, as businesses expand into an expanding economy, the risks of outsourcing, where suppliers can be quickly cut, is much less than the risk of absorbing the increase by hiring new employees.

What does this mean for project managers? First, it means that they must be prepared for quick and decisive project cuts, it means that as projects survive the recession they will have to do so with fewer team members, it means that as the economy improves, rebuilding a team to its former staffing levels may not be possible, and it means that more project activities will have to be outsourced.