



Are You Thinking About the Future?

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It's Hard to Ignore the Headlines:

“Job cuts in the US climbed 33 percent in September from a year earlier.”

“The Labor Department reported that the economy lost jobs in September for a ninth consecutive month.”

“Companies have announced a total of 763,090 cuts as of this writing, up 30 percent from the first nine months of 2007.”

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Given the state of affairs, it seems an appropriate time for business leaders to craft the direction their companies will take and what they will ask of their employees as a result of the economic downturn.

Being brutally honest about the financial conditions and proactive about next steps is not easy. But as Martin Luther King so aptly said, “The ultimate measure of a man is not where he stands in moments of comfort, but where he stands at times of challenge and controversy.”

Senior leadership plays a vital role in ensuring an organization weathers difficult times without loss of key people, employee engagement, output or focus.

It's possible to reduce expenses, maintain productivity and still preserve employee commitment even if layoffs are necessary. In order to accomplish this however, companies must engage in rigorous thought and planning before taking action.

There are many important concepts to consider if you believe you must downsize your organization.

1) Examine the Situation From All Angles

THINK LONG TERM

Successful organizations understand that the goal is not merely to cut payroll numbers. The end state should be an organization that can consistently deliver the same or better service with reduced operating costs.

Given that definition, leaders should spend time thinking through multiple possible scenarios. The first priority is to get very clear on your strategies. Make certain you understand where your company is going and how it will operate now and when the economy recovers.

Ask whether your business plan is sound moving forward. Do you really need to reduce your workforce? Look at the hard and soft dollar costs of letting people go (including loss of productivity and costs to rehire and train when things improve). Measure these against the costs of keeping your employees during the down cycle.

THINK SYSTEMICALLY

What will happen when the downturn is over? Will you have a large enough and strong enough employee base to build the products or deliver the services needed to meet the upturn in demand. Sometimes layoffs leave an organization in worse shape than if the action had never been taken. Therefore, some organizations use the down cycle to get a jumpstart on the recovery. Rather than laying off, they focus their employees on long range strategic work or unique R&D.

THINK OF LAYOFFS AS ONE OF MANY POSSIBLE OPTIONS

There are many ways to reduce headcount that do not involve involuntary separation of employees. These include actions such as:

- o Freezing hiring and not replacing attrition
- o Offering voluntary exit packages
- o Eliminating raises
- o Flexible work arrangements which reduce employee hours

Downsizing is one tool. It can be used in conjunction with other tools to achieve your intended goals. Offering several options improves employee commitment and increase trust.

2) Pay Careful Attention to the Selection Process for Any Reduction

It's human nature to wish an exercise as difficult as a layoff will be over as quickly as possible. However organizations whose work force reductions are well-run understand that careful attention must be paid to the mechanics of the downsizing process. They allot ample time to collect data, analyze information and review decisions.

A leader's ability to stand before his/her organization and defend this action is much stronger if he/she can demonstrate the business reasons for all their choices. Moreover, a well reasoned business case is a strong defense in a lawsuit.

It behooves those in charge to be able to articulate, in a compelling way, the following:

- o The business reason for the downsizing.
- o How the business case drives the decision about which parts of the organization must reduce headcount.
- o What fair and neutral criteria were used for individual reduction decisions.
- o That the individual decisions were vetted with senior management.

Once a layoff is announced, everyone will be asking questions and they will be feeling scared. You should be able to provide both exiting and remaining

employees clear, simple and compassionate explanations for where the company is going and how the lay offs will help move the organization in the right direction.

3) Step Firmly Into a Leadership Role

There are two audiences for the leader's message—the exiting employees and those who stay. Too often little attention is paid to the employees that remain. Strong and visible leadership can ensure that the employees who remain are quickly able to work towards the future success of the company. Conversely, weak leadership leaves exiting employees resentful and remaining employees confused and cynical.

When downsizing becomes necessary, leaders must demonstrate three traits:

1) THEY MUST ARTICULATE THEIR VISION OF THE FUTURE
Failure to demonstrate why the actions were necessary, where the company is going and a strong faith in the future can have devastating effects on the morale and productivity of the employees that stay.

2) THEY MUST BE VISIBLE
They must insist that all managers are visible too. Communication is key in activities like this. Leaders need to communicate what they know, as soon as possible and be able to honestly and openly dialogue with the employees. This reduces fear and squelches rumors. Additionally, leaders must “hear” as well as speak. They should build mechanisms to solicit information from the employees about how they are feeling and what they need to move forward with their work.

3) THEY MUST DEMONSTRATE UNDERSTANDING
All too often senior management acts annoyed or surprised by the fear and confusion employees display after a layoff announcement. It is leadership's role to educate the management and the employees about the effects of this type of change on everyone. In difficult times employees need to see patience, empathy and clear direction for the future. This will help hasten the transition back to work.

4) Honor the Past Efforts of the Exiting Employees

Until the point when the organization decided that it needed to cut headcount, everyone on the rolls was considered a valuable employee in good standing. Many employees targeted for exit have long years of service with the employer and have made sacrifices to ensure the company met its goals. Why then do so many companies treat these exiting employees so badly at their time of departure?

It is not uncommon in poorly managed exits for these employees to be given mere hours to clear out their desks. They are often not allowed back on the premises after they are notified of their terminations. Information about next steps is often unclear and some are not even told about the decision in person.

In fact a quick search of the internet revealed that according to a national survey conducted in May and June 2007 by Harris Interactive, 10% of U.S. employees said their company has used email to notify employees of a lay off.

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The success of a downsized organization depends on the employees who remain after the lay off. A company can not reasonably expect good performance from a workforce that has witnessed colleagues dismissed in what they perceive were uncaring and abrupt ways. Accordingly, successful companies do some or all of the following:

- o Pay attention to the timing of lay off actions; try very hard to avoid actions near the Holidays.
- o Allow exiting employees to remain for days or weeks to transition work to those who stay.
- o Provide downsized employees with outplacement and career search resources.
- o Provide access to HR and senior management before and after departure.
- o Encourage coworkers to express how they feel about the employees leaving.
- o Permit farewell lunches, team scrapbooks or other closures to memorialize the employees' hard work and dedication.
- o Continue helping the remaining employees get redirected and deal with "survivor guilt" long after the layoffs take place.

A leader facing turbulent economic times is accountable to the employees for two activities— careful thought and clear direction. In understanding how to balance these when people's jobs are part of the equation, I am reminded of another quote, this one by General Colin Powell. He said "great leaders are almost always great simplifiers, who can cut through argument, debate, and doubt to offer a solution everybody can understand."

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