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## **The Good, the Bad and the Ugly of Layoffs: How to Make the Most of a Difficult Situation**

Few, if any, organizations have been unaffected by the volatile market conditions and economic turmoil we've faced over the last several months. For some, the impact has been limited to reduced growth rates. For others, the impact has been devastating. Many have been - or will soon be - forced to reduce headcount as part of an overarching cost-cutting initiative. Whether you call it a layoff, a reduction-in-force, restructuring or downsizing, the process of terminating employees is extremely difficult for everyone involved.

TalentQuest advisors and former CEOs, Joe Evans and Jim Balkcom, both of whom have experienced these challenges first-hand, collaborated with Dr. Rick Brandt, our president of consulting services, to offer practical guidance for effectively managing layoffs in a way that preserves current productivity levels, prioritizes employee consideration and communication, focuses on financial stability, and ensures you have the knowledge, skills and resources needed to succeed in the long-term.

### **We've already implemented alternative cost-cutting measures, and we've determined that a layoff is now necessary. Where do we begin?**

Decisions related to reductions in workforce are all-too-often made hastily, subjectively and in a vacuum. Most employers focus on avoiding litigation and claims of discrimination, unfairness or wrongful termination. Although these are very important to consider, too little thought is given to what the organization will look like after the layoff and what key competencies - organizationally and individually - will be required for future success.

Though necessary at times, layoffs can be extremely disruptive and more costly in the long run than they are beneficial in the near term. There are ways, however, to minimize negative impact and ensure your organization is well-positioned for the future, both in terms of retaining staff that you need now and your

ability to attract top talent when you need it down the road.

First, clearly define what you aim to accomplish with the layoff and what your goals for the organization are. Then, be sure your people strategies are aligned with your organizational strategies. Strategic Workforce Planning considers your near-term AND long-term needs and prioritizes positions based on your organizational objectives. Finally, redefine your organizational structure accordingly, including its size and configuration, which will help you determine which departments and which positions should be impacted.

### **How do we determine which employees, specifically, to terminate?**

First and foremost, avoid making decisions hastily or subjectively! Carefully analyze each employee group and determine what skills and attributes (competencies) make employees successful. Evaluate individuals against this benchmark as objectively as possible to help you determine which employees to terminate. In short, your decisions should be based on employees' competence and performance levels.

When evaluating candidates who may be laid off, ask the following questions:

- Does this person have performance issues?
- How does his or her contribution measure up to the contributions of others?
- Can his or her duties be easily assigned to and/or absorbed by others?
- Does he or she possess difficult-to-replace skills and/or knowledge?
- What are the financial implications to your bottom line of this person's salary and/or bonus structure?

Also, it is extremely important that you consider terminations at all levels. Your staff will be much more likely to understand and respect the tough decision you've had to make if they see that no employee class was protected. If you are going to reduce your rank-and-file employees, you certainly won't need as many executive- or managerial-level employees over them. Besides, from a cost-cutting standpoint, one senior-level person's salary is often the equivalent of two to three less-senior employees.

### **How can we be sure we remain objective?**

For organizations that have utilized performance management solutions, assessments or competency models, this will be considerably easier, as these tools eliminate biases such as personal relationships, personal circumstances and organizational tenure in the de-selection process. For those who have not, you may want to consider engaging external resources to help eliminate subjective or ill-informed decisions. It is very difficult, though imperative, to remove the subjectivity from this emotional process, so

all your employees will see you made your choices from objective, tangible criteria.

### **How can we ensure our employees remain engaged, minimize interruption, and avoid losing people we don't want to lose in the process?**

More than likely, you're going to be asking your remaining employees to increase their workload, improve their efficiency, and adapt quickly to a changed office environment. Provide clear direction for them and offer a specific plan showing how work will get done in the newly configured organization. Help them be successful by establishing performance plans with specific, measurable objectives, and give them the tools, training and resources they will need to succeed. People need encouragement and support to try something new, even if they are motivated to do so. You will be missing a great opportunity if you fail to find ways to motivate and support these employees.

Remind yourself and your employees that you made a difficult and inevitable business decision based on business needs. Reinforce your personal and organizational commitment to providing a high-quality product or service, and remind your employees how critical they are to the achievement of your goals.

Most importantly, don't neglect their emotional well-being. In many cases, people with whom they have developed personal relationships may now be in a very difficult personal circumstance as a result of the layoff. This transition time will be very trying, and employees need to be treated with extra care and consideration. If their concerns go unaddressed, organizational morale can plummet, leading to poor-quality work, decreased productivity and increased turnover. All of this will undoubtedly impact your customers, which could result in loss of business and ultimately put you right back where you started, needing to cut costs to compensate for the lost revenue.

Finally, give them an opportunity to provide input on how you can continue to cut costs. You might be surprised at just how valuable your people are to your organization when you let them be a part of the decision-making process.

### **How, when and what do we tell our employees?**

Don't underestimate the power of effective communication. Breaking tough news is never easy, but you can gain an extraordinary amount of trust, respect, and commitment from your team if you handle it properly. This is the most important time to engage and communicate with your employees openly and honestly. Show respect and offer support for all employees - those whose jobs have been eliminated as well as those whose have not. This will reinforce your concern for your people and ultimately strengthen your rapport with "surviving" employees. Be candid and forthright. Make sure they understand the reasons for the layoff, where the cuts were made, and why specific people or groups were terminated. Be honest about the future. If further cuts may be needed, make this known as well along with the criteria for

those terminations. Don't make promises you can't keep. Promise your employees that you'll communicate with them as openly and honestly as possible, then do it!

Whatever you do, don't let the grapevine be the source of company information. Take every opportunity to communicate, and then communicate some more.

### **Since we need to reduce costs associated with headcount, are layoffs our only option?**

Not necessarily. While reducing headcount will decrease short-term expenses, layoffs often create confusion and mistrust, which leads to low morale, company-wide frustration and decreased productivity. Moreover, are you overly focused on the here-and-now? Although you may not be in an aggressive sales mode today, is it prudent to eliminate a qualified, well-trained and successful sales team you'll need six months from now? Considering the hard and soft costs collectively associated with recruiting, hiring and on-boarding processes, short-term savings associated with a layoff could prove fairly costly in the long run. The best option is obviously to avoid layoffs any way possible. Significant cost savings can be achieved via less disruptive measures. If you're able to communicate openly and honestly with your employees, they might be willing and able to help, especially given the fact that your situation is more the norm than the exception among employers these days. Below are some options you might consider:

- **Reduce Hours:** Have you considered shorter work weeks for select employees or departments? Can you allow two or more full-time employees to convert to part-time, and let them share the work of one or more positions? Could you offer unpaid leaves-of-absence for a specified time period? Do any of your employees have additional sources of income (i.e. entrepreneurial side businesses, franchise minority stakes, etc.) they might be interesting in allocating more time towards?
- **Allow for Attrition:** Can you wait for employees to retire or leave on their own volition? Can you offer eligible employees an early retirement package?
- **Eliminate Overtime:** Can you redistribute work to avoid the need for overtime?
- **Reduce Wages:** Would your people, especially higher-level management team members, be willing to take a temporary pay cut? Can you offer or increase equity positions in exchange? Consider your bonus structure (if applicable)- could it be reduced temporarily?

### **In Conclusion**

There's no question that the economy will eventually rebound. The question is whether your organization will be poised to capitalize on opportunities that arise when it does. In other words, if you are forced to reduce your workforce, be sure you retain the talent you need - the right people with the right skill sets and personality attributes - to succeed in the near term as well as the long run. Short-sighted workforce

decisions and poorly executed employee terminations can quickly nullify cost savings associated with a layoff. There is no question this is an extremely difficult process for everyone involved; we hope these tips will provide a starting point for you as you consider the right choices for your organization.

If you have specific questions or need guidance tailored to your organization, please contact our president of consulting services, Rick Brandt, at (404) 266-9368 or [rbrandt@talentquest.com](mailto:rbrandt@talentquest.com).

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