

Executing an Effective Workforce Reduction

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Mark Herbert

Principal, New Paradigms LLC

mark@newparadigmsllc.com

541.741.3490



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Current events have prompted me to write this piece. I have had the “opportunity” to experience both sides of this process. I have planned and managed significant workforce reduction activities, and I have seen my own position eliminated as a result of workforce re-structuring. I feel this gives me a pretty balanced perspective. I believe that one of the signs of an effective manager is doing the less pleasant aspects of their job well. Communicating to an employee that their job has been eliminated through no fault of their own and that they are being terminated without any “cause” per se is one of the most difficult activities a manager will ever face.

I have also seen workforce reductions executed well, and workforce reductions executed rather poorly. I’m going to explore both situations in this piece.

Why are we doing this? The first question an organization needs to ask itself is why are we contemplating a reduction in force. The most common reason is to reduce costs, but here are some others:

- Reinforcing your image as being “lean and mean”.
- Dealing with performance issues that have not been addressed.
- Closing a non and/or underperforming location or unit.
- Replacing people with technology or equipment
- “Packaging” the company for sale or merger by reducing costs.

As you might suspect I have some biases in this area. Closing a non-performing business unit makes sense. You may be in a situation where technology or skills have changed and you have no “suitable work” for a group of employees. Your human capital costs may be such a big part of your operating expenses that reducing these costs are the only way to meet cost and operating targets. Those in my opinion are legitimate reasons for executing a reduction in force. Using it to disguise terminating poor performers is a poor strategy and a risky one; I’ll talk more about that later.

Common Issues and Mistakes

I want to share with you the most common mistakes I have seen in executing a reduction in force in six areas. While there is a dimension of overlap, they each have distinct dimension as well. The six areas are:

- **Planning and Strategy**
- **Responsibility for Execution**
- **Timing**
- **The Process**
- **Identification of Affected Staff**
- **Managing the “Aftermath”**

Planning and Strategy

The biggest issue I often see in planning and strategy is that there isn’t one! There is no overall human capital plan that examines critical staffing requirements, performance, a contingency plan in the event of a workforce reduction, and a strategy for either discontinuing certain activities or re-deploying the critical activities to those who remain. It is an event rather than part of an overall process with very clearly stated goals and milestones. The best time to plan a reduction is when you don’t need one. It should be part of a human resource staffing strategy, it shouldn’t be the strategy.

Responsibility for Execution

It is very common to see this process handed off to either Human Resources or “top down” directed by the executive team. Your staff works for their manager. Delegating or assigning responsibility to HR is inappropriate and disrespectful. They need to be involved as technical experts to ensure you do not face issues with legal issues or communications, but the personal communication should come from the employee’s immediate manager. The identification of who should be terminated should also be at minimum a decision involving their participation if not their decision.

Do executives really know the performance strengths and weaknesses better than the immediate manager?

If they do you have a different problem.

“Managers should be trained in selection of new employees and the process of managing performance through the termination process. Terminating an employee for budgetary reasons is one of the most difficult challenges they will ever face. They need to be prepared.”

Timing

When I talk about timing, I mean timing in several senses. The first is the decision to execute the reduction. In many cases I see too little-too late. We avoid it because it is very unpleasant and confrontational. We also get concerned about “morale” and our public image. We haven’t developed a plan to communicate efficiently with the effected workers, a transition plan to move people to critical roles, talking with our customers, the press, etc. The worst is “the death of a thousand cuts”. That is where we cut minimally and are then forced to do additional cuts. People then move into “turtling” mode. They become wary and productivity drops significantly.

Another version of this is that this comes after a wave of pay reductions, furloughs, etc. Employees also feel that management didn't analyze and take appropriate action quickly enough. Your best performers may lose confidence and begin exploring alternative employment.

The Process

The layoff process itself needs to be very crisply defined and executed. Things that need to be considered and included are:

- **Defining the target.** Often you see things like a “10% across the board cut” coming from the executive suite or the CFO. While we may wrap ourselves in “consistency” we don't do a critical analysis of identifying what skills are essential and which are not. We also “punish” managers who have appropriately managed their unit by staffing correctly and weeding out poor performers.
- **Using it as an excuse to “clean house”.** Rather than attending to performance issues as an ongoing management process it gets swept into a layoff.
- **The “process” it is not clear from identification through execution.** At least after the fact all employees need to be made aware that a reduction occurred, how many people were affected, and most importantly that it is over.
- **Ensuring your process will withstand scrutiny from legal aspects and the public.** Disparate impact on a protected class will bring both personal litigation and government intervention.
- **Not protecting your top talent.** Good recruiters use uncertainty as leverage to recruit people to competitive situations. You don't want your best performers to find out they were never “on the list” in their exit interview.
- **Retaining “surplused” employees.** One of the worst practices in my opinion is asking employees to work through their “notice” period. They should have all

of their time available to seek alternative employment. Having employees who have been displaced in your work place is also demoralizing for those who have not been affected. They can suffer “survivor” guilt.

- **Not having a communications focal point and strategy.** You need both “rumor control” internally and one voice externally. No information leaves things to the imagination, and trust me they don’t think positive!
- **Poor communications to affected people.** I have seen situations where managers told the person they didn’t know how they got on the list. Or they chose that day to be “honest” about long term performance issues that had never been addressed. Worse is the drawn out interview- “this hurts me as much as you”, it doesn’t they are losing their job.

Appropriate Selection Criteria

This is an area that I have seen done very well and very poorly. I addressed part of this in my distaste for “across the board” cuts. More specifically the criteria for identifying candidates for reduction should be consistent and clear. Criteria like utility, criticality of skills, performance, and seniority and company service need to be determined and communicated up front. They need to be organization wide, letting different departments set different criteria is part of the “attorney full employment act”.

I am also a believer in a collaborative process. By that I mean we should look at employees by classification and get more than one opinion. No termination decision should be made without review by at least two levels of management and Human Resources. People criticized GE, but forced ranking and forced dialogue between managers leads to better process. Ranking your staff periodically should be standard business practice, not deployed only in a reduction mode.

The criteria should be objective, measurable, and meaningful. Making reductions by department or based on seniority is also bad business.

At the end of the reduction you want your best people “on the bus.”

You don’t want to reduce top performers because they were in the “wrong” department and the department had to hit their “number”. Once the people have been identified

check for “hot spots”. Do you have a distorted impact on older employees or other members of a protected class? If all of the lower performers are from a particular department your problem may be the manager, not the staff.

Post Layoff Strategy

This is a critical part of your strategy and action plan. The first thing you need to recognize is that one of the most important audiences for how you execute a reduction in force is the employees who remain. If your process appears well thought out, fair and respectful of those who lost their jobs that communicates respect, planning, and leadership. If it appears sloppy or unclear it leads to further apprehension, distrust, and anxiety.

The other issue is that we don't allow at least a minimal “grieving” or transition process. People just saw their colleagues lose their job. In many cases they will suffer from “survivor guilt” or not know how to interact with former colleagues that they have ongoing social relationships with. The communications process is very critical here as well. I have seen lawsuits post layoff because of intemperate or ill advised comments about a former employee that were passed along by a current employee who retained a relationship with them.

Providing some counseling to both employees who were directly affected along with their families as well as current employees who are anxious is a good investment. Most Employee Assistance Plans are equipped to provide this service, and believe me it is much cheaper than a lawsuit.

Consider extending EAP services temporarily to affected employees **and** their spouse or significant other. The loss happened to both of them.

Keep your eye out for increased stress on those remaining as they “pick up the slack”. In many cases they are being asked to learn new skills or take on additional responsibilities. Management, especially senior management needs to be visible and available.

Just assuming that the day after is “business as usual” is misguided. When you terminate an employee for non performance reasons the “social contract” between employer and employee has changed forever.

You also want to perform a “post mortem” and evaluate your process for improvement and document it. Executing a reduction in force is a business process that every business may face. |

The last thing is failure to recruit and staff key hires and requirements. The unfortunate truth is that all people are not equal and all skills are not transferable. Failure to retain or recruit key staff because you are afraid “how it might look” is bad business. At the end of the day you have a responsibility to your stakeholders: your employees, your customers, your shareholders, and your community. If you are in leadership you get paid to make the tough decisions.

*Mark F. Herbert is a former executive, speaker, author, and principal in the consulting firms of Mark F. Herbert & Associates and New Paradigms LLC. He recently published his first book, **Managing Whole People- One Man’s Journey** that is available on his website www.newparadigmssl.com or at www.amazon.com. He has helped organizations including Honeywell, Inc., Spectra Physics Scanning Systems, Mobius, and Oregon Community Credit Union build new “partnerships” with their employees. He can be reached at Mark@newparadigmssl.com.*