SRA® Update

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Make the downturn work for you

SEVERAL COMMON-SENSE MANAGEMENT PRINCIPLES CAN HELP RIGHT-SIZE YOUR ORGANIZATION WITHOUT WOUNDING IT

THE NUMBERS ARE STAGGERING: 5,000 jobs lost here, 10,000 jobs lost there, recently over 60,000 in a single day. Chances are that your company or institution either needs to reduce head-count or has done so already.

This is not the first – nor will it be the last – time that organizations have gone through massive downsizings. Previous recessions in 1980-82, 1990-91 and 2001-2003 all led to periods of significant unemployment, as companies struggled to bring staffing costs in line with revenues.

One might think that lessons learned in those challenging times would guide employment decisions today, but not all employers have bothered to memorialize what worked in the past and what did not. As a result, the same mistakes sometimes get made over and over again.

In the words of consultants Matthew Guthridge, John McPherson and William Wolf, writing in *The McKinsey Quarterly:* "The way many companies conduct large-scale downsizing decreases efficiency, morale and motivation on the part of remaining employees. It also increases voluntary turnover among high performers and compromises a company's ability to attract strong talent in the future, as potential employees wonder how risky it is to take a job there."

Other employers, however, take advantage of recessionary pressures to realign their organizations for future growth, prosperity and market share once times change for the better.

In this issue, we examine several principles that can help any employer make intelligent decisions.

Hire and Fire Strategically

IT'S EASY TO MAKE MASS LAYOFFS and worry about the consequences later. But consequences there are likely to be. And while across-the-board job reductions may seem like the fairest way to go, they may end up crippling the company instead of saving it.

Employers with strong performance-review systems in place certainly should utilize them to make sure that documented under-performers are cleared out first. However, unless your organization is the size of a General Electric, be wary of arbitrary formulas that mandate equal reductions for each and every department or unit. In smaller groups – say, two departments of ten employees each – it would be foolish to assume the same percentage of top performers and bottom performers in both. The law of small numbers is that there is no law.

In general, the two most defensible approaches to staff reductions are (1) to eliminate non-essential positions (regardless of the persons holding them); or (2) when the same position is held by many people, to eliminate those individuals who are least effective in it. Be able to articulate your policy to employees and, if later required, to a court of law.

Remember also that while firing can be done in an instant, hiring generally takes a little more time – in fact, sometimes a lot of time. Therefore, it usually makes little sense to dissolve those positions you will need to restore first, simply to meet some kind of percentage-reduction quota. If the incumbent holding the position is not fully competent, maintain the position but fire the person.

Another factor in strategic employment is to look at the company not as it exists today – but as it needs to exist two, or three, or ten years from now. Markets and technologies change. For example, the fields of commerce and journalism are both shifting inexorably to the Internet, requiring their purveyors to seek employees with new skills and marketing mind-sets. At the same time, there will be far less need in the future for other jobs. Clear the decks now of those employees with outdated skills, or help re-train individuals to acquire new skills. At the same time, with the assistance of a trusted search consultant, be on the lookout for individuals from other companies who have exactly those talents you will require in the future – and be prepared to make them an offer that's hard to refuse.

Kill Not the Geese Who Lay the Golden Eggs

ALMOST EVERY ORGANIZATION HAS THEM: the star performers who someday will lead the company, develop its next hit product, take marketing in a brand-new direction, turn backwater staff departments into key contributors, or otherwise increase future profits. In today's downsized environment, no one wants to lose them – yet the very economic pressures that are pushing under-performers out the door may cause the stars, uncertain about their own future, to leave as well.

As the dust settles from any staff reduction, examine whether the resulting mix of talent and positions offers opportunities to expand personal responsibilities, create new positions, make broader use of cross-functional teams, etc. And while there may be less time to coddle the youngest stars of tomorrow (the "millennials"), let them know their work is valued and seek opportunities to build their interpersonal skills.

Likewise, tough economic times should not put an end to the training and development programs that give key employees at all levels a sense of importance – while broadening the skill sets and knowledge base that they will need for future assignments. Some of the best of these programs utilize key executives as opposed to professional trainers, which can be a cost-savings device as well.

Further, this is not the time to cease communicating with key employees about your and their expectations. In many cases, performance reviews provide a scheduled opportunity to do so.

A recent article in *The Wall Street Journal,* titled "Get Rid of the Performance Review," asserted that top-down reviews destroy morale and teamwork by being political and subjective, with little opportunity for a subordinate to challenge the boss. That may well be the case, but, as the article's author Samuel A. Culbert then suggested, there are alternatives – for example, re-creating the performance evaluation to give both boss and employee the opportunity to state how they will work more effectively in the future to achieve common goals. The point is, in a recessionary environment, no review at all may well leave employees to fear the worst.

Utilize Outside Resources

NO COMPANY WOULD UNDERTAKE mass layoffs without engaging a skilled employment lawyer to help avoid dangerous legal shoals. Similarly, a professional search consultant can help navigate the waters of today's employment marketplace.

For example, despite an employer's best efforts to retain top talent in troubled times, key people may leave for what they perceive as greener pastures, or simply retire. In other cases, as the firm rethinks its strategic priorities going forward, the need for new types of employees may emerge. In still others, an under-performing department or division may be in need of a new broom. If it is impossible to find the right talent within, sooner or later the need will exist to look outside.

In some cases, highly competent people may have come into the marketplace for reasons beyond their control. Equally likely, the best person may be happily employed and well protected from the economic storm. The best search firms know where the best people are – and what it will take to hire them in terms of compensation, benefits and opportunity. Organizations hoping to emerge from the current recession in stronger position will use every possible resource to ensure this happens.

—*George Snider*

Related Topic: See the previous issue of *SRA Update* for how layoffs can affect employee morale.
