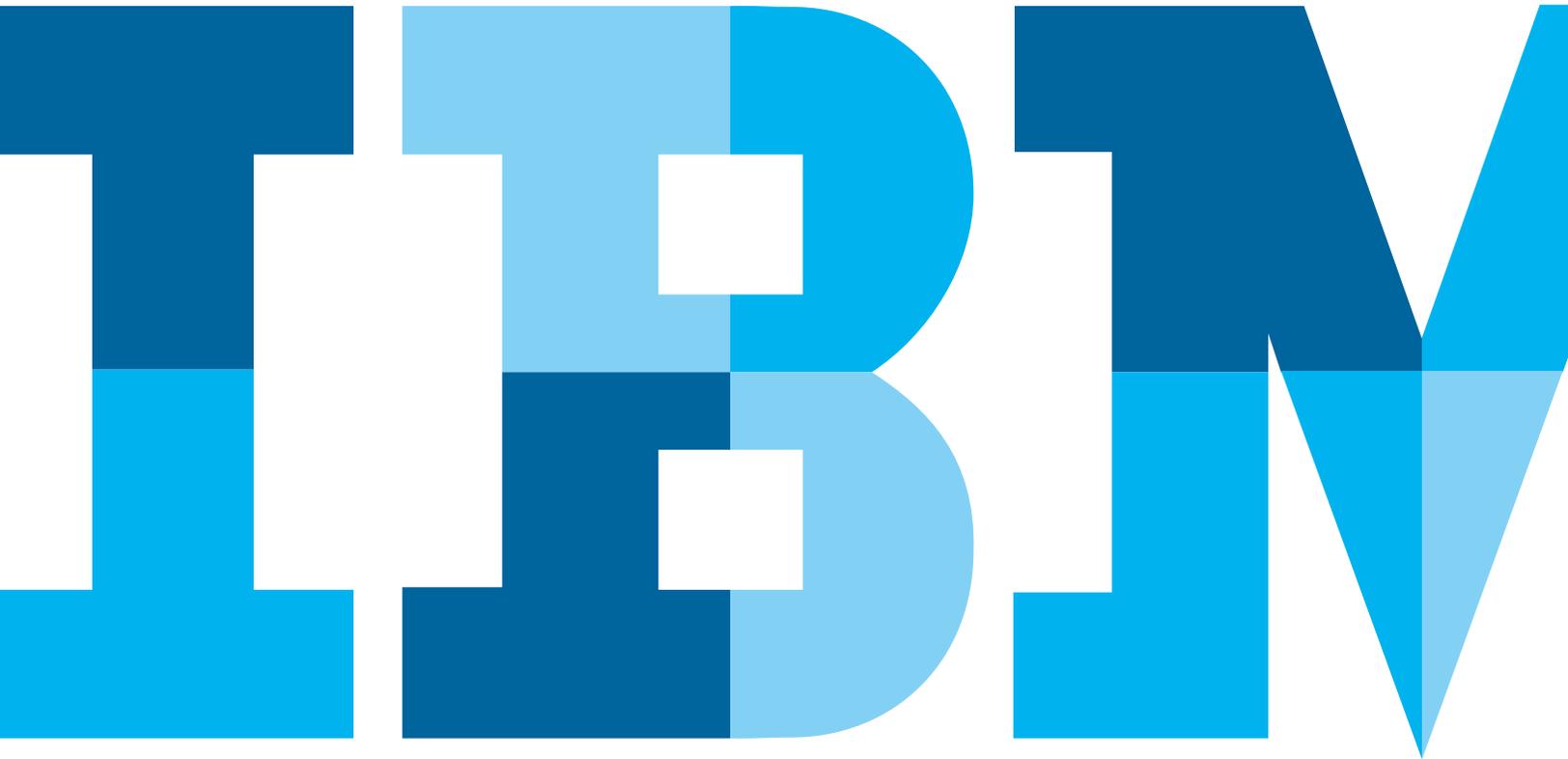


Managing through a downturn

Reminding leaders of the impact of right-sizing on the survivors



Nearly every organization goes through periods of downsizing or right-sizing. These can be difficult times and have a significant impact on employees. Leaders have an important role to play in this event.

There are two employee perspectives to a right-sizing action. The employees who are directly impacted certainly have a set of needs which most organizations focus on quite well. However, the survivors have needs which can get lost in the process. In many ways, being a survivor can be as stressful as being laid off.

Paradoxical? Not really. Layoff survivors suffer what HR practitioners call “performance punishment,” which refers to the piling of work on top performers because they have done a great job in the past. For example, school districts often give the best teachers the toughest classrooms in the most under-performing schools in the hopes of improving the students’ test scores.

From an organizational perspective, this makes perfect sense, but many thinking employees wonder why they should try so hard if they are bound to be stuck with the most difficult jobs? It is a practice that turns top performers into average performers, and can ruin their performance now and in the future, as it impinges on their motivation to do well. Managing through an economic downturn can be tough, but the work need not be in vain.

Former President John F. Kennedy once noted that, “the Chinese use two brush strokes to write the word ‘crisis.’ One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger—but recognize the opportunity.”

And the opportunity is there for ‘downsizing-nice’ by channeling HR and managerial efforts into re-engaging and de-stressing the remaining workforce.

Layoffs—the good, bad and ugly

Downsizing can be an efficient way to bring operational costs in line with projected revenues and show Wall Street that action is being taken. However, at least one study, “The Impact of Downsizing and Restructuring on Organizational Competitiveness,” which appeared in *Competitiveness Review*, found that such gains are not universal. The study, published in 2000, found that gains in productivity and profit were achieved by one-third to 58 percent of downsizing firms.

Depending on the extent of the effort, a first round of layoffs may be somewhat easier, acting as a catalyst for an organization to rid itself of ‘dead wood’—the unmotivated, average and poor-performing employees who simply do what is necessary and no more. Other people are laid off because their positions were eliminated.

In theory, a lean-and-mean organization reduces redundancies and meets the challenge of reinventing the way work is done in order to do it more efficiently with less staff. Do those positions really entirely go away? Were the laid-off employees so lazy that they managed to come to work for about 40 hours per week and do absolutely nothing?

Of course not. HR executives know that many people who are laid off contributed, sometimes significantly so, and a major re-shuffle has to happen in a very short amount of time in order for production quotas and customer service to remain unaffected. To the remaining employees—the survivors—that reshuffle often means that they are now stuck picking up the slack.

For a while, survivors may just be simply happy to be working anywhere. As weeks of economic downturn turn into months, and months into years, however, employees will grow weary. Stress builds, performance drops, illnesses rise. An overtaxed workforce is simply not good for the bottom line.

We all know that turnover is expensive in recruitment and training dollars. Do you think survivors cannot find work elsewhere? Think again. In the year of—and for two years after—layoffs, voluntary turnover increases, according to a 2008 article in the *Academy of Management Journal*. Attrition might be a welcome effect while production/service quotas are down, but it serves as a major barrier to recovery when economic conditions improve.

Engaging and de-stressing the survivors

The show must go on, which means employees need to still come to work and be productive. The IBM Smarter Workforce Institute investigated the key drivers of survivor engagement by analyzing the responses of 10,000 randomly sampled U.S. employees, 1,977 of whom were non-management employees who worked in an organization that had downsized in the past 12 months.

By rank-ordering the top 10 of a wide variety of work characteristics and employee attitudes in order of magnitude of their relationship to engagement, the Smarter Workforce Institute found that survivors first need to be reassured of the organization's future, as well as their role in it. Not only are they looking for a promising future for themselves, but they want to be reassured that everyone has an equal opportunity for advancement. Continuous skill improvement also contributes to engagement, presumably because looming layoffs remind workers of the importance of updated skills in a competitive job market.

There are several elements of the work itself that support employee engagement: safety, a feeling of excitement at work and recognition for doing a good job. Other drivers of survivors' engagement are more related to management, including senior management's concern for employee well-being and morale, and the prioritization of quality.

Stress is also a top 10 driver of survivor engagement—or, in this case, lack thereof. From the drivers of survivors' work stress, we can point to a few critical actions management can take to de-stress their remaining workforce.

Show empathy

Employees relate a lack of work/life balance and management's concern for their well-being and morale to work stress, both of which speak to the importance of managerial empathy.

Through layoffs, managers should enable workers to attend to personal needs and let their direct reports know that they are supported.

Redesign the work and make priorities public

'Having enough people to get the work done' is also a driver of survivor work stress, and speaks to the issue of performance punishment. Management chooses to keep the best performers, but they are 'rewarded' with increased workloads.

Address this source of stress by realigning survivors' jobs with organizational goals and strategy

Not only does this give management an opportunity to listen to employee's concerns of workload and prioritize as needed, but also they can communicate about the direction of the organization from here on out and reassure direct reports of financial viability.

While employees often wonder how in the world they are going to take on more work, acknowledging that lesser priorities may not happen takes the pressure off, as well as perhaps providing experiential learning opportunities as job duties are shifted from laid-off workers to the survivors.

Additionally, survivors want to know that the efforts they are expending in this stressful environment will not be for naught, and that they have a promising future at the organization. Publicizing the game plan for fulfillment of the post-downsizing strategy reinvigorates employees' confidence in leadership and lets them judge the viability of success for themselves.

Find the silver lining

Survivor stress, like engagement, is related to work excitement, but also to liking the work and having a feeling of personal accomplishment. The work itself can continue to motivate employees. If they liked their jobs before the layoffs, they should continue to enjoy them—if they are not living in fear of being selected for further job cuts.

After reassuring the workforce, managers need to acknowledge that employees' career paths still exist. Layoffs can offer new challenges, new job roles and additional learning. Highlighting these positive aspects of being a survivor can go a long way.

Layoffs can result in a fiscally healthier organization, but HR leaders need to understand that such actions may be at the expense of the emotional and physical health of employees. This risk can be mitigated with solid leadership and a little bit of understanding and empathy.

Leaders who focus on the employees through economic downturns will be well positioned for a quick recovery when conditions improve.

For more information

To learn how to build a smarter workforce, visit: ibm.com/smarterworkforce

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Notes



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