



Downsizing Dynamics
Robert T. Whipple, MBA CPLP

Every company goes through cycles where they have too many people or too few people. Smart companies find ways to stretch during the heavy periods using temporary resources and take the lean periods to develop employee capabilities and cross training. Unfortunately, during a dramatic or extended period of slowdown, it is often necessary to let good people go through a number of techniques. None of these times are happy for the employer or the employee, and some managers really stink when it comes to downsizing with sensitivity.

For an excellent leader, the need to do difficult things is a bit easier than for the average leader, because he is starting from a position of trust, but that trust can be wiped out very quickly if he is not careful. I will present some of the dynamics that happen when things are done incorrectly and then suggest an antidote. When considering a layoff as strictly a cost cutting activity, most organizations are myopic in terms of the long-term effects of the activity. The following scenario is unfortunately typical of the problems that arise when attempting to downsize a group.

The top manager lets the area manager know there is a need to downsize by a certain percentage. The marching orders are to figure out who stays and who goes but not announce a downsizing for fear of revolt or sabotage. The area manager begins discussions with the top leaders under the veil of secrecy. Of course, people on the floor are instantly aware there are “serious” discussions going on, so rumors spread like wildfire. It is easy to see the signals in the air that a downsizing is coming.

It is at this point that the managers are their own worst enemy. By pretending nothing is wrong, even flat out denying the activity while it is happening, managers dig their own graves in terms of credibility. They are violating the law of transparency, and it will cost them dearly. It is usually not the local manager who has a clamp on information; it is the top boss or the HR people who believe the damage of disclosure is worse than the credibility loss of duplicity. This disconnect with reality goes to the heart of why so many

organizations inspire little trust and suffer the consequences every minute of every day.

The manager knows several positions will be eliminated, but because of the pseudo secrecy, there is no opportunity to cross train individuals who will stay with the people who will leave. Life on the surface goes on as if nothing is happening, yet the operation is already experiencing all of the dreaded consequences and worse than if full disclosure had been made in the first place. At some point during the planning process, there will be an opportunity for one brave soul to inquire about the validity of the rumors.

Imagine a rousing Town Meeting to report on the monthly measures. When the manager asks if there are any questions, a person raises his hand and says, “I heard there is going to be a layoff within the next month or so. Is that true?” This question puts the manager in an impossible place. He cannot answer the question honestly without violating explicit instructions from the top (in which case he should plan to be one of the people downsized). He cannot deny the rumor and expect to have any credibility in two weeks when the layoffs are finally announced. So he waffles. He says something like, “I am not at liberty to discuss any plans for a layoff, but I will inform everyone when there is any information I can share.” This non-answer is inadequate for several reasons:

- The leader has not reinforced the individual for his candor. Therefore it is a trust withdrawal.
- As far as the employees are concerned the manager has just confirmed there will be a layoff, so the top brass will not be happy about the disclosure.
- The manager is still unable to talk about any details because of the information ban.
- People see the hypocrisy immediately, so the local manager and the top manager or HR people take an equal hit. Trust has been significantly reduced on all fronts.
- Nobody has a sense of things being done right. They are all just living in a kind of fairytale world until the deed is done.

Meanwhile productivity, quality, morale, and respect are at an all-time low. This is happening at precisely the time when the company is most vulnerable because of outside pressures. All employees and the managers are operating like a sailboat would if there was a huge hole in the sail.

The dreaded day approaches and finally arrives. Some people are called into the boss' office and told they are being let go. They are escorted back to their area to clean out their desks and escorted out the gate. A quick handshake and the exchange of the employee pass is all it takes to complete the deal. Oh sure, there is the promise of support from HR. "Go to a place off company property over the next week and we will help you network in the community for another job." There will also be a packet in the mail to sign up for COBRA Insurance to tide over the family. I would have thought they would call it BOA CONSTRICTOR Insurance rather than COBRA Insurance. At least the title would then fit the reality.

A remaining employee, let's say Mary, breathes a sigh of relief until the boss calls her into the office and says, "As you know, we have let Jake go, so his responsibilities will now be covered by you."

Mary says, "but I already have a full workload of customers, and I don't know anything about Jake's job."

Poor Mary is told to just do the best she can and is reminded that, "as one of our most talented people, you still have a job here."

In a daze, Mary wanders into Jake's empty office. She looks around and shakes her head. "Well, I might as well dig in here and see what Jake's job entails." She looks halfheartedly into Jake's desk drawers, throws out an old can of shoe polish, and starts trying to make sense of the mess. She looks at the 4-drawer file of Jake's former customers, now her responsibility. Think about this scene. Have you ever tried to decipher someone else's files with no crossover? It is impossible.

Mary wakes up from her stupor with the sound of the phone ringing in her office. She runs down the hall and grabs the phone in time. It is the familiar voice of one of her own customers. Thankfully she is able to answer the question and satisfy the concern. She does a double take and realizes that there are 14 messages on her answering machine from the past two hours. She starts trying to clear out her backlog and becomes totally engaged in her old job – the one she knows and can handle.

Every day for the next several weeks, poor Mary goes down the hall for a couple hours (usually including her lunchtime) in a feeble attempt to keep the most vocal customers in Jake's area from blowing up. There is little understanding to back up her actions, so she is not very effective. There is no possibility of keeping up with Jake's workload in a couple hours a day, so Mary focuses most of her attention on the job she understands.

After a month or so, customers start writing nasty e-mails to the top manager who jumps all over the area manager. The essence is that customers are taking their business elsewhere because there is no service being rendered. It is like the sailboat has been sitting in the water and the wind is dead calm. There is no forward motion. The boss rushes into Mary's office and says, "Mary, you are not performing like your usual self. We have customers that are your responsibility who are defecting. I know you are super busy, but you simply cannot afford to ignore customers who are in need."

Mary says, "You are right, Bill. I cannot. Another thing I cannot afford is to work here for you any longer. My family and my doctor tell me I am heading for a stroke, and I am simply unable to perform what is expected. Therefore, I am handing in my two week's notice."

Note the simple but inevitable consequence of a decision by top management to ignore transparency out of fear. The old saying, "penny wise and pound foolish" applies in this case. The company has lost valuable customers and one of its most valuable employees. In addition, this situation is going on multiple times in the work unit, because Mary was not the only one whose work load doubled with no training. There is no way to make up for this damage. It is a major blow to the business; in many cases it is fatal. The fault here is not the downsizing itself. It is the veil of secrecy around the planning that was the major culprit. That is silly because the holding back of information really did not prevent it from becoming common knowledge anyway. The damage was made exponentially worse by a poor policy decision to limit transparency.

I am not saying that layoffs are a picnic if people are informed ahead of time. Many of the problems will occur no matter how the disclosure is handled, but if we contrast the above scenario with a slightly modified one, the result has the potential of a much brighter outcome.

The area manager calls all employees together on day one. He says, "I have some bad news, our business is shrinking and we are probably going to need a layoff in the next month or so. None of us want this, but it will probably happen. The best thing you can do now is focus on your function and really stretch to gain some new accounts. As we plan for how many people will need to leave, I will keep you informed and be available for questions."

During the next couple of weeks, the study reveals that indeed a layoff is required. The boss calls Jake into the office and says, "Jake, as you know we are projecting a layoff. It looks like you will be impacted and either be let go or have to assume a different role. I

would like to work with you to find the best option for you and see if we can keep you in the company in a different role. There is only a slim chance of this, but I will do my best. You should begin networking now, both inside the company and outside. In the meantime, can you please work with Mary to introduce her to your customer base? I will tell her that we are going to combine her job with yours, but we will be reducing her report writing duties to allow her time to accomplish the combined area.”

In the discussion with Mary, the boss stresses that she is a highly valued employee who is being called on to stretch her influence with the customer base. There will be some relief in terms of her paperwork in order to allow more face time with customers. She will also receive a modest bump in pay as a result of the increased responsibility. Over the next two weeks she is to work closely with Jake to get to know his accounts, which she will inherit.

I grant that this second scenario is far from easy or painless for all parties, but the consequences are far less debilitating for the business. By treating all employees like adults from the start and leveling with them, many of the problems in the first scenario were prevented. The most significant reason for the difference between the two cases is that the top boss or HR function allowed the local manager to operate with transparency. This allowed the manager to flow downwind with a bad situation and navigate through it, arranging ways to make the transition easier for everyone. In the first case, by trying to fight the current and sail upwind, the manager was tacking for all he was worth, working much harder, but ultimately ended up crashing on the rocks anyway.

The preceding information was adapted from the book *Leading with Trust is like Sailing Downwind*, by Robert Whipple. It is available on www.leadergrow.com.

Robert Whipple is also the author of *The TRUST Factor: Advanced Leadership for Professionals* and, *Understanding E-Body Language: Building Trust Online*. Bob consults and speaks on these and other leadership topics. He is CEO of Leadergrow Inc. a company dedicated to growing leaders. Contact Bob at bwhipple@leadergrow.com or 585-392-7763.

The
TRUST
Ambassador

