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Human Resources

Layoffs: Guilt. Anxiety. Anger.

Think layoffs will fix what ails your firm? They might be the cause of bigger problems.

By Chris Atchison



Just after Barack Obama took presidential office in January, he reminded his nation that a long period of economic pain lies ahead, not only for the U.S. but for the entire world—which makes the stories of U.S. entrepreneurs such as Jonathan Davis worth a listen.

After sales of Davis' Austin, Tex.-based employment consultancy dropped by 60% in October and by another 50% in November, he laid off 12 of the 26 staff of American Workforce. But rather than inform his remaining employees with individual phone calls or a conference call (all of his staff are home-based), Davis spread the news via broadcast e-mail. Not only did the layoff survivors spend the next week pondering their own futures, they simmered over what they saw as management insensitivity to their feelings and needs.

“I gave the news by e-mail and it lacks tonality,” Davis laments. “[The message] could have been perceived in a lot of different ways.”

He figures his handling of the matter cost him at least a week's productivity from his remaining staff.

Davis learned the hard way what Washington, D.C.-based training firm Leadership IQ confirmed in a recent survey: the challenge is less in executing the layoffs than in managing the survivors. Some 74% of workers surveyed said their productivity dropped after layoffs, and 87% said they were less likely to recommend their firm as a good place to work. The top words they used to describe their post-layoff emotions: guilt, anxiety and anger. “Happy to have a job” didn't make the cut. Fortunately for most Canadian business owners, there's still time to consider how they'll manage downsizing at their own firms. Better yet, there are

cost-effective ways to maintain the loyalty and productivity of survivors.

How? By remaining visible, staying “on message” and being as transparent as possible, advises Lynn Stoudt, an Ottawa-based principal with global HR consultancy Mercer LLC. That means devoting ample time to explaining your downsizing decision, revealing your company’s financial situation and recession-management strategy, and addressing your survivors’ concerns. They’ll ask how all the work will get done by fewer staff and, of course, whether there will be more layoffs.

“That’s where the anxiety comes in,” says Stoudt. Answering the latter query with a simple “I’m not sure” is acceptable, she adds, as long as you’re prepared to articulate your strategy for avoiding more cuts.

Mark Murphy, chairman of Leadership IQ, agrees that more meetings are crucial to increasing management visibility and opening lines of communication. However, he stresses, all unproductive gatherings should be cut. “That communicates to employees that you understand this is going to be tough for them, and that you’ll do what you can to make their lives a little bit better and more productive,” says Murphy. He also advises making cuts deeper than necessary to free up cash for staff training, which demonstrates continuing interest in employees’ growth and development.

After Davis spent a week calling his surviving employees individually to reveal the rationale for American Workforce’s layoffs, he took this advice of one of his advisers: if employees detect any insecurity in your message or actions, they’ll never return to their peak levels of productivity.

So, Davis took action. He not only refocused his communications with staff on the firm’s recovery and future growth, he also offered regular and complete updates of American Workforce’s financial health, began making sales calls himself to increase his visibility while decreasing his employees’ workload, and solicited feedback from customers whenever possible.

“We’re now doing as much in revenue with a team of 20 as we were with 26 people,” says Davis, who rehired several employees when business rebounded. “Our revenues are back to their peak of last summer.”

The underlying message to all business owners is that survivors need a lifeline just as much as their dismissed comrades. “While it’s important to provide severance or outplacement for those who have departed, we need to be looking for something for our current employees,” says Stoudt. “It’s just as important to take care of and gain an understanding of how the remaining staff is feeling.”