

Minimizing the Affects of Downsizing on Employee

These comments are from several conversations with Ms Jill Jarvis and Mr Wm franks. After years of steady growth our company is about to become a leader in our field. With the takeover of the third biggest company in business we will be number one.

Besides the organizational problems encountered in business process reengineering, we should be aware of the problems linked to downsizing as the means of releasing employees.

When the companies combine, competencies will overlap, so we cannot avoid layoffs. We must maintain the core capabilities of the company, and these capabilities depend on the abilities of the employees. This article discusses the steps we can take to make the company fit for competition without demoralizing employees, losing loyalty and commitment, and increase the cynical self-interest of workers who feel they may be thrown out of the lifeboat.

How can we minimize the negative affects of downsizing on our employees? There are five keys to successful downsizing. Open communication, incentive systems, a new ethical code, education, and rewarding acceptance of new responsibilities. These keys can create an atmosphere of fairness so the survivors of the downsizing feel that management judges by merit and contributions. Management must be able to evaluate employees fairly.

Communication With Mangers And Employees

The first key to successful downsizing is open communication. By carefully explaining the reason for downsizing, we can build trust in management among survivors. We will have to reduce the number of workers in certain areas where other existing departments or people in complimentary positions can perform better. Individual units of manager – employer relations, will help to build a good relationship structure in the remaining depart-

ments. It should start at the V.P. level, a lesson learned at I.B.M.

Good communication reduces the insecurity of employees and creates understanding of the measures taken.

Communication Reduces Insecurity

First, good communication can reduce the feeling of insecurity and rejection. We need to speak clearly about the reasons for the action. Unclear language that tries to hide the actual dimension of the downsizing action will not calm people.

To the contrary, an action that puts people on the street as if they were a nameless number will make the remaining employees feel quite uncomfortably for their future. With good communication, we can avoid losing skilled personal that would prefer a secure early retiring plan to an insecure future with the company. Prof. James Lotter states that the cost of such losses greatly out weigh the savings in downsizing.

Selective offers for retirement cannot be used, because they may result in lawsuits. Prof. Lotter also explains that the costs of lawsuits negate savings of downsizing.

Communication Creates Understanding

Second, good communication creates real understanding of the reasons why the management has to take certain measures. However, creating real understanding is very time consuming. The best way to reach a general understanding is by talking one to one about mutual expectations. Each employee must understand what the organization can do, and what we expect from the employee to increase his value to the organization.

Open communication should become part of the corporate culture so that many of the explanations and much of the understanding will go through informal channels and not take company time.

Incentive Systems

The second key to successful downsizing are incentives. Surveys show that employees

who fear layoffs can be motivated with bribes like bonuses or stock options. With incentives, employees feel that they are sharing in the success of the company.

In return, the company can save on raises by letting the stocks take their place. For that reason, stock options and bonuses be made available to rank-and-file workers as well as upper management.

The new Company Ethical Code

The third key to successful downsizing is a new ethical code. Employees who will be part of the new combined team have to accept basic ethical rules. Personel Director, Art Simonson Jr., states that our company will not be able to provide "save" workplaces in the future.

We will have to show that we believe and support what our manual states: "a happy worker is a productive worker." Changes in behavior start with little things. For example, a manger should not cut in line before a subordinate at lunch, he might be in a hurry also. Our Competent Management Skills training course should contain the necessary instruction to help us see our subordinates as team members.

Education As An Option

The fourth key to successful downsizing is offering education. Many Chamber of Commerce offices offer courses in career selection.

By offering information about new careers to the remaining workers even in relatively unrelated fields like sales, we show that our company has opportunities for advancement. The Cleveland Chamber of Commerce will help us offer the courses. In addition, we could install a foreign language program for sales personnel, and we could investigate offering a Masters degree program, as one company did.

We could create an office for financial assistance to workers. The St. Paul Cos., a property insurer, has established a program with these features. The costs were about \$1,000,000 in 1994, yet the program saved the company \$6 for every dollar expended. The

American Management association (AMA.) found that increasing the training budgets significantly after downsizing doubles the company's chance to have long-term improvements in worker productivity.

Rewarding Acceptance Of New Responsibilities

The fifth key to successful downsizing is rewarding the acceptance of new responsibilities. Employees who accept new responsibilities for tasks formerly performed by two or three people may have to learn new skills and he may need additional training.

The best way to improve the performance of new duties is to reward the employees according to their efforts and stress. The company can provide three types of rewards, higher income, increased company flexibility and greater freedom to make decisions.

Reward by Higher income

The first reward is an increase in income. The payment should reflect the amount of responsibility and work that comes with the new position.

Increased Company Flexibility

The third reward is to increase the company's flexibility. Permitting flexibility requires us to trust the employee so that working times can become flexible. Although it is difficult to control flexible working times, it is not necessary to control how the workers reach the aims; the focus will be on the quality of the outcome. The employees can decide when to work, and by this enhance their personal flexibility.

The new personal flexibility in time gives the employees the freedom to plan for social contacts and family time. The company could offer time collection systems so employees could save their holidays for as long as one year. Our Personnel Department can handle such scheduling, other companies have proven it can be done, and it can have a positive effect on employees.

Decisions in the Command Line

The fourth reward is greater freedom to make decisions in the command line. Employees are not imported china. They will not break. They make good decisions and can accept the consequences of making mistakes.

Freedom to make decisions empowers the workers. It has a positive effect on motivation and performance.

Our Approach to Downsizing with Minimal Affect

The major companies today are no longer able to provide secure employment for a lifetime, and neither can we. Open communication will reflect the reliability of the new contract between company and employee. No one has to feel as if a layoff will hit him by chance. That was especially true of the layoffs last Winter.

There are different ways to minimize the negative effects of downsizing on employees. Our conclusions are that incentive systems motivate on the monetary level. The people

are committed to the success of the company because they feel they receive equal treatment. Education rewards the effort of the individual, and with rewards for accepting new responsibilities we encourage the individuals to see the best of the company as the best of themselves. We see a good chance of changing the business without falling into the pitfalls which other leading companies have experienced.

Perry Donnevan, in chapter 4, Page 14 of his report to us, stated, "if actions that might seem expensive or superfluous in the short run are considered in their impact on the viability of the enterprise in the future, we will be able to combine the seemingly irreconcilable."

A perfect layoff that does no harm to the workforce will never exist, but we can do our best to make it a fair operation for survivors.

FURTHER INFORMATION

Further information is available from the Management and Quantitative Methods dept., IL State U., 2501 University ST., Normal, IL 61761