

Restoring Productivity and Morale after Layoffs

Is there a “right” way to downsize?

A major company decided to shut down an entire branch without coaching its managers in delivering the news. The CEO requested a meeting of all employees, but did not show up. Instead he sent the branch manager a FedEx box with termination packets and no instructions whatsoever. The manager opened the box and proclaimed “This is my last day with the company and I’m so selfish, I’m taking you all with me.”¹

This story had been told widely in the marketplace as a way *not* to communicate about layoffs. It was quoted in a recent article in a Harvard Business School publication with the footnote that the CEO’s reputation and trust were so damaged that it was difficult for his company to recover after the downsizing.

Is there a “right” way to downsize? As a member of a consulting firm specializing in organizational development and communications, I say empathetically “yes”. Our experience in working with over 800 companies in 25 years emphasizes five steps for the right way to downsize. Often business leaders strategize how those employees who leave will be assisted, but forget the morale impact on the “survivors.” This article concentrates on those who do not leave the company (i.e. the survivors) and how to restore productivity while rebuilding morale.

1. Plan!

When layoffs are imminent, it is important for management to have a plan on how the layoff will be communicated and how it will assist the survivors. The best-managed companies develop this plan by reviewing prior changes, analyzing how the changes were made and making corrections based on their assessment. This plan should include: redefined tasks and responsibilities; strategies to assist managers in helping surviving employees adjust to organizational changes; communications on why changes are necessary and how roles will change; and plans on how to improve morale after the “grieving” period.

2. Communicate concisely, clearly and frequently

For both managers and “survivors” layoffs are emotionally draining experiences. Like death, the loss of employees and peers requires a time of grief. It is often difficult for managers to know what to say and how to say it properly to those who are still with the corporation. Experts agree that it is better to communicate bad news when it is known than keep it waiting for a more appropriate time. Also don’t “sandwich” the news – i.e. good news – bad news – good news. Most employees know if the company is not doing well, and want to hear the news directly. However, at the same time the manager needs to communicate with the survivors how the organization plans to recover, the employees’ role in that recovery and why the changes are necessary. In our work with a major Fortune 100 company, the

¹ Robbins, S. “How to Communicate Layoffs”
Harvard Management Communication Letter, July
2001

corporation used small group meetings to communicate news after the layoff in order to inform the “survivors”. They used consultants to assess the morale of the organization and provide advice on how to best deliver the right message.

3. Apply emphatic listening

Research shows that the person within the organization that has the most impact on an employee is the immediate manager. Often managers are required to console or counsel with survivors of downsized organizations. Managers with strong Emotional Quotient (EQ) may naturally be able to empathize with and console survivors. However, many managers may require some points on the importance of “listening emphatically”.

Listening is trying to understand the ideas and feelings expressed by others. Good listeners use silence effectively. They postpone judgment about the other person’s feelings, attitudes and concerns until after they have completely heard the person. Body language is also important since it sends a strong message of whether someone is listening. Maintain eye contact, nod as appropriate, and *show* people you are listening.

Some companies establish “feedback loops”, where a manager periodically discusses with all employees his or her perception of the department’s performance and future.

4. Maintain an environment of “trust”

Managers must reinforce the trust factor since many survivors may feel emotionally disappointed. Once trust is lost it is almost

impossible to regain. Robert Bruce Shaw in his book Trust in the Balance, states that in today’s global business environment, trust is “the foundation on which high-performance organizations and teams are built.”

Shaw emphasizes three important elements of trust: achieving results, acting with integrity and demonstrating concern.²

Using Shaw’s formula, managers must not only demonstrate empathetic concern, but are responsible for achieving results. Employees must understand that the charge of the manager is to ensure the organization survives and must trust him to make and communicate the right decisions

5. Develop survivor’s skills

Many people, after they pass a period of missing their friends and colleagues, realize that their roles and responsibilities have changed. In some cases they pick up additional duties from others or are required to learn new skills. The effective manager proactively anticipates changes in roles and communicates these changes to the employees. Also, the manager must realize that surviving employees may require additional training (on-the-job or formal training) and there is a learning curve before the person is fully productive.

Our experience shows that effective managers understand what employees work for and know how to respond to their “wants”. There are instruments available that assist managers in understanding what motivates employees, but generally we say, “Ask them”. However, just understanding the “wants” is not enough. In a new downsized environment the manager must create an atmosphere of motivation. Thad Green and Merwyn Hayes, in the book The

² For more information see: Shaw, R. (1997). Trust in the Balance; San Francisco: Jossey-Bass

Belief System, states that employees need to believe: (1) they can do the job (confidence); (2) they believe management will reward their performance (trust), and (3) the outcomes will satisfy them (satisfaction).³ Managers who understand these three beliefs are better prepared to create an environment that can improve morale.

With any change, there is a period of adjustment. Research shows that with downsizing there is usually a sense of anguish brought about by heightened job insecurity and the loss of friends, a neutral stage (a sort of healing time), and a time when survivors become productive employees again.⁴ Effective managers realize that planning, communication/listening, trust, and employee development are necessary to move employees quickly through these stages and to do downsizing “right.”

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For more information of the Hayes Group see www.thehayesgroupintl.com

³ For more information see: Green, T. & Hayes, M. (1993) The Belief System: the Secret of Motivation and Improved Performance: Beechwood Press

⁴ Boroson, W. & Burgess, L. (1992) “Survivor’s Syndrome” Across the Board Journal

