

Managing Under Stress: How the *Best Companies to Work For* Address Staff Reductions

Leslie Caccamese, Manager
Great Place to Work® Institute Inc



Difficult economic situations seem to magnify any existing weakness within an organization and can force employers to take drastic steps to save the business, often through the use of staff reductions. This article will review strategies used by leaders and managers in great workplaces, when faced with impending layoffs. Ensuring that staff reductions occur in a manner that shows respect and care for those directly and indirectly affected by layoffs is critical to keeping any business moving forward during tough economic times.

The *Best Companies to Work For* are not immune to stressful circumstances, however, as these stories and practices will illustrate, leaders in great workplaces are skilled at addressing staff reductions in a manner that maintains and even builds trust with employees.

What sets great workplaces apart in managing staff reductions is not the “benefits” offered to employees who are let go – though the *Best Companies to Work For* generally offer generous severance packages and out placement services. Rather, it is how leaders approach these difficult situations and how information about the process of staff reductions is communicated throughout the organization that makes a difference. When great workplaces cannot avoid layoffs, the reductions are managed in a way that maintains the trust that managers have built with their employees. A review of information we have collected over the years about how leaders in Best Companies approach layoffs points to a number of themes about how they make it through,...

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- Employees in Best Companies trust that layoffs are only being pursued as a last resort
- Employees are kept informed about the business conditions that necessitate the reductions
- Reductions are communicated in a way that is appropriate to the culture or circumstances of that particular workplace
- Details regarding the reductions are communicated to all employees, even those not directly affected

Layoffs Pursued as a Last Resort

The Best Companies to Work For frequently make an explicit commitment to employees that layoffs will only be considered as a last resort option. Saying this regularly and directly helps employees to feel that they are valuable and essential to the success of the organization. Moreover, leaders in great workplaces regularly communicate with employees about what the organization is doing strategically to avert layoffs. For instance, at *TD Industries*, a Construction and Real Estate company in Texas, and #35 on the 2008 100 Best list, when an economic slowdown is anticipated, company leaders assess workforce needs, capacity, and workflow in an attempt to avoid a situation that might necessitate layoffs. A Production Oversight Committee evaluates upcoming projects and may recommend taking on temporary labor instead of hiring for positions that could later need to be eliminated. Additionally, during difficult times *TD Industries* will consider taking projects at little or no margin in order to make an extra effort to avoid layoffs.

Similarly, leaders at *American Fidelity Assurance*, a Financial Services and Insurance firm in Oklahoma, and #24 on the 2008 100 Best list, use careful business planning to anticipate difficult times and use the natural attrition of their workforce as a way to avoid mandatory job eliminations. Layoffs are clearly a last resort for these companies who instead rely on strategic planning and forward thinking to anticipate ways to survive difficult situations with minimal impact to employees. A commitment to work strategically to avoid layoffs and more importantly, clearly **communicating** this commitment, help employees at great workplaces to trust that they are valued and that layoffs will be used only as a last resort.

Understanding Business Conditions

Particularly in difficult times, it is important to address the business conditions and forces at play that may threaten an organization's success. “Maintaining Trust in Difficult Times” by Great Place to Work® Institute Director of Corporate Research, Amy Lyman, offers tips on trust-building behaviors that are particularly relevant during challenging business conditions.

Among those recommendations is “share information broadly and consistently.” Minimizing the potential for gossip and speculation at this time is critically important. Organizations use a variety of mechanisms to communicate business conditions to their employees. At Town Hall meetings or in internal memos a strong, clear commitment to publicly address any and all questions about the health of the business and any staff reduction plans is vital.

Herman Miller, a Michigan-based manufacturer of office furniture, experienced a 40% staff reduction a few years ago as a result of an industry-wide downturn. *Herman Miller*, #96 on the 2008 FORTUNE 100 Best list, has emerged from the crisis not only financially successful but is also experiencing greater employee commitment to the organization. *Herman Miller*, an employee-owned company, consistently conveys to employees that they share both the “risks and rewards” of the business. Generously sharing the rewards of business’ success through employee ownership and an innovative profit sharing program demonstrates that employees are full stakeholders in the business. As owner-employees, everyone is kept abreast of the business climate and made aware of how variances might affect them. Though layoffs may sometimes be unavoidable, an ownership culture has contributed to *Herman Miller’s* ability to weather a severe downturn while maintaining positive employee morale.

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It is not enough to simply state the company’s intention to only pursue layoffs as a last resort. Leaders in the organization must remain committed to openly and honestly communicating about the state of the business in a timely manner, and must assure employees about steps being taken to avoid layoffs.

Culturally Appropriate Communications

When last resort layoffs are pursued, the *Best Companies to Work For* understand the importance of communicating with employees in a way that is consistent with the company’s culture and values.

At *American Fidelity Assurance*, when staff reductions occur, they are first announced to the affected Division by the Division president. This occurs before any company-wide announcements are made. This gives affected employees an opportunity to react, respond, and have their questions directly addressed by the leaders of their Division. Having a “corporate” communication come down to employees when they are accustomed to receiving communications from their Division could cause discomfort and doubt, and leaders at AFA are very sensitive to the impact that news about staff reductions can have on people. The Office of the Chairman has also made a commitment to be responsive before, during, and after any mandatory staff reductions. Each and every question submitted by employees to the Chairman’s Office is addressed head-on. Almost a year after experiencing staff reductions, the Chairman’s Office was still responding to inquiries submitted anonymously via the company’s intranet.

Bad news needs to be communicated to employees in a manner that is consistent with the organization’s culture

At *R. W. Baird*, a Financial Services and Insurance firm and #39 on the 2008 100 Best list, associates directly affected by any changes in staffing are the first to receive news of the changes. The person affected is told in an individual meeting held with their department head and in the presence of HR representatives and other individuals best able to offer support to the affected individual. This approach fits with *Baird’s* culture and is consistent with other communication practices used in the firm.

Sharing Details about the Layoffs

Communicating details about the benefits made available to employees who are being let go ensures that employees who are remaining know that their colleagues are being well cared for. This gesture helps to maintain the trust that exists between management and employees. At *R.W. Baird*, managers and leaders understand the emotional reaction that can be created by a workplace change such as a layoff, and use Town Hall meetings and memos to reinforce that the organization is handling the reductions in a respectful and compassionate manner. In a unique situation a few years ago brought on by the change in a significant business relationship, *Baird* went above and beyond to accommodate displaced employees by offering outsourcing services prior to termination, offering a 50% COBRA reimbursement, fully vesting the 401K of employees with fewer than 5 years of service, offering the full 401K match for the year (even if terminated in the beginning of the calendar year), and contacting local businesses in similar industries to see if they had positions for displaced *Baird* employees. These actions contributed to creating an environment where even those directly impacted by the layoffs worked diligently and in their clients’ best interests until they left the firm. Even more notable is that morale at *Baird* and the company’s standing as one of the 100 Best Companies to Work For remained intact despite this challenge.

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When a bank acquisition resulted in the need to eliminate 112 positions at *Umpqua Bank*, #13 on the 2008 100 Best list, executives committed to showing compassion,

understanding and support for affected associates. Immediately after receiving the news, those who were directly affected by the layoffs were invited to the Career Center to search for jobs, both other positions within the bank and at local companies, and were given a chance to practice their interviewing skills. Sharing with all staff the 99% success rate in placing affected associates in new jobs, including the 33% who were placed in other positions at *Umpqua*, conveyed to all employees the commitment of leaders and managers to respecting and caring for people at *Umpqua*.

Difficult times and challenging situations present every organization with an opportunity to do right by continuing to build and foster trust with employees. Moreover, companies that already experience high-levels of trust between employees and management are better situated to survive challenging times with employee morale intact. While mandatory staff reductions are certainly one of the more stressful situations an organization may need to undergo, layoffs certainly do not preclude an organization from being a great workplace. For companies that already sport strong workplace cultures or are *Best Companies to Work For*, staying focused on employees during these times may be key to continued success.

For those working to build a great workplace, difficult times should not be a deterrent to pursuing measures to enhance the relationship between management and employees. Focusing on your people throughout challenging times may indeed be the key to current and future success.