

Upsizing the Individual in a Downsizing Economy

A People & Culture White Paper

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Summary - maintaining employee morale during a period of downsizing requires that business leaders think through the process of downsizing at a level of detail that goes beyond reducing costs and addresses the needs of the survivors at the outset. It also requires that all practices associated with the downsizing are “felt fair” and that the organisation has a clear strategy for “upsizing” their people before, during and after the downsize event. Finally it is vital that a methodology is in place for tracking employee attitudes and ongoing their engagement to identify when issues are emerging so that immediate remedial action can be taken.

The Current Environment

In the face of a global downturn organisations are bracing themselves for the emotional employee backlash that will arise following a period of sustained downsizing and restructuring. There is a tacit acceptance that employee satisfaction and engagement results will get worse before they get better.

Research has shown that the survivors of downsizing suffer lower morale, lower motivation, and are less prepared to initiate new ideas and participate whole heartedly for the good of the company at a time when, paradoxically, companies need these positive behaviours the most.

At People & Culture we question whether reduced morale and productivity amongst surviving employees has to be the necessary consequence of downsizing. In fact we would go further –our research has shown that if properly managed downsizing can at least maintain and at best, over the long term, can actually increase employee motivation, engagement and organisational performance. The positive outcomes of downsizing can often be more than simply reducing costs:

- It can help to create a de-layered structure accelerating decision making and improving accountability with managers able to take greater responsibility for results.
- It can break down departmental barriers and enhance cross-functional team-working, providing a clearer focus on corporate goals mission and values.
- Lines of communication can become clearer and roles and responsibilities can be clarified.
- Job roles can be broadened and enriched enhancing employees’ future prospects.
- Dead wood can be removed new skills learnt and redundant skills cleared.
- Often the future security of the company is improved which in turn improves the security of those who remain. In fact approached with the right intent it is entirely possible to upsize the individual in a downsizing organisation.

The problem is that downsizing is rarely well managed with the result that the organisation not only fails to achieve these benefits but is often left worse off after a period of downsizing than it was before. In the mid to late 90's following years of re-engineering, restructuring and large scale downsizing a new phrase entered the management lexicon, "survivor syndrome"

Survivor Syndrome

Borrowed from the field of psychological research it describes the reactions and behaviours of people who have survived traumatic events. It is characterised by feelings such as guilt, anger, loss of morale and motivation, the questioning of self worth and general anxiety. In a business context it recognises that the loss of a job is not only financially traumatic for those involved but also emotionally traumatic for those left behind.

Research into the perceived failures of the downsizing approach in the 90's identified a number of problems:

- Redundancy selection methods resulted in the departure of effective and experienced people and the retention of poor performers
- People who wanted to be released were held "captive" and not allowed to go
- The initiators of the change grossly underestimated the post restructure workloads
- The survivors thus experienced large increases in workload without the necessary resources or satisfactory reward.
- After downsizing people were expected to quickly learn new skills but the people with years of experience were no longer there to coach them

The result was that the survivors could not see an end to the process leading to de-motivation, low morale, uncertainty and a lack of trust in the organisation. More worryingly the increased workload and ongoing uncertainty brought heightened stress manifesting itself in large scale increases in sickness, absenteeism and turnover.

When Finnish researchers' tracked 22,000 municipal workers aged 19-62 during and after a nationwide recession, those who survived layoffs were 5 times more likely to die from heart disease or stroke in the 3-4 years after the cuts than those whose workplaces were not impacted by downsizing.

The learning from the 90's and the Finnish experience is that there is an overall lack of tools and techniques for guiding managers through the process of downsizing consequently managers systematically fail to consider the impact of changed circumstances on the needs of the survivors:

- The requirement to take on a range of responsibilities for which they have no formal training or practical experience and the danger therefore of being exposed to a greater risk of failure
- The tendency for employees with specialist knowledge to be reluctant to train others in case their own positions come under threat
- The emotional impact of losing colleagues and work friends and feeling guilt for keeping a job
- The potential for high workloads and the impact on work life balance
- The destruction of formal and informal networks and having to find new ways to get things done
- The loss of morale and a feeling of being let down even betrayed

The published research shows that managing survivors does not start with the downsizing event, but much earlier. “Survivor syndrome” arises because managers fail to take account of the needs of the survivors during and after the period of downsizing:

- The downsizing strategy is often ill thought through with a greater emphasis on action without the required amount of reflection. The objectives and the scope of the downsizing exercise are not thought through beyond the basic economic cost savings.
- Little or no attempts are made to foresee and handle the needs of the survivors
- Outplacement is often provided for those leaving the organisation yet little thought is given to improving the career management strategies of the survivors.

In addition the downsizing process is itself can be needlessly traumatic. Ethnographic and longitudinal studies of survivor syndrome have shown that the way in which the layoff was conducted will have a significant impact on the degree to which the syndrome is experienced. Central to this is the notion of organisational justice the perceived fairness with which people were treated, how victims were compensated and or taken care of, how the layoff was communicated, the length of time taken, and the commitment shown to the surviving employees.

Perceived fairness can have either an accelerating or a mitigating effect on survivor syndrome. Our own recent research has shown that:

- If the survivor was highly committed to the organisation prior to downsizing and perceived the downsizing to be fair, he or she would be strongly committed to the organisation after the downsizing.
- If the survivor was highly committed to the organisation prior to the downsizing and had a negative perception of the fairness of downsizing then their post downsizing commitment would be significantly lower than those who were less committed prior to the downsizing.

A New Psychological Contract

From the moment downsizing is announced the psychological contract between the employee and the organisation changes with new working practices, structures and processes and a new less stable contract emerges. In many downsizing exercises this change in contract is ignored and the new unstable contract becomes a source of uncertainty and stress. Yet this change in the psychological contract provides a significant opportunity to reframe the employee relationship in a new pragmatic way that is of benefit to both employer and survivor. It requires:

- Positive and visible leadership helping employees make the transition
- Open honest two way communication
- A clear plan for “upsizing” the survivors through the acquisition of new skills and knowledge
- The application of outplacement techniques not just for those departing but also for those staying behind to enable them to better align career path mapping with personal interests
- A recognition of the emotional upset and the provision of help and counselling where it is needed with support and assistance in establishing self help and discussion groups
- The use of new networking technologies to enable employees to quickly rebuild networks and establish communities of practice
- Support for dealing with stress and overwork
- Ongoing measurement and understanding of employee attitudes

This reframing can only occur if the organisation provides the tools to accelerate the transition and the employee approaches these tools with the right attitude:

- A willingness and ability to developing new competencies, relationships and flexibility under changed circumstances
- A desire to create opportunities out of challenges
- A recognition of the value of psychic income (satisfaction, excitement, pleasure a sense of community and achievement)

Maintaining employee morale during a period of downsizing requires that business leaders think through the process of downsizing at a level of detail that goes beyond reducing costs and addresses the needs of the survivors at the outset. It also requires that all practices associated with the downsizing are “felt fair” and that the organisation has a clear strategy for “upsizing” their people before, during and after the downsize event. Finally it is vital that a methodology is in place for tracking employee attitudes and ongoing their engagement to identify when issues are emerging so that immediate remedial action can be taken.