

THE DARK ART OF LAYING PEOPLE OFF

Sadly, for the foreseeable future, we are likely to experience a daily ritual of layoffs, job losses, and company closings. It is the nature of recession; it is a consequence of Wall Street and Washington, and collateral damage caused by the corporate triangle of greed, stupidity, and arrogance. One wishes this topic of economic destruction could be described as an unintended consequence of rationale business or government decision making. But, most of the players in this drama—who had any responsibility—will look you straight in the eye and tell you that these are the consequences of a dynamic, capitalistic, and free economy. This is said, of course, as they depart into the sunset with their platinum parachutes. Hopefully, some will make a stop behind bars along the way.

COMMUNICATION HOLDS THE ORGANIZATION TOGETHER

The Watson Wyatt 2008 Crisis Communication Study* shows that more and more managers are “getting it” about the need for intensive employee communication before, during, and after major recession-related corporate disruptions.

The Arlington, Va.-based global consulting firm, [Watson Wyatt Worldwide Inc.](#), surveyed nearly 100 employers in December 2008.

Their survey says that 77 percent of bosses have already or are planning to send out crisis-related internal communication about the impact of the financial downturn.

More than two-thirds (69 percent) of those employers cited easing employee anxiety as the top goal of doing so. Nearly one third (32 percent) said earning employees' trust was the goal behind the communication.

According to employers, job security, company performance and solvency top employees' woes.

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And while 80 percent of employers who are communicating about the financial crisis already sent messages to employees about company performance and solvency, only 38 percent have talked about job security.

Of the companies that have already started to communicate with their employees, 91 percent say that the messages are being delivered by senior management, while 59 percent say the messenger comes from human resources.

“Communication can be a powerful tool in these troubled times, especially when supported by different levels of management,” said Kathryn Yates, global director of communication consulting at Watson Wyatt, in a statement. “But it’s important to keep the specific business context in mind and constantly monitor the effectiveness of the messaging.”

The most popular delivery tools are: town hall meetings, staff meetings and/or other face-to-face discussions; e-mail; the company intranet; and social media.

Of those who have already started to send messages to workers about the impact of the crisis, 62 percent plan to incorporate their messaging into their ongoing communication strategy for an indefinite period.

[Ragan Communications, Inc.](#), based in Chicago, Illinois, reports that many CEOs and senior executives are experimenting with blogging. These approaches are being tried to create real time, ongoing conversations about the status of their business and business decision making. The goal is to help control employee discomfort and uncertainty, and establish a place where management can directly acknowledge and discuss employee concerns, questions, and fears.

Here is how these unintended consequences arrive at my desk:

The telephone rings. The individual on the other end of the line, who I have probably never met, says something complimentary about my reputation in crisis and then asks if I could share some of the “best practices” in shutdowns, layoffs, or other drastic moves that will affect many, many people in incredibly negative ways. My reaction usually begins with a question . . . “How do you take someone’s job, livelihood, or future away well?”

I have been engaged in this work for three decades. I have yet to see how there can be best practices in such devastating endeavors. There are, however, patterns of behavior—on the part of those who must make the cuts as well as those who must take the cuts—that are worth reflecting on and planning for if cut, reduce, downsize, or capsize you must.

First and foremost, management needs to be told about and recognize the devastating nature of what it is about to do. Among the personal tragedies that are lifelong, usually evidenced by daily remembrance and reliving, is the involuntary loss of a job. If you have never involuntarily lost a job, it is almost impossible to understand the personal trauma this circumstance causes for people at all levels of work, whether it is the person who sweeps out the shipping room, the individual who signed yesterday’s pay checks, or the executive who led the

organization and received a platinum parachute. Being fired is being assaulted. It is a powerfully negative, permanently life altering experience.

One of the great problems, of course, is that managers (especially in modern day management schools) are trained to ignore highly emotional circumstances. Modern management teaches to avoid, disparage, discredit, or denigrate emotional responses and emotional behavior. Yet we know that laying people off unleashes an extraordinary amount of mostly negative human emotion. Those released become victims.

I was fired from a consulting assignment once in my career. It involved working with a new CEO who unexpectedly took over the company. (The old CEO decided to retire.) I had been to a couple of meetings with the new CEO, but beyond that had contact only by telephone. Out of the blue on a Friday afternoon, the CEO sent me an e-mail asking me to prepare an announcement that the company was laying off 700 or more people that following Monday.

As I thought about it, the company was growing incredibly fast and had about 400 to 500 job openings, so I wrote an e-mail to this new CEO making some suggestions about how he might rethink the layoff by transferring many of these people to vacant positions the company had at the time.

Sunday afternoon, I received the CEO's five-word reply: "You are not on my team." Translation . . . "You're fired." Actually, it was my own fault. I should have known better. I had been through this before. He was hired, not to build a company like his predecessor, but to prepare the company for sale, which was happening to a lot of high-tech companies at that time. Someone else wrote the release and, indeed, a huge number of employees were fired the following week. As it turns out, unexpectedly, I was among them.

WE TAKE JOBS AWAY BADLY

Layoffs are one of the most poorly executed, badly understood, overoptimistically anticipated, and totally devastating acts of management. I liken the process to cutting meat with a blunt instrument as opposed to a surgeon's blade or knife.

Here is what we know. Whether you layoff 15, 1,500, or 15,000, those running the company never know what the impact of a layoff is going to be (regardless of their optimistic comments to the contrary in public) and how the company is going to run once those people laid off walk out of the door. Since those who make these decisions rarely have a total grasp of those who run and work in the company every day, enormous numbers of mistakes are made or will begin occurring shortly. No one prepares for this.

The other interesting insight about the layoff process is that there are almost always at least three steps to every layoff. The first or gross step is to reach the number that some consultant (a number cruncher) probably came up with to help the boss protect his or her bonus, get a bump out of Wall Street, and get to an operating number the Board and management feel is a useful target. Then the chaos begins. Key people, knowledge, and the corporate memory are lost (and not generally volunteered back again if needed). Clearly, after a brief period of time, maybe as

short as a week, management realizes that some things are really going to be out of whack because of how their actions were undertaken and executed.

Inevitably, the need for a second phase emerges:

1. Additional cuts will need to be made to achieve certain economies, efficiencies, or other business targets, even with this large and initial cut.
2. Some key positions that were eliminated will need to be reinstated (perhaps temporarily) to get through the chaos, which means hiring new people if we can't re-attract those we laid off.

Some years ago, while working for a very large paper company, I attended a meeting where I was informed that, with two exceptions, the entire public affairs department had been let go the preceding day. The CEO, apparently looking at some numbers and asking questions about who did what that mattered, decided that this was one category of employee who could safely be removed. The company operated quite a number of facilities around the United States and in other countries.

While I had been brought in to begin a coaching assignment, I was instead ushered into a meeting of operating managers who were quite agitated. It seems that at any given time about 20 percent of this company's mills and operations were in some sort of public permitting process in localities across the United States and elsewhere. One hundred percent of these mills had angry neighbors, politicians, and critics. These activities would now be taken on by the facility managers since the local public affairs employees had been given their walking papers.

On another front, the company had a major event it was sponsoring in Washington, D.C. for members of Congress, senior administration officials, and the military. The company had no plants in Washington, and no employees there except for the public affairs office, which had closed the previous day. After I walked into the room, I was asked, "What do you suggest?" I responded immediately, "You better ask the boss which he wants you to do today and tomorrow—run the mills and plants you are in charge of, or plan to attend public hearings and give testimony, on your own behalf, before various public bodies. And I can recommend a good party planner in Washington." Rather than to belabor the story, just recognize that the CEO had to reach out, himself, to more than half of these public affairs people and personally ask them to return to work for the company, offering significant pay increases and job latitude as a consequence. In three cases, the CEO was asked to provide a letter assuring that these individuals would have their jobs until they decided to retire rather than when any successor to this particular CEO decided to take a similar future action.

Imagine the enormous stress placed on an organization when, after the first major layoff occurs, there is unexpected announcement that another layoff is in the works. At the same time, a variety of job postings occur for vacancies caused by the mistakes made during the first layoff.

Ironically and tragically, in most layoffs there is also a third phase. This is the tune-up phase where, after a month or two (or sooner), management begins to recognize what its

previous two actions have triggered. There are specific individuals or functions that need to be eliminated or reinstated. Also done in this third and, more or less, final or more surgical cut is an even more surgical cut. By this time, the entire employee base is in shock and is having great difficulty understanding what their futures are. With every layoff, the credibility of management's word declines precipitously and stays very low for some time, because the company is also hiring, again.

Management Checklist of Things to Think About

- Leaks will happen if the company has decided to lay off employees, but is waiting to announce the news. Announce decisions faster.
- The announcement:
 - How humane will it be?
 - It should answer who, what, when, where, and why.
 - It should also answer: What will happen to employees? Are there packages? What is the company doing to help them deal with the devastation?
- Prepare a statement for those who call—like the media—rather than to make a formal press announcement. Internal audiences deserve hearing first.
- Update the company Web site for employees.
- Prepare for other employee cuts. Once a company makes a first round of cuts and reorganizes, the company realizes it must make more cuts. It's a pattern. Think of this action as Phase One, even though you can't say it.
- Prepare answers to the questions that you will be asked (include the Q&A on company Web site):
 - Why is this number of people being let go? What's the rationale?
 - How long have you known about the layoff (before telling employees)?
 - Was there any cross training that you could have done for employees that would move them to vacant positions rather than to fire them?
 - How many more layoffs will you go through? (The media and employees are smart. They know the pattern.)
 - Can you predict a time when people might be hired back into the company? Will the size of the workforce ever get back to what it was?
 - Will someone in management get a bonus for this layoff? How much?
 - If there are unions involved: What is the proportion of management being laid off versus represented employees?
 - Did the company look at other options before deciding to layoff employees?

PREPARE TO ANSWER EVERY QUESTION

Layoffs are extraordinarily complicated transactions. The more complicated a transaction is the more communications that are required directly, on a face-to-face basis, and indirectly, to those indirectly affected. In most layoff, reduction in force, shutdown, and restructuring

scenarios management seems to wait until the questions arise before beginning to prepare to answer them. The problem, of course, is that once the questions begin to rush in, it is impossible for management to keep up, and they end up looking even more sinister and callous.

Questions surrounding layoffs are absolutely and almost totally predictable. Prepare a special Web site or Web page on your existing site—and I am talking about a public site as opposed to an intranet—where the questions you know employees are going to ask are answered and made available coincidentally with the initial layoff announcements. These questions and answers help settle people down, help them focus on moving ahead with their lives, and reduce the uncertainty, fear, and doubt that comes with this corporate exercise. If you want calm, answer the questions.

There are rules for successfully placing answers on Web sites:

1. All answers should be 75 to 150 words. (This is about 30 to 60 seconds speaking time.)

Script everyone. Seventy-five words will be remembered and repeated, almost verbatim. Strive to be positive, sensible, sensitive, and constructive.

2. Expect three kinds of questions.
 - Killers: They humiliate, agitate, anger, and embarrass.
 - QYWLTRTIOSWAY (Questions you would love to respond to if only someone would ask you): Answer the questions people should be asking, too.
 - Google: Search the Web constantly. Your company is there, and so are the questions. Respond on your own Web site.
3. Questions employees should be asking need to be included in the early stages of answering questions. Management often operates from the mistaken notion that if only a small amount of information is released to people, then it will only be subject to people asking questions for a limited amount of additional information.

Watch Your Language

Say what you really mean:

- Keep the communication local in scope. Keep the rationale and message points local—in the company's town with employees, neighbors, families, and friends.
- Use positive, declarative, and constructive language. Avoid negative language; it is confusing and almost always wrong.
- Leadership should get out there and talk (face-to-face), stay late, and show humanity.
- For the survivors: Talk about care of those who are gone, in the context of the future of the company. Talk about the size of the workforce being affected by changing circumstances, now and for the foreseeable future.

The problem with this strategy, of course, is that employees don't ask questions during these time frames, they ask their neighbors and the people around them. Together these individuals, who are uninformed and out of the loop, make up information and convince others that what they have made up is the truth. The information is usually wrong, damaging, and slows things down. On top of all that, management gets blamed because of its failure to take the simplest step possible—to answer all the questions that people might be asking at the earliest possible time.

NOW COME THE ATTORNEYS

Now I know you are going to hear some pushback from attorneys on this circumstance. Such a strategy might cause lawsuits. The newsflash is that lawsuits will be filed anyway, and you are going to have to hire more lawyers to handle these lawsuits. Today, the decision to fire, terminate, or reduce in force causes a very large litigation risk. The legal department should scale up its resources to handle the onslaught of litigation rather than trying to prevent lawsuits from happening. It is the prevention activity of the legal department that often inhibits effective information dissemination and, actually, can trigger litigation. In all situations of contention, answering questions in positive, declarative language is one of the most powerful detoxification and contention reducing strategies for virtually any business or organizational circumstance. Failure to answer the questions is the most toxic strategy. It creates more victims than are necessary and more permanent bad news, ill will, and threats to management's overall success.

AVOID THE STUPID STUFF

Try to avoid corporate stupidity. You will recall that when AIG (the American International Group), the world's largest insurer, was bailed out by our federal government with more than one hundred billion dollars, one of the first things the company did was to begin holding large meetings in fancy hotels and resorts around the United States and in various parts of the world. These events immediately became news because of the company's callousness, wastefulness, and layoff of several thousand employees. The Wall Street attitude is that wherever the money comes from, "we will use it anyway we please". But wait, the silly stuff is about to begin all over again with the announcement of AIG's corporate executive bonuses.

The Truisms of Layoffs

1. Being laid off is a personally decimating experience. It is a circumstance that may be relived and revisited almost every day for the rest of a person's life.
2. Management is largely guessing as they put plans together for cuts and reductions. There really is no way to truly understand how the organization will work out until those who are cut have left and the holes, mistakes, miscalculations, and personal enmity becomes visible.
3. Good people leave for their own reasons. Even if those reasons have little to do with the layoff, the decision to layoff will be blamed.

4. All questions get answered by someone. If not the boss or someone in authority, others will step forward to make things up. Officially answering all of the questions at the earliest possible time, even before people ask them, is among the most powerfully calming influences management can have during these turbulent times.
5. Even the most thoughtful plans break down during execution into at least three different phases: stumble, fumble, and mumble (and sometimes a fourth phase: bumble).
6. Predict trouble, questions, and mistakes. Failure of management to predict the predictable will cause serious and unnecessary additional pain.
7. Avoid the typical chest beating rhetoric of management and the demeaning vocabulary of the exercise, words such as “redundancy,” “surplus,” and “cost containment.” This type of language is leadership talking to its peers rather than its victims. Warning: If you do this, victims will win and cause great pain in the end.

BE HUMANE

In the next exhibit, you will see an employee letter, based on a real one. The contents of this letter illustrate what I am talking about when I advise clients to be humane. First, look at the entire circumstance from the perspective of the employees being laid off; then second, from the perspective of those who survive and remain; and then third, ask the toughest question of all how: “How can we keep everyone calm and move through this process as rationally and compassionately as possible?”

Sample Employee Update Letter / E-Mail to Employees

To: All Employees
From: President / CEO
Subject: Important Business Update

Hello everyone:

Communicating openly with you is an important value and one I take very seriously in good and bad times. I am committed to quickly communicating with you about any changes in the business.

As you already know, we are feeling the affects of the continued economic downturn, the decline in consumer spending, and the delay in factory orders.

The key decisions we made and communicated with you at the last Employee Meeting were:

- Focus on ramping the factory, pilot projects, and partnerships in 2009.
- Ensure that we deliver an exciting new commercial product in 2010. Our new schedule and our new focus mean that we must adjust our resource plan and align our cost structure.

Our strategy is to make our cash last through 2010 and beyond, while ensuring that priority deliverables are completed and our commercial product is successful.

As we assess all of this, including the cost reduction activities that we implemented in November, including travel restrictions, it is very clear that we need to make additional operation expense reductions.

My staff and I worked over the holidays to reduce the budget in our 2009 and 2010 business plan by about 20%. Each organization is reducing its budget through various actions specific to each department. Examples of some of the cutbacks include:

1. Reductions in program dollars
2. Eliminating contractors
3. Slowing down some capital equipment purchases
4. Delaying some facility costs
5. A temporary operation shut down
6. Layoffs of about 15% of our workforce to be conducted in ___ location and ___ location over the next month or so

This decision is personally devastating to me. We have worked hard to recruit and hire a wonderfully talented and experienced team of professionals.

The timetable for these actions is:

- January 7th: Notification in ___ location of affected areas
- January 7th: Notification in ___ location of affected employees
- January 8th: Employee Meeting
- January 8th: Start of consultation with employee representatives in ___ location
- February 10th: ___ location notifications completed

Please believe that I am truly sorry for having to take these difficult actions and for the hardship that this will cause many of you.

For those adversely affected by these decisions, I am determined to provide the crucial assistance necessary for a successful transition to new opportunities. The transition assistance to be provided includes:

1. Preference for new, applicable positions when open
2. Contact with these recruiters: _____, _____, and _____
3. Outplacement services and one-on-one coaching; outreach for positions
4. Introduction to management career network and contacts for future opportunities
5. References and referrals
6. Extension of benefits and severance package

Now you must have questions and concerns. Please send them to me and I will promptly post them and my responses on X link.

Today, I am going to initiate a special blog where we can have a conversation that everyone can see and participate in as we work through these crucial changes together.

We will do everything we can to make these necessary decisions and changes as comfortable as we can under the circumstances.

Best regards,

The lesson for all companies is that moderation and extreme transparency are the rules following layoffs, whether taking public money or not. Large meetings may truly be necessary, but they should be done in austere, often more public settings. Rent a school building on the weekend and use the cafeteria. Meet in your own facilities and bring in box lunches.

One thing has changed very noticeably this year, and it is happening rapidly. Everyone is now a journalist. Everyone who wants to is capable of reporting and promptly delivering to the news media information about what companies are doing. Legacy media, including CNN (the leader), now have Web sites for the general public to share information (CNN has iReport.com). People can upload video, audio, and documents that are used daily in CNN broadcasts. The darker a company behaves, the more quickly it will be exposed on the Web, or in old and new media.

What does the future hold? More change is ahead. Response strategies can be more easily controlled by victims. In this scenario, past and threatened employees come together via a Web-based group to talk amongst themselves about the company, its leaders, their bosses, and the inevitable problems these individuals faced or are facing. It remains to be seen whether this emerging development will change a process that seems so inevitably mismanaged by leaders and organizations. Even the most humane organizations and leaders will be criticized by some.

One thing is for sure. In the next year or two we are going to get a lot of practice at saying goodbye to people. Maybe we could actually get good at this Dark Art with enough practice and humanity.

(For more information on this subject, contact the author by e-mail at tlg@e911.com or explore his Web site at www.e911.com.)