

## Key Steps In Effective Layoffs

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Few firms really know how to do layoffs right, and unfortunately, there really aren't any "how-to" books or seminars on layoffs. But taking the right actions couldn't be more crucial during this sensitive process, and as a layoff strategist, I recommend a structured approach to ensure this happens.

If you're in the unfortunate position of having to do a layoff, here are some of the key steps you need to take.

### **1. Layoff planning and strategy**

The first step in doing layoffs is to become an in on how to do them well. The secret is to be scientific and disciplined. Remember: peoples' lives and a company's survival are involved, making it that much more important that you do not take a "learn as you go" approach.

In the planning and strategy phase, your company will need to:

- Identify the common problems that can occur during layoffs
- If you don't already have one, develop a comprehensive workforce plan that includes supply and demand forecasts, "headcount fat" smoke detectors, redeployment and layoff elements
- Do research and benchmarking in order to identify the characteristics and critical success factors of a successful layoff. Become an expert in workforce planning and layoffs by reading, utilizing consultants, and benchmarking. It's crucial to know when and why layoffs work, as well as why they often fail
- Where possible, study the results of previous company layoffs. Identify the key individuals involved and seek their counsel and advice. Seek out and talk to both "survivors" and laid-off individuals to get their reaction on what worked and what didn't.
- If it has not already been done, set the company's business objectives for the next 24 months. Then identify where and how layoffs can contribute to those goals. Sales, product development, market and economic growth, competitor actions and demand forecasts need to be updated.
- Overall business unit needs must be identified, including which businesses require a low-cost structure in order to be profitable
- Establish any needed procedures for laying off your international personnel in accordance with local laws and cultures
- Alternatives to layoffs must be evaluated and utilized. (Common strategies include:

executive pay cuts, across-the-board pay cuts, voluntary or forced use of vacation, partial or total hiring freezes, voluntary separations, reduced hours, etc.)

- Get overall "go ahead" approval from the CEO, especially since even beginning layoff discussions can have negative business and morale impacts
- Identify the proposed goals of the layoff process. Typical goals include cost reduction in targeted areas, and eliminating poor performers and people with skills that are no longer needed. This is generally done in conjunction with the CFO.
- Identify the amount you need to save
- Narrow down the range of layoffs options and the advantages and disadvantages of each. Present them to top management and let them cull down the list to just two.
- Conduct an extensive cost/benefit analysis of the two options and present them to senior management for final approval.
- Involve the CFO early in the process. Utilize their financial acumen and knowledge of cost accounting to help in identifying key cost and "leading indicator" ratios that let them know when the company is getting even a little "fat." Metrics and performance standards must be developed to insure that managers continually maintain a lean workforce.
- Set the final goals for the layoff process.
- Develop a rough written layoff plan and have it evaluated by outside experts.
- Set the budget for the layoff process. Include costs for outplacement, counseling, extended benefits, severance packages, consultant and legal advice, closing facilities, retraining and redeployment. Costs are almost always underestimated, so over-budget by at least 20%.

One of the primary reasons layoffs fail is that the company becomes distracted, and thus there is a tendency to take its attention away from customers. As a result it is necessary to develop a separate plan to keep business units and managers focused on the needs of your customers. Develop metrics and systems to monitor customer satisfaction during and immediately after the layoff process. Often it is necessary to personally visit key customers in order to reassure them. As early as possible (often before layoffs are even considered), your company should also notify managers and employees what criteria will be used if there should be a layoff. This provides them with an opportunity to build up their skills and performance.

## **2. Who should be involved?**

To determine which personnel should ultimately be involved in the execution of the layoff plan, start by developing an initial layoff planning team.

- Keep it small, but be sure to include representatives of the CFO's office, HR, the corporate attorney, and the senior managers whose departments are being affected. It is highly important that line management "own" the layoff process.

- Select a senior manager to become a layoff expert. Their role is to manage the process and to educate others on how to do effective layoffs.
- If there's a union involved, bring their leadership into the process at an early stage. Educate the union leadership on the business issues and the critical success factors for layoffs. Identify the legal requirements related to unions and layoffs.

It is essential that layoffs are done and "owned" by individual line managers. Otherwise they will blame everyone else if the layoffs fail.

### **3. When should it be done?**

Setting a target date for the layoffs is an important step. Whenever possible, avoid key business peaks, major holidays, and vacation periods (both because of the inconvenience and the potential negative PR issues). Most effective layoff processes are completed within 60 days.

Unfortunately there are no "good" layoff days, but experience generally tells us that doing them early in the week is preferable so that laid-off employees can begin their job search immediately don't have to languish over a long weekend.

### **4. Before the layoff process begins**

Before layoffs begin and redeployment plans are executed, a few crucial steps need to be taken:

- Develop violence and suicide prevention guidelines, as well as dispute resolution and anonymous feedback systems, to handle issues that arise before, during, and after the layoffs
- Identify both the national (WARN) and the local legal requirements for layoff notification and layoff processes
- Develop a process for escorting out laid-off employees that both protects the firm but also allows individuals to maintain their dignity and say their goodbyes
- Develop tools for maintaining morale during and after the layoff process. These include frequent meetings, layoff related web pages, counseling, telephone hot lines, additional training and even project completion or "stay on" rewards
- Determine the appropriate severance pay, benefits, outsourcing assistance and other things to be given to those laid off
- Develop a list of "prohibited or discouraged practices" for managers in order to prevent them from playing favorites
- Determine the appropriate manager-to-employee ratio that should be maintained after the layoff

### **5. Setting the layoff criteria**

The best way to start setting criteria for making layoff decisions is to develop multiple systems for ranking and rating employees. Begin with the understanding that most assessment systems are weak (which is why the secret to success is multiple assessments). Start with forced ranking, but be sure to include additional assessment systems in order to triangulate and avoid outrageous

errors (additional assessment tools might include traditional performance appraisal, employee self rankings, team rankings, customer ratings, output data, 360 degree evaluations, outside consultant assessments, other manager's assessments, assessment center ratings, training scores, simulations and skill assessments, etc.)

To get the evaluation process going:

- Identify the essential skills the company will need for the immediate future (in order to identify individuals with those skills, to develop any people that are capable of quickly developing the skills we need, and to drop those without the essential skills). Also identify the key skills that are hard to replace.
- Identify the key individuals that are either hard to replace or that would adversely impact the company if they left and began working for a direct competitor
- Identify the top performers the company needs to keep using multiple criteria and forced ranking
- Identify the top performers who are currently in "excess" jobs and who can easily be retrained or redeployed
- Identify areas where technology has a higher ROI than people, so that technology can be used not just to replace people but also to increase productivity
- Identify the high cost areas and any non-essential divisions or job classifications where layoffs can be focused (and at the same time identify those that should be protected)
- Identify (or reassess) which jobs require highly experienced and skilled talent (which is generally also expensive) and which jobs can operate with inexperienced talent
- Identify jobs or departments that can be effectively outsourced or eliminated altogether
- Identify bottom performers
- Set the final criteria for selecting which jobs, skills, and individuals are needed (or not needed) by the firm
- Identify potential diversity and adverse impact areas and concerns

## **6. The layoff process itself**

This is the most difficult part, and the steps here are crucial:

- Identify the estimated number of individuals that need to be laid off in order to meet your cost goals
- Begin the ranking and employee selection process. Try to do it within a two-week period
- Do a rough calculation to insure that the number of people selected will result in the

targeted cost savings

- Have HR identify (and train) the individuals on their staff who will monitor the process, answer questions, and advise managers
- Set up communications and information-gathering systems to identify employee concerns, answer their questions, and squelch rumors
- Develop a PR strategy for externally communicating the layoffs
- Train managers in the process, including the right and wrong ways to select employees and to communicate their termination
- Identify managers who will be let go and identify their replacements (generally, managers are the first to be let go)
- Evaluate, select and hire the necessary vendors (outplacement, relocation and counseling)
- Develop a process for notifying individuals of their fate (both those being layoffs and those being retained)
- Develop an information packet for the individuals being laid off. Include in it frequently asked questions and answers, key contact individuals and help resources. Also included information for any help that may be available to family members.
- Identify individuals and groups that, although selected fairly, will feel an adverse impact. Identify probabilities and risks with the help of HR.
- Whenever possible, give managers a range of choices on how each reduces costs and increases productivity
- Identify individuals who may be at risk of resorting to workplace violence. Develop a plan to mitigate any potential violence (or the fear of violence).
- Have HR explain outplacement, benefits continuation and career counseling options
- Have onsite counseling and security available on "layoff days"
- During the actual notification interview, be sure that that managers don't "over explain" or prolong the interview.
- Develop a process for notifying individuals who are offsite
- After notifying individuals employees, be sure to collect security badges and develop a process for collecting outstanding equipment they might have outside the office

On "the day after," it's essential that managers hold meetings with the survivors to identify issues and answer questions. It is also important that they be given new goals and assignments so that they can get back to work right away.

## 6. Additional factors

A few additional concerns to keep in mind, and the steps needed to address them:

- Identify a blocking strategy to prevent competitors from poaching your top talent during turbulent times
- Identify who, among your key talent "keepers," is at risk of leaving and develop retention strategies for them
- Identify "flexible staffing" options that in the future will allow you to rapidly reduce our workforce without the need for layoffs
- Develop effective productivity improvement tools and train managers on how to use them (in order to avoid most or all layoffs in the future)
- Develop "smoke detectors" to help identify and forecast "headcount fat," so that in the future, mass layoffs can be prevented
- Identify areas where increased hiring will be needed, even while you simultaneously layoff workers in other areas
- Develop effective metrics and reward systems (for the future) that recognize and reward managers for high productivity, avoiding layoffs, and low headcount fat
- Train individual managers to exercise restraint in hiring and to make it an ongoing process to "let go" their weak performers and excess staff
- Develop effective, just-in-time (JIT) recruiting and hiring systems that can be put into action just in case head count becomes too lean because too many people were laid off. (It turns out it's cheaper and more effective to run lean and hire rapidly then it is to carry excess employees over a long period of time)
- Update the overall workforce plan periodically (of which layoffs are just a single element) in order to ensure that human capital is effectively managed. After the layoffs, make workforce planning an ongoing process that continually removes the deadwood (bottom 5%.)
- Anticipate the reaction of direct competitors (both product and talent competitors) and develop strategies to counter their moves. (Often, competitors see layoffs as an indication of weakness and will see them as an opportunity to exploit your company.)
- Identify the things that employees will "stop doing" or will do at lower quality after the layoffs (because they are a low priority and there will be less people around to do them)
- Conduct an extensive "postmortem" on the layoff process. Identify successes and failures in the event that future layoffs are necessary

## 7. "Don'ts"

Last but not least, here are just a few of things that you need to avoid during the layoff process. Don't:

- Allow managers or the CFO to randomly pick a target layoff number (10%) without any metrics or logic, because that taints the process, causing it to lose credibility
- Allow employees to voluntarily select themselves for layoff (which will result in the early departure of top performers)
- Allow laid-off people to "stay around" for weeks or even months after being identified
- Protect all managers from layoffs
- Protect a disproportionate number of people at corporate headquarters
- Allow managers to cut only costs (travel and paperclips) and protect all of their people (dooming the survivors to failure)
- Layoff all of the HR people who are now experts in layoffs

And finally, don't fail to "write up" the lessons learned from the layoff process, so that successes are remembered and mistakes avoided!

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