

Finding the ups in corporate downsizing

By IRYNA REIM

I was washing my hands in the ladies bathroom when one of my workshop participants came in and said "I can't do this right now" and burst into tears, huge sobs. Three days ago she had been let go from her job of eight years, and had been booked into a 'Work Search Workshop' that I happened to be teaching at the time. She had two young children and was going through separation proceedings at the same time. The workshop was too early. She was in shock and not in a state of mind to benefit from it. She needed access to other support mechanisms that would get her to a point where she was able to mentally and emotionally cope with what was happening and then and only then begin the healing and rebuilding process.

Jennifer had been with the same organization for more than 25 years. A long solid career behind her, she had spent the past number of years successfully building a new business line for the organization.

The organization had just appointed a vice-president to head up the business. She was no longer needed and at her level the organization did not have another suitable position for her.

Yesterday, she was 'walked out the door', or downsized. Her colleagues though wanting to reach out, didn't call her because they didn't know what to say. The place that she had found safety and a sense of community for the past couple of decades had in a manner of a few hours vanished.

Warren had been with the organization for longer than he cared to remember. He had successfully held numerous senior positions, but found himself at a point of being tired of playing the political games. The organization had downsized repeatedly resulting in stress levels going through the ceiling. People were burning out and he did not want to be one of these statistics. Warren had also started thinking about other opportunities earlier in his career should the blessed opportunity come that he could take a package and move on to a more healthy and meaningful life. That day came. He left. And he never looked back.

These are just a few stories of people that have been impacted by downsizing, rightsizing, restructuring, whatever term you choose to use. For some it's a welcome opportunity, for others it can be a devastating life event. Depending on individual circumstance, each person will experience it differently. But with all this, there are some important questions that need to be asked.

Why do firms downsize?

In the 1980s, the largest layoffs were by companies that were in financial trouble either through competition brought on by globalization or reduced product demand due to new competing products. In the 1990s a new phenomena began to appear.



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Fiorella Callochcia

Healthy profitable organizations began using downsizing as a way to boost bottom line results and gain quick profits to retain and attract shareholders and sustain market value.

What adds salt to the wound is when executives like the infamous Robert Allen of A & E continued to reap multimillion-dollar compensation packages while the organization downsizes and struggles to remain viable. John Dalla Costa in his book 'The Ethical Imperative' suggests that organizations Runcouple compensation from job cuts (or related market results) and instead link rewards to measures of internal (employee) trust and external (customer) confidence.

What's Corporate Responsibility?

Organizations have the opportunity to either contribute to the economic and social systems at large, do damage or something in between. In addition, leaders need to look beyond the business needs and recognize how they impact both the business and social norms of corporate behavior that in turn contributes to long term sustainability and well-being both at home and abroad. An article by Irene Aylor in the April 2003 issue of LEXPER describes what this

looks like when leaders internalize this responsibility. Deborah Alexander, executive vice-president and general counsel and secretary, Bank of Nova Scotia, describes her most memorable achievement in a key role she played during the bank's sale of its subsidiary, Quilmes SA in Argentina. It wasn't the numbers that made it memorable but rather the fact that instead of just winding down the subsidiary and putting a lot of loyal employees out of work in difficult economic times, they were able to negotiate a deal with two buyers to continue the bulk of the operations and retain the majority of the employees.

Societal impact

When organizations take a narrow short-term approach to profitability, focusing on immediate results, immediate executive gratification, they forfeit the long-term sustainability of both organizations and the social systems it impacts. Put simply, when shareholders, boards of directors and executives narrowly focus only on next quarter's results and quick profits to impress shareholders, employees and other social systems will follow suit as a matter of survival. A lack of regard for people becomes simply another means to an end. The precedent becomes that survival depends on how much you can get right now. Dalla Costa describes it as 'greed being normalized'. Greed becomes the name of the game and healthy accountable and responsible competition is forfeit. This is a paradox in itself that massive short term gains can not be sustained over a long period of time. The 'dot com' industry is just such an example. Fortunes were built overnight and just as quickly were lost. Downsizing customer service functions in a service industry may quickly boost the bottom line but over the long term when they are unable to meet client's needs and lose them in the process, the cost to regain these clients is far more significant than the initial returns.

The New Reality

Organizations are experiencing unprecedented levels of change driven by globalization, the impact of technology, regulatory changes, environmental and social trends, increased competition and so much more. Downsizing sometimes is necessary. Engaging in promises such as the old employee contract 'a job for life' is just not a reasonable expectation anymore. But what does an employer offer to gain the commitment of its employees? Employees want to be treated with honesty and integrity. They want to be paid and treated equitably for the value they bring to the table and they want leadership that is ethical, honest and operates in the best interest of everyone concerned.

What organizations can do?

As a manager, letting employees go is a difficult and stressful task. There are many firms that specialize in transition

management. These organizations bring expertise to the table to help organizations prepare for such times. Debbie Andersen of Right Axmith suggests that organizations who downsize and do so with empathy will have less difficulty in attracting employees when business begins to grow again.

Executives also need to consider the well-being of individuals who survive a downsizing. Research has shown that those who remain in the organization are at risk for experiencing Survivor's Syndrome and can suffer longer than those who have left. Feelings of guilt for having survived the downsizing, rising stress levels because people are waiting for the next shoe to drop and declining morale result in reduced productivity and innovation. These are but some of the symptoms that show up when managers and executives distance themselves from the people issues around a downsizing. David Noer addresses this in his book Healing the Wounds. His recommendations include the following:

1. Recognizing the normal but emotionally crippling symptoms of survivors syndrome
2. Build interventions that empower survivors and in turn the organization
3. Move to restore energy, risk-taking and productivity as soon as possible

Ensuring my employability.

Fiorella Callochcia, principal of HR Impact, and an industry expert in transition management who speaks regularly at the Mississauga Board of Trade on this subject, insists on two important factors. First, as a potential employee, if you aren't already, become a life-long learner. Your security will rest on your ability to maintain and develop skills that are needed in the marketplace.

Secondly, whether currently happily employed or job hunting, network, network, network. Networking is about creating mutually beneficial and reciprocal relationships all the time. Carry a current resume with you and when you have an opportunity to help others and connect other people, do so.

What do I do if I loose my job?

Callochcia suggests the following:

1. Try to depersonalize as much as possible. This wasn't about your competence but rather as a result of a business decision.

2. Get your support team going. Surround yourself with optimistic people who will support you in the process.

3. Stay engaged with life. Keep moving forward one step at a time. Build routines that help you do this. This could mean joining a health club and making a point of going every day, then home to spend a couple of hours researching the job market, networking and making calls. Then off to the coffee shop, library or your local HRDC office to meet with people, network or just read.

4. Project manage your job search. Plan and execute the way you would a home improvement project or an initiative at work. Get help and guidance either through workshops, your local HRDC office, an outplacement service or materials at your local library.

5. Utilize the power of fun and laughter. Relaxing and spending time with trusted friends helps us stay grounded and emotionally healthy.

The world is changing. In the next few years, we will see almost 50 per cent of the workforce begin to retire.


Organizations are already beginning to compete for talent in innovative ways. Could it be that the age of 'work force downsizing' to boost share prices will be replaced by an age of 'executive sizing' in which leaders and organizations will be assessed by their ability to attract and retain the best and the brightest?

Could it be that with the onset of a knowledge economy that rests squarely on the shoulders of intellectual and creative capital of employees, we will see a transition to a new and desperately needed leadership model that is ethical and fully accountable to all stakeholders?

Let's hope so.

Iryna Reim is an associate professor at Royal Roads University in executive development and a management consultant with Pettit Integrated. She can be reached at ireim@reimconsulting.com

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