Lessons on Layoffs: Managing in Good Times to Prepare for Bad Times

By Ann McGee-Cooper, Ed.D. and Gary Looper

When announcements of layoffs hit us, we can feel numb and shaky on our career footing. We hear the urgent quest for answers from our Clients*.

- "Can someone explain the criteria for all this laying off?"
- "Is this just the beginning of several rounds of layoffs?"
- "People are scared and rumors are running wild."
- "We are supposed to have a great attitude, but how can we have a great attitude if we may or may not have a job tomorrow?"
- "It doesn't seem to matter how long you've been around or what you know because I've seen some people leaving that have been around more than 10 years, while someone recently hired now warms the chair."
- "I think the company as a whole should have been addressed on this situation."

Benchmark Companies

Through the cycles of business, nearly all of our Clients have been rocked by the economic downturn through the years. Leaders of these companies are good people who have had to re-gauge strategies, squeeze even more out of profit margins, and cut back their work force to stay alive. In the midst of all the turmoil, we began to collect best practices in the area of layoffs. Here is what we have found, using our research within Southwest Airlines and TDIndustries, both ranked in the top ten of "100 Best Companies to Work for in America," as benchmarks.

Because Southwest has such a high loyalty to its People and a track record of not using layoffs to solve financial challenges, their People perform at heroic levels on a daily basis and volunteer to make huge personal sacrifices on behalf of the company in tough times. Following 9-11, they were the only airline not to lay off any workers, not to reduce their flight schedule and the only major airlines to make a profit in 2001! Immediately following 9-11, their top three leaders volunteered to work without pay through the end of the year, and on 9-14, they fully funded the Employee Profit Sharing Plan. Employees requested a way to contribute, and $1.3 million was raised in a Pledge to LUV Fund. Credit all this to what this innovative airlines calls "Southwest Spirit!"

Visiting with Donna Conover, former EVP of Customer Service at Southwest Airlines, we gained some further insights. One of the reasons SWA doesn't have to lay off good people during tough economic times is their long-term strategy of hiring for attitude/training for skills. Also, they have very high expectations of each Employee. "Just doing your job well does not make you a good Employee. The attitude and spirit toward others completes the needs the company has of that Employee. We work hard to coach our People honestly early on and weed out non-performers within the first six-month probationary period. As leaders, if we allow lack of teamwork or low productivity, we are being unfair to the rest of our team."

In the hiring process, Southwest carefully screens for People who put serving others above self-interest. "We can't promise a career here for life, but we will invest in making you more employable through the growth experiences and training we provide."

In an earlier example involving the acquisition of Morris Air, Southwest offered a "Bridge" of support services for two years to provide for the transition needs for those Employees who had been displaced by the acquisition.

TDIndustries has a tradition of top leaders providing stretch opportunities to those they are coaching, often giving up incentive bonuses to junior members of their team. They create this tradition of shared trust and servant leadership for their long-term success. TD's vision, "to provide outstanding career opportunities" for Employees, called Partners, fueled their approach to layoffs. As the construction industry began to slow down, TD:

- worked within their several geographical locations to transfer workers to the place of greatest need,
- met with Clients, Vendors and previous Clients to find alternative work for Partners,
- began bidding on jobs "at cost" to give Partners steady work until the markets improved,

- utilized cross-training/cross-certification to beef up capabilities and credentials to retain flexibility in a fast changing marketplace,
- addressed performance problems, involving about 60 People, laying off about 30 of these. Finally, after more than a year of the downward cycle, had to lay off others.

After compiling our research, we composed the following chart to spark discussion about the differences between layoffs at "traditional," "boss-led" companies and servant-led companies like TD and Southwest.

How Do Leaders Handle Layoffs?

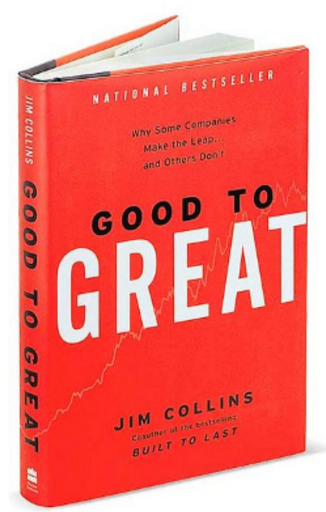
	Non Servant-Leaders	Servant-Leaders
The Hiring	Hire only for skill and experience.	Hire for attitude, teamwork as well as skill and experience. Put team goals ahead of self-interest.
The Review	Give regular, one-way reviews telling what's going well and what isn't.	Give regular, two-way reviews that invite as well as offer frank and respectful feedback, celebrating gains and mutual coaching for improvement.
The Alternatives	Sees layoffs as one of the first steps to take in an economic downturn or when profit/stock price drops.	See layoffs as a last step after trying other alternatives such as transfers within the company, voluntary cutbacks in pay or hours, early retirement, finding new cost-saving measures.
The Solution	Management assumes they must come up with solutions, that Employees will be self-serving or lack the ability to serve all stakeholders.	Provide big picture information and engage Employees at all levels in generating solutions.
The Sacrifice	Leaders often arbitrarily assign a percentage cut or cut the number of jobs equal to the money needed to meet financial targets. Pockets of Employees take the hit (both those who lose their jobs and those who remain to take up the slack in productivity).	Top leaders volunteer to freeze their salary, work without pay, or model other voluntary sacrifices for the good of the whole.

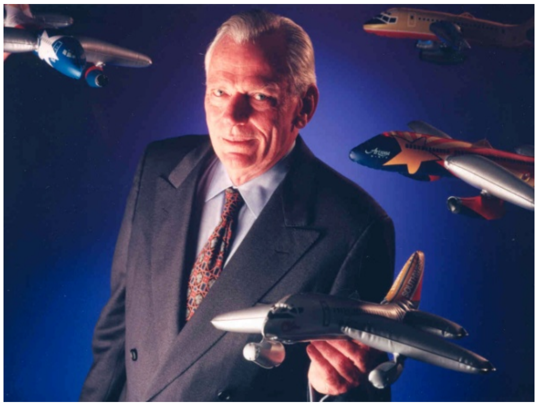
The Notice	Gives notice when convenient to management, in the most efficient manner (email, general announcement, public media). May or may not share business case for cutback.	Gives notice in person, as soon as the decision has been finalized. Shares business case, difficulty in reaching this decision, compassion.
The Departure	Asks for immediate departure, often without time to clear out the office or say good-bye. Avoids those affected and emotional expressions of appreciation or sadness.	Comes to an agreement about the date and manner of departure, giving time to finish a current project or say good-byes. Acknowledges contributions of those leaving. Is present where the pain is greatest, expressing sadness and compassion.
The Transition	May give a package according to years served and company policy. Little help beyond that.	Is as generous as feasible with the severance package, insurance carry-over, and job contacts. Creates win-win options.
The Future	Remaining Employees often feel fearful for their own position. Extra work and longer hours lead to burnout and lagging productivity. Survivor guilt also impacts morale.	Remaining Employees have closure and motivation to help the company get through tough times. Fear of future mitigated by trust that together, all Employees and leaders can work to create a successful future.

Good to Great

In his book, *Good to Great*, Jim Collins articulates the results of his research on what he calls "great" companies (Fortune 500 companies, 1969-1995, with at or below stock market average returns for 15 years, followed by cumulative returns three times higher than the market for the next 15 years). One of their key traits was "getting the right people on the bus (and the wrong people off the bus)." Great companies "did not rely on layoffs as a primary strategy for improving performance." They applied a rigorous, but not ruthless standard when approaching layoffs. They looked for great workers, making sure they were in the right place to make their most effective contribution. They also looked for those workers who weren't great and acted either to put them in a more suitable job function or move them out of the company.

Keep in mind that massive layoffs may be merely a "quick fix" that fails in the long run. In a recent study of 18 years of downsizing data, large layoffs didn't lead to greater profits. While expenses dropped, revenue also dropped and the remaining workers low morale significantly affected productivity.





The New "Contract"

Southwest Airlines Chairman Emeritus, Herb Kelleher teaches, "Manage in good times to prepare for bad times." This wisdom applies for individuals as well as companies. It's dysfunctional to imagine that we can delegate our security to our company or anyone else. While it makes good sense to choose to work at a place where you trust the leaders, believe in the vision/mission and enjoy your work, we each have a responsibility to save for bad times, cross-train and to grow our skill base and think like an owner. This doesn't mean that we have less loyalty or trust for our company. It simply means that we take personal responsibility for keeping ourselves marketable as well as maintaining high trust relationships with all we serve. Then, if a transition is needed, we have good options.

Often, people make the mistake of working long hours, giving up vacations and sacrificing personal wellness and family priorities only to feel betrayed by a layoff. Taking responsibility for life-work balance is a two-way street for sure. Yet people are not machines and working longer doesn't mean higher productivity. Learning to make healthy choices that benefit all stakeholders is part of the new economic contract.

As we chart new territory in today's marketplace, one thing that hasn't changed is loyalty. Loyalty is still a critical factor in the long-term success of organizations. However, the "rules" of loyalty have changed, and the business "contract" of the past has to be revised. The new rules of loyalty must be realistic - Employers cannot promise lifetime careers and Employees cannot promise lifetime loyalty. But, Employers and Employees can agree to communicate openly, respectfully and truthfully for as long as the current job benefits all stakeholders. They can agree to respect life/work balance, to collaborate and foster continuous learning. Fully engaged Employees who "own" their work will be prepared for the next challenge within the company or in their next job.

*You can find more information on layoffs in *Good to Great* by Jim Collins and *The Servant Leader* by James Autry.

Seminars and additional resources are available from Ann McGee-Cooper and Associates, Inc. 214 357-8550 or visit us at AMCA.com