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Downsizing the Right Way

Letting people go has rarely been considered a process that required a lot of finesse. But as companies consider the importance of their brand more closely, many are re-evaluating the downsizing routine
By Marjo Johne

The front-page headlines for that unforgettable day in April 2005 hinted that former prime minister Paul Martin may not cut corporate taxes after all, heralded the appointment of a new president at the University of Toronto, and mocked the spectacle of U.S. president George Bush walking hand-in-hand with Saudi Crown Prince Abdullah.

But in the ground-floor offices at 4120 Yonge Street in Toronto, where British Airways PLC ran one of its two call centres in North America, the hardest hitting news of the day wasn't about government budgets or presidents cozying up to oil-rich royalty. It was about something much more personal.

That day, the 200 employees who answered the phones and booked flight reservations at the centre became part of the roughly one million Canadians who were laid off in 2005. Statistics Canada says layoffs in the country have hovered at around the one million level in the last three years.

"On April 26, British Airways announced the consolidation of its North American call centre operation, which meant closing down the Toronto centre," recalls Bernie Herenberg, who was then director of the Toronto call centre. "We communicated the fact that the decision was not going to change, that everybody was going to have to accept it, and that it was not anybody's fault."

While a senior executive from the airline's U.K. head office delivered the bad news, trauma counsellors from Right Management Consultants — the Toronto-based change management arm of staffing services firm Manpower Inc. — waited in the wings, ready to help employees deal with the shock of the announcement. This meant a number of things — from helping employees formulate the words with which to tell a spouse about the job loss, or actually speaking to the spouse directly. The counsellors even had taxi vouchers for those who might be too upset to drive or take the subway home.

To further cushion the blow of being downsized, British Airways told employees that it had put together a package of benefits that included severance pay for everyone — including employees who had joined the airline only recently and would not normally be entitled to severance wages — extended health benefits, and access to outplacement and financial planning services. There would even be an extension, for a full two years after termination date, of the travel benefits enjoyed by all British Airways employees.

"Typically British Airways has done this whenever there is a downsizing," says Herenberg. "It's been a corporate policy now for the last couple of years."

Beyond the cynicism

For many of those who have experienced the misfortune of being downsized — or have watched with a mixture of grief and relief as fellow employees are cut loose because of budget cutbacks or changes in business strategy, or both — the British Airways story may elicit a cynical response. Since when, after all, have corporations been so benevolent towards employees they don't need anymore? Unless they're in the upper ranks of the organization, have laid off employees not typically been given the bare minimum required by labour laws and sent on their not-so-merry way?

Such cynicism is understandable, given the stories that commonly float around companies that have, at one point in their history, had to whittle down the workforce. How about the story you heard about those employees at so-and-so company who were handed a pink slip at 5:01 p.m. and told not to come back the next day? Or the one where journalists at a news agency that had been taken over by a new owner were fired one at a time for the flimsiest of excuses? And remember that manufacturer, the one where employees knew they were about to get laid off because their names would get called over the company's PA system?

"What I find particularly offensive is stories I hear about people being marched to the door, not being allowed to say goodbye to people they've worked with for years and not being allowed to clear out their cubbies," says Emma Hamer, a management consultant and career coach with Hamer Associates in Vancouver. "I find it curious that companies don't realize what that does to the people who are left behind. How demoralizing for that employee with whom you've worked for years to be seen being marched out of the office like a common criminal."

Yet according to management and human resources experts, companies are starting to realize the importance of taking a humane, more compassionate approach to downsizing. Like British Airways, they're adopting downsizing strategies designed to help employees find work elsewhere and, by throwing in some good stuff along with the bad — like extended benefits and career transition services — lessen the sting of being downsized.

Doing it right

Alison Schofield, a principal at Mercer Human Resource Consulting in Toronto, says she's seeing more companies provide benefits for longer periods to employees they're laying off. And where generous post-termination benefits used to be offered only to senior executives, many companies are now extending these benefits to employees at all levels.

Lynne O'Connor, a career consultant and owner of **Advanced Career Coaching Inc. in Toronto** makes a similar observation about career transition services.

“Historically this service has been provided mainly at the executive level,” she says. “Now, it’s moving to all levels of the company, all the way down to the plant level.”

So what has brought on this enlightened generosity? Gabor Gellert, national manager of trauma services at Toronto-based FGIworld, a disability management and employee assistance services provider, says companies have developed a better understanding of the emotional impact of losing a job.

“Organizations have become more sophisticated,” he says. “Most organizations today have HR departments trained in interpersonal relationships and human dynamics, so they have more information, insight and perspective on the trauma that can result from being terminated whether or not it’s for cause.”

O’Connor agrees. But to the more informed and insightful corporate brain she adds one other thing: a social conscience.

“For many of the companies we deal with, taking care of their people is simply part of their corporate philosophy of social responsibility,” she says. “They recognize that these are the employees who have made them successful. So when it does come time to part company for whatever reason — downsizing or changes within the organization — they see to it that their employees are given the support they need to cope emotionally, financially, and to transition to another job.”

Return on investment

Of course, the cynics will still want to know what the catch is. Bram Lowsky, general manager at Right Management, says the catch is that organizations get something out of it too. In other words, socially responsible downsizing isn’t an entirely philanthropic gesture; it also happens to be good for business.

To bolster his point, Lowsky points to a study done last year by Right Management. When asked why they spend the money on career transition services during a downsizing, organizations cited four primary reasons: to demonstrate their commitment to the employees who were getting left behind, sustain workplace morale and maintain productivity, manage former employees’ perception of the company, and to preserve the company’s reputation in the community.

O’Connor says companies who take care of departing employees are, in the process, also taking care of those who are left behind.

“Especially with the increasing emphasis these days on team work, the employees who are staying behind need to know that their co-workers are being taken care of, that there’s immediate support and they’re going to land well,” she says.

For companies who need to keep the business going right up to the date of the shutdown, the big challenge is how to keep employees from leaving too early. A typical approach to this problem has been to not tell employees until the very end, until after they’ve finished the work that needs to get done. Then out come the pink slips and security staff to escort everyone out of the building.

British Airways took a vastly different approach to this problem. Although it wanted to keep the centre open until the end of 2005, it decided to announce the downsizing in April and offer financial incentives for people to stay as long as possible. BA was also concerned about absenteeism, so it held up an attractive carrot: four weeks of additional pay for those who did not take any sick days between the date of the announcement and the end of the year.

“But we didn’t want them to think they would lose everything if they got sick,” says Herenberg. “So we made the incentives incremental — if you take one sick day, you get three weeks, two sick days you get two weeks and so on. Plus we offered a generous severance package which encouraged people to stay until the end.”

BA braced itself to lose 20% of its call centre staff in the first few months following the announcement. But by the end of August, only four people — 2% of total staff — had left.

“It was a risk on British Airways’ part because they were so vulnerable in the first few months,” says Herenberg. “But not only did people stay, they also worked harder — everybody took on a bit more and did more.”

Bolstering the brand

The marketers’ mantra insists that the brand is king. Companies are listening closely to this mantra and spending millions of dollars each year to build and preserve their brand. And after years of analyzing the various factors that affect their image, they’ve also come to realize that some of their most important brand ambassadors are sitting right there in the office.

O’Connor says it’s a mistake to treat these brand ambassadors poorly when it’s time to part ways.

These departing employees are going to be spreading the news that they’ve been let go,” she cautions. “These may be the same people who are buying your products, who have family and friends who are buying your products. Treat them badly and you lose a whole group of customers.”

Companies that behave badly during downsizing also lose out on top talent, says **O’Connor.** Remaining employees — often chosen because they’re considered to be the cream of the crop — will lose faith and leave. And prospective employees will see these companies as undesirable employers.

Given that many countries, including Canada, are now facing a talent shortage — one that is expected to worsen as baby boomers start retiring in 2008 — companies cannot afford to be viewed as less than an employer of choice, says **O’Connor**.

Lowsky at Right Management points to another study last year, which surveyed 3,700 employees from 16 countries. All survey respondents had received outplacement services when they were downsized by their employers. Sixty-two per cent said they frequently met with colleagues from their former place of employment. When asked how having access to an outplacement service made them feel towards their former employer, 56% said they would recommend their former employer to people looking for work.

“One of our challenges is helping companies understand why they need to make an investment in people who are leaving,” says Lowsky. “And the point that we drive home is that yes, it’s about care and respect but it’s also really about a holistic approach to the human capital life cycle — from attraction to retention to transitioning out.”

Companies that fail to take care of their employees throughout the entire human capital life cycle will inevitably earn a negative reputation, says Lowsky. This taints customers' and potential employees' perception of their brand. "Especially in sectors with limited pools of skilled professionals, if your firm has built a negative reputation, you'll have a tough time attracting top talent," he says. "And you can't grow if you don't have top talent."

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