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Is There Such a Thing as a 'Good' Layoff?

Experts give some ground rules on downsizing

When Robyn McIntyre, a health-information project manager, got locked out of her company computer on Halloween, she figured it was just an IT glitch. Dressed in costume, she stopped into her boss's office, where the two had chatted just 15 minutes earlier.

"Did I get laid off and somebody forgot to tell me?" she joked.

"Well, as a matter of fact ..., " began her boss.

By the end of the day, McIntyre had turned in her keys and laptop and packed her car with five years worth of files. She later discovered her supervisor had known about the layoff at least two months prior. "I was stunned," she says. "Needless to say, being in costume made me feel even more the fool."

Unfortunately, McIntyre is just one example in a litany of poorly executed layoffs. Take Radio Shack's 2006 decision to terminate 400 workers by email or Lehman Brothers' bankruptcy, revealed to some 25,000 employees via CNN.

Such high-profile missteps not only destroy morale, but also tarnish a company's public image. With one in four U.S. employers expected to make cuts within the next 12 months, according to a recent survey by consulting firm Watson Wyatt, how can managers deal with layoffs in a manner that is judicious, compassionate and ethical?

HOW Online spoke to employees, managers and HR experts for some ground rules on the *hows* of downsizing.

Play Fair

"Why me?" is often the first thought of someone who has just been laid off. Some can assume it has happened because of their age, gender or race. To avoid false conclusions, decisions about whom to lay off should be guided by transparent criteria, such as one's tenure at the company or performance reviews, says Ron McMillan, co-author of "Crucial Conversations: Tools for Talking When Stakes are High." This approach, he says, "shows employees management didn't play favorites and there were no shenanigans."

Emotional intelligence expert and author Scott Halford urges managers to take a litmus test: "If you would be embarrassed to explain the decision honestly, it's probably not a good decision." People "will respond positively to fairness even when it negatively affects them," he says. According to a UCLA neuroscience study released in April, the human

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brain reacts to being treated fairly in the same way it responds to winning money and eating chocolate — as a reward.

And a sense of fairness doesn't just benefit employees. Labor attorney Scott Brink counsels companies to use "the most objective basis for layoff selection possible," because an ambiguous process can breed bad feelings. "And bad feelings," he warns, "lead to lawsuits."

Communicate Early — and Honestly

Productivity often plummets when future layoffs are announced, but that doesn't mean companies should stay tight-lipped. "The biggest mistake is silence," says Douglas Duncan, head of YourHR911.com, an HR provider for small and mid-sized businesses. "Uncertainty sucks the life out of any organization."

If possible, advises Duncan, companies should give employees a say in the situation. When Krugle Inc. CEO and cofounder Steve Larsen realized sales for the technology firm were lagging forecasts and that they had hired beyond their means, he presented employees with two options: either the two co-founders' salaries would be cut to minimum wage and half of the staff could volunteer to take a 10-percent pay decrease in exchange for equity, or the company would be forced to lose three employees. A majority of the staff took the cut, Larsen said.

Even in larger companies, managers can still soften the blow by speaking out early. When HR specialist Marikay Jung helped close two facilities as part of a corporate realignment, she gave 10 months notice, notifying employees of severance benefits so they could decide whether to stay until the end. That way, says McMillan, "you're getting the heads-up so you don't go out and buy a new car or have a lot of debt around the time when you might lose your job."

Compassion, Not Collusion

While layoffs are often in the works for months, many managers go into termination discussions ill-prepared. Richard Bayer, author of "The Good Person Guidebook," encourages companies to provide sensitivity lessons for supervisors. "Train your managers in the realities of human hurt," he says. After all, getting laid off is a psychological grieving process, says Jeff Leeth, an HR specialist who helped close four manufacturing plants. "Expect this will be very emotional," he warns. "Let people vent. ... They need closure."

So be as empathetic as possible, says McMillan. A phrase like, "I can imagine how difficult this must be for you" creates a human connection. If speaking to a group, avoid over-packaging the news with PowerPoint slides. "This comes across as callous and uncaring," says consultant Jenny Schade, who has seen Fortune 500 companies use this method. "When it comes to something so personal as a layoff, people don't want to be looking at slides in a dark room. Have the lights on and concern on your face."

Just don't forget you're still a company representative, says McMillan. Many supervisors slip into excessive apologies or comments disparaging management. They mean to soothe, but that approach undermines leadership by making cutbacks seem malicious or senseless.

After the discussion, managers should allow employees to collect themselves.

Don't Neglect Survivors

Companies often forget there are two audiences during layoffs: those laid off and those still on staff. "The ones who leave will demonstrate to the 99 who stay how they are valued," says McMillan. *Survivors* — those left after a layoff — need to feel like the selection process was fair and considered, not capricious. "Then, they don't run around in fear," says Halford.

Few post-layoff approaches are more reckless than a company just barreling ahead "business-as-usual." Consultant Joni Daniels suggests managers call a meeting soon after

the cuts to let workers grieve lost colleagues and ask questions.

When it comes to layoffs, actions speak louder than words. Treat employees with respect at every stage of the process, says McMillan, and you send a powerful message: "We *walk* our values, even as we go through this very difficult thing."

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