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Personnel Cutbacks

Losing your Job: Disaster or Opportunity?

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1. Introduction

The consulting project described in this article illustrates the systemic approach to the problems that can arise in organizations as a result of job cutbacks and rationalization measures. But before we take a look at this example in more detail, let us first consider the problem of unemployment in general and outline some of the key issues facing the employment market.

2. Job Cutbacks: A Universal Problem

Latest OECD statistics indicate that in 2003 and 2004 around 9 % of the labor force in the EU were unemployed (cf. OECD 2004). Since the labor force constitutes approximately 60 % of the total population, this figure equates to the individual fates of around 20 million unemployed people. Unemployment at this kind of level is not just an economic and sociopolitical problem, it is also a social and cultural problem. How does a society in which social status and self-identity are defined primarily through work treat its unemployed? Conversely, if victims of unemployment are not able to see their "new-found freedom" as a time of opportunity, how do they then deal with having been "set free"? Last but not least, what effect do job cutbacks have on the rest of a company's workforce – those left behind – and their attitude to their work and management?

The issues discussed in the public debate on the causes of mass unemployment are both numerous and controversial: rising cost pressures as a result of the increased competition that comes with globalization lead to job cuts and other rationalization measures, e.g. the relocating of manufacturing plants to low-wage countries; new technologies and increased automation mean more and more of our manual work is now done by machines; social change, the changed status of women and role of the family in society all lead to an increase in the number of people entering the labor market. There is also widespread support for claims that the social security systems established in times of strong economic growth have created a work-shy, inflexible workforce and that existing political systems are incapable of implementing the necessary structural changes and reforms, tending instead to promise more than is economically viable.

The debate on what can actually be done to address the problem of high unemployment is equally checkered and controversial. Some of the proposals put forward include: reducing working hours to create greater equality in the distribution of available jobs; working longer hours for the same pay to improve productivity, increase competitiveness and ultimately create new jobs; creating greater flexibility in labor relations, reducing labor costs, relaxing

labor protection levels and redefining their acceptable limits; increasing investments in training, lifelong learning and health issues to improve performance and unlock potential for innovation; introducing state and structural reforms to lower the taxation levels required to finance inefficient structures and reduce the tax burden on value-adding businesses.

Such arguments and formulas might well be relevant in the political debate, but they are of little real help to the victims of unemployment – those who have been laid off, those who have had to implement the layoff strategy and those left behind – in dealing with the situation.

In many cases, the people in management positions responsible for determining how to optimize cost-benefit ratios have – or at least think they have – no other option than to cut jobs to achieve short-term cost savings. When "times are difficult", order levels are low and there is less work to go round, only "healthy" companies can afford to maintain employee levels through the lean spell and use the time, for example, to train their staff. The situation becomes particularly difficult when managers find themselves having to represent outside interests, e.g. following changes to a company's ownership structure. The justification given for these "painful" decisions – to increase profitability and generate shareholder value – simply doesn't hold with middle and lower level staff. They don't just nod their heads understandingly in agreement. The logic behind their actions is different, they have their own value hierarchies and are motivated by other things. If management then starts to use buzzwords like "downsizing", "shakeouts" and "reengineering", this not only adds to the confusion, it also gives the victims the impression they are in some way to blame for the company's "troubles".

When they find themselves unable to translate business necessities and external pressures into words and images the workforce can relate to or link the problems to issues that interest the staff, managers often opt simply to "grit their teeth and get on with it". Helplessness and bewilderment often pair up with a conscious or subconscious decision to say nothing at all. "Distancing yourself from the fears and anger of the victims and avoiding any discussion of their personal situations" as one manager put it, is not an uncommon way of dealing with one's own helplessness.

But management's refusal to communicate and fear of open dialog in turn cause confusion, uncertainty and frustration among the staff, powerful emotions that develop into panic, desperation, fear and anger among those actually facing layoff. If management continues to shrink away from any discussion of the painful home truths and maintains its policy of silence, the remainder of the workforce will also lose confidence in them, leading to a drop in motivation levels and, ultimately, in productivity. All this, of course, is compounded by the fact

that a great deal of knowledge and expertise simply walks out the door when long-serving, experienced and expensive employees have to be "let go" first to reduce costs.

A common strategy used by both colleagues and management alike in dealing with layoff situations is quite simply to steer clear of anyone "tarnished with the layoff brush". To help them cope with their own feelings of helplessness and guilt, people avoid communicating and instead try to banish all thought of the "problem" from their minds. They see the "nasty" change as a "steamroller" riding roughshod over their bed of delicate plants. Everyone seeks some form of "absolution": management don't want to be blamed for what has happened, while the rest of the staff hide behind arguments like "it's an unfair world" or "it was just a coincidence that I was one of those chosen".

This is the picture that emerged from a series of qualitative interviews we held with board members, HR managers, trade unionists and works council representatives in a range of different companies and organizations in conjunction with our research into "job cutbacks"

(details of the Research Team are given at the end of this article). The interviews clearly revealed that, in situations such as this, managers seize any opportunity to hide behind rationalization arguments, strategic decisions, social plans, staff pools, etc. Many are neither able nor willing to accept personal responsibility for communicating information and addressing the issues raised by the cutbacks.

However, sooner or later, this "strategy" of avoiding the issue, not communicating news of planned layoffs and resorting to defense mechanisms will backfire and management will find itself at odds with the workforce, This in turn will have a lasting detrimental effect on corporate culture. If however both staff and management are to remain focused on the organization's sustained success, management will have to do something to ensure that this can actually happen, namely they will have to engage in open and convincing dialog with all concerned. Dialog with the "survivors" is particularly important, since it is they who will drive the company forward after the wave of layoffs. The way management treats those to be laid off sends a signal to the remaining staff, ultimately also intimating what it thinks of them.

3. Facing the Future – A Success Story

The following example of one of our consulting projects – the restructuring of the German energy company swb Erzeugung – demonstrates that things can be done differently, even when change itself has become a necessity. The solution is to involve everyone affected by the situation in a constructive, open and future-oriented dialog.

In 1999, the company employed some 670 staff with a turnover of some € 250 million from its energy production and technical services. However, the liberalization of the electricity market had put an end to the effective monopoly status previously enjoyed by utilities companies. Gone were the days when the company had no need to court its customers, costs could be apportioned directly to prices, there was no competition to fear and staff could be guaranteed job security until they retired.

By August 2000, the company urgently needed to introduce restructuring measures to remain profitable in the face of its greatly changed circumstances. Three power generating units had to be shut down and 185 jobs cut – up to half the workforce in some divisions. This came as a real shock for the staff, who had thought their jobs were theirs for life. Urgent measures were needed to combat the anticipated potential for conflict. But at first, the awkward subjects of "dealing with uncertainty" and "coming to terms with the cutbacks" were passed back and forth like hot potatoes between management and the HR department. It was not until one of the company's senior executives assumed responsibility for the problem,

provided the project with resources and made it his personal agenda, that the process of cultural change actually gained some momentum.

A restructuring project was introduced under the title *Facing the Future* ("*Aktiv in die Zukunft*"). This project included a cultural change program and was to guide management and staff through the crisis. A decisive factor in the success of this project was the company's firm belief that difficult situations like this can only be resolved to the satisfaction of all concerned if:

- people communicate openly, treat each other with respect and value each other's opinions
- problems are seen from a holistic, systemic perspective and are addressed in an open and constructive manner, and
- the crisis is also seen as a new chance for the future.

A core element in this project was the *Action Center* ("*Dreh- und Angelpunkt*") set up "by staff for staff" to coordinate the individual project phases and provide employees with a place to go if they needed information or simply wanted to talk. But this center was far more than just a communication hub: it also organized group information and training sessions and offered people advice and support on a one-to-one basis. The *Action Center* project team was made up of a group of well-known, respected, long-serving members of staff, available around the clock to provide help to the rest of the workforce. They listened to fears and wishes and discussed options and individual circumstances "in confidence", away from management ears. These services were available to all employees, regardless of whether they were directly affected by the cutbacks or not.

Based on the information obtained in their initial session with the *Action Center* team, each employee was offered a customized personal development plan designed to suit their own individual needs and wishes. These coaching plans were made up of a series of different "building blocks" selected by the employees from the following options:

- **Introduction**: designed to help people find their way around the project, determine their interests, qualifications, strengths and weaknesses. The issues discussed in this session are used to draw up a personal development plan covering any training requirements or other support needed.
- **(Get to) Know your own strengths**: participants work in small groups to identify their own potential. The comprehensive, in-depth analysis helps them to determine not only their strengths, abilities, desires and possibilities, but also any weaknesses.

- **Individual counseling**: external trainers counsel individual members of staff at their own request on dealing with the situation and their particular problems.

- **Recruitment and interview training**: coaching in job application and interview skills. Topics covered range from writing resumes to interview techniques, such as how to dress and how to conduct a successful job interview.

- **Professional development**: advice on refreshing or upgrading existing qualifications in line with current labor market requirements, thereby helping people to improve their "employability".

- **(Further) education**: coaching on the different educational opportunities available, e.g. completing high school, vocational training or college/university courses. Intended primarily for people who have already signed a severance agreement and are considering a career change.

- **Ideas workshop**: a moderated creativity workshop offering participants a chance to run through any plans they might have for the future and test out the feasibility of new ideas, e.g. business start-ups.

- **Business start-ups:** professional support in planning a business, analyzing the market and getting started. This module is intended primarily for those considering a self-employment option. Longer-term financial support and business consulting services from the company could also be considered on a case-by-case basis.

Further options were also planned to accommodate medium- and longer-term structural change. These were continually adapted to meet the changing circumstances and included flextime work models, teleworking, outstaffing, external recruitment services and new work models.

4. What Made this Particular Project Such a Success?

In keeping with the company's existing positive attitude to corporate culture, *Facing the Future* was never intended simply as a cost optimization project. Apart from traditional structural change options such as part-time work and early retirement for older staff, it was also to provide the entire workforce with the tools and opportunities they needed to actively and consciously face the situation and identify their new perspectives.

The unexpectedly positive feedback from the staff and the large number of people who signed up for the individual coaching options provided a strong indication that project acceptance had far exceeded even our – already high – expectations. An important aspect

here was the fact that the orientation sessions were open to the entire workforce and not just those about to lose their jobs.

A key element in the *Facing the Future* project was the assumption and attempt to ensure that no-one involved should suffer any damage to their self-image and self-esteem. Giving people this opportunity to think about their future prospects and reorient themselves helped them to let go and begin this "new chapter in their lives". The best intentions, the most practical solutions will all be to no avail if people continue clinging to their old identities and avoid looking at things from a new perspective. The positive feedback and number of people who opted for a career change after participating in one or more of the coaching sessions were clear indications that the project had achieved this goal and made a positive difference.

A further goal of the project was to turn the company into a future-oriented, customeroriented service provider. This kind of goal can only be achieved if everyone – from the management team to the workers on the shop floor – "works together" for positive cultural change. The fact that the *Action Center* dialog platform has now become an established part of company life shows that just such a change has taken place and that the workforce now has both faith in the communication abilities of its leadership and a positive view of the future (cf. Königswieser et al 2001).

The commitment shown by the members of the project team and everyone else involved in this innovative project was subsequently rewarded. Their pride in the achievements was confirmed by the widespread public recognition that was to follow, with the "icing on the cake" being the award of the 2001 "Human Resources Management Prize" by the German HR magazine, *Personalwirtschaft* to our project. The concept has since been adopted by anumber of other companies in a variety of sectors.

5. What Were The Success Factors?

A key contributory factor to the success of the *Facing the Future* project was company management's keen interest in finding a satisfactory solution to the problems expected to arise as a result of the planned job cuts. The board chairman showed exemplary vision: he actively supported the project team and offered additional assistance to anyone willing to take voluntary redundancy to help them start their new career on a positive note. The staff developed customized solutions in an atmosphere of open and constructive dialog, thus ensuring an exceptionally high level of internal acceptance for the project while at the same time providing an outlet for discussing and dispelling fears and creating new perspectives.

As time went on, the project team was able to do almost entirely without the support of the external consultants, keeping the financial costs of running the project to an absolute

minimum. Ultimately, the role of the consultants was reduced to helping the core team develop the process know-how they needed to help themselves. Having a group of respected, competent company staff on site – trusted individuals who understood the situation – working out future perspectives with their co-workers put the project team in a much better position to respond to any new developments and difficulties that might emerge.

A further key success factor was the attitude of respect and understanding adopted by the members of the core team and their efforts to look at the issues involved from many different perspectives. Although the project group often discussed fears, uncertainties and problems, it always managed to keep its focus firmly on finding solutions, not just identifying problems. The group's make-up – people in positions of influence (e.g. members of the works council), representatives of those affected (from the shop floor) and experts (initially the consulting team) – also played an important role.

6. Experiences and Lessons Learned from the Project

A dramatic change in our working environment often goes hand in hand with a dramatic change in other aspects of our lives. If we don't know what the situation will be after the change and we have no idea of the path our lives will then take, we start to worry about our livelihood and future. Change means leaving behind many of the things we are familiar with: co-workers, friends, habitat, behavior, actions, security and, ultimately, the image we have painstakingly built up of ourselves. Any loss is painful, and coping with this pain and coming to terms with our grief consumes much of the energy we need to focus on our "new" and "different" futures. Companies need to give this loss the space it needs and should never try simply to banish it from view.

Consequently, the most important lesson learned from the *Facing the Future* project is the following: those most affected by change processes have to find a way of dealing with their emotions that enables them to quickly free up as much positive energy as possible, energy that they can then focus on facing the future. The notion that we are all – managers, workers or consultants alike – "controlled" by our emotions rather than by keeping cool and thinking rationally is by no means new, although it is something we only too often seem to forget. Unfortunately, dealing "constructively" with emotions in corporate change projects is neither a matter of course nor standard practice.

One issue in particular seems to animate almost all the organizations we have worked with: the delivery of bad or shocking news (cf. Königswieser 1985; 2003). We are regularly asked the question: "How should I as a manager, supervisor or even co-worker deal with the situation when someone is to be laid off?"

Experience confirms the hypothesis that – at an individual level – people have to go through five different phases before they are ready to reorient themselves and work on their new identity. These phases are shock, hope of reprieve, aggression, depression and grief. Developing a set of "rules" on how best to deliver bad news often proves advantageous:

a) Pass on information quickly and directly.
b) If necessary, repeat the information.
c) Give people time to get over the shock.
d) Don't fight aggression and depression, let them happen.
e) Don't try to belittle the event or talk about its possible advantages.
f) Don't offer help in the grieving phase until it is asked for.
g) Try to establish contact to people close to the situation.

It takes courage to be the bearer of bad news. Our own experience of suffering, maturity and ability to reflect all help us to deal with the reactions and emotions such news provokes in its victims. Being the bearer of bad news puts us under considerable emotional strain. Management have to learn to deal with situations of this kind and react in as "calm" a manner as possible. Encouraging phrases like "don't worry, everything will be alright" – no matter how well intended – will be seen as nothing more than cynicism.

In the figure below, Stephan Roth clearly illustrates the development of seven different emotional phases in a change process. Each phase assumes its own emotional "focus" and consequently its own function in the way we make the break and start over (cf. Roth 2000).
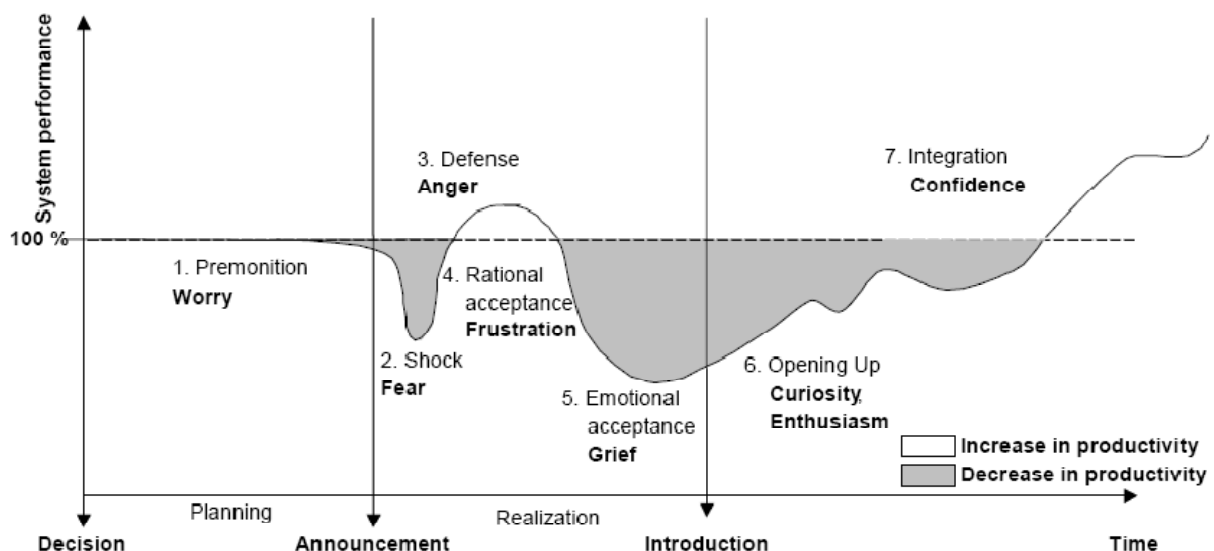

Fig. 1: Phases of Emotional Energy in Change Processes According to Roth

We have developed a number of different interventions in line with this sequence of emotional phases, which have all proved successful in dealing with the corresponding emotional "landscapes". Since it is not uncommon for different people or groups of people to move through these sequential phases at varying speeds, each individual situation has to be carefully observed to identify and possible and suitable forms of intervention.

Repertoire of Interventions

Premonition Phase	Shock Phase	Defensive Phase
Controlling the level of anxiety; "productive agitation"	Highlighting the situation; establishing (possible) plans for the future	Removing patterns of allocating blame; increasing the ability for self-governance
• Direct communication of facts and figures • Scenarios • Creating multipliers – activating informal communication channels • Stakeholder workshops – interviews to identify doctrines, success stories, and expected taboos related to change	• Continue direct communication, establish communication channel • Move people willing to assume responsibility into center field • Define core issues and set up the project organization team • Listen to and respect the ideas of as many people as possible through dialog and large events • Remain in contact with staff even in times of uncertainty	• Publish information on the different levels of effect for all concerned • Provide information on the anticipated change process • Establish a steering and reflection system for the remainder of the process; communicate and discuss initial steps widely

Rational Acceptance Phase	Emotional Acceptance Phase	Opening Up Phase	Integration Phase
Highlighting the painful side of change	Farewell rituals and trying out the new	Broad participation and careful evaluation	Embedding and continual development
• Show respect for a former identity, contrast it with the new identity and focus on the need to move on • Reflect on the personal meaning of change – openly point out the possibilities for the future • Establish the necessary support and consulting infrastructure	• Separation and preservation rituals • Create examples and space to try out the new • Sounding boards/ response groups • Point out and celebrate success • Communicate success and failure openly and actively	• Manifold possibilities for playing an active part in projects and in line functions • Trying things out/ qualifications for the future • Working on corporate, departmental and individual ideas for the future	• Support for new culture with qualifications and departmental level development • Management systems that represent the new values • Demonstrate successes and best practices • Ongoing careful evaluation and focus on the future

In the course of our consulting careers, we have helped many companies deal with the downsizing process, and each time it becomes increasingly clear to us just how painful a subject this is for organizations. Every intervention – no matter how well thought out or targeted to the company's needs – becomes particularly delicate when layoffs are involved. Bringing the issue of job cutbacks and their consequences out into the open, making people "face up to it" and talk about the problem always remains a great challenge. Unfortunately, companies very often react too late – when the impact is already huge and the "surely I won't be the one" bandwagon is already well and truly rolling. But by then, valuable preparation time has already been lost.

The way a company deals with the people it is about to "let go" will ultimately characterize its culture for years to come. It has to be able to convince the "remaining workforce" of its credibility and values to be able to stride positively towards its new future.

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