



Discover 

# Advice Guide

**Surviving the Recession:**

Downsizing and Streamlining - How to get it right



# Surviving the Recession: Downsizing and Streamlining - How to get it right

## **Are you considering making redundancies? Unsure where to start? Worried about getting it wrong?**

Given the current economic climate, organisations will increasingly need to find ways to become more efficient and leaner in their operations. Efficiency drives to identify better, smarter and more effective ways of working will become commonplace, often leading to a reduction in the workforce.

### **Making the decision**

The decision to make redundancies is not an easy one. Leaders need to ensure that they address this issue head on and take decisive action to ensure the future success of the organisation. Realism and honesty are needed to deliver the difficult messages to staff regarding an organisation's position, while still maintaining morale and ensuring the workforce is motivated to achieve business objectives. Where possible, organisations should always attempt to avoid redundancies, for example through:

- Natural wastage
- Freezing recruitment
- Stopping or reducing overtime
- Offering early retirement to volunteers (subject to age discrimination issues)
- Retraining or redeployment
- Offering existing employees sabbaticals and secondments

### **Identifying candidates for redundancy**

However, if the decision to downsize the workforce is unavoidable, organisations must ensure that they retain the most effective employees. In tough economic times, maintaining competitive advantage is critical. When considering who to make redundant, organisations also need to firstly identify their business critical roles and then ensure that their best talent occupies these positions.

However, when streamlining their workforce, organisations also need to ensure that they identify and select the poorer performers. Tolerating poor performance is bad for business, particularly when the cost of these employees is significant.

Performance variability between employees can be very large, meaning significant differences in the value those employees contribute to the organisation. Research shows that the variation across individuals in the value they contribute to an organisation is at a minimum 40% of the average salary of the job (Schmidt, Mack, & Hunter, 1984).

A 'poor performer' earning a salary of £50,000 would therefore generate £20,000 less value for the organisation than the 'average performer.' Compare the value that a 'high performer' generates with that of a 'poor performer' and the difference is £40,000 per year. Clearly this adds significant weight to the argument for objectively identifying poor performers when making redundancies. By aligning talent to the immediate business priorities, external market conditions and future direction of the company, organisations can ensure optimum competitive advantage.

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## The Assessment Process

Once an organisation has identified potential roles to be made redundant, it is critical that they use a fair and objective process to determine who to retain and who to make redundant.

By using an objective process, organisations can be confident that they will be able to identify accurately who is performing against expectations and who is not. The importance of basing decisions on objective data cannot be underestimated. Instances of legal action against employers are becoming increasingly common. Approximately 36% of legal challenges made in relation to employment are made by current employees (Robertson & Smith, 2001).

To avoid costly litigation, organisations need to be clear about what the key skills and behaviours are that are required for successful performance in the role. These 'competencies' should then be used as a basis against which to assess people; to determine the employees who match the criteria required for the future success of the business and, critically, those who do not. Utilising job relevant performance data can help organisations identify the most appropriate employees to retain. A range of measures should be used to get a clear picture of performance across each of the key job requirements, rather than focussing purely on one single metric.

### Possible criteria may include:

- Skills, competencies and qualifications
- Performance records such as achievement against Key Performance Indicators (KPIs)
- Appraisal data
- Disciplinary records
- Attendance records

We recognise that in many cases, organisations may not be able to obtain a reliable set of such data on which to base their decisions. Information can be incomplete, unavailable, unreliable or subjective. In such circumstances, it is prudent to recognise the limitations of available data, and seek to combine this with more defensible measurements. A poor selection process will lead to a lack of confidence and trust in the decision making process and, ultimately, a very disenchanted, demotivated and unproductive workforce.

Where comprehensive performance data is not available, one of the most effective ways of measuring performance is to assess all individuals at risk of being made redundant, using a competency based behavioural assessment process such as an Assessment Centre. This assessment method provides an opportunity to observe individuals' behaviour in detail across a number of simulation exercises representing different job-relevant situations.

By measuring each key skill or competency multiple times, organisations can build a picture of which individuals possess the expected level of competence. This data can be combined with additional job performance data, provided it is reliable, so that decisions about who to make redundant are based on a solid foundation of evidence that is comprehensive and defensible.

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## Implementation of an Assessment Process

Organisations may wish to bring in external support regarding the design and delivery of an assessment process for redundancy to ensure a fair and objective process. Whether conducted internally or by an outside provider, organisations must make sure that they record and retain all supporting documentation.

Under the Freedom of Information Act, individuals can request access to such documentation and organisations are obliged to provide this. More importantly, organisations are responsible for proving that they were fair in their decision making process. All too often, organisations lose industrial tribunals because they are unable to provide adequate documentation supporting their decisions.

By adopting an objective process and communicating this clearly to all employees, organisations can be more confident that they will retain the most effective employees, maintain employee morale and avoid costly litigation cases from exiting staff.

## Communication

A key part of any redundancy process is communication; the importance of this cannot be underestimated. Redundancy is one of the most traumatic events an employee may experience. Announcement of redundancies will invariably have an adverse impact on morale, motivation and productivity. Employees are likely to be feeling anxious about job security, possible changes to their roles and responsibilities, etc. The negative effects can be reduced by handling employees sensitively.

Frequent and honest communication is essential, particularly in times of uncertainty. In communicating the redundancies, the Chartered Institute of Personnel and Development (CIPD) recommend that the primary objectives of management should be to:

- Give all the workforce a full explanation of the situation and explain the policies and practices adopted to those made redundant
- Demonstrate the necessity for change
- Give an appraisal of future employment prospects and details of changes in working arrangements
- Handle redundancies in a responsible, fair and effective way
- Provide a forward-looking, positive attitude for the future and show survivors the value of their role in that future

Conduct, where necessary, individual discussions with remaining key workers to reassure them of their importance and employment prospects.

Ensure that managers have (or can develop) the necessary personal skills and positive attitude to operate effectively during periods of traumatic change.

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## Supporting Leavers

Giving notice to individual employees is unpleasant and needs to be handled carefully. Common faults include being brutally abrupt or too vague. Managers should be briefed in advance so that they are able to handle redundancies with sympathy and clarity. Particular care will be needed to ensure that people know where to go for further advice or support. Employees can be badly affected by redundancy and need support to accept this unfortunate reality and mount an effective job search.

Providing feedback to those exiting the organisation will give individuals valuable insights into their key strengths and development areas which will help them to find future employment. The provision of feedback enables individuals to become more self aware.

A well-designed redundancy programme should enable employees to refresh their interview skills, redraft CVs and reply effectively to job advertisements. Adopting a positive psychology approach, in which the focus is placed on strengths rather than weaknesses, could prove useful in helping individuals to think about aligning these strengths to future job roles.

Ensuring the proper treatment of those exiting the organisation will help to ensure that individuals leave feeling more positive towards the organisation. After all, those individuals may be future customers, or even become employees again at a later point in time. The appropriate treatment of individuals exiting the organisation also reassures those remaining that the organisation is committed to treating redundant employees well. Ensuring that the employer brand and values are upheld during a redundancy process should therefore be an important consideration for all organisations.

## Supporting and Developing Survivors

In any redundancy situation, the immediate priority is the fair and sensitive treatment of those employees who are losing their jobs. Once this has been achieved, the organisation's ongoing effectiveness in today's competitive market is largely dependent on the morale of the survivors.

Clumsy redundancy handling is bad for the employer's business and long-term reputation. A demoralised workforce, anxious about job security and critical of the handling of the redundancies of colleagues, is not likely to display commitment, enthusiasm and initiative.

Not only can this lead to lower levels of productivity, as has already been highlighted, it can also result in increased sickness absence among the workforce. This can be costly. A recent Health and Safety Executive report recording 13.4 million working days lost due to stress, depression and anxiety in the UK alone. These statistics point to the fact that employee happiness is linked to enhanced productivity and ultimately the financial performance of the organisation. Enhancing levels of employee engagement amongst those who remain is therefore critically linked to business success.

Following redundancies, many employees will be overworked and worried about their future. Retaining their valued staff is therefore a pressing concern for organisations post-redundancy. If employees do not feel secure in their job with current employers, the most marketable (the high flyers and effective performers), will look around to find more stable positions elsewhere.

Focusing on the right retention tools is therefore more important than ever. Offering bonuses and promotions simply isn't enough to keep employees and to ensure that they are happy and energised within their work.

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It may seem counter-intuitive that organisations are more concerned with retaining and developing employees in a downward economy, but when the economy is tight leaders need to realise that the best and brightest talent can give the organisation a competitive advantage.

In these circumstances, it is employees' commitment, productivity and ability to add value that will keep an organisation competitive. Giving such individuals access to developmental opportunities will help to ensure that top talent continues to develop and stay motivated and engaged. This can be achieved by thinking creatively and using innovative means to offer development opportunities that won't cost a huge amount; for example e-learning, self study packs, bite sized training, on-the-job training and job rotation, supported by coaching and/or mentoring. Ensuring this investment in building skills and overall capability will put organisations in a stronger position as the economy recovers.

## Conclusion

In these turbulent times, many organisations will inevitably have to downsize in order to survive. When managed correctly, an employer can make effective choices to ensure that the redundancy process is fair and objective, while retaining its most productive employees. Providing support to those exiting the organisation as well as developmental opportunities for those that remain will help keep the workforce motivated and engaged, so that they make a positive difference to the future of the organisation.

**For more information about how to effectively manage redundancy and downsizing or to discuss your Talent Management processes, please call A&DC on 01483 860 898 or visit [www.adc.uk.com](http://www.adc.uk.com)**

## About A&DC

Founded in 1988 by Nigel Povah, author of 'Assessment and Development Centres', A&DC is one of the leading experts in the Assessment and Development field. We combine our expertise in business psychology and behavioural change to create and deliver end-to-end solutions to HR issues across the talent management spectrum.

We work in partnership with our clients to unlock human potential, using best of breed processes to enable them to select, promote and develop talented people who can contribute effectively to business growth and cultural enhancement. Always, we apply recognised best practice, putting our clients in a position where they can minimise risk and optimise return on investment in these critical areas of people strategy.

Based in Surrey, our Consultants operate across the UK. Through our international partners, we ensure that our comprehensive portfolio of products and services is delivered through specialists with a high degree of local cultural and business insight.

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