



Best Practices

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Downsizing – The Long Term Effects

When managers are faced with downsizing, they tend to focus on the immediate and practical needs that emerge at the time when staff are being let go. After all, employees pending layoff need to be selected and notified and job responsibilities need to be reshuffled. This is a difficult and emotionally taxing task for any manager.

Unfortunately, there is a tendency for managers to focus on those employees that are leaving, rather than those that remain. Training and counseling are routinely provided to support employees pending layoff, while the "survivors" must soldier on and their managers must deal with the long-term effects on the organization.

We are now seeing the effects of downsizing on those that remain. One of the most telling comments is often put forth by employees a year or two after downsizing and it goes like this: "Sometimes I think that the ones who were laid off are the lucky ones". They usually go on to describe a workplace where employees feel:

- a lack of executive commitment to their functions
- a sense of distrust being betrayed by executives and managers
- confusion about the priorities of the organization
- undervalued and unappreciated due to increased workloads
- a sense of futility with respect to long-term planning

In operational terms, this translates into a number of problems:

- the organization moves towards less risk-taking and innovation
- destructive conflict tends to increase
- internal competition for resources increases
- staff devote less effort to working together and more to self protection

- general listlessness and lethargy prevails
- service levels decrease and public hostility increase

It is easy to understand these effects when they occur close to the time when down-sizing occurs and remaining staff "grieve" the loss of friends and colleagues. But, these effects are being seen as long as one or two years AFTER the downsizing period and need to be addressed..

Understanding the Organizational Down Cycle

To counter-act the long term effects of downsizing, managers need to understand how organizations slip into "down cycles". An organizational down cycle can be characterized as a long-term process where the organization becomes progressively more depressed, insular, protective and confused. The important thing to note is that this process occurs slowly, sometimes imperceptibly, and if the process is allowed to continue unchecked, it gets worse.

The down cycling organization loses its positive momentum and enthusiasm. A vicious circle is formed. It snowballs. Bad feelings and depression become the norm rather than the occasional, until, in extreme cases, the organization becomes unable to move effectively and the work climate can become intolerable for everyone.

Because the process tends to be gradual, managers tend to assume that the problems that occur early in the down cycling will solve themselves without attention. It is easy to assume that staff will "get over" the effects of downsizing over time. This may be a fatal mistake, because if the process is left unmanaged, there is a good chance that staff will become more demoralized.

One final point on the down cycle is in order. When an organization is close to the bottom of a down cycle, it is extremely difficult to turn the organization around. This is because levels of trust, hope and enthusiasm are so low that staff will have little faith in the effectiveness of any approach that promises to be helpful.

Some Management Prescriptions

1. Proactive management activities are required when downsizing occurs. Managers must realize that they "can pay now or pay later" and that delaying actions designed to revitalize the organization will result in a huge cost down the road. Action or inaction during this period will determine whether the organization moves into a depressed down cycle or makes the commitment to move forward. Downsizing should be a time when the organization's mandate, vision, and priorities are revisited. It should be a time when the manager dedicates him/herself to the long-term health of the organization by clarifying, supporting, and building trust and commitment. Above all, it is the time when the manager's prime responsibility is to communicate, both with staff, and with executives.

2. Proactive long-term support services are needed for "survivors" to ensure organizational health. As a manager, ask, or demand that these services be made available by an internal division, central agency or private vendor.

3. If you are in the unfortunate position of managing an organization that is "down cycling", you need to be aware of two things. First, it will get worse if neglected. Second, interventions to turn the cycle around must be considered as long-term projects. One shot consulting or training isn't going to do much and it can be damaging. Remember that your organization may have been moving downward for a year or two and it may take a substantial period of time to reverse the process. Positive change will require a consistent effort on your part and may require consulting help over a period as long as a year.

Conclusion

We are seeing more of the long-term effects of downsizing on organizational health. When downsizing is undermanaged, there is the danger that an organizational down cycle will be created and left to continue unchecked over several years. The results can be destructive to the organization and the individuals that work there. Instead, downsizing should trigger organizational renewal strategies immediately. Proactive action is far easier, more effective, and less costly in the long run.

*Article by Robert Bacal, Bacal & Associates. Excerpt reprinted from workhelp.org;
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