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# Downsizing

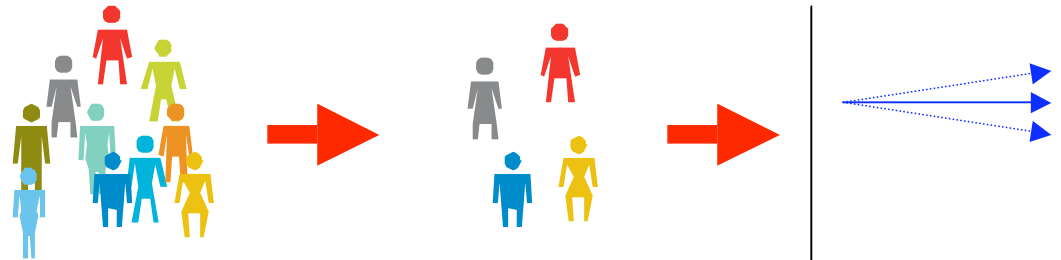
## Alternatives and Results



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# Two Business Paradigms

What is the  
Smallest Number of People  
Necessary to Run Our Business?



How can we  
Take the People We Have and  
Run our Company Better or  
Grow our Business?



Source: Cascio, 2002



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# Associations of Workforce Reduction

**Reduced Corporate Performance<sup>1, 8</sup>**

**Difficulty in Recruiting High Quality Individuals<sup>2</sup>**

**Health Problems**

- Emotional & Physical<sup>3</sup>
- Increases Employer Health Costs, Reduced Employee Productivity

**Reduced Job Satisfaction<sup>3</sup>**

- Leads to Increased Turnover & Absenteeism<sup>4</sup>
- Reduced Individual & Organizational Performance<sup>5, 6</sup>

**Reduced Productivity<sup>7</sup>**

**Reduction in Overall Corporate Reputation<sup>9</sup>**

**Recovery is Possible<sup>3</sup>**

Sources:

<sup>1</sup> Krishnan, et al., 2007    <sup>2</sup> Princeton Surv. Res. Assoc. Int'l., 2007

<sup>3</sup> Grunburg et al., 2008    <sup>4</sup> Wright & Bonett, 2007

<sup>5</sup> Reisel et al., 2007    <sup>6</sup> Judge et al., 2001

<sup>7</sup> Zatzick&Iverson, 2006    <sup>8</sup> Cascio, 2002

<sup>9</sup> Flanagan & O'Shaughnessy, 2005



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# Benefits & Characteristics Important in Choosing a Job

Health Plan	84%
Job Security	82%
Clear Policies	82%
Retirement Plan	76%
Flexible, Family-Friendly	71%
Getting Quick Decisions	69%
Talented Managers	68%
Potential for Promotions	66%
Intellectual Stimulation	66%
Total Compensation	65%
Making a Contribution to Society	64%
Reasonable Commute	63%
Personal Autonomy	57%
Working with a Diverse Group	50%
Vacation Time	46%

Percent Consider Very Important

1,202 U.S. Phone Interviews

Fall 2007

Source: Center for State and Local Government Excellence



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# Job Insecurity

**Negatively Related to**

# Job Satisfaction

**Positively Related to**

# Organization Performance

Source: Reisel, Chia, Maloles, Slocum, 2007



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# Effects on Downsizers

**Post-Layoff Role Overload**

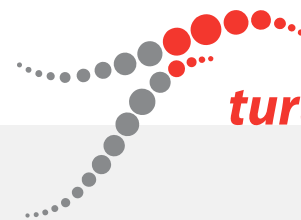
**Search for Personal Meaning**

**Isolation Inside and Outside the Organization**

**Emotional Strain**

**Negative Effect on Family**

Source: Wright & Barling, 1998



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# The Psychological Contract

**2-way Exchange**

**Mutual Obligations & Expectations**

**Perceived Imbalance of Power**



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# Mitigating the Effects of Workforce Reduction

**Continued Investment in Employee Skills, Motivation, Empowerment<sup>1</sup>**

**Frequent Open, Honest Communication**

**Treat All Individuals Fairly<sup>2</sup>**

Sources: <sup>1</sup> Zatzick & Iverson, 2006

<sup>2</sup> Brockner et al., 1987



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# If You Feel You Must Cut People...

## Perception of Fairness is Extremely Important

- Concept Known as Procedural Justice<sup>2</sup>

## Involve Employees in Decisions as Much as Possible<sup>1</sup>

### Strategies

- Attrition
- Voluntary Buy-outs
- Early Retirement Offers
- Eliminate Contractors
- Involuntary Termination

## How Do You Keep Your Top Performers?

Sources: <sup>1</sup> Paulsen et al., 2005  
<sup>2</sup> Brockner et al., 1987



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# Resist the Urge to...

## Cut Expense Budgets

- People vs. Tools, Materials, Project Expense, etc.
- Lowers Productivity



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# Alternatives to Staffing Cuts

## Short Term:

- Reduce or Eliminate Bonuses
  - Consider Executives Giving Their Bonuses to Employees
- Delay Pay Increases
- Cut or Freeze Salaries, Defer All Promotions
- Delay New Hire Start Dates or Revoke Job Offers
- Unpaid Vacations

## Long Term - 3Rs

- Redeployment
- Relocation
- Retraining

Source for some elements: Cascio, 2008



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**Retraining**

**Workforce Planning  
is  
Key!**

**Vision**

**Drives**

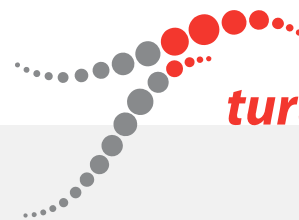
**Goals**

**Drive**

**Competencies, KSAs**

**Drive**

**Selection & Training**



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# Job Analysis

**Tasks**

**Knowledge**

**Resources Used**

**Conditions under Which Job is Performed**



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# Competencies

## Broader than Job Specific KSAs

- Broad Characteristics, Skills, Know-How
- Example
  - Create High Customer Satisfaction
  - Manage Customer Expectations
  - Results Oriented
  - Team Focus

## Important Across the Organization



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# KSAs

## Knowledge

- Organized Body of Information
- Generally Factual or Procedural

## Skills

- Capability to Perform Job Operations with Ease and Precision
- Specific Performance Standard

## Ability

- Cognitive Capabilities Necessary to Perform a Job Function
- Broader, More Abstract than a Skill
- May Require Application of a Knowledge Base



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# Best Practices

## Workforce Planning

**Involve Employees in Decisions as Much as Possible**

### **Proactive, Cultural Drive for:**

- Lowest Cost
- Highest Efficiency
- Process Redesign
- Workforce Training, Renewal

## **Fairness**

**Manage Survivors and Victims Well**



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