The Psychological Anatomy of a Layoff

The mindset, values and behaviors that determine critical pre-and post-layoff outcomes

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Executive Summary

When a reduction in force (RIF) is thought necessary for the health or survival of an organization, a focus on five key values can shape mindset, challenge assumptions and inform planning for optimal results. Helping clients manage their legal exposure with these value-driven outcomes in mind can recast the competent but narrowly-focused legal professional into a big-picture, valued advisor. This value-added perspective requires legal counsel to also consider the risk to the organization’s reputation and its related ability to retain and attract engaged talent in the wake of the RIF. Unmitigated, this less-acute risk could ultimately pose more of a threat to their client’s survival than their legal exposure. While a RIF is never welcome and often fails to meet its objectives, a well-conceived effort will minimize the unintended consequences that leave organizations, individuals and relationships damaged in the aftermath. Planning and executing a RIF with this intent is presented as an opportunity to strengthen professional credibility and build trust among the parties involved in a calamitous organizational event. We’ll explore how leaders and their advisors can coalesce around a few principle values and express these values in constructive behaviors during the planning and execution of a RIF to achieve a better end result. Veteran executive coach, organizational psychologist and author Kate Westin shares the fundamental research, perspectives and practices that have informed her work with hundreds of individuals and organizations facing transitions that arise from choice, performance issues or the organizational need to “down-size,” “right-size” or otherwise reorganize. Often contacted or referred by legal counsel for RIF assignments, she’ll relate what the picture looks like from the emotional experience of human transition. The author describes how legal and transition advisors can effectively work with organizational leaders to preserve their client’s reputation, arrest the emotional rush to litigate and help everyone involved move as productively as possible through the events that precede a stressful transition.

Walking Into Adversity

Shelby Pearson, V.P. of Business Development at Bay Shine Urban Development, walked through the hallway of her office feeling unsettled but cautiously optimistic. A meeting had been called by the new CEO that morning. Corporate leadership was about to be downsized. A sweeping reorganization was underway in response to significant revenue losses, position redundancies and a new strategic business direction. The first wave of layoffs would affect corporate administrative leaders, many of whom had
been with the organization for better than two decades. Shelby had been with Bay Shine for over 22 years and, just two days earlier, had received the best performance review of her career. Responsible for securing one of the largest contracts in the agency’s history, Shelby was respected and admired as one of the top leaders in the organization. Given her history and excellent performance, there was little doubt in her mind that she would be among those who would survive the ensuing layoffs.

The meeting was short and to the point. The CEO, Paul Markey, began by stating, "We must realign our business direction, processes and administrative overhead if we are to meet the expectations of Bay Shine’s Board of Directors. Realignment will impact all divisions and service lines of the organization. The timeline is short. The first phase of the realignment will affect nearly one-third of senior leadership, most of whom are scheduled to be laid off within the next 30 days. Corporate layoffs will be followed by divisional layoffs in IT, real estate and the transportation units. The reorganization and division layoffs will be concluded within the next 90 days." The room was silent. The news was worse than expected; this would affect everyone. Everyone in the room, including Shelby, stared at the floor, unable to make eye contact.

A Disaster Waiting to Happen

The next two weeks were chaotic. Selection criteria for lay-offs were fraught with conflict as HR representatives and division heads wrestled with decisions about who would stay and who would go. Planning the strategy and consistency of the layoff message, not just for employees, but for all stakeholders, tested the patience of everyone involved. What were the criteria to be cited for the reorganization? Should the necessity of eliminating positions be explained or related to performance, financial or business conditions? Should we discuss the change in strategic direction even if we’re not ready to articulate the details? If not well-reasoned, the opportunity for consequential talent loss among those who were to stay was significant. Leaders charged with the layoff planning, though seasoned and professional, were untrained in the mechanics of a RIF. After spending long years successfully promoting the growth of their agency and clients, they had little experience with the sudden decline prompting a crisis response. Agendas were unclear and many of the participants were uninformed about critical dates, timeframes and deliverables. The normally harmonious interactions between long-time colleagues became suddenly strained as people defended budgets, subordinates and turf. They privately fretted about their future, their security and the people they had mentored who responded with their allegiance. They had heated exchanges over issues of fairness, individual hardship, unbalanced
consequences and unavoidable loss. If the uncertainty was awful, their collective sense of guilt of knowing what was about to happen, but not being able to share it, was almost unbearable. Despite their mutual vows of containment, the rumor mill was working full-tilt and, to nobody’s surprise, their apprehension was mirrored in the faces of almost every employee still working. The 90-day time frame for concluding the reorganization seemed at once too far off to live with and not nearly long enough to respond to the impending disaster rushing at them. Despite all this, few of the leaders were willing to admit how powerless they felt to address the crisis with the competence they needed. With their jobs on the line, there was little incentive to challenge the necessity of the RIF or about how it was to be accomplished. Unity was expected and sporting the best game face became an accepted feature of the new reality.

For the next three weeks, Shelby continued to focus on critical business objectives assigned to her. The mandate was to keep her team informed of corporate changes and to assure her team members that they would be spared in the layoff.

Two days prior to the plan’s execution, Shelby received a call saying that her father had suddenly passed away. Shelby quietly informed her team that a family emergency had come up and that she would need to be away for a few days. She shared the news with the leadership team and was granted emergency leave for a week. Funeral arrangements were made and Shelby, having delegated key objectives to her staff, made arrangements to be with her family.

On a Thursday morning four weeks after Paul Markey’s announcement, the corporate layoff notification meetings began promptly at 9 o’clock. The windows of the conference rooms reserved for the notification meetings were papered over to provide privacy. Each person on the layoff list was escorted to an assigned room and given his or her layoff notice and severance package information. They were then introduced to an “outplacement” (transition) consultant waiting nearby. In all, 25 senior administrators were escorted out of the building by the end of the day. The average age of those severed from employment was 48.

Shelby was walking from the funeral chapel the day after the layoffs began when she heard her cell phone ring. “Shelby?” asked the voice on the other end of the phone. “This is Jan from Human Resources. How are you?” “I’m OK,” said Shelby. “The memorial service has just concluded. I’m heading
to Dad's house now. My family and neighbors are going to meet there for a reception. There were a lot of people at the service. It's hard to think about Dad being gone.” Jan paused. “I'm so sorry Shelby. I'm truly sorry for your loss. The reason I'm calling, and I know this is a bad time, is that I need to tell you that as part of the leadership reorganization, your job has been eliminated. We will need you to return in the next day or so to return your security cards and clear out your office. Can you let us know when you might be able to make those arrangements with us?” Shelby was stunned. Unable to speak, she stood staring at her phone. After what seemed an eternity, she raised the phone to her ear and asked, “What?” “I'm sorry, Shelby. I know this must be a shock for you,” said Jan. “There was no other way for us to inform you and we had to make sure you didn't hear the news from your staff. Your staff was laid off this morning.” Shelby began to cry and hung up the phone. She stood motionless, unable to process what she had just heard. She had barely begun grieving the loss of her father and now her job was gone. Shelby’s grief quickly turned to rage.

Bay Shine, as part of the layoff planning, provided several months of transition support and job search assistance to those leaving the company. I met with Shelby Pearson one week after the layoffs. She began to calm down a bit as we explored what the next weeks and months would entail. Not surprisingly, Shelby had difficulty moving through the loss of both her father and her job. The concentrated nature of the dual loss was emotionally devastating. With her confidence bruised and self-esteem on the ropes, her ability to reason was significantly impaired. Despite her impressive talents, contributions, skills and knowledge base, she struggled to articulate her strengths, focus on direction, explore potential opportunities or consider professional interest. “Did they just make up all that performance feedback?” Shelby asked. “I don't know what to think. How am I going to find another job? For the better part of 22 years I felt like I was part of a family; now I wonder if it was worth anything.” She sat and cried.

Neither Paul Markey nor anyone else at Bay Shine intended to rock the confidence or devalue the contributions of Shelby or any of her coworkers. But the consequence of a poorly planned and executed layoff led to those feelings on the part of those who were let go.

The Human Factor
Unfortunately, Shelby's story is not unusual. It’s just one example of many a RIF that was poorly planned and executed. The story illustrates how a calamitous event, fueled by a certain (get-it-done) mindset
and related behaviors, can leave individuals feeling victimized and organizations weakened in the aftermath. It’s important to note that this story has no villains—only stressed, imperfect people responding as best they could to challenging circumstances that emerge laden with unintended consequences. Still, considering the survivors’ experiences, and the unquiet habits of those injured by the separation events, it’s easy to imagine that consequential damage to the organization cannot be fully expressed in legal or financial terms alone.

One important measure of those additional consequences that we consider is the impact on the level of “employee engagement.” While there are varying definitions of this term, we can boil it down to the commitment expressed in the discretionary energy of employees as they execute their roles and responsibilities. Put more simply and personally, are employees giving 100% of themselves while in your employ or are you getting only a fraction of their potential contributions with merely “warming a chair” as the bottom metric? This ultimately translates into the return on investment (ROI) of the organization’s “human capital.” Many leaders would agree that if their organization is not mostly comprised of people willingly inclined to contribute in the upper quadrant of the engagement range, they are distinctly disadvantaged in today’s global marketplace—perhaps mortally so over time. Veterans of successive RIFs can vividly describe the deadly spiral that begins when the formerly engaged become preoccupied with saving themselves from a sinking ship. Another unfortunate feature of this dismal equation is that the most highly engaged employees generally have the best opportunities to find other employment, and often do, in good times or bad. This leaves the organization, especially one facing a spiral of successive RIF events, at risk of retaining survivors lacking both engagement and the option to easily switch employers—the worst of all worlds for everyone. In sum, a poorly conceived or executed RIF puts engagement at risk and lowered engagement can paradoxically contribute to the necessity of another RIF.

No contemporary discussion about the experience of employees—departed or surviving—would be complete without considering the enormous megaphone that is available to anyone through social media sites on the Internet. With the phenomenal success of these aggregated channels, formerly private dirty laundry is now frequently a quasi-public matter of record with a few minutes of effort, injudicious though it might be. With the organizational grapevine now effectively and electronically extended to the entire world, leaders are compelled to consider the very long tail created by employees (and other constituents) using these channels to express their opinions, share their experiences and
sometimes their pain with a couple of hundred—or thousand—of their closest social contacts. We doubt anyone knows how to gauge this viral risk to reputation accurately, but we think it’s real and there for all to see. While hard to quantify (at least for now), it’s safe to wager that some number of negative expressions aired in these widely attended channels can further hobble the organizational effort to recover post-RIF. We see the effects of these reputation problems with some of our clients who now have trouble attracting and retaining top-grade talent as a result. This should be a shared concern for every organization that employs high-demand or specialty talent today and it will be felt more broadly when there is a trend back to full employment. Our advice is to respect that long tail attached to the Internet; people may soften and forgive over time, but the echoes of their critical expression in an aggrieved moment will live on.

If the Internet is the social equivalent of quick cuisine, culture is the slow-food analog that has preoccupied leaders for decades. Like other terms used to describe organizational life, culture can have many meanings and a RIF has the potential to either strengthen the shared experience of a strong culture or debase it. When we try to understand an organization’s culture, we typically solicit a narrative history because culture is best understood in that context. Our ear is tuned to the character of the preceding leaders, structures, events, decisions, beliefs, successes and failures that make up the bone and gristle of the organization’s story. In the end, we often find these historical artifacts bear a closer kinship to the present organizational culture than the aspirational culture described by leaders. More attention is paid to what leaders and employees actually do and have done (behavior) than what they profess to believe and wish to do (their stated intentions) when we try to understand the culture. It turns out that most people give more weight to actions than words and this is especially true in times of stress or change. When a RIF is handled in a way (think action) that’s incongruent with the culture that’s in place, leaders should expect some rough sledding. To be clear, we’re all for the commitment to intentionally define and build a high-performance culture. We’re only suggesting that crisis leaders will enjoy more success and less resistance if they recognize and work with the culture they have for optimal short-term results. A RIF may well become a defining moment—for good or ill—in the culture that evolves, so it makes sense to have a long-term vision with respect to a cultural ideal. Without compromising that vision, aim for a change plan that doesn’t unilaterally break the “psychological contract” employees infer from the culture they’ve known. This applies to the art of any successful change initiative, which is always threatening in some ways—even when it’s clearly indicated and badly needed. We’ll turn our attention to that art next as we review the research and principles that we’ve
found helpful to better understand human stress, performance and the defensive mechanisms that make change and transition difficult.

What does a layoff represent? For most people, it signals impending loss of something greatly valued—our sense of well-being. Regardless of need or rationale, layoffs are not experienced as merely a logical response to a critical problem. Rather, they’re processed emotionally as the end of something familiar and understood and the beginning of a journey to an uncertain destination. The emotions that are triggered can be successfully addressed with understanding, intent, transparency and, most of all, compassion. By paying more attention to the emotional content of layoffs, we can significantly mitigate the array of negative and harmful consequences that are experienced by those who stay and those who leave.

Of course, it’s not just a layoff event that triggers negative emotions and impacts performance. As early as 1908, research has shown a direct correlation between stress and performance (Yerkes & Dodson). Consider the multitude of significant factors that contribute to increasing sources of anger and anxiousness in the workplace today:

- We live in a global environment where we are consistently impacted by events outside our control
- Faith and trust in our institutions is at an all-time low
- People fear losing their jobs more now than ever with diminished opportunities to become quickly reemployed
- Those laid off are often not replaced. RIF survivors are left with ever-increasing workplace demands; the additional load is often perceived as being beyond their capacity to demonstrate, exercise and develop the necessary competencies required to do more with less
- People register a loss of control and choice with reduced ability to influence, personally or professionally, their life direction
- Increased levels of anxiety and fear in the job market invoke primitive feelings of “adapt or die.” Fears of “professional irrelevancy” are an increasing source of workplace anxiety (Kilmann, T. 2010).

The number of jobs lost since 2008 surpasses the job loss statistics of 1998, a record year, when nearly 698,000 ranked among the newly unemployed. Current statistics predict that job growth, in the near
term, will continue to be slower than what is required for sustained economic recovery. Compare the numbers from 1998 to the number of those unemployed today – 14.1 million and an unemployment rate of 9.2 percent which has remained essentially unchanged over the past several months.

Since March of 2011, the number of unemployed has increased by 545,000 and the unemployment rate has risen by 0.4 percentage points. Given these statistics, a layoff is an emotionally and psychologically devastating event (Bureau of Labor and Statistics, 2011).

Though layoffs have become routine in business, fundamental mistakes are still made in their execution. The problems have little to do with the mechanics of layoffs and more to do with not understanding the psychological mindset that accompanies them. Plans that look great on paper fail miserably in the real world because leaders do not take into account the behavioral dimensions that are critical to their success.

When it comes to layoffs, leaders need to understand the changed landscape in which they now operate. “Change is pain” (Schwartz, J. & Rock, D. 2009). To reduce pain and uncertainty, employees require greater transparency in the decision-chain leading up to the layoff decision. The level of transparency required is often uncomfortable for leadership. It feels risky to share information pertaining to the financial health and competitiveness of the company. Often leaders do not have all the answers. They feel compelled to say nothing or share little instead of admitting they may not have the answers employees seek. Leaders continue to stumble over basic fundamentals in the execution of layoffs, the first of which is assessing and addressing critical mindset values that drive judgment, choices and decision quality.

A Psychological Puzzle

Let’s look at a layoff through the lens of its psychological components: a constellation of threat triggers that makes a layoff, first and foremost, an emotional event. It’s an event which activates people’s defensive strategies. These strategies will fall into one of three behaviors: fight, flight or freeze. Loss triggers anger and fear. The psychological dimensions of a layoff are complex; this impacts both reason and emotion. For years, academicians of emotional and behavioral research have studied the relationship between the left and right hemispheres of the brain and the complex web of connections that determine our behavior. One of the most astonishing and intriguing brain science discoveries of the
last decade completely reverses what most neuroscientists believed to be true about how the brain works; that external information first enters the brain in the left, so-called logical, hemisphere.

Simply stated, brain-science experts once believed that we were “thinking people who feel.” This has since been reconsidered as factually and neurologically incorrect. As neuroscience has shown over the last decade, we are in fact “feeling people who think.” In this current view, information is first received through the right-side of the brain where emotion and feelings rule and then processed and integrated in the left-side, logic-based hemisphere. This new understanding has broad ramifications and relevance for organizational leaders. Remember, change is pain. “Organizational change is unexpectedly difficult because it provokes sensations of physiological and psychological discomfort” (Schwartz, et.al). It is abundantly clear that behavior in the workplace doesn't work the way many executives expect (or wish!). Well-managed layoffs give due consideration to the emotional and psychological contract that is formed as a result of the work we do, with whom we do it and where we do it (aspects of culture).

Understanding human behavior is critical, particularly when business decisions directly affect our sense of well-being and self-esteem.

Behavior can be organized into dimensions that provide a framework for understanding human behavior and interaction according to Dr. William Schutz. In 1954, his groundbreaking research with the United States Navy resulted in the Fundamental Interpersonal Relationship Orientation (FIRO) assessment tool. An authoritative survey of over seventy assessment tools judged FIRO to be “the most generally useful instrument in training” (Pfeffer, J. in Schutz, W. 1994). The assessment has been completed by millions of people, nationally and internationally, over the past 40 years. Schutz found, as did many noted scholars of social and behavioral research, that the single most important indicator of behavioral success, and the core of all human behavior, is self-esteem. “With self-esteem comes the ability to cope with, take responsibility for and use good judgment in the face of change and adversity.” (Schutz, W. 1994). Self-esteem is the basis for our conscious and unconscious coping strategies in dealing with fear, particularly when faced with significant change like layoffs. “Self-esteem are (sic) the feelings we have towards our self-concept. These feelings fuel our thoughts, affect our self and other awareness and largely determine our behavior and emotional intelligence.” (Schutz, W. et. al).
FIRO Dimensions of Behavior

Self-esteem is comprised of three behavioral dimensions: Inclusion, Control and Openness. Inclusion is the behavioral equivalent of participation and involves achieving optimal amounts of contact with people. Meaningful levels of inclusion are associated with feelings of significance, value and worthiness. How much one wants to be around others or feels affiliated with others is a critical component of how one makes sense of his or her “place” in the world. Inclusion can also be about feeling “out”: isolated, disconnected, and alone. Associated with feelings of significance and worthiness are deep, unconscious fears we have about being ignored: not seen, not heard, not recognized. All human beings have fears about being ignored to a lesser or greater extent. At some point in our lives we have felt it, seen it or have been influenced by it. Fears related to being ignored live in our unconscious, outside our awareness. As a result, these fears manifest in behaviors that are defensive and protective. The reptilian and mammalian brain is responsible for motivation and emotion along with the most primitive parts of the brain, the brain stem and limbic system. When this ancient part of the brain is aroused by perceptions of fear, the defensive response of fight, flight or freeze is triggered. This is also known as an “amygdala hijack.” With our ancient defense mechanisms responding to modern threats that don’t involve mortal danger, defensive reactions in our contemporary interactions are usually not about me protecting myself from you. Oddly, it is about me protecting me, from me. I protect myself from feelings associated with being ignored, left out, not seen or not heard. According to Schutz’s findings, all people struggle to varying degrees with feeling insignificant and unworthy or ignored. The implications for layoffs are enormous because they threaten our significance and sense of worth. Being laid-off tells us, in very certain terms, that we are no longer wanted or needed. We’re being put on “permanent ignore!”

The second (FIRO) dimension of behavior is concerned with the amount of control or influence we seek with others and the amount of influence we want others to have in relationship to us. Achieving optimal or meaningful amounts of control with others is critical to our sense of choice, self-determination, accountability, decision-making judgment and self-directedness. Control has to do with “who’s on top,” and “who’s not.” Control preferences affect how we lead, make decisions, inform others, direct others and how we allow others to direct and influence us. Related to the dimension of control are our feelings of competency. When we feel competent we are likely to demonstrate, or calibrate, effective levels of influence over others. We are neither autocratic nor do we abdicate control. According to FIRO theory, we all seek various levels of control appropriate to our needs. Our ability to calibrate an appropriate
level of control to a specific situation is significantly influenced by our feelings of competency. Competency is associated with feelings of self-esteem and self-confidence.

Also associated with feelings of competency are deep and unconscious fears we have about being embarrassed or humiliated. All human beings have fears about being embarrassed, humiliated or shamed. Perhaps, early in our emotional development, we experienced embarrassment and, as a result, we developed a way to cope with these feelings. Under stress, which triggers fears of loss of choice and control, we activate our favorite coping strategies. This often manifests behaviorally in the form of over-control, i.e., “do it my way, don’t ask questions.” Protective responses can also lead to excessive use of independent (non-inclusive) judgments and decisions. The opposite can also occur. Perceived loss of choice or control can manifest as a defensive under-use of influence—for example, withdrawal into “deadly silence,” overt rebellion or refusing to take charge when it is appropriate to do so. Like Inclusion and related feelings of significance, fears related to humiliation and embarrassment live in our unconscious, outside our awareness. Layoffs directly impact our sense of choice. The more limited our choices, the more likely we are to demonstrate protective and defensive behaviors, the unconscious purpose of which is to regain control over our sense of self-directedness.

The third FIRO dimension of behavior is “Openness.” Openness is concerned with levels of meaningful, interpersonal connection with others. Similar to Inclusion, openness is about depth of relationship with others—how transparent, vulnerable and authentic we choose to be or, conversely, how closed or opaque we choose to be. Depth of relationship, the level at which we easily confide thoughts and feelings with another, is influenced by feelings of “Likeability.” Likeability, for purposes of this discussion, is defined by a person’s value system and usually involves respect in two directions: a person is respected by others and will reciprocate that respect, or mutual amicability. Interestingly, neuroimaging has identified two areas of the brain, the anterior insula and anterior cingulate, as key areas that determine whether one feels “likeable” in regard to being open to reciprocal respect and a preference for the same. “People who are more open tend to be more self and other aware, more personally connected and goal directed” (Eder, D. 1985).

Some people seek a high level of openness, confiding thoughts and feelings easily. These people are most often described as being “transparent, easy to get to know, authentic.” Others prefer to limit the degree to which they confide their thoughts and feeling with others. Relationships tend to be more
impersonal, business-like and private. These individuals are often described as “hard to get to know, transactional, inscrutable.” Openness has to do with preferences about the expression of feelings. Though we all have a desire to be open, people differ as to the levels of openness they seek.

Associated with feelings of openness are deep and unconscious fears of being rejected. All human beings have fears about being rejected, unwanted or abandoned. Perhaps, early in our emotional development, we experienced rejection in some form and, as a result, we developed a way to cope with these feelings. Stress will trigger fears of rejection. Our autopilot “reptilian” response activates our coping strategy, the behavioral form of which might be to isolate or withdraw. The opposite can also occur. Excessive use of openness might manifest in ineffective personal or professional boundaries, or becoming hyper-vigilant. We might personalize issues that are objective in nature. Like Inclusion and related feelings of being ignored, or Control and related fears of humiliation and embarrassment, fear of rejection, though unconscious, limits our ability to accurately calibrate openness. Our unconscious fear distorts and contaminates our awareness and perceptive capacity. Decision quality suffers as a result.

These emotional landmines are easily tripped in an event like a RIF. Interpersonal and emotional issues need to be effectively managed if retaliatory reactions are to be minimized. Discernible emotions, “you’re not listening to me, you don’t think I’m competent, I feel helpless with no control over these circumstances,” are at the root of emotional motivations to retaliate—often in the form of lawsuits. How people perceive they are treated during difficult times is the basis for the opinions they form.

**Applying Behavior Dimensions to Layoffs; Revisiting the Bay Shine Layoff**

Bay Shine could have exercised a more effective planning strategy for the layoff by considering not just the mechanics and legal aspects of the layoff but by addressing the psychological dimensions as well. Planning for such a significant event requires time, transparency, inclusion of key stakeholders, informed choice, accountability and compassion. Designing an effective layoff includes the intentional demonstration of compassion. Let’s revisit Shelby’s story and the layoff at Bay Shine Urban Development, which continues to receive negative reviews on social media sites. Here are just a few questions Bay Shine needs to address to avoid a similar disaster in the future:

- What was the mindset of key decision-makers tasked with layoff planning and implementation?
- What were the assumptions that led to sub-optimal decision quality?
- What unspoken strategies influenced the planning, outcomes and impact on performance?
Were Bay Shine’s leaders transparent in their reasoning?
Were informed choice, compassion or transparency the values upon which the decision-makers aligned their actions?

The reality was that a unilateral decision was made by the new CEO to downsize executive leadership after consultation with (or perhaps at the direction of) the board. The CEO, meeting with only board members and the CFO, determined the best course of action was to lay off one-quarter of executive leadership. Given the age demographics of this group, human resources had a responsibility to flag the CEO’s attention to the possibility of age-based discrimination actions by those laid off. Remember, the average age of those terminated was 48. Over 50% of the laid-off executives were age 60 and most were within 2 years of retirement. The reason for the RIF was “cost reduction; positions eliminated were not replaced.” As it happened, the appearance of age discrimination and lack of transparency in the decision making process set a tone that invited speculation of negative intent. The result was, and continues to be, bad press about Bay Shine’s performance and disengaged culture.

In their July 2009 Harvard Business Review article, Bob Sutton and Jeffery Pfeiffer identified four guidelines that are essential to making layoffs as humane as possible. These guidelines correlate with FIRO dimensions of human emotion, significance, competency and likeability and are strong determinants of how people will interpret the event.

**Prediction** Give people as much information as you can about what will happen to them as individuals, to their workgroups, and to the organization as a whole, and when it will happen. This makes the layoff real and helps people prepare for it. How do we include people in the decision-making process? How do we ensure that employees are not surprised by events? How do we act with intent so that employees do not lose their sense of significance in the process of a layoff?

**Control** Giving people influence over what will happen is often impossible, but giving them influence over how it happens and when it happens is often quite possible. Have we maximized options and explored how we can increase individual choice in the process?

**Understanding** Explain why the layoff is necessary. People have consistently negative reactions to unexplained events. This effect is so strong that it’s better to give them an explanation they do not
like—as long as it’s credible—than no explanation at all. How do we align our actions in ways that reflect “informed choice?”

**Compassion** Leaders and senior executives should express compassion and, when appropriate, sorrow for the consequences of business decisions that result in layoffs. This is where openness is critical. Demonstrating an appropriate level of vulnerability can be calming and reassuring to those facing this difficult message. Openness, our willingness and ability to enter into and maintain trust-based, accountable relationships, particularly in the face of uncertainty and change, is core to the emotional and psychological basis for how we create a sense of place in the world (Sutton, B. 2009).

William Peace, previously an executive with Westinghouse and United Technologies, wrote of his experience notifying employees of an impending layoff. “I believed that openness is a productive management technique and that intentional vulnerability is an effective management style. The soft management I believe in, and do my best to practice, is a matter of making hard choices and of accepting personal responsibility for decisions. I approached the dilemma as gingerly as we could, with much discussion and no foregone conclusions. We agreed that our criteria would not include performance as such. Instead, we decided to choose jobs with the lowest probable value to a potential buyer. I delivered the message to those who would be severed from the organization. I wanted to explain as truthfully as I could what it was we were doing and why. I went through our reasoning on the reduction in force, putting particular emphasis on our belief that this RIF would improve our chances of selling the division, as opposed to closing it. I urged those who would be leaving the organization to blame me for the decision. Most of them understood, even respected what we were trying to do, however much they might object to our final choice of sacrificial lambs. I explained that we would do everything in our power to keep the business alive and salable and, second, that we saw layoffs as an extremely regrettable last resort. I am more and more convinced that the “success” of that meeting was due in part to the fact that it made me vulnerable to the criticism, disappointment and anger of the people we were laying off. We began to change attitudes on both sides by treating leaders and the workforce with respect, honesty and openness. To me this made a great deal of sense. If managers began treating members as human beings, with dignity and worth, they might just respond by treating us the same way.” (Peace, W.H. 2001).
Let’s dissect the actions of Bay Shine and compare them to the guidelines laid out in the 2009 *Harvard Business Review* article by Bob Sutton and Jeffrey Pfeffer:

**Prediction** Instead of making the layoff real by giving all employees information about impending and significant changes that would impact them, Bay Shine’s CEO made a unilateral decision to downsize executive leadership. With limited consultation, the CEO determined that the best course of action was to eliminate a significant number of executive leadership positions. There was little information or transparency in the decision process.

**Control** Bay Shine limited employees’ influence, decision-making, planning and choice. Leading to further negative impact, Shelby and her team, having been informed that they would be spared from this round of layoffs, were blatantly misled with respect to their tenure with the organization.

**Understanding** Again, Bay Shine’s CEO explained only tactical measures to be taken as a result of poor financial performance. The CEO failed to address critical questions about impact to the employee population, his reasoning or feelings about the ensuing layoff. Time was short; poor planning left employees feeling much was left unexplained and led them to question the credibility of Bay Shine’s leadership.

**Compassion** At Bay Shine, the final insult came in the form of the phone call to Shelby as she left her father’s funeral on a Friday afternoon. The mindset devoid of compassion which allows for such behavior has a name— it’s called, “goal obsession.” Goal obsession is a singular and obsessive focus on meeting a stated goal or objective so that little else other than completion of the task at hand is considered, regardless of consequences. An example of goal obsession was demonstrated recently by an executive coaching client early in our work. He came to his session complaining that his young assistant was seemingly distracted, having failed to complete hand-out packets for an upcoming board meeting. Frustrated and angry, he proceeded to explain that earlier that week, his assistant was diagnosed with stage 4 breast cancer after waiting nearly ten days for medical reports. Even in the face of such devastating news, my client, whom I regard to be a good, smart and honorable leader, was incensed that the packets were not ready! He was temporarily blinded by his goal obsession, which happens frequently under pressure and stress. At the very least, goal obsession destroys respect and self-esteem.
If informing an employee via a phone call about her job elimination is devoid of compassion, terminating an employee on a Friday also reflects little concern about the prospect of facing a long weekend with no professional support to debrief and regain some perspective. A good transition coach will attend to these emotions first, anticipating that the client’s emotions might include panic, fear, sadness and shock. Providing notice on a Friday does not allow people to seek immediate attention when and if it’s needed or desired. It’s an unfortunately popular procedure for giving termination notices, creating significant cognitive dissonance and emotional turmoil. The basis for such unconscious reasoning is often found in valuing efficiency over effectiveness and the conflict-avoidant nature of the person making the call. Most leaders, tasked with the singularly most difficult and wrenching decision of organizational life, separating people from their economic and emotional foundation, are given little if any training or support before or after the event. Cases of insomnia typically spike just days prior to, and weeks following a layoff. Many leaders experience deep depression, self-doubt and physical symptoms related to high stress and anxiety. Cognitive unawareness, “We don’t know what we don’t know,” leads to unaccountable behaviors with devastating consequences both for those being severed from the organization as well as those who remain. Bay Shine’s organizational “trust quotient,” once recognized as a key characteristic in their nomination and selection as “A Best Place to Work,” was severely damaged. This once successful, even celebrated, culture continues to struggle with low morale, high turnover and poor performance seven years hence.

**Long Term Risk of Poor Layoff Execution**

The most problematic aspect of a layoff is its potential damage to an otherwise functional organizational culture. How layoffs are conducted represents an organization’s “values-in-action.” If we measure Bay Shine’s recent history not in years but as a series of cultural event markers, we might express that same timeline as “a new CEO and several RIFs later....” By itself, this expression doesn’t reliably imply much other than significant events occurred that likely impacted the culture. A dramatic and successful turnaround might have exactly the same pattern—with a completely different outcome than the one at Bay Shine. The way a layoff is conducted speaks volumes about the inherent trust and respect leadership has for its employees and that will affect the outcome. What are the operating values of the organization? Is leadership behaving in a manner that demonstrates intentional alignment between what is said and what is done? Misalignment between leadership’s actions and organizational values cause cognitive dissonance: an emotional disorientation that is guaranteed to invite irrational, fear-based behavior. Referred to as “Red Zone” environments, these cultures are marked by
• **Low trust**—Relationships are characterized by low trust, blaming, alienation, anxiety, guardedness, denial, risk avoidance, cheating, greed

• **Limited communication**—A general tendency to withhold information, hostile arguments, cynicism, suspicion, sarcasm, undertones of threats and fear

• **Limited motivation**—An environment where cheating and hyper-rivalry thrive, an attitude of entitlement, deadness, a tendency for people to hide mistakes, work experienced as painful, and dependence on external motivation.

For individuals, the consequences of Red Zone behavior include loneliness, depression, anxiety, emptiness, self-centeredness, lack of intimacy, co-dependency, aggression and the absence of enjoyment.

“**Green Zone**” companies are markedly different. There is a sharp contrast in demonstrated organizational characteristics:

• **High trust**—Relationships are characterized by open dialogue, risk taking, excitement, honesty, friendship, laughter, mutual support, sincerity, optimism, cooperation.

• **Open communication**—Behaviors that reflect friendly competition, shared vision, flexibility, a tendency to learn from mistakes, the ability to face difficult truths, the taking of broad perspectives, openness to feedback.

• **High levels of engagement and motivation**—An environment that recognizes and rewards meaningful contribution, the experience of work as pleasure, internal motivation and ethical behavior.

The outer and inner selves of individuals operating in the Green Zone are congruent. They seek connection according to deeply held values and character, rather than tactical “me first” thinking. Therefore, they convey an authentic, non-defensive presence. Actions in a relationship are not driven by fearful motives, nor are they determined by an unconscious competitive spirit. When conflict arises in Green Zone companies, employees seek to understand and to grow because they desire mutual gains rather than victory. They can do so because they have the tools, methods and approaches to cope in less reactive ways (Serrat, O., Tamm, J.& Luyet, R. 2010/88).

A 2006 study by Christopher Zack and Rick Iverson of Simon Frazier University in British Columbia found an interesting correlation between management of layoffs and culture. “Layoffs have the most negative
impact on performance in ‘high-involvement’ workplaces. In other words, organizations that provide employees with optimal decision-making authority and responsibility and where greater emphasis is placed on the significance of individual employees have a considerably more difficult ‘time’ bouncing back from layoff.” (Zack, C. & Iverson, R. 2006). “When members of an organization have been treated humanely, given substantial authority and persistently told how much they are valued, layoffs violate the “psychological contract” between the organization and its people” (Sutton, B. 2009). “Expectation shapes reality. People's pre-conceptions of themselves will have a significant impact on what they perceive, their reactions and emotional coping strategies” (Rock, D. & Schwartz, J. 2009).

Doing It Right

When layoffs are necessary, there is a compassionate way in which to plan and proceed with this emotional event. Executing a layoff while incorporating the values of Prediction, Control, Understanding and Compassion reflect a deliberate mindset around which decisions are aligned. When instituting large scale change, the importance of values-alignment is restated in a substantive body of research by Chris Argyris, whose early research on “values-in-action,” explores the impact of formal organizational structures, control systems, and management on individuals – how they respond and adapt to change. “Individual and organizational learning, the extent to which human reasoning and behavior, becomes the basis for [diagnosis] and action profoundly influences organizational defensiveness, particularly in the face of change events.” (Argyris, C. & Schön, D. 1996) “Making this distinction allows us to ask questions about the extent to which behavior fits espoused values and whether inner feelings become expressed in actions. In other words, is there congruence between the two?” Argyris (1980) makes the case that effectiveness results from developing congruence between values-in-action and those we simply “espouse.”

Values-in-action around which effective layoffs and organizational learning take place include the incorporation of behavioral dimensions as well as the four guidelines identified by Sutton and Pfeiffer: Prediction, Control, Understanding and Compassion. The values-in-action are Transparency, Curiosity, Informed Choice, Accountability and Compassion. To assure optimal outcomes, applying these values-in-action to all aspects of a layoff provides a clear outline for what to do.
Transparency

- Encourage open communication and publicly test assumptions and beliefs upon which decisions and outcomes are based. Is the layoff the only way to achieve financial or other goals?
- Emphasize and communicate common goals and mutual interests in the reasoning process leading up to a layoff.
- Surface conflicting views; encourage and openly discuss opposing viewpoints.
- Communicate often and organization-wide; be accessible to those who will be leaving as well as those who will remain.
- Acknowledge steps in the decision-making process and evaluate decision quality with directly observable (transparent) data. How will we measure outcomes?
- Unify around a transparent and shared message. Should one or more members of the leadership team disagree with the reasoning or decision-making process, these members, at some point, need to internally commit and unify around a common message.

Curiosity

- Combine advocacy with inquiry. Answer employees’ most critical questions first.
- Ask critical and difficult questions. Where and how might employees be included in the process? Do older workers have an interest in retooling or learning new skills? Are there employees who may wish to exit the organization and may be induced to voluntarily leave? How might employees assist the organization in this transition? How will the event be received by the most highly-engaged segment of the employees? What actions would preserve and even improve engagement among the survivors?
- Align decision quality with future learning. How might we increase the likelihood of learning, organization-wide, throughout the process?

Informed Choice

- Design “freedom of choice” into the layoff process. Give people a choice as to when and how they will leave the organization. Re-think the “perp” walk! Tip: employees usually learn about impending layoffs far sooner than leaders intend, so don’t assume secrets can be kept for any extended period.
- Fill in information gaps throughout the communication process.
- Provide clear and valid information about the reasons for the layoff.
• Message the most urgent information first: what, when, where, how and who.

Accountability

• Share control and participation in the design and implementation of layoff actions.
• Leaders and front-line managers, those closest to the employee, should deliver the layoff message to their direct reports. Do not leave the delivery of this message to HR representatives.
• Be clear, honest and forthright in your reasoning and intent regarding skills or performance-based reasons for those being let go if there is cause. They need this information if they’re going to seek other employment. It is better to receive this feedback well before a RIF, but better late than never.

Compassion:

• Never terminate an employee on a Friday and consider the merits of having skilled transition support consultants on site to meet with those who are terminated immediately following their notification meeting. Most people do not have effective coping strategies for dealing with the emotional impact of job loss. Faced with a weekend of anxiousness and uncertainty, many withdraw into anger and panic. Someone in a panic mode may blanket the market with poorly designed resumes, or worse, jump on social media sites, broadcasting negative messages about the organization. Neither of these actions reflects the common interests of the organization or the employee—namely, getting engaged with the effective process of the transition as quickly as possible.
• Minimize defensiveness throughout the organization. Decision-makers must manage their own emotional reactions to the event if they are to remain effective. In the breach, others will be in a position to manage these reactions for you, resulting in more defensive behavior.
• Be accessible and responsive (non-defensive), to employees’ questions, anxiety and anger. Be fully present. Actively listen.
• Provide support for those who need to find new employment, or who may need to address issues of employability; many may need to retool or “re-career” in order to be reemployed.
• Those who have experienced poorly executed layoffs may expect the same this time around. They will be hyper-vigilant about seeking retribution—most often in the form of litigation.
• Support those who remain. Coach and train. Provide training and ongoing assistance whenever there is a requirement to deliver emotionally troubling news. Don’t assume that those tasked
with delivering the message know what to do, how to say what they need to say or are adept at dealing with debate.

**Conclusion**

Prepare employees for changes in the workplace by incorporating values-in-action: Transparency, Curiosity, Informed Choice, Accountability and Compassion. These values must be expressed as behaviors and actions that respect and support people’s sense of self-esteem, significance, competency, authenticity and trust. As a competitive strategy, leaders would do well to spend more time anticipating the development needs of their people in order to provide the organization its competitive edge. “In a world in which new initiatives are greeted with skepticism, the easiest way to convince people that it’s time for real change is to begin acting in ways that demonstrably signal that change is occurring” (Pfeffer, J. 1998). Decision makers tasked with planning and executing layoffs are often stuck in denial. Their denial too often takes the form of, “when the going gets tough, the tough get mean!” Years of research suggest that “When leaders see employees as replaceable cogs in the organizational wheel, they are not only denying the humanity of their people, but they are also likely to cost their companies—and themselves—some serious money down the road”( Pfeffer, J. 1998).

Leaders and advisors avoid the emotional content of layoffs at substantial risk. If the RIF has been a needlessly grueling experience, some money exchanged for signatures on a separation agreement is a bloodless conclusion to sudden unemployment, even if it meets legal criteria. On the other hand, a deftly handled RIF presents a definitive opportunity for organizations and advisors alike. The more the organization can mindfully respond to the challenge in a considered, respectful, caring and humane manner, the more likely the threats will be reduced on all fronts. Paying strict attention to preserving the organization’s reputation not only reduces the possibility of litigation, it also reduces the collateral risks of destroying engagement and degrading the culture, while speeding the recovery process for everyone touched by the event. People naturally have long-term memory about how they were treated in tough times, and social media effectively extends that timeline to a permanent state. As the economy recovers, reputation will be a key differentiator as market competition returns its earnest attention to talent recruitment, engagement and retention. In good times or bad, acting as though retaining and engaging the top talent that the organization needs to thrive is a winning strategy for any season.
References:


