

## *Determining Departures*

*Layoffs and reorganizations are sweeping corporate America today. But is the time-honored tradition of “last-in, first-out” sound enough to cut it in today’s complex business world? Experts weigh in on the best ways to wield the knife.*

By Michael O'Brien

***A troubling new U.S. Department of Labor report has found that mass layoffs, or job cuts of 50 or more by a single employer, increased to 2,227 in January - up nearly 50 percent from the same month last year - and affected more than 235,000 workers in that month alone.***

Since the recession began in December 2007, the department says, U.S. companies have laid off a net total of 3.6 million workers. And Forbes magazine's online Layoff Tracker notes that 486,639 workers have been laid off since November 2008 at America's 500 largest companies, with more cuts in the offing, by all estimates.

Given the swiftness and sheer scope of the cuts, a nagging question emerges: Did those companies cut the right people?

Companies are reluctant to speak publicly about if, or how, they assessed staff prior to layoffs, given the timeliness and sensitivity of the issue. But experts agree this type of screening is becoming a popular method, pre-downsizing or as part of mergers and acquisitions, to determine who a company should retain and who it can afford to see walk out its doors.

Such decisions, they say, should not be taken lightly.

“Too often, it is easiest to look at historical data about an individual's performance, or even to adopt the highly inappropriate ‘last in, first out’ approach,” says Hennie Kriek, president of SHL, a Princeton, N.J.-based talent-assessment-solutions provider. “The first option is not based on future potential, so it could mean that the company fails to have the right people in the right roles for future growth -- while the latter option could easily land a company in court as it risks flouting equality laws.”

Kriek and others advocate an objective and more scientific approach that involves the use of psychometric assessments and other techniques, especially given that many companies are facing restructuring as well as downsizing. Past performance, alone, is not a fair measure of an employee's ability to undertake tasks in a new role or in a new structure, experts say.

“It is an extremely unsettling time for staff when their company faces downsizing, so to be able to demonstrate objective reasons for letting some people go and redeploying others is critical,” says Kriek. “It's not just a matter of ticking the legal boxes; it's about being a responsible employer and ensuring that staff who exit the company go with dignity, a clear understanding of why they do not suit the new structure, and the knowledge of where their strengths lie ... .”

### **Communication is Key**

Dr. Ken Lahti Ph.D., director of product strategy and innovation for Atlanta-based assessment provider Previsor Inc., says there are four categories of assessments companies can use to best determine which staff should survive a downsizing and which should not: tests, interviews, scientific-performance measurements and simulations.

Tests are best used to measure skills, abilities and the judgment of workers, and can be objectively scored. Interviews provide a more subjective view of the participant. Scientific-performance measurements, meanwhile, can be used to make structured ratings of subjective behaviors in order to more easily compare participants' traits, and simulations can be used to measure a participant's performance in a particular situation. Simulations, says Lahti, are most often used in pre-hire situations to predict how well someone will do in a job.

No matter what type is chosen, Lahti says, an assessment process improperly administered and communicated to a worried staff may ultimately do more harm than good.

“One of the worst things you can do,” he says, “is just tell people to take a test, when they know something is going on with a reduction-in-force or a reorganization, and not give them the context. ... These programs fail or succeed based on the quality of the communication.”

Organizations must take the necessary steps to ensure people are comfortable with the process, or else the results of the assessment may not be accurate because “testing creates anxiety for adults who aren't in school,” says Lahti. “There is a little bit of selling for companies to do.

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“Most [companies] would set up an assessment prior to layoffs by communicating something such as, ‘We’d like you to take this test to help you understand the roles you might be well-suited for. What we’re not going to use the test for is to judge your past performance.’”

Nerves aren’t the only factor that can muddy the waters of an assessment.

“Testing is most useful when people are willing participants,” says Lahti. “You can roll out a testing program and have people participating [only] because they want to derail the process and give you bad information.”

Companies using assessments in anticipation of layoffs or reorganizations must communicate carefully and specifically with staff on the reasons assessments are being given or they risk exacerbating that mistrust and anxiety, he says.

“The main thing for companies to do well is [use] honesty in their communications about the reason the assessments are being done,” Lahti adds. “Companies would do well to explain what the assessment is designed to measure, why the staff is being asked to take it and what the results of the effort will be.”

### **Data-Driven Process**

While proper communication is an important facet of using assessments before a layoff, industry leaders say such tests also need to deliver the right metrics in order to be useful.

In the past year, the use of such assessments prior to downsizing has been rising significantly as a response to the souring economy, says Jim Candler, vice president of global customer success at Sausalito, Calif.-based HumanConcepts, which makes workforce decision-support software.

Although he can’t provide actual numbers, he does say that, as the economy has headed south, “the data-driven process has increased.”

“If you look at a graph of the gross national product, it would be inversely proportional to that,” he adds.

In order to keep up with increasing demand from clients, his company recently acquired a software solution from Dublin, Calif.-based Taleo Corp. designed to help companies manage workforce separations. The program, now combined with HumanConcepts’ OrgPlus solution, is called Transition Manager, and it takes a variety of factors into account, including performance, seniority, tenure and special skills before making any recommendations on layoffs.

Candler says there is no “cookie-cutter approach” to downsizing, and each company presents its own set of challenges.

Gathering the necessary information on employees before an assessment has become easier, Candler says, as more companies have HR technology solutions.

“Most of our customers already have an assessment tool in place to measure skills, performance and upward movement,” he says. “So we are usually taking our metrics from those systems and presenting them in our products. . . . It is very important to support customers in making data-based decisions so that they’re working with the best information they have.”

For organizations that do not have their own metrics for employee performance, Candler says, HumanConcepts provides a performance-evaluation tool to get the right information.

But Doug Reynolds, vice president of assessment technology at Development Dimensions International, a Bridgeville, Pa.-based assessment-solutions provider, says the results of an employee assessment should not be the only thing taken into account prior to a layoff.

“We don’t advocate that the assessment be used as the sole indicator of suitability,” says Reynolds.

Past performance, he adds, can help determine which workers will survive a workforce reduction.

“Especially in these high-risk scenarios [of mass layoffs], you’ve got a history of individuals being assessed,” he says. “Past appraisals are very important and should be brought to bear.”

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### **Have a Vision**

However layoffs are ultimately determined and communicated, industry experts agree that a company nearing a downsizing must have a plan for what the cuts are meant to accomplish, aside from just a reduction in headcount.

Companies facing layoffs need to have “a very clear vision of where the organization is going,” says Reynolds. “Start with strategy and use that to determine what it’s going to take to get there. Then you can easily come up with assessments to find out who will line up best with that.”

He adds that any good assessment process will include transparency, and will round out the appraisal of the person being assessed by including his or her more qualitative traits and contributions.

“That’s going to help with communications with the survivor groups,” he says. “You can explain as a manager where you’re going next. ... As a theme, the most important thing is to tie it to the strategy and not be so bound by where folks were in the past.”

In the end, the process of assessment prior to layoffs can have tremendous benefits for a company, says Charlie Wonderlic, CEO of Libertyville, Ill.-based assessment provider Wonderlic Inc.

“There is tremendous value in making objective decisions that are demonstrably job-related -- from not only the sort of baseline of ‘Is it fair and unbiased?’” he says. “But beyond that, there

is going to be a day when things turn around again, and the question becomes, ‘Do you have the right people on the bus at that time?’”

Wonderlic cautions that, in almost any assessment process, a certain emotional element will be involved.

“It’s the age-old question of: To what extent do we use objective information versus subjective information? Both are job-related, but we are humans and we tend to use things that are [subjective], including emotion, and sometimes that emotion is just as important.”

He adds: “When it comes to [laying off] an individual and putting [him or her] in a bad position, the emotional side needs to go down and the objective side needs to go up for everyone involved, particularly for the organization and its viability in going forward. Organizations create [their own] culture, mission and vision, and, when things are going good, everyone buys into it, but they shouldn’t throw it out when times are bad.”

He advocates taking a long-term approach to the problem of choosing who to retain and who to let go.

“The problem is, if you are not making those decisions based on future performance, then you’re really burning the village,” Wonderlic says. “You’ve reduced the workforce, but you’ve put the village in peril because the collective sum of talent is diminished.”