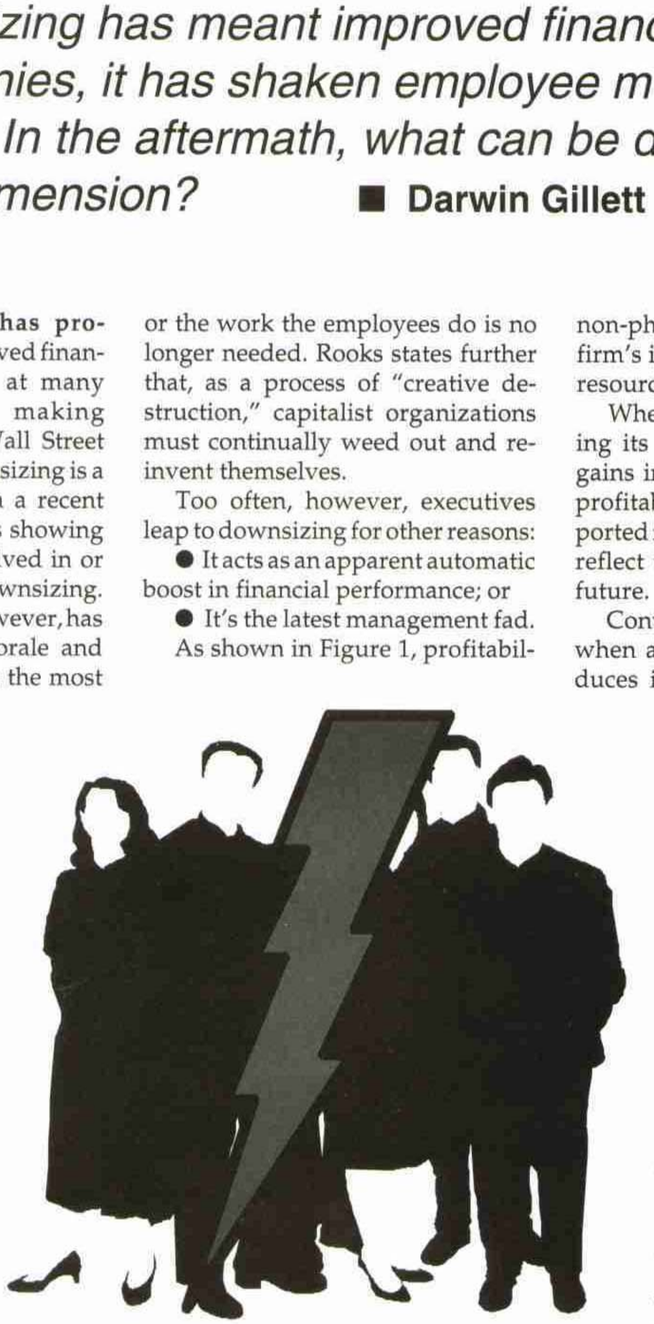
Rebuilding the human spirit

While downsizing has meant improved financial returns for many companies, it has shaken employee morale and commitment. In the aftermath, what can be done to rebuild the human dimension?

■ **Darwin Gillett** *Gillett Associates*

Downsizing has produced improved financial returns at many companies, making their shareholders and Wall Street very happy. Clearly, downsizing is a widespread practice, with a recent survey of large companies showing that 38 percent were involved in or planning some kind of downsizing. Corporate downsizing, however, has also shaken employee morale and commitment. It is perhaps the most dramatic intersection of the financial and human dimensions in recent corporate history—with profound implications for future corporate health.

In this article, we first examine **why** you might decide to downsize and the human spirit dimensions of that decision. We then look at what managers responsible for planning and implementing the downsizing—and their employees—can do to rebuild and nurture the human spirit necessary for long term corporate success.



In his May 1996 "Viewpoint," Alan Rooks, editor in chief of *PIMA Magazine*, cites two reasons for company layoffs: there is financial trouble or the work the employees do is no longer needed. Rooks states further that, as a process of "creative destruction," capitalist organizations must continually weed out and reinvent themselves.

Too often, however, executives leap to downsizing for other reasons:

- It acts as an apparent automatic boost in financial performance; or
- It's the latest management fad.

As shown in Figure 1, profitability is directly related to business performance and the cost of the company's resources. These include non-physical resources such as the firm's intellectual and human spirit resources.

When a company invests in building its resources, it expects future gains in business performance and profitability. In the meantime, reported financial results suffer as they reflect the costs of investing in the future.

Conversely, as shown in Figure 2, when a company downsizes, it reduces its resource base. This may result in a long term reduction in business performance—yet short term gains in reported financial performance. Downsizing seems to work because resources are immediately cut, and business performance continues on for a time, so that reported profitability increases.

Downsizing can backfire, however, as reported by *The Wall Street Journal* in a June article, "Dumbsizing." As shown in Figure 2, with depleted resources it may not be possible to maintain—let alone improve—business performance. The *Journal*'s article cited several examples where major corporations downsized, only to watch as business performance, like customer service, declined.

Downsizing inherently threatens the human spirit. It shakes the foundation of employee morale, confidence and commitment. With a weakened human resource, the company will have even greater difficulty building and tapping into the "spirit" of the organization. Thus the capacity and impact of the remaining human resources may decline. This can lead to even worse business performance and lower financial results.

While downsizing seems to work, it may actually wound the company's ability to produce future business results. Why? Because the business results achieved in any given year are not just the result of that year's resources and their use, but also the resources built up in past years. For example, the market share held by a company is determined by product quality and customer service over the last several years.

Wall Street is learning to discount the reported financial results of companies that skimp on physical and intellectual resources (like R&D). What is needed is an equally careful assessment of whether companies are skimping on the human spirit resource.

Before reducing and perhaps weakening the human resource of your organization, first concentrate on getting more and better results from existing resources. For example, instead of scaling back the sales organization to fit the current level of sales, call on your people to find ways to revive and expand sales. Instead of cutting the plant work force, call on them to improve not only product quality, but customer service and satisfaction, perhaps teaming up with sales and marketing. Staff groups such as finance and information systems can be called on to provide even greater support to the line organization in achieving these goals.

It is at times like this that employee efforts can have a magnified impact, since these efforts stand out in contrast to competitors who may be withdrawing into their shells. This process can increase business performance and expand the capacity and dedication of people in the organization.

If a company does decide to downsize, how can it address the organization's "spirit dimension?" Executives may expect "business as usual" once the cuts have been announced and people leave, ignoring the fact that downsizing is a major and traumatic event. It needs

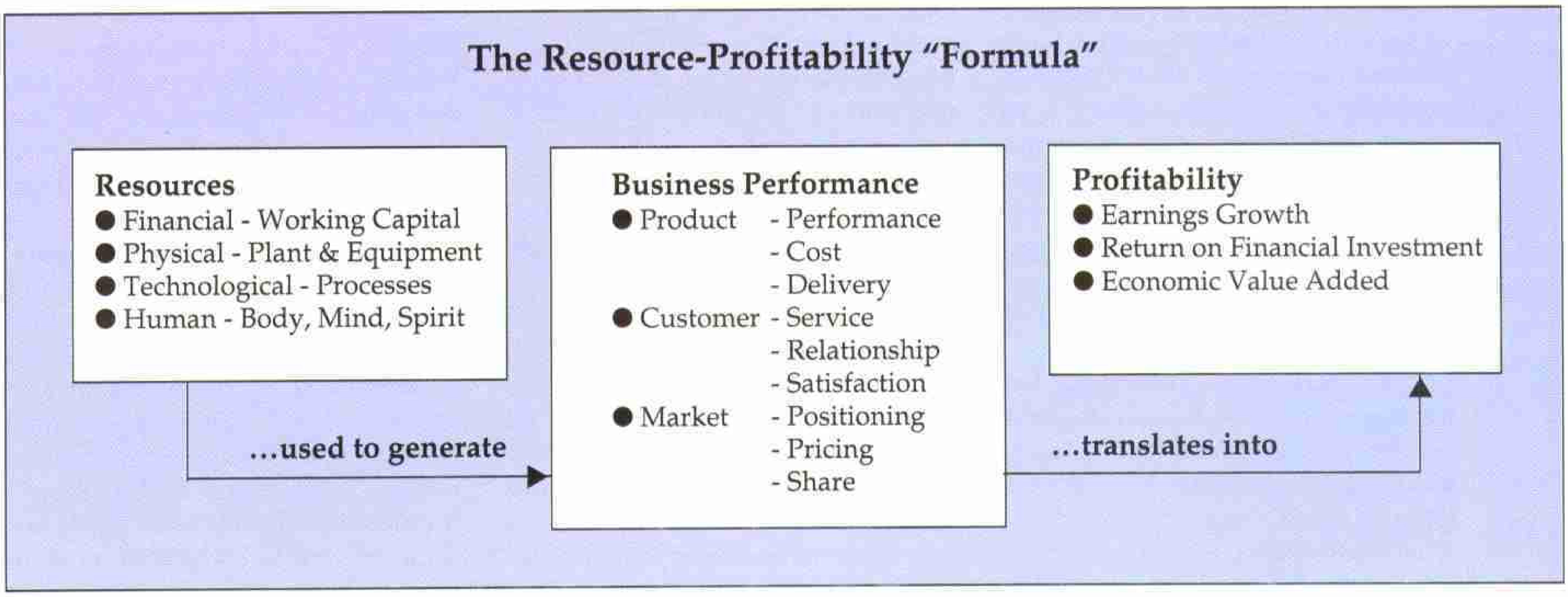


Figure 1

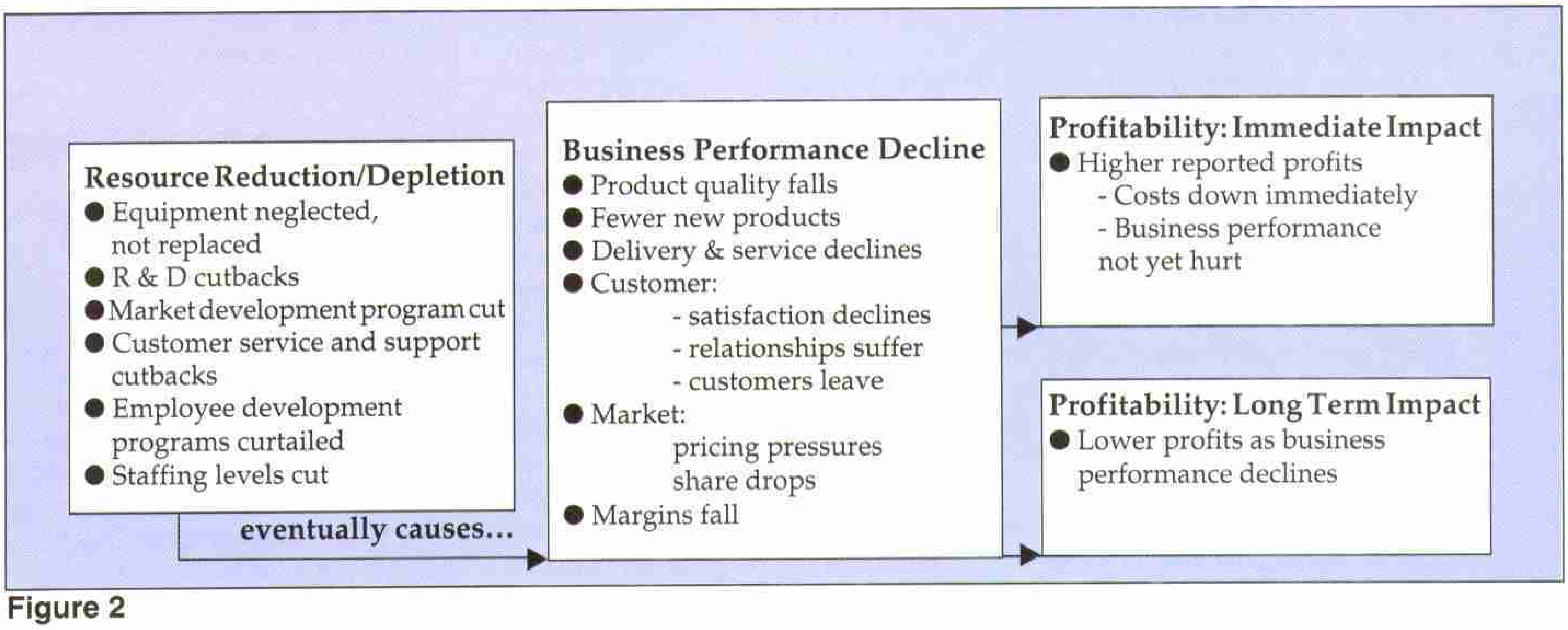


Figure 2

"You have the power to shape the person you are, the attitudes you have, the relationships you form and the actions you take. The corporation provides the stage on which to play that out."

to be acknowledged and dealt with at a spiritual and emotional level. Remaining employees may be numb and distracted. They may question their commitment to the company and have trouble getting back to work.

Executives themselves often have mixed feelings about what they have done. Their natural tendency is to try to put it behind them, shift into their action/reaction mode and get back to business. But careful attention to "restarting" the company can pay off in the future. Here are some steps for bringing back the spirit of the company.

Heartfelt communication: Do not just announce the layoffs in press releases and internal memos. This is a time for face-to-face communication with groups of employees about what was done and why. These meetings should be honest and open-ended, allowing considerable time for talking about the layoffs and what they mean.

Dignity & grieving: "Organization death" is almost like a real death to many employees. There needs to be time to grieve. Those leaving should be allowed to leave with dignity, not ushered out the door as if they have suddenly become criminals. Allow time and space for people to say good bye. Finding a way to honor their contributions and their departure sends a loud message to those remaining about how this company values all people.

Linking to the future: Rather than describe the downsizing in terms of the past, link it to the future. In what way does the downsizing tie in with the vision of the future company? People want to believe in their company and where it is going. Help them do that by sharing why this was a necessary step in getting to where the company wants to go.

(Re)establishing community: After such a traumatic event, employees may feel an acute lack of connection, and want at some level to develop a deeper connection with the people with whom they work. Team meetings, opportunities to discuss the bigger picture and rethinking how to handle work all help to rebuild that sense of community. It is time well spent.

Dramatic action: Often the best time to take decisive action in business strategy is when the organization is undergoing radical change. Old patterns are no longer as entrenched; employees realize it is a time of change. Seize the opportunity and call on people to develop and implement "out-of-the-box" strategies. There is energy in movement, energy that a shell-shocked organization needs in order to regenerate.

Without a doubt, downsizing is tough. Employees wonder if there will be more. How secure are their jobs? Why should they be loyal? Why should they care, when the company seems only to care about dollars, not people? While all this may be true, the "silver lining" of downsizing is what it can actually do to encourage people to build their own individual human spirit. For too many years, the corporation has been experienced as the smothering "mother" and the boss as the autocratic "father" with its power over employees. For many employees, the real contract has been not just to trade loyalty for security, but "to behave as told and then get taken care of." Downsizing rocks that cradle.

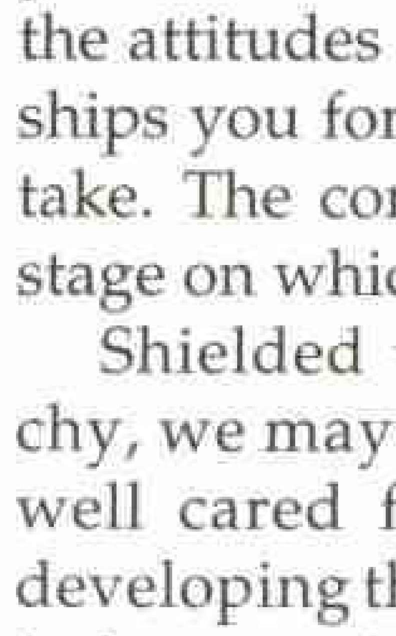
Viewed positively, downsizing gives employees the opportunity to develop their own independence and stand on their own two feet. Here are some steps for rebuilding your own spirit and claiming your own power.

First, take charge of your own **security**. Security comes from self, not from external forms like corporations. Employees who are aware of this (witness the Generation Xers) don't look for security from the company, but instead develop skills that can be taken on to the next job. Taking this idea one step further, you can accept it as an opportunity to explore and develop your own spirit—the willpower, the passion, the ability to work as an adult with other employees, the willingness to take responsibility for oneself and for making things happen.

The next step is to express **power**—the real power you already have is mightier than you might think. Control over what happens is one of the illusions of life. You can not really control life. Things like downsizing happen. But you can take responsibility for how you deal with life. Your ultimate power is that you have the power to shape the person you are, the attitudes you have, the relationships you form and the actions you take. The corporation provides the stage on which to play that out.

Shielded under the old hierarchy, we may have been happy and well cared for, but we were not developing those sides of us needed to become truly independent and self actualized. With corporations beginning to shed their old hierarchical "command and control" mentalities, the internal shifts **we** make to define ourselves more in terms of our inner self—and less in terms of the outer world—will actually make us more valuable to the kind of corporation likely to emerge in the 21st Century.

About the Author



Darwin L. Gillett IV (Dar) is president of **Gillett Associates**, an international consulting organization, founded in 1981, that provides executive coaching and mentoring, facilitative leadership of executive groups and project teams, and consulting assistance in taking companies to a new level of performance. He is also founder and president of the **Institute for Human Economics**, an organization dedicated to researching and communicating new models of managerial science and educating and inspiring leaders of businesses and other work organizations to help them draw forth the full range of human talent and spirit in revitalizing their organizations. He can be reached at 207-443-4533 or Dar@darwingillett.com.

PIMA, the Paper Industry Management Association (www.pimaweb.org), and TAPPI, the leading technical association for the worldwide pulp, paper and converting industry, (www.tappi.org) have merged their magazines and are now publishing *Solutions! For People, Processes and Paper.* This article is reprinted by permission.