



## Do You Really Have To Downsize?

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Your business has been slowing down, you're concerned about making payroll, and your health insurance premiums have increased 30 to 40 percent. At times like these, managers naturally tend to get nervous and look for a quick fix. A knee-jerk reaction is to downsize without thinking through the short- and long-term consequences, or considering other alternatives. While layoffs temporarily improve the bottom line, there are many hidden costs. Morale and productivity often take a big hit. In addition, when business rebounds, companies soon find that the lack of experienced staff adversely impacts their ability to meet customer needs and expectations.

Your company has invested a lot of time and money in training people to know your customers, your business, your products, and your services. Don't throw away these valuable assets before you really do your homework.

It is a tough time for large and small businesses today, but with a high degree of employee involvement, paired with creative thought and action, you can significantly reduce expenses and get to the other side of a downturn with your people assets intact, poised to pick up where you left off. Here are some ways to get there:

**Lead.** Lean into your leadership skills and promote optimism in a way you may never have done before. Repeatedly tell everyone, including your leadership team, "We WILL survive as we ALL work TOGETHER." Keep this vision in front of your employees at all times, especially when times are tough. Inspire your people. Make sure you "walk your talk." Your behavior must be congruent with your message. Employees, who take their cues from you, will closely attend to your every word and action.

**Be Positive.** Watch what you say and how you say it. Behavior scientists have proven we create our reality with what we say. Negative, pessimistic talk is guaranteed to de-energize the work force and adversely impact morale. It's tough to mobilize people when they are depressed.

**Get Employees Involved.** Let them know what's going on with sales and expenses. Inform them of the bottom line results. Let them know what's needed to keep the business afloat. Do this face-to-face. Invite their questions, and answer them truthfully. This is the time for integrity and authenticity. The more your employees understand what's happening and why, and the more involvement they have in planning for the company's survival, the more you will maximize their buy-in and support. Employee commitment is essential to pulling out of an economic downturn. Remember the adage, people own what they help create.

**Invite Creative Thinking From Employees.** Ask them for their ideas on reducing expenses and increasing revenue. Ask, "What can we all do to do to support the business?" Encourage them to look at your whole system (sales, productivity, benefits, organization, processes, etc.), not just their own areas. Can hours be flexed or reduced? How about an across-the-board ten percent reduction in salaries during the downtimes? What about unpaid time? (A word of caution: while it is tempting to accept offers to work a few hours for free from non-exempt employees, don't go there. Federal law requires non-exempt employees to be paid for all hours worked.)

**Look for Sales Opportunities You May Be Missing.** Are the right incentives there to encourage selling? How about training your customer service staff to do consultative selling during their interactions with current customers?

**Look for Obvious Process Improvements.** Get rid of the costly waste in your processes and procedures. Ask employees where the opportunities are. A manufacturing company I work with saved more than \$25,000 a year in packaging costs due to a simple improvement. It all adds up! Encourage and reward creative cost-saving ideas.

**Regularly Keep Employees Informed of What is Going On.** Highlight successes along the way. Absence of information creates a vacuum that quickly fills with rumors and half-truths that take employee energy away from focusing on their work.

**Thank Employees for Their Contributions.** A simple, sincere thank you can go a long way. Let employees know that you value them and that they matter to you - often. Over-appreciate your people.

**Here are some examples of how several of our client companies have dealt with lagging profitability:**

- The entire leadership group of one client agreed to temporarily cut pay for everyone, including themselves, by 3 to 5 percent. This action rallied employees behind the company. They clearly got the message, "We are ALL in this together."
- Another client decided to grant unpaid "furloughs."
- At another client, employees agreed to forfeit personal days off for a year. This saved the company \$500,000.
- Another client's employees agreed to freeze salaries across the board for a year.

Even if you find that you have no choice but to reduce staff, if you follow the above steps, you will find that you have a lot more employee understanding and support for your difficult decision.