



## Staff Rationalisation in Challenging Times

- Getting it right for the right reasons at the right time.

By Simon Tedstone

You would have to be living under one very large and remote rock not to be aware of the current economic stresses facing individuals, companies and whole economies. A big part of that stress is caused by uncertainty about the future, i.e. what's the next unexpected crisis that's going to happen. The other part of that stress is being caused by a retraction in spending and therefore a retraction in the size of the marketplace. With a smaller marketplace organisations need fewer resources to produce fewer products or services. This desire to reduce resources is further exacerbated by a desire, or even a need, to greatly reduce expenses. Staffing is one of those resources many organisations are seeking to reduce. Ultimately the survival of the firm will outweigh the emotional desire to save jobs.

As a result it will not be if, but when and how to cut staffing numbers in a way that adds to the sustainably competitive advantage of the organisation, which in turn, will provide greater job security for those staff that remain. In the interim there may be some short term alternatives such as salary freezes or even reductions, reduction in hours, job shares and forced vacations. These will buy an organisation some time and if a turnaround happens within that time are very worthwhile. However, if the turnaround doesn't come, all they've done is put off the inevitable. In fact many staff may find these actions depressing and demotivational for this very reason. Again it comes back down to having the right quantity and quality of motivated staff to add to sustainable competitive advantage, or, as Jim Collins author of "Good to Great" expressed "having the right people on the bus."

As noted in the Economist, as a general rule cutting 10% of your workforce can lead to a leaner more efficient organisation, more than 10% can detract from an organisation's ability to operate in the manner its remaining customers (who still have money to spend!) expect. It's not unlike stripping the fittings out of a car to make it cheaper to produce; at some point you will detract from the ability of the car to meet the realistic expectations of its users. It might be more efficient and cheaper but no one will buy it. Therefore it is imperative to get the staff mix right to be both more efficient and yet still be opportunistic and pro-active. The post performance of organisations making, or about to make staff redundant, will be indicative of how well they have invested in talent and succession management strategies. How these strategies have focussed on developing the right leadership attributes will also play a crucial role in future success. This fact is further exacerbated for organisations with flatter structures where effective leadership capability become's even more essential.

There are three key and sequential steps to staff reduction; firstly what's your business strategy, secondly where to reduce resources and finally which resources to reduce. The first step is to decide what your strategy is to protect the organisation and take it forward in light of the current and expected operating environment. The sole purposes of the second and third steps, is to drive the first step. It is therefore crucial that this first step is done effectively and done first. The second step involves looking for the fat spots in relation to your strategy, i.e. are there any areas in the organisation that are over staffed. For example is the firm top heavy, is there slack in shared services, does the mix of resources balance with



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the new and future operating needs, are there benefits to be gained from outsourcing any operations, do we need more or less technical ability? Many organisations may well have needed to restructure and rationalise for some time, however in the buoyant markets, they may well have been reluctant to rock the boat and upset stakeholders. In today's tighter market, the need to restructure, for many, is not an option. Appreciating this, the various stakeholders, for example unions and shareholders, are happier to accept the need for it and can even help to ensure its success.

The third and most painful step is to decide which individuals you want on your bus and conversely, who you do not want. Quiet obviously there is a high degree of emotion in these decisions, particularly for those most affected. At the top of the organisation a decision needs to be made as to what sort of leadership you need in this environment to drive your strategy? This is a difficult task, particularly for those who are close to the outcome. Outside consultants who are experts in interpreting and quantifying leadership needs and individual abilities can provide significant value at this stage. Not only do they help make a real difference to the quality of decisions but they add a level of transparency and objectivity that makes the outcome easier to implement when rationalising mid to senior level leadership. Once the top and middle staffing decisions have been made the same process then cascades down through the organisation. As a guideline when making decisions about staff, the more senior they are the more the decision is influenced by leadership ability, the more junior they are the more the decision is influenced by technical ability.

Staff, and their ability to lead, combined with their opportunity to lead will be a key performance differentiator. The more turbulent the operating environment the more critical this becomes. The opposite is also true, to the extent that in perfectly stable environments leadership is of little value and is far outweighed by a need to have the right standard operating procedures. Organisations who have the right leaders in their structure will be able to identify opportunities in the market place. They will have the ability in their staff to leverage those opportunities far more quickly and effectively than their competitors. Therefore firms need to understand the capacity they need from their human capital, the capacity they have and how to close the gaps through staff rationalisation and development. Making the wrong decisions will simply widen the gap.

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