

HOUSTON BUSINESS JOURNAL

Strictly Houston. Strictly Business.

Week of February 13-19, 2009

Natural attrition: The 'organic' way to downsize a company

With everything we are hearing and reading right now, it is becoming increasingly difficult to ignore the economy, no matter how much we might like to try.

Businesses here in Texas are not yet feeling the full effects of a recession, but there is certainly a looming feeling of dread.

And while no one wants to contribute to a self-fulfilling prophecy of slowed growth and recessionary economics, managers also don't want to be caught with their heads in the sand.

Anyone who has difficulty sitting on their hands for any period of time probably feels compelled to "do something," and conventional thinking tends to lean toward cost-cutting through downsizing.

Downsizing — or rightsizing as it has come to be known in our euphemism-filled business environment — is decisive action that can have devastating effects on an organization. Therefore, it is important to remember that a recession is an economic readjustment. It will not last forever. This temporary period, while challenging, may actually afford your business opportunities to gain a stronger market position, especially if you can be more innovative and remain more flexible than your competitors.

A more innovative and flexible approach to downsizing is organic downsizing. While hardly a revolutionary concept, feel free to add the term "organic downsizing" to your Rolodex of business euphemisms. It simply means reducing jobs through natural attrition rather than forcing cuts through layoffs.

Over the course of a year, some of your employees will accept new jobs, leave for family reasons, move out of state or decide to retire. In fact, U.S. companies lose an average of 23 percent of their work force annually due to voluntary turnover. This number varies by industry, and may be decreasing slightly due to the economy.

For the sake of argument let's say your natural attrition rate is closer to 20 percent. If you were to plan to strategically downsize your business, would you consider cutting more than 20 percent of your work force?



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In this environment, when you have to be at the top of your game, can your business afford to lose more than 20 percent of its employees? Probably not, so for most companies there is no reason to orchestrate a layoff. If downsizing is needed, it can happen naturally.

The benefits of organic downsizing are clear. Your company realizes cost savings through reduced headcount, but rather than undergoing a painful layoff that can impair performance, damage morale and leave lasting scars on your organization, it happens gradually and without any guilt or hard feelings.

With that said, organic downsizing does not go unnoticed. When someone leaves, their work and responsibilities don't leave with them. On the contrary, their work remains, and because natural attrition doesn't allow employers to choose who leaves, significant holes can form when a strong performer elects to leave. If handled improperly, organic downsizing can lead to frustration among remaining employees who are called upon to pick up the slack and clients whose needs are not being met.

So how can you execute organic downsizing effectively? Four words: Retain, retrain, recognize and reward.

First and foremost, it is imperative that you retain your most critical employees — those that possess the skills and experience you are likely to need in the challenging months ahead.

In an earlier decade, when downsizing or "rightsizing" first reared its head, there was a trend toward delayering organizations by removing middle management. The prevailing thought was that middle managers were costly dead weight.

Companies soon discovered, however, that these people held the firm's memory, knowledge and relationships. They had the essential "know how" that others did not.

So rather than spending your energy on devising a downsizing plan, focus instead on strategies to keep your key talent. Even if the current economy deters your people from actively looking for new jobs, it will not keep them engaged and motivated to perform. That's up to you.

One way to keep employees engaged is by providing them opportunities to further develop their professional skills. Organic downsizing offers an excellent avenue to do this. As people leave, remaining employees can be retrained to take on new roles and broadened responsibilities. If employees

are afforded the chance to learn new skills and advance in their careers, they are more likely to remain committed to the company and be more content with their jobs, even when more is expected of them.

Those heavier workloads, however, can wear on employees over time, especially if there is no end in sight. Employers can combat feelings of fatigue and burnout by acknowledging their employees' contributions through recognition and rewards.

Employees will more readily step up to take on additional responsibility if they are rewarded in the process. A salary increase may be called for if an employee's job description changes significantly. Other monetary rewards, such as merit pay, performance bonuses or equity grants can also be powerful incentives. Rewards need not be entirely monetary though. Recognizing an employee's hard work through a promotion, an "employee of the month" designation, or even the proverbial "pat on the back" in whatever form it takes can be meaningful motivators, too.

When determining how best to recognize and reward your employees, consider your company and its resources. More flexible schedules or a more lenient dress code may motivate some. Other companies offer breakfast, lunch or dinner to make it a little easier for employees to arrive early, work through lunch or stay late.

A relatively inexpensive gesture or perk can go a long way toward making employees feel that their added efforts are appreciated.

There is no crystal ball. No one knows with certainty what the economic future holds, how long this slowdown might last or how deep into recession we could find ourselves. Business owners should be prepared without being paranoid.

A recession need not automatically be a time of retrenchment. Agile, innovative and well-positioned companies can grow and advance in their sector if they can maintain the depth and breadth of talent they will need to succeed.

Organic downsizing allows businesses to reduce headcount without damaging employee morale or drastically cutting critical skills and experience.

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