

Handling The Trauma of Layoffs

by Patrick J. McKenna

Layoffs, downsizings, de-equitizations, terminations—no matter what they are labeled, they are a traumatic experience for all involved and appear to be here to stay for some time yet. According to a survey of 2100 employers, world-wide, 58 percent report that they are still planning layoffs and will be cutting even more jobs in the last half of 2009.

In the wake of any layoff strong emotions are a given. You can quickly find yourself faced with both lawyers and employees who are confused, anxious, depressed and oftentimes bitter. During the past few months I've been counseling a number of law firms faced with having to make drastic cuts and concerned with how to execute any layoffs with dignity. That may seem like it should be the natural way to approach such critical situations, but as these cuts have been made over the past eight months, there is ample evidence that many premiere firms did not handle their economic retrenchment with much finesse:

An internal memo dispatched at the law firm yesterday afternoon announced that about 200 lawyers would be laid off. The firm chairman commented to the media that "lawyers will know shortly if they are among those being cut." Another lawyer from the firm commented that "everyone is cowering in fear" since the announcement.

In dire economic times, employees may understand that people may need to be laid off, but not this way. This insensitivity has now provoked a backlash and little sympathy for firm's economic woes. Everyone must believe that your firm's management is compassionate and willing to balance short-term bottom-line necessities with the welfare of everyone, and yet in some instances this can be an extremely difficult position to communicate. One associate, on a public website, recently had this appeal to the equity partners following a second layoff announcement at his firm:

Surely it is about time equity partners started to bear the brunt. If you can't get the work in through the door – fall on your own swords – it is you who should be blamed, not the employees.

Another lawyer, at a different firm, had this to say:

It seems that in the real world businesses shed jobs when they make losses or there is a very severe drop in profits. What is remarkable in the la-la land of law is that law firms stick the knife into staff when these firms are still making healthy profits. What is clear, is that partners consider that their drawings should be recession proof.

And don't do what one Wall Street firm did. In October, two people at that firm went to lunch. They came back at 1:30 p.m. One was able to get through with his pass key, the other was not. The first one then let the second one in. However the guard stopped the second one, saying his employment had been terminated and he needed to go to Room 103 and report to HR.

LAYOFF MALPRACTICE

All of these quotes are strong evidence that too many firms have engaged in what I will call 'layoff malpractice.' Specifically, here are six of the more common mistakes that I've seen firms making:

1. Ignore the realities.

After weekly, sometimes even daily announcements about layoffs, many firms chose to ignore all of the indicators that suggested that they needed to layoff some of their people until it was too late to properly plan for the reductions. These firms consequently took action that was executed with a brisk, seemingly ruthless efficiency that left those that were laid off outraged and resentful, and those that survived feeling vulnerable and de-motivated.

2. Contribute to a cover-up.

Then there were those firms who masked their layoffs as simply performance review corrections. This covert activity produced a work environment with severely impaired morale, risk adverse employees, and excessive blaming.

3. Provide no forewarning.

As a result of either fear or guilt, some firms have chosen to give their people little notice of any upcoming layoffs. This lack of advanced notice only served to provoke a deep mistrust of firm management. When professionals and staff eventually learned about what was being discussed behind closed doors, without their knowledge and devoid of input, they saw a blatant disrespect for their value, thereby destroying any sense of future trust.

4. Lack compassion.

Everything you do in a layoff is done with everyone observing everything that happens very closely. How your firm treats its laid-off talent is viewed vicariously as how it may eventually treat those remaining. When information is withheld from partners, or employees are treated like children, and people's dignity is not respected, those with exceptional talent, who are among the most mobile, may very well be tempted by headhunter's calls to examine their options and choose a more humane place to call home.

5. Couch the bad news with good news.

Many informational releases about layoffs are then followed by news announcing the opening of a new office, minor reductions in partner profits, or optimistic predictions for the firm's future. Couching good news with bad simply raises the question of whether these layoffs were really necessary. Bad news should be conveyed in a way that is factual, frank and avoids hype.

6. Act as if nothing happened.

Recovering from a downsizing requires a brief period of grieving and an open forum in which professionals and staff may speak freely about what has transpired. To act as if nothing significant has happened and expect that people will just get-over-it and move on

appears callous, feeds employees' sense of helplessness, and causes people to wonder what else management has been hiding.

In the midst of all of this I hear similar questions from managing partners as they face a number of difficult choices:

- If you announce that you are likely going to have yet another layoff or de-equitize more partners, will some key players fear the worst and make plans to abandon ship?
- Is a deep cut the best approach, or is a slow, more careful process less destructive to the long-term health of the firm and people's morale?
- How do you balance what's strategically important for the long-term health of the firm with the urgencies of the present?

Meanwhile, those layoffs that have happened over the past year present less hope and more complications for those lawyers and staff cut loose by their firms. With past layoffs, there was always the feeling that people being let go could quickly get positions with other, perhaps smaller, firms. That sense of comfort does not exist today.

For most of us layoffs are not in our control, and whenever someone else is holding the strings, it becomes highly stressful. Past experiences strongly suggest that following a layoff you may expect to see changes in some people's personality. Outgoing people now being silent. The quality of the client work isn't as good, and absenteeism rises. There is anxiety and pressure, the beginning of depression in the case of some and even the unfortunate instance of suicide or attempted suicide (as has already been reported within the profession).

My friend and a former BigLaw office managing partner, Ed Reeser told me that from his experience, layoffs are the hardest type of termination.

It is hard because YOU and your leadership team have failed. Plain and simple. Leadership is supposed to anticipate, position and manage a firm to success in good times and bad. (Is there a book out there that says leaders are not supposed to be accountable for failures of policies, strategies and directions that they have authored and implemented – or failed to author or implement – and we just missed it?) Sometimes you can steer the ship skillfully and avoid the rocks. Sometimes you get tossed about and bump into a few. Other times, and we are seeing a lot of this now, the boat gets grounded big time on a shoal, and even flounders. Leaders are supposed to look ahead, understand the business, position and structure the entity for survival, and make things happen for the benefit of all. If they cannot, better get somebody else on the bridge. This one is just a raw necessity termination because the firm has 100 mouths and can only feed 90. Nobody on the team is someone we want to let go. Call it like it is, apologize, and do everything you can to help.

BEFORE INITIATING A LAYOFF

- **Error on the side of over-cutting.**

At the first signs of trouble, it is only natural for any firm leader to be reluctant to consider laying off people. You will likely begin with putting forth stringent controls on certain discretionary expenses, eliminating any frills, issuing hiring freezes and thereby delaying the need to cut people. If and as things become more negative, you may cut compensation, reduce the work week, and begin to take other extreme actions but still forestalling layoffs. Eventually the trouble signs become apparent throughout the firm and now some of your key partners begin to wonder if you are really in touch with the problem. The effects of the revenue crisis on productivity and performance can be heightened if your partners do not feel that you have taken charge.

In one case, a firm did not adequately rethink its strategy in the face of shrinking client demand. Their first response was to control expenses and implement a modestly-sized layoff of associates and staff. Those laid off were treated fairly. Those remaining felt positive about the cuts—the firm was leaner, had (finally) released some underperformers, and was now ready to move forward. Unfortunately, some four months later, the firm was faced with the need to execute far deeper cuts. This next layoff was devastating to morale. Employees could not see legitimate differences between themselves and those laid off. Instead of feeling chosen, the retained employees did not understand the criteria for severance and now feared future cuts.

Meanwhile, those equity partners who accepted the reasoning behind the initial de-equitizing of some of their underperforming brethren, became fearful that they would now fall into the bottom ranking category and that they may be among the next wave of underperformers to be downgraded. The mistrust throughout the firm grew rampant.

While employees may have been relieved that they were not part of the latest round of layoffs, this relief hardly breeds the kind of loyalty and engagement your firm need to be successful.

If small cuts are being contemplated, imagining a contingency of much deeper cuts can clarify everyone's thinking. Then, at least, the initial response is taken in the context of where the organization might have to go if the economic threats escalate. The challenge of ample work spread across less professionals can keep people busy and reduce worry and anxiety.

- **Be clear about how the layoff process will be undertaken.**

If your firm is intent on proceeding with a layoff, as the leader you must clearly outline the process, any ground rules, and the timetable for making difficult decisions. Members of your firm need to be reassured that someone is actively managing the situation. People are looking for leadership to reduce uncertainty.

Keep in mind that during the process of reaching a decision on whether to engage in a layoff, the decision process often becomes more centralized. Important discussions are held amongst members of your management or executive committee, often with little consultation with the partnership, often out of a fear of leaking information prematurely.

As a consequence, those partners who feel they should be privy to these kinds of critical deliberations and decisions are apt to now feel alienated. Sometimes a practice group leader may be brought in on part of the deliberations with a pledge of secrecy, which may be

antithetical to what he or she thinks is appropriate. These peers may fear that their credibility has been undermined and that they are no longer looked to for guidance. They subsequently make demands for additional information at a time when the inner circle is experiencing enormous stress and may resent the requests.

The harsh reality is that you cannot rely on the usual participatory methods of decision making for determining layoffs. You need to assert greater leadership. You must not avoid conflicts, but you must be aware of the psychological processes through which people deal with bad news.

- **Be sensitive to how people will come to terms with the bad news.**

As a managing partner or member of your firm's executive committee you may have been in long protracted discussions concerning the economic turbulence your firm was experiencing, the necessity of having to face salary cuts and now the shock of having to announce layoffs. It has likely taken some weeks, but you have now reached a stage of accepting this inevitable situation. You make the sad announcement and then just naturally expect that your people will immediately accept what has taken you some extended time to come to grips with. Sadly, they will not.

You should expect that their reactions will follow the pattern similar to coping with terminal illness: a sense of deep anxiety about the impending threat; denying that the threat exists; before finally accepting it.

Different individuals may be at different stages at any given moment. These differences may depend on whether you are an equity partner being de-equitized or a long-time secretary now finding that you are about to be unemployed. Disengagement, depression, self-doubt, anger, activism, are all possible reactions. Since it takes time to come to terms with bad news, you should disclose it as early as possible.

Face-to-face communications is the best method for communicating about a layoff. You need to appreciate that your people, whether being laid-off or surviving, will want an opportunity to ask questions, will need to share feedback, clarify the situation and prepare for their future. Therefore your communication absolutely needs to be interactive.

- **Contain your usual spirit of optimism.**

It is common for firm leaders to read or be told that in times of uncertainty and turbulence they have an obligation to be enthusiastic, to radiate optimism, and to rally their people around a vision of a better tomorrow. All of that is true . . . however, I believe there is a balance needed. I have seen a number of instances in which a leader's optimism has completely destroyed his credibility after subsequent events have proven his optimism unfounded. A classic example was one managing partner who announced after the firm's first layoff that there would be no further cuts in the foreseeable future. His foreseeable future lasted all of three months.

While there is a need to be the firm's primary cheerleader and a source of hope, the danger in being perceived as being too optimistic is that it can actually lead your colleagues to be even more pessimistic and adopt a 'prove it' stance or perhaps even worse, avoid taking appropriate actions when further decaying conditions are seen to require them

- **Accept and plan for your people needing to grieve.**

In troubled times, writes David Noer in *Healing the Wounds*, negative language creeps into our vocabulary and there is an unconscious tendency to use words such as terminate, cut, take out, eliminate, or remove. It should not go unnoticed that the terms associated with layoffs are similar to the language of assassination. This dialogue can convey coldness and tactlessness to people looking for some small sign of sensitivity.

Layoffs leave emotional scars, good friends who lost their jobs, broken-up practice groups, and physical dislocations. It is important that no one speak ill of departed employees, as it will only have a negative effect on those that remain. Instead, every practice group leader and office managing partner must remain positive in order to encourage surviving employees and maintain morale.

As a firm leader if you do not provide an outlet necessary for people to make sense of what they have been through and a means to vent their feelings, research clearly shows that you will likely not allow things to properly heal and interfere with people resuming their productive work on behalf of clients.

BE COMPASSIONATE WITH THE EMOTIONAL TURMOIL

So how then does it feel to be one of the lucky ones that survived a major layoff? According to one senior associate:

It's depressing. You walk into the office and it's quiet, the entire atmosphere is sullen. People are anxious, depressed and pissed. One might say that at least I still have a job and should be grateful. Well, I'm not sure how grateful I really feel. Watching close friends pack their things to leave — and dealing with the guilt that it wasn't me and the anxiety that I might still be among the next group to go — that's not much cause for celebration.

The terms psychologists toss around to describe these feelings include survivor's guilt (why him and not me?); survivor's envy (thinking you might be better off gone too); and emotional contagion (the tendency to pick up your laid-off colleagues' feelings of extreme anxiety).

If survivors have a low degree of trust in management, they will be angry, cynical about the firm's future actions and may even exhibit retaliatory behaviors. I will never forget the employee, who following a layoff in the 1990's disclosed confidentially to me how she (and others) found subtle ways to get back at some of the responsible partners. A timely communication (voice-mail or telephone message) from an important client just didn't seem to make its way to the intended recipient!

And as these layoffs continue, with wave upon wave of cuts reported in firm after firm, people become despondent. In fact, empirical research shows that reduced commitment and diminished productivity can linger for the better part of a year after a major layoff takes place. And yet many firms are oblivious to these effects. The member of one law firm executive committee was very proud to report that his firm had a generous severance package. I thought to myself, that's great, but I would love to have asked him what the firm

has done for the people who have remained? I'm absolutely positive it would have been a conversation-ending question.

Joseph Greeny, co-author of *Crucial Conversations* shared with me some thoughts to avoid adding insult to injury:

Let's be clear – nothing reveals a leader's soul more than the way he or she handles necessary dismissals. Unless you are willing to sacrifice time, money and personal pain in the service of those you are dismissing, you deserve no loyalty from those who remain.

These stories are the aftermath of every layoff. If you are attempting to recover from a recent layoff, here are some additional things you need to consider:

❖ You need to be visible and involved during any layoff.

Your people need you to be the central repository for their fears. When people are desperately worried, they want to be assured that someone is working to address the situation. This is not the time for any leader to retreat to the safety of their office to plan the firm's future. You need to be accessible, to listen to people express their pain and sadness. You need to invest time in listening to your people without judging or trying to solve their particular problem. You cannot solve the problem. You can only use each interaction and discussion as an opportunity to re-emphasize the necessity for the downsizing.

❖ You need to talk openly about the effect of this downturn on your firm.

Avoid declaring some glorious vision for the firm's future. The vision thing tends to ring hollow with people when revenues are down dramatically and business seems stuck in a slump. Your troops can become tired and irritable from hearing the same thing without a recovery in sight. Only persistence can have real value in difficult times. By openly discussing the economic downturn, you can at least try to help people feel they have some small measure of control over the situation. Discuss issues such as what happened during the last business slowdown. How did things turn around? What was learned from that experience? Explore these topics in meetings. Brainstorm possible solutions and new ideas. Not only will you foster more of a "we're all in this together" mentality, but you might also get some helpful suggestions.

❖ Think broadly about all of the possible ways to communicate.

You cannot over-communicate during layoffs. You can hold all-hands meetings; schedule one-on-ones; publish a transition newsletter; use e-mail; launch a managing partner's blog; hold frequent practice group meetings; post minutes of the executive committees deliberations; use voice-mail for all-hands messages; and host informal planning sessions focused on forward progress.

❖ Be immediately transparent about possibilities and certainties.

You need to announce trouble in unvarnished terms – people can smell evasion a mile away. When you establish a track record of early communication you avoid the crippling loss of attention caused by mistrust. In the absence of prompt leadership communication, you don't get focus, you get rumors. And rumors cost far more in the long run than any downside of prompt transparency.

❖ Be as generous as possible.

Your willingness to sacrifice for those leaving is the determinant of how much trust you'll have with those remaining. Always side on generosity when you attend to the needs of those you're laying off.

❖ Show your pain as you deliver pain.

If you have bad news to deliver, give it face-to-face. Don't try to protect yourself from discomfort by delivering pink slips by e-mail. You expected people to be loyal to you and the firm, now is your chance to show loyalty in return by demonstrating your willingness to suffer with them. Don't be afraid to tell them how agonizing it is for you while sympathizing with their plight and ensure that your actions are completely sincere.

❖ Be more empathetic and tolerant than usual.

As your colleagues may be suffering unusual amounts of stress, you need to reach out and help those who are feeling down. If someone becomes upset, angry, or accusatory, don't respond to the content of their anger; respond sincerely to their emotion. For example, you can say, "I am sick at heart that it is coming down badly on you. I am sorry for the turmoil this will cause you and assure you I will help in your transition any way I can." While this statement won't take away the pain, it at least helps you avoid causing more pain by seeming clinical, political or defensive.

❖ Offer your own personal support.

Have a couple of things you can personally offer, depending on the needs of those you're letting go. Something specific that you can do for the individuals you are laying off will display a lot more about your sincerity than, "If there's anything I can do . . ." statements.

❖ Give your top performers, in particular, some extra attention.

Not only are their contributions especially critical, but your best people always need to be reassured and given compelling reasons to stay with the firm. Talk frequently with them about their professional goals and what motivates them.

❖ Increase activities that will restore collaboration, harmony and trust.

Begin to establish some new traditions as a firm following layoffs. One firm established a special task force (comprise of professionals and staff) to plan events such as a summer barbecue, a lunch-and-learn book discussion on a topic that people cared about, a guest speaker to talk about personal financial planning in recessionary times, and a bridge-playing card night. Only your people's imagination will limit the possibilities that they can generate with minimal or no funding.

❖ Celebrate your firm's smallest wins.

Even in times of economic turmoil every good firm has upbeat facts that need to be repeated. One firm established a good news communiqué into which any lawyer or employee could offer professional or personal postings. Communicate about those small opportunities that the firm is moving forward with, a small client deal that was just closed, a litigation win that was achieved.

And Ed Resser added: This may seem odd, but stay in touch. When they get a job, send a note of congratulations. Invite them to a social event. Have alum gatherings. Keep open the possibility that maybe someday you will want them back, and they will want to come back.

I think that keeping everyone informed of any success that laid-off employees have finding new work can go a long way toward allaying fears. And as a leader, if you ever find that you can conduct a personal meeting to inform someone that they are being laid-off and you don't agonize over it before, during and after, then you have lost the emotional quotient and feel that you must have to do this part of your job properly, and you need to hand the reins over to someone else.

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An internationally recognized authority, Patrick J. McKenna (www.patrickmckenna.com) has worked with the top management of premier law firms in over a dozen countries to discuss, challenge and escalate their thinking on how to manage and compete effectively. One of the profession's foremost experts on firm leadership, his book (co-authored with David Maister), *First Among Equals* (The Free Press) topped business bestseller lists and has been translated into nine languages. He current co-leads a bi-annual one-day, intensive program entitled, First 100 Days: A Master Class For The New Managing Partner, held at the University of Chicago.