During a recession, most companies must do whatever they can to cut and control costs, and they frequently have to do it quickly. But in their understandable haste, they can lose sight of the emotional well-being of their employees, and they later pay the price in lost productivity.

Layoffs are a fact of life today at many companies, as is survivor guilt—which engenders the feelings of fear, frustration, and distrust harbored by some people who still have their jobs. Executives sometimes adopt the attitude that employees fortunate enough to survive a layoff should check their emotions at the door and devote their energy to their jobs. This attitude is understandable but not justifiable. Studies have shown that layoffs hinder the workplace performance of survivors. Survivors should be a company’s best performers, the people it least wants to lose. Yet studies have also shown that voluntary departures rise in the wake of layoffs and other work-force reductions. People who choose to leave often go to work for competitors, and the impact is usually felt not months but years after the layoffs.

Companies can address survivor guilt by recognizing that large-scale layoffs represent fundamental organizational change. Leaders need to manage layoffs carefully, ensuring that departing employees are treated fairly and respectfully while striving to give remaining employees confidence about the future. Culture is formed during the worst of times more than during the best of times. If employees believe that their company is laying people off only to cut costs, they are likely to suffer guilt as well as lower performance and engagement. But if they believe that their employer is fundamentally reshaping the company for future stability and success while treating people with dignity, they will likely reward the organization with their best efforts.

It’s Real

Survivor guilt has been a recognized problem for decades. Many people who have survived wars, natural disasters, or, more recently, terrorist attacks have been plagued with lingering questions about why they survived while friends or
On a deeper level, layoffs—especially during an economic downturn—represent a breach of a social contract. Although corporate loyalty is lower today than it was decades ago, when lifetime employment was considered the norm, implicit obligations nonetheless remain. Employees still expect companies to reward positive contributions. Most no longer anticipate a lifetime job, but they do presume lifetime employability; they therefore expect companies to invest in developing skills to nurture people’s attractiveness in a healthy job market. In today’s tough economy, though, layoffs are frequently unavoidable when the value of people’s contributions becomes less than the cost of employing them. Corporate results, good or bad, result from collective efforts. There is nobody whose performance is totally independent of the performance of others. Yet in a downturn, only some people are let go. Those who stay bear part of the responsibility for bad results—hence the survivor’s guilt.

To the extent that companies acknowledge survivor guilt, they typically address it individually through one-on-one conversations, referrals to employee assistance programs, and other forms of counseling. While valuable, these tactics do not ward off the broader effects of layoffs, such as declining productivity or increased attrition rates.

**It’s Manageable**

Companies that successfully manage layoffs, minimize survivor guilt, and create strong future momentum tend to follow a set of six actions that allow them to survive a recession and recover faster than their peers. By pursuing these actions rigorously, companies can maintain the social contract with their remaining employees and minimize the declines in productivity associated with survivor guilt.

**Articulate a vision for the new work environment.** Successful leaders focus attention on the light at the end of the tunnel, while satisfying their people’s more immediate need to understand the wider context for what is happening. People want to know, for example, what bearing today’s headlines have on the company’s—and their own—situation. Leaders articulate publicly, early, and often the things they know, the things they do not know, and when they expect to have answers. They show the remaining employees how the layoffs are part of a larger reorganization that will eventually create a stronger company. If people collectively believe that layoffs are primarily a slash-and-burn operation, they will likely resent or resist the change, either overtly or covertly. Although leaders may need to take blunt actions to get costs under control in the short term, they must wrap those initiatives in medium- to long-range company visions that people can understand and embrace.

**Rely on a fair, merit-based process to conduct layoffs, and strive to retain the most loyal, capable, and committed employees.** Companies must manage the layoff process successfully if they hope to win the hearts and minds of those left behind. Survivors need to believe that the layoffs were necessary, that they were carried out fairly and based on merit, and that people at all levels were treated respectfully and in accordance with stated company values. Those beliefs can be shaped by hard facts—such as the amount of notice and support that laid-off employees received and the size of their severance packages—but also by more qualitative, and somewhat subjective, judgments. Were the layoffs evenly distributed across all levels of the organization? How well were promises kept? People know the identities of their company’s most loyal, committed, and effective employees. They are at all levels of the organization, not only at the top. Companies need to do everything possible to retain these people—as a reward for their performance and as an explicit sign to other survivors.

**Ensure that the extended leadership team is prepared and engaged.** Layoffs cannot be managed only from the top. There is power in numbers. Members of the broad leadership team, consisting of senior and middle managers, provide complementary skills and multiply the manpower and brainpower available to address survivor guilt. These leaders almost invariably feel responsible for and take pride in their people. They are in the best position to help individuals and teams that are struggling. Companies should devote a day or two to thoughtfully planned training and discussion sessions with each leadership level. This structured, cascaded approach helps ensure that these 50 to 500 leaders, depending on the size of the organization, are...
properly prepared. As one client executive articulated, “You must talk the walk before you can walk the talk.”

**Involve the survivors in building a new company.** Employees who are given greater development opportunities and decision-making power after layoffs feel more secure and confident in their positions. One of the best ways to create an active and committed group of employees is to formally invite those remaining to build the “new” company. Frequently, the remaining employees are given more work and new responsibilities but no extra pay. They will be more likely to buy into the additional roles and responsibilities if they have had a hand in crafting them.

Companies can cascade new mandates and goals, layer by layer, in order to decrease ambiguity and help engage employees. During this process, managers should induct their people into their new roles, and they should encourage frank conversations about job content, expectations, performance, and personal goals. When managers followed this approach during dramatic layoffs at a company that had gone through several recent restructurings, it produced greater engagement and economic impact than previous efforts. More than 85 percent of employees surveyed said that this approach had a positive effect compared with earlier initiatives.

**Communicate and manage perceptions.** People need to believe that managers are concerned about the best interests of both those who leave and those who stay. They must see clear evidence that their leaders are committed, open, honest, and capable of managing for the near and longer term. Although many employees’ beliefs are formed long before the need for layoffs becomes apparent, it is never too late to build trust through constant communication, public forums, and well-emphasized open-door policies. As one company executive said about the day a recent organizational transformation was announced, “It was the toughest day of my career, but handled with great preparation, leadership, and empathy.”

Leaders must communicate with their people religiously and systematically—more often than might seem reasonable. They should hold town hall meetings, brown-bag lunches, and other gatherings. They also must reach out to opinion leaders in the company, asking for their help in making the postlayoff company successful. Opinion leaders might not be in important positions on the organization chart, but they are a powerful influence on others.

Employees need to get to know their leaders. Leaders cannot be afraid to show emotion. They must be prepared to openly share with their teams what layoffs mean for them personally. This requires an honest evaluation of their feelings and the willingness—even the courage—to let their guard down. Their tone and delivery influence how people interpret and internalize events. During these meetings and conversations, leaders also need to actively listen to what people tell them: effective communication is a two-way street. As a chief executive recently stated to her direct reports, “You have two ears and one mouth for a reason. Use them in that proportion.”

**Manage rigorously, rely on metrics, and raise the cost of not participating.** Leaders must acquire a good sense of employee engagement and morale. They can do this with formal and informal surveys, through regular debriefing sessions, or simply by walking the halls. Some people will require outside counseling or other assistance; there must be mechanisms in place to identify and support those who need help. Often people who seem resistant are simply skeptical or feeling guilty about surviving and need more time to process and internalize the change.

Creating a sense of momentum is critical to minimizing survivor guilt and ensuring business success. Successful companies set up metrics and mechanisms, or supplement existing ones, to reinforce individual and collective accountabilities—and they rigorously track progress. They celebrate the achievement of key milestones, regularly discuss critical performance metrics, and recognize the contributions of individual teams and team members. More than ever, they refuse to tolerate poor performance, a reversion to old ways of working, and unacceptable behavior. They focus employees on creating a better future rather than wallowing in an “unfair” reality.

Layoffs are unpleasant, and people tend to avoid dealing with unpleasantness directly. Although that approach may make sense with scorpions and snakes, it does not help a company reshape itself during difficult times in order to be poised to take advantage of better times to come.

The six steps we have discussed represent a deliberate and commonsense blending of planning and preparation, capable and consistent leadership, cooperation, rigorous management, and regular follow-up. Some
of these steps may seem time consuming when there are more immediate fires to extinguish. But they are required—not elective—courses of action.

Perry Keenan
Rolf Bixner
Yves Morieux
Kimberly Powell

Perry Keenan is a partner and managing director in the Chicago office of The Boston Consulting Group. Rolf Bixner is a senior partner and managing director in the firm’s Amsterdam office. Yves Morieux is a senior partner and managing director in BCG’s Paris office. Kimberly Powell is a principal in the firm’s Atlanta office.

You may contact the authors by e-mail at:
keenan.perry@bcg.com
bixner.rolf@bcg.com
morieux.yves@bcg.com
powell.kimberly@bcg.com

This article was cosponsored by the Organization practice and the Operations practice.

To receive future publications in electronic form about this topic or others, please visit our subscription Web site at www.bcg.com/subscribe.

© The Boston Consulting Group, Inc. 2009.
All rights reserved. 3/09