There's One Right Way and Many Wrong Ways to "Right Size"

By John W. Myrna

Today's economic picture has led many CEOs to consider drastic measures to stay competitive, including cutting jobs. The good news is that there is a right way to reduce staff to help weather the storms ahead.

The bad news is that there are many wrong ways to reduce staff and most companies apply these approaches because they seem easier to implement. Unfortunately, these methods fail to consider the strategic plan of an organization and what type of talent is needed to achieve that plan. These quick-fix staff reductions may be easier to mplement in the short term, but they do nothing to assure the organization will remain viable in the long term.

Here are staff-reduction scenarios to avoid:

- Cut every function equally by a fixed amount such as 10% or 20%, which inevitably reduces productivity at best and totally cripples functions at worst.
- Cut all investments in the future – i.e., eliminate all R&D, marketing and other areas, along with the staff, which will kill your company in the long run.
- Cut all supporting staff so your highly compensated employees are forced to start performing $10/hour functions and critical projects and programs are delayed.
- Implement an inflexible, across-the-board freeze on any new hires and spending, independent of their operational or strategic impact.

The most equitable and effective approach to rightsizing starts with a clear and focused re-assessment of the organization's strategic game plan. Without a viable game plan, how can a CEO know what is needed from the staff? Paraphrasing from "Alice in Wonderland," if you don't have a clear idea of where your company is going, any road will get you there.

After clarifying the strategic plan, the next goal is to identify the best talent from the organization's pool of "platinum" (or top) performers to achieve the new game plan and to use this opportunity "to get the lead out" — that is, remove the "lead" (or low) performers.

There are five important steps to follow to "right-size" an organization.

1. Start with Your Strategic Plan

Get your Executive Team together for a two-day offsite meeting to quickly review, revise, and renew your strategic plan. (There are

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proven processes to generate a new or revised strategic plan in as little as two intense days.)

2. Identify Specific Strategic Action Steps

Identify what facilities, offices and initiatives no longer align with the company's direction. Identify what legacy products and services should be shifted to a "hold" pattern and eliminate resources focused on obtaining new clients for them. Eliminate entire profit centers that don't align.

3. Evaluate Your Workforce

Apply the Pareto Principle (also known as the 80-20 rule) to employee performance in order to identify the employees who you want to keep. What this means is that 20% of your employees typically create 80% of the value. And a different 20% of your employees create 80% of your headaches. Taking this one step further, 20% of the 20% will deliver 80% of the 80%, i.e. 4% of the workforce produces 64% of the positive outcome in your company and another 4% produces 64% of the negative impact.

The **Platinum**, **Gold**, and **Silver** are the people you count on to fill the gaps, pick up the slack, and generally get you through the tough times.

The **Lead**, **Tin**, and **Bronze** players should be the group you look to when you downsize. This is not a simple pruning process of lopping off the heads of the "lowest 20%" of your workforce. A further evaluation of these employees is required.

What makes an employee **Platinum**? They have *passion* for the job, are exceptionally *competent*, and their personal needs are perfectly *aligned* with the requirements of the job.

What makes an employee **Lead**? They are not performing because they have zero passion for their job, are incompetent in their job, and have personal needs that are out of alignment with the needs of the job.

The remaining 92% of your workforce lies between these two extremes with some imperfect mix of passion, competence, and alignment.

4%	your super performers, self actualized (the 20% of the 20%)	*platinum*
16%	your great performers — lavish rewards on these folks	*gold*
30%	the core of steady performing folks	*silver*
30%	folks not quite with it – depending on the organization, striving to improve or drifting lower	*bronze*
16%	folks just getting by – depending on the organization, drifting lower or struggling to improve	*tin*
4%	folks who are a negative force, no one understands why they are allowed to stay	*lead*

4. Act

In good times or bad, your **Lead** – the lowest 4% of your workforce who never get it – accounts for 64% of the dead weight dragging the company down. They are the wrong people, trapped in the wrong job for them. Helping them locate suitable positions elsewhere not only saves the organization from their negative energy, it sends a clear signal to the lower 46% of folks in your bottom half: shape up or ship out.

5. Communicate Your Plan and Action Items

Communication is vital as everyone in the organization needs to know in what direction to paddle and how fast the boat has to move to get to the destination before the food and water runs out. They need to know and be personally accountable for their specific responsibilities.

People are a company's greatest strength. The competencies of employees, multiplied by their individual passions, create an intellectual equity that will drive an organization forward. Therefore, it is key to align individual responsibilities with each employee's passion and competence. During a strategic downsizing this could be the difference between thriving rather than merely surviving.

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