

# AFTER THE DOWNSIZING

## *How to Build Loyalty and Productivity In the Wake of Restructuring*

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**T**he workplace in American healthcare organizations has become more stressful for all employees. The many layoffs, acquisitions, and mergers and the disappearance of middle management are signs of the extensive structural changes in the administration of healthcare organizations. The restructuring has come with a price. In a recent study reported in *Modern Healthcare*, 81 percent of hospitals report morale problems among their staff, up from 60 percent in 1993.<sup>1</sup> A nurse manager stated, "The changes have left us dispirited. There is little job security and little loyalty. We are fatigued and uncertain about our future."

How do you restore trust when it has eroded? How do you improve morale when optimism has dissipated? And how do you rekindle hope when employees are discouraged? Healthcare organizations should consider six key strategies for building staff vitality in these difficult times.

### **ENSURE QUALITY COMMUNICATION**

The first strategy is perhaps the most important: *Communicate in a clear, concise, and timely manner administrative decisions that influence*

*employees' well-being.* Unfortunately, it is easy to forget the importance of high-quality communication, particularly when organizational change occurs so quickly. An administrator whose hospital had gone through a merger with another healthcare organization lamented, "It is my opinion that we did in fact overlook the importance of direct and personal communication with those who have been so deeply involved in the operations of the pre-merger institutions. We could have avoided much difficulty had we been astute enough from the very beginning to have established a well-organized program of repetitive contact so that the ultimate decision in consolidation would have come as no surprise."<sup>2</sup>

It is particularly important to communicate clearly when conveying negative news. Generally, this is best accomplished by using two methods of communication: verbal and written. Face-to-face meetings diminish defensiveness and give employees an opportunity to state their concerns. It is also important to provide "fact sheets" that outline the message being conveyed, because most anxious employees do not accurately hear what is stated. Even when conditions are not

### **Summary**

The restructuring forced on many healthcare organizations today increases employees' stress and threatens their loyalty and productivity. To restore trust and improve morale, and maintain hope, healthcare leaders can implement six strategies:

- Clearly communicate decisions that affect employees, using verbal and written methods, and show compassion to displaced workers and acknowledge their contributions.
- Support remaining employees. Tell them why they survived and provide them with new challenges.

- Allow employees to participate in developing a shared vision of the organization's future.

- Empower employees by rewarding their accomplishments appropriately. Workers perform better when they develop their "personal power" and believe they are part of a team facing new challenges.

- Focus on learning and professional growth. New knowledge sparks workers' imaginations and helps them find better ways to accomplish their goals.

- Ask employees to reflect on their professional legacies—what they wish to be remembered for.



stressful, most people remember only about 25 percent of what is said.<sup>3</sup> Therefore, when you verbalize unsettling news, provide a written explanation as well. The explanation will not necessarily diminish stress, but it will limit rumors and misunderstandings.

How do you inform employees that jobs will be lost because of corporate restructuring? Enunciate the reasons for the layoffs and

the efforts that have been made to preserve jobs. Send termination notices at one time rather than staggering them. Before reducing the workforce, however, think through the implications. In a study of 531 large companies, three quarters of those surveyed indicated that they had reduced their payrolls, but the results were disappointing. "Eighty-five percent of the companies sought profits, but earnings increased in just 46 percent of the cases. Fifty-eight percent had expected higher productivity, but only 34 percent experienced it. Sixty-one percent sought to improve customer service, but only 33 percent reported having it."<sup>4</sup> Even more interesting, within a year of making the staff reductions, more than half the surveyed companies had refilled their positions.

At times, employee layoffs are the only way to keep an organization financially viable. When layoffs occur, however, compassion must be communicated through severance packages, career counseling services, and efforts to recognize formally the contributions of displaced workers. It is also important to reassure displaced workers that they were not at fault, or most workers will assume that their dismissal was partly a result of their negligence. One middle manager who lost his job when his clinic was acquired by a large integrated service network confided, "I was angry at the clinic, for I had given them 22 years of the best years of my life. But I was also angry at myself. I kept thinking that there should have been ways to show them the importance of my work. I couldn't help but feel that I was responsible for losing my job."

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workers who will lose their jobs in 1997 are competent employees. Their dismissal is due to vast economic changes sweeping the United States. However, the worker who receives a termination notice understandably has difficulty recognizing this fact. A compassionate organization will do everything possible to provide timely information and career guidance and will recognize the con-

tributions of workers whose jobs have been eliminated.

If you are in a position to realign your workforce, remember this: Layoffs are not a panacea for an organization's problems. In a study conducted by the American Management Association of 500 firms that had cut jobs since 1987, more than 75 percent reported that morale had collapsed. Two-thirds of the companies showed no increases in efficiency, and less than half showed improvement in profits.<sup>5</sup>

What do you do if no alternative exists to reducing the workforce? Communicate to employees the organization's financial problems. Communicate your concern for terminated employees, and, if possible, provide career guidance as they seek new employment. Although these strategies will not necessarily reduce the anguish, they will begin the healing process for employees as well as the employer.

## RETAIN EMPLOYEE LOYALTY

A second strategy for building employee trust in difficult times follows from the first: *Provide support to the "Survivors"*—those individuals whose jobs have been preserved. Support must be given to those who have retained their jobs after restructuring because employees often resent cost-cutting administrators. One manager said:

If I'm cynical, it's for a good reason. I have seen too many people thrown out on the street. And yet the same basic management team that got us in the predicament was still there. You try to be objective. You say there are too many layers of management.



There's too much redundancy. It's too difficult to get things done. Then you see lots of people getting hit for little or no reason. If it's someone in your area who is being cut, you momentarily think: "Thank God it wasn't me." Then you become very bitter about it. Especially if you know that it's somebody who has worked hard, has done a good job and taken their responsibilities seriously.<sup>6</sup>

How can you retain the loyalty of the survivors? Employees must understand the financial and programmatic reasons for "rightsizing" an organization and must know why their jobs are preserved. They need to understand what is expected of them and why their skills are vital to the future of the enterprise. In brief, they need to see a new challenge—a challenge that will demand their creativity and their loyalty.

#### PROMOTE A SHARED VISION

A third strategy for raising morale in difficult times: *Enlist employees in developing a shared vision for the future of your organization.* The key word is "shared." A vision handed down from an administrative suite rarely elicits enthusiasm. For workers to have "ownership" in the organization, they must have some say in how the organization will be restructured and what the new vision might be. Once employees have an opportunity to help develop the new vision of their organization, loyalty and productivity are greater.

Consider what happened at the Ritz-Carlton hotels when leaders made a bold effort to enlist employees' support in reshaping the organization's culture. Employees were asked for suggestions on how to become customer focused. They were queried about their perception of hotel's strengths and weaknesses, and they were given up to \$2,000 to resolve a guest's problems.

The results were dramatic: (1) customer problems were resolved promptly; (2) turnover of personnel was reduced from 80 percent per year to 45 percent, saving almost \$12.5 million; and (3) a new sense of partnership between management and staff evolved. Nancy Austin, who chronicled Ritz-Carlton's progress in reinventing itself, reported, "As long as you let everybody in on the facts—budgets, cost data, customer satisfaction, feedback—these independent decisions will usually be good ones."<sup>7</sup>

Admittedly, few healthcare organizations are in a financial position to follow the Ritz-Carlton's

example. But the point is this: When employees have a voice in shaping the organization's future and when they feel empowered to achieve the vision of the enterprise, clients are better served and employee trust reappears.<sup>8</sup> Most people can summon extraordinary courage to realize difficult objectives. Early this century a classified advertisement appeared in the London *Times*:

Men wanted for hazardous journey. Low wages, bitter cold, long hours of complete darkness. Safe return doubtful. Honor and recognition in the event of success.

The advertisement was signed "E. Shackleton." Ernest Shackleton was looking for a disciplined, hard-working crew for his quest to discover the South Pole. The next morning, more than 5,000 individuals were waiting outside the *Times* offices. The moral is that most employees want challenging work. They want to know that their professional lives have meaning and that they can contribute to a greater good. They also want reassurance of "honor and recognition in the event of success." For those who volunteered for the Shackleton expedition, success came in 1907, when a flag was planted on the South Pole.

#### DEVELOP EMPLOYEES' PERSONAL POWER

This relates to a fourth strategy for enhancing trust in organizations: *Empower your workforce.* Empowerment here does not refer to shallow motivational speeches designed to elicit more work from weary employees. To empower is to identify high achievers in your organization and reward them monetarily for their accomplishments.

Financial bonuses generally have not been used in healthcare organizations to motivate employees. Nevertheless, even a small sum of money can be a powerful way of saying thanks for outstanding service. A \$500 reward given to 10 outstanding employees probably will not erode your organization's financial health. However, it sends a message that the organization values high performance.

There are many other methods of recognition, however. The organization can give outstanding achievement or employee-of-the-month awards, send employees to special conferences, or provide a reserved parking space in a crowded hospital parking lot.

It is important not to underestimate the power that results when employees who put forth extra



effort in meeting client's needs are rewarded. Productivity increases, job turnover decreases, and morale improves.<sup>9</sup> One of the greatest benefits, however, is that employees stay healthy in a time of stress and change.

Consider a landmark study of more than 1,500 workers from over 40 different organizations across the United States and Canada. The researchers discovered that one

important factor enabled employees to manage stress and maintain health and productivity during times of change. They called this factor "personal power"—a belief that difficulties can be managed and that better days are ahead. Personal power develops when employees believe they can help shape the future of their department, when managers seriously consider suggestions to improve the organization, and when leaders recognize outstanding work of employees. According to the researchers, personal power was the only factor of 21 stress-reducing variables that could predict who became sick and who stayed healthy in times of strain.<sup>10</sup>

How do you develop personal power in employees? After enlisting their help in shaping the organization's future, ensure that they have ample time to accomplish their tasks, and provide appropriate rewards when objectives have been achieved. One of the best ways to develop personal power is to have employees work in teams where everyone is committed to achieving a challenging goal. The reason is noted by Robert Weiss, author of *Staying the Course*: "For most the greatest thrill is to be part of a winning team, to knock yourself out for two or three weeks on a project, be successful, and look at each other and say, 'We did it.'"<sup>11</sup>

#### COMMIT TO A LEARNING FOCUS

Teamwork implies a fifth strategy for restoring morale: *Become a learning organization*—one that can reinvent itself through new knowledge. I asked a president of a Fortune 500 company how he is able to keep his company profitable, given

# Become an organization that can reinvent itself through new knowledge.

the turmoil in his industry. "We have to always learn how to do things better, more efficiently," he noted. "We send people to professional conferences. We bring in professionals to tell us how they manage change. And we read, read, read about what our competitors are doing so that we strengthen our position."

When an organization makes a commitment to learning, its

workforce acquires a new sense of trust. A new energy can be detected as employees discover innovative ways of meeting the needs of those they serve. What is the best way to develop such a learning community?

An important strategy is to refocus your staff meetings. Consider the rule of 75-25, which suggests that 75 percent of your staff meeting time should focus on operational issues, but 25 percent of the time should be devoted to professional growth. Therefore, if you have four staff meetings a month, one meeting might focus on a discussion of a provocative book or a stimulating journal article. Employees might be asked to report on what they learned at a professional meeting, or the staff might take a field trip to an innovative organization. Whatever the method, the key to becoming a learning organization is to discover knowledge that will energize employees and enable them to better accomplish their professional goals.

Becoming a learning organization has many benefits, because few ideas are as powerful as a new concept that galvanizes the imagination of the workforce. In T. H. White's wonderful novel about King Arthur's court, Merlyn says:

The best thing for being sad is to learn something. That is the only thing that never fails. You may grow old and trembling in your anatomies, you may lie awake at night listening to the disorders of your veins, you may miss your only love, you may see the world around you devastated by evil lunatics or know your honor tram-

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## MISSION SERVICES

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pled in the sewers of base minds. There is only one thing for it then—to learn. Learn why the world wags and what wags it. That is the only thing which the mind can never exhaust, never alienate, never be tortured by, never fear or distrust, and never dream of regretting. Learning is the thing for you.<sup>12</sup>

### CONSIDER YOUR LEGACY

A final strategy enables us to stay renewed in difficult times: *Ask your employees to determine their professional legacies.* I first came on this concept in the writings of Peter Drucker:

When I was thirteen, I had an inspiring teacher of religion, who one day went right through the class of boys asking each one, "What do you want to be remembered for?" None of us, of course, could give an answer. So he chuckled and said: "I didn't expect you to be able to answer it. But if you still can't answer it by the time you're fifty, you will have wasted your life." We eventually had a sixtieth reunion of that high school class. Most of us were still alive, but we hadn't seen each other since we graduated, and so the talk at first was a little stilted. Then one of the fellows asked: "Do you remember Father Pflieger and that question?" We all remembered it. And each one said it had made all the difference to him, although they didn't really understand that until they were in their forties.

I'm always asking that question: What do you want to be remembered for? It is a question that induces you to renew yourself, because it pushes you to see yourself as a different person—the person you can *become*. If you are fortunate, someone with a moral authority of a Father Pflieger will ask you that question early enough in your life so

that you will continue to ask it as you go through life.<sup>13</sup>

### WHAT WE ARE

An important principle articulated by Richard Farson will determine how successfully leaders implement the six strategies: "In management, as in parenthood, it's not so much what we do as what we are that counts."<sup>14</sup> The more we mirror our values in word and deed, the more effective we will be in fulfilling our professional responsibilities. □

☎ For more information, contact Robert Veninga at 612-625-7459.

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