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UPFRONT - FEBRUARY/MARCH 2009

AFTER THE STORM

DID THE ECONOMY FORCE YOU TO LET SOMEONE GO? HOW TO HANDLE THE AFTERMATH OF A LAYOFF WITH EMPLOYEES AND CUSTOMERS

by Alyson McNutt English

Workforce reductions are difficult for small business owners, but they can be just as stressful on the remaining employees. "People left behind often have a certain amount of survivors' guilt," says employee communications expert Jenny Schade, who has interviewed hundreds of employees in the midst of layoffs and restructuring. "If communications aren't handled well, you can be left with the working wounded."

David Lewis, president of Stamford, Conn.-based OperationsInc, a human resources consulting group, says one of the first steps toward healing is informing employees as soon as the layoffs are over. "As soon as the final person has been let go, have a meeting with your employees and tell them about it," he says. If you don't plan on making any other cuts, tell them now.

It's also a good idea to let employees in on some of the nitty-gritty about the company's financial situation, says small business owner Michael Michalowicz, who had to lay off half his workforce at a previous venture. Michalowicz now owns Boonton, N.J.-based *Obsidian Launch*, which finances and mentors first-time entrepreneurs.

"You have to acknowledge your company's problems publicly and tell workers what you're going to do to make permanent changes," he says. "We were disclosing the progress of the company on a daily basis, putting financial metrics on the wall and having daily meetings with the remaining employees to discuss how we were making progress."

Schade agrees, adding that small business owners need to make sure remaining employees understand how they fit into the company's future. "Bring everyone together so they understand the company's priorities going forward, what the objectives are and how they can contribute to those objectives," she says.

After dealing with the immediate emotional repercussions of layoffs, the next step is to consider the practical issues remaining employees will have to deal with once a colleague is gone. Lewis says this includes figuring out how to redistribute their workload to others and introducing clients to their new contacts at your business.

Lewis says small business owners need to make sure they don't overload their remaining employees, or they may bolt for greener pastures. But it's tough, because reorganizing is never orderly. By making a plan for the first couple of weeks, then reevaluating after the smoke has cleared, you can be more thoughtful about who takes over duties.

"It's going to be imperfect, it's going to be painful and it's going to have a damaging effect on employee morale in the short term," Lewis says. "You need to embrace those facts, then manage the transition as best you can. You can't expect a perfect transition, but if you pay attention to the details, it will be far better for everyone."

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