IN MY OPINION

Firstar should rethink layoffs

Many more than 1,400 workers will feel the pain

By Denis Collins

On Jan. 25, Firstar announced plans to downsize its employees by 25%, eliminating 2,500 jobs. Of those, almost half will be through attrition, early retirements and a hiring freeze. The remaining 1,400 will be laid off over 17 months.

For each person who loses his or her job, the negative impact is multiplied by a factor of four, assuming that each laid-off employee has, on average, a spouse and two children. Well-documented negative impacts experienced by downsized companies include survivor guilt, low morale, employee burnout and lower productivity.

Some downsized companies do become more efficient and can better serve their customers.

However, in many cases, this is not the real reason managers have bought into the current downsizing fad. According to press accounts, Firstar is primarily concerned with increasing the price value of its company's stock, thus making Wall Street investors wealthier and happier. The logic is that this increase in stock value will decrease the likelihood of an unfriendly buyout.

Firstar's stock price closed at $40 on Jan. 24. Then it announced its downsizing plans. Wall Street has applauded Firstar's plan. On Feb. 6, Firstar's stock closed at $44.50, a 10.6% increase. Meanwhile the Standard & Poor's 500 Index rose by 4.2% during the same period. The likelihood of an immediate and unfriendly buyout has been reduced.

There is a more ethical downsizing strategy for a company such as Firstar. Rather than disposing of the remaining 1,400 employees in a trash can, or maybe allocating them to a recycling bin for government to pick up the refuse, why not share the proposed downsizing blueprints with all employees for recommendations?

Put everyone on small brainstorming teams to determine how the 1,400 to 2,500 downsized employees can add real value to the newly structured company by creating new, challenging and meaningful jobs. Can the firm counterattack by a better allocation of the 2,500 employees? Are there new market niches to be explored? Could the company expand its business into a different product area?

Another option is a "Share the Pain, Share the Gain" strategy. Instead of downsizing the 2,500 employees, pay all employees who agree to work five or six days a week and get paid for four days, until a solution is developed and implemented. Once the company is back on its feet, it is important to start sharing the gains with all the employees, not just the pain.

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At the very least, any stock price increases company executives receive as a result of Wall Street's ecstasy with downsizing should be put into a fund to benefit the families of laid-off employees.

According to public documents, of Firstar's 8.4 million shares of stock, Firstar Corp. Thrift & Sharing, the company's employee benefit plan, owns more than 6.34 million shares. With the stock rising $4.50 per share since the downsizing announcement, the employee benefit plan has made a paper profit of more than $28.5 million in less than two weeks.

Not bad. It would be nice if some of these profits went into an account for the families of laid-off employees.

Other major stock owner beneficiaries since the downsizing announcement include outside board director C. Paul Johnson ($3.8 million paper profit on 849,303 shares); George M. Chester ($1.35 million on 300,000 shares); Hal C. Kuehl ($566,712 on 125,936 shares); Gerald M. Thorne ($495,000 on 110,000 shares); and Firstar Chief Executive Officer Roger Fitzsimonds ($260,217 on 57,826 shares).

In the meantime, rather than mimicking the unethical downsizing strategies of companies in other states, Wisconsin firms should pursue a more creative and humane approach to the problem of downsizing. Let other companies, and other states, follow our lead.

Public pressure recently forced the University of Wisconsin Athletic Department to rehire its fired soccer coach for one more year, giving him a second chance. Why not similar public pressure to get Firstar's management team to rethink its ill-advised decision?

The same type of public pressure should be applied to for-profit firms as well as non-profits. Both are organizations that should be held accountable to the highest ethical standards.

Hopefully, Firstar will reconsider its ill-advised strategy to lay off 1,400 employees.

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