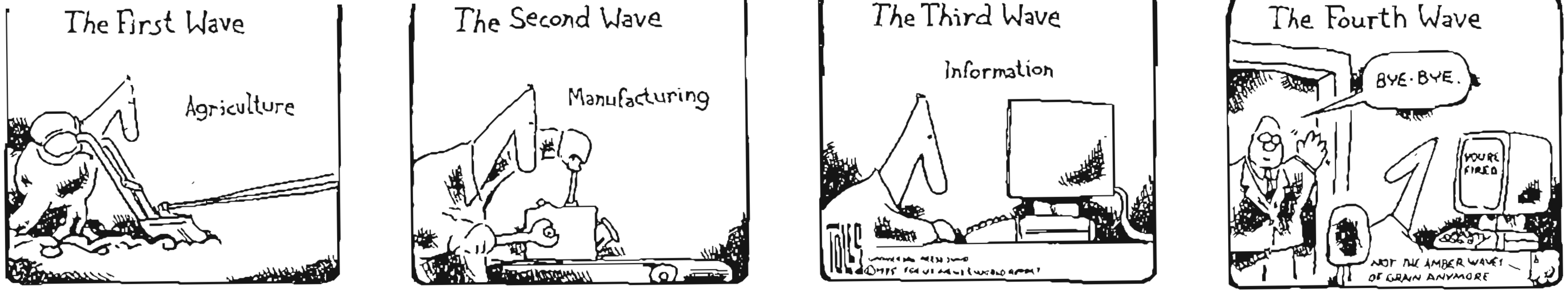

Firstar urged to use humane layoff strategies

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By Denis Collins

Too many companies across the country — Wisconsin included — have jumped on a downsizing bandwagon that is heading in the wrong direction. On Jan. 25, Firstar Corp., a Wisconsin banking and financial services company, jumped to the front of the line by announcing plans to cut its work force by 25 percent.

Scholarly research on the impact of downsizing has been mixed. Some studies have found that, in the long term, firms that did not downsize have performed just as well as, if not better than, those that did. Survivor "guilt," which leads to low productivity and morale, has been well documented by management scholars.


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In addition, when employees take early retirement from downsizing firms, the company loses a tremendous amount of expert knowledge.

The result, in human terms, is thousands of people losing jobs and income. For each person who is laid off, the negative impact is multiplied by a factor of three, under the assumption that the average employee has a spouse and two children.

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GUEST COLUMN

The viewpoint that the purpose of a business is to maximize profits, and all else is lower on the hierarchy of goals, was clearly expressed in Terry Sivesind's Jan. 28 guest column in the State Journal, which was a reaction to a guest column I wrote Dec. 31. I had suggested that businesses have multiple primary goals and obligations and that a good New Year's resolution for downsizing businesses would be to rehire their former employees in meaningful and challenging jobs.

Of course, it is absolutely essential in a competitive marketplace for companies to become more efficient, adopt new technologies and make a profit. The often overlooked problem is: Does the company have any moral or financial obligations to those employees they plan to lay off?

Yes. Many of these employees played a vital role in helping the company gain its market share. Simply dismissing them, even with severance pay, is not the right solution to the business problem.

Over the past two decades, business ethicists and management scholars have encouraged three humane layoff practices that, fortunately, many companies now take for granted.

First, for large layoffs, many employees receive 60-day notice (thanks to state and federal laws, led by Wisconsin).

Second, many downsizing firms allow employees to participate in developing efficiency-related suggestions, some of which may actually save their jobs.

Third, many companies provide counseling and career guidance for displaced employees.

However, these humane policies are not enough. There is a more ethical downsizing strategy. Firstar plans to eliminate 2,500 jobs, almost half through attrition, early retirements and a hiring freeze. These jobs are no longer needed due to efficiency and technology improvements which better serve customers.

Rather than tossing out the remaining 1,400 employees, why not share the proposed downsizing blueprints with all employees for recommendations? Put everyone on small brainstorming teams to determine how those employees can add real value to the newly structured company.

See what solutions the brainstorming teams come up with. Human beings have tremendous levels of often untouched creativity, flexibility and adaptability. Don't assume otherwise.

If I assigned this downsizing case to the executives in my "Ethics and Social Responsibility" class and their solution was what Firstar did, I'd send them back to the seminar rooms and challenge them to develop a financially and morally better business plan.

Have employees brainstorm: If another company tries to take over yours, can the firm counterattack by better use of the 2,500 employees? Are there new market niches to be explored? Could the company expand its business into a different product area? How can the 2,500 employees add value to the company by creating new, challenging and meaningful jobs?

There certainly are new market opportunities available to gainfully employ these workers. Many consumer, government and human needs remain unfilled.

A few organizations have successfully adopted a "Share the Pain, Share the Gain" strategy. Instead of layoffs, these firms pay all employees agreeing to work full time while only getting paid for four days a week, until a solution is developed and implemented. Then everyone gets regular weekly wages again.

Organizations that have pursued this strategy typically generate a great sense of employee camaraderie.

At the very least, any stock-price increases that 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. As a state employee, I encourage the state's pension-fund managers to funnel profits earned as a result of downsizing announcements into a fund for the families of laid-off employees.

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