

Case Analysis: Cutback Management

As a manager one of the most difficult decisions one can make is having to cut personnel due to budgetary constraints. These decisions are difficult because of the variety and complexity of the considerations that one must understand before making any decisions on who to keep and who to let go. Managers must fully understand the consequences relating to the decision making process because it could have negative affects on the organization following the cutbacks. As the vice President for human resources at Great Northern University being faced with the daunting task of reducing the Human Resources department by 15 percent one must realize the necessary steps and considerations that must be made to protect the future productivity and culture of the department.

Daley (2002) outlines some considerations necessary in cutting back personnel. Management must first understand the new future of the organization by completing an environmental scan. Secondly, the manager must consider the issues relating to legal rights of the employee and the organization, examining thoroughly policy and law relating to cutting personnel within the department. Managers must also review performance of employees, compensation rates, and employee organizational knowledge as well as the diversity of the department. Finally, when the decisions are made in whom to let go one must be cognicent of the consequences relating to the cutbacks.

Beginning with an environmental scan allows the manager to understand where the organization or department currently is and where it will be in the future. External and internal conditions are examined as the foundation for moving forward in the planning process (Daley,

2002, p.34). This analysis includes looking at the strengths, weaknesses; opportunities and threats (SWOT) of the department. By completing a SWOT analysis the manager is able to complete the internal scan of strengths and weaknesses and the external factors such as the opportunities and threats. Some factors examined in relation to the internal scan according to Pynes (in Hays & Kearny, 2003) can include “current workforce skills, retirement patterns, demographic profiles, and employee capabilities” (p.95).

Environmental scans allow the manager to help prepare a good plan for the future of the organization. In this case it is very important to fully understand how the department of Human Resources will function with 15 percent fewer employees and what systems will need to be introduced in order to manage the amount of work that employees will have. It is assumed that though the department will be decreasing in size, the amount of work that the department will have to complete will not decrease. Thus when looking at the current strengths and weaknesses we must determine which functions of the department are currently doing well and which need improvement. This environmental scan will also allow us to also make any key changes to functions of the department by possibly consolidating jobs or responsibilities or creating new sub-departments.

Having a strong vision in where the department will need to be after the process of cutting positions will create a strong environment for employees. This will hopefully lead to continuing to foster a culture within the department that allows employees not to be fearful of losing their positions and remain at the highest productivity level possible. This visioning process will also allow the manager to help understand the best possible people to keep with the organization and create new goals for the department and the individuals working in the

department. Goal setting is important step in this process because it will allow the participation of the employees and make them feel connected to the work that they are completing.

Now that a vision or end goal has been reached the manager must understand the rights of the employee as protected by the organization in order as a basis for making cuts to the department. Daley (2002) states that “given the inequality of the relationship between the individual and the organization, the burden of proof for terminating the employment relationship falls upon the organization” (pp.247). This is important as a manager because when making cuts to the department we must be able to document the reasons why an individual employee was chosen to be let go. The rights of employees must also be taking into consideration in response to other laws such as the American Disability Act (1990) and the Equal Employment Opportunity Act. Both of these laws have been designed to protect employees during the hiring process and from being fired for unjust causes relating to their disabilities and or their race or gender.

Managers must also be aware of any union contracts and agreements between the employer and the union. Though noted by Kearney (2003) that unions in the public sector have “limited opportunities for growth in union and financial resources and bargaining power, some jurisdictions still protect employees on the issue of job security” (pp.323). Managers must consult with others to ensure that they are in compliance with union contracts as well as the other legal mandates that may affect their department or organization.

When examining the profiles of the employees of GNU it is imperative to look at whether or not a person has been identified as having a disability to ensure that individual is being let go for downsizing rather than their disability. This is also necessary in looking at a person’s gender and/or race to ensure that the person is not being discriminated against. This task for a manager

looking to cut back in employees can be very difficult and the person must be made aware of the reasons that they are being terminated from their employment.

Finally, in a managerial position one should examine the performance of each individual employee and their future performance possibilities through training and development.

Investigating the current compensation rates and classification systems will also be a strategic tool in deciding which positions to cut. By examining each personal performance the manager is able to determine who will be a strong in terms of the new departments needs. Individuals who are currently not performing at a satisfactory level should be strong candidates for being let go in their positions. Secondly, those individuals who may lack in the new skills that the department will need should also be considered for the possibility of losing their positions because the department is going to have more work and will need people that are performing strongly to keep up with the high demands of work.

Keeping a diverse department must also be considered in establishing which positions to cut. Diversity is an important issue in organizations and departments. We expect that organizations will reflect the diverse populations of the communities being served. Ospina & O'Sullivan (in Hays & Kearney, 2003) state "managers must monitor the extent to which their practices reflect the changes of their communities" (pp.239). When creating the new vision for the department diversity must be on the aspects of the department.

Once the decisions related to which positions to cut from the Human resource department are made, the manager must be responsible for the consequences related to their actions. Some of the ramifications of the changes to the department are having employees quit, less productivity and lack of motivation and a culture that is too different from before the changes that were made. When dealing with human resources we must always remember that we are

dealing with people who have feelings and values. If someone was treated unfairly or if their position was cut unjustly this may make the employee who stayed in the organization might fear that the same thing would happen to them. Employees, upset by decisions of cutbacks may also become hostile towards management and their productivity and motivation may decrease. Finally employees who have been let go may take legal action against the organization for the loss of their position. This creates a large fear for the organization because lawsuits can be very costly.

With government agencies continuing to be faced with budget cuts and constraints, managers must be aware of the many challenges associated with cutting back in a department. These challenges relate to the needs of the department and their responsibilities to the overall organization, the laws and regulations related to employee and employer rights and the overall current productivity of their employees as well as the possibilities for increased productivity.

Revised Structure of GNU Human Resource Department

Administration (2)

Benefits (6)

Employment and Compensation (2)

 Classification (6)

 Employment (5)

 Cut one receptionist position.

 Temporary Services (2)

 Salary Administration (7)

Employee Relations (4)

 Cut vacant Empl Rel Spec position.

Training (6)

 Cut vacant Computer Train Spec position.

References

Daley, Dennis. (2002). *Strategic human resource management: people and performance management in the public sector*. Upper Saddle River, New Jersey: Prentice Hall.

Naff, Katherine. *Why public managers hate position classification*. In Hayes, S. & Kearney, R. (2003) *Public personnel administration: problems and prospects*. Upper Saddle River, New Jersey: Prentice Hall.

Pynes, Joan. *Strategic Human Resource Management* In Hayes, S. & Kearney, R. (2003) *Public personnel administration: problems and prospects*. Upper Saddle River, New Jersey: Prentice Hall.