



DAVID M. NOER

OVERCOMING
THE TRAUMA OF LAYOFFS
AND REVITALIZING
DOWNSIZED
ORGANIZATIONS

Healing The Wounds



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Praise for *Healing the Wounds*

“A sequel rarely equals its predecessor, especially when the latter is on course for the rarified status of ‘classic,’ but David Noer achieves no less. Essential players in job loss dramas will applaud the expanded learning and implications sections, and the extensive treatment of leadership issues. Organizational career management is indeed indebted to David Noer’s contribution.”

—Michael E. Hall, Ph.D., board-certified
career management fellow

“Dr. Noer is absolutely right—there is no one big tool that will save you during a downsizing effort. It takes many little tools. This book will give you the tools and insights into how to save those who are left behind.”

—Kevin R. Planet, principle, Integrity Staffing

“Excellent guidance on how to deal with the most complex and difficult issues of anxiety, fear, and sorrow.”

—Ingar Skaug, president and CEO, Wilhelmsen Lines

“David Noer’s book is a handy remedy for anyone caught up in today’s corporate survivor illness. It contains a healthy dose of practical advice from an authentic management professional.”

—Walter F. Ulmer Jr., Lieutenant General, US Army
(Retired), and former president and CEO, Center for

Creative Leadership

“Much-needed insights on effectively managing downsizings while forging productive relationships with its surviving workers.”

—Joel Brockner, professor of management, Graduate School of Business, Columbia University

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HEALING THE WOUNDS

**OVERCOMING THE TRAUMA
OF LAYOFFS AND REVITALIZING
DOWNSIZED ORGANIZATIONS**

REVISED AND UPDATED

David M. Noer

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PREFACE

It had been nearly a year since I'd visited my friend and client in Charlotte, North Carolina. At that time, Charlotte was buoyant and bustling, the banking capital of the South with glass-encased buildings filled with creative, optimistic people. This time it was different. From the profusely sweating employee who refused eye contact as he nervously scuttled out the front door carrying a cardboard box crammed with personal photographs, company trinkets, and carelessly packed papers, to the empty offices, eerie silences, and the thousand-yard stares that hovered above desks and conference tables. It was all too familiar. In the immortal words of Yogi Berra, it was "déjà vu all over again." I'd been here before.

My friend was a top executive in the financial services industry, and the economic meltdown had dealt his firm a staggering blow. It was entering its third round of layoffs: a hoped-for merger had fallen through, and federal bailout money, which my friend described as "fool's gold," wasn't helping. His employees were suffering the classic symptoms of layoff survivor sickness—a toxic combination of fear, anger, and anxiety—and he was struggling to hold his own anger and depression in check. At the very time that creativity and innovation were crucial to turn the organization around, employees at all levels were risk averse, hunkering down in the trenches, paralyzed by their survivor symptoms. This was not a team you would bet on to compete and thrive in the global economy.

As we near the second decade of the new millennium, that scene in Charlotte is being played out around the world. Organizations of all types—public, private, profit, nonprofit,

government—are experiencing a pandemic of downsizings where people are viewed as expenses to be reduced as opposed to human resources to be grown and nurtured. Both employees and organizational leaders need to shed comfortable but outdated concepts of loyalty, motivation, and commitment and, in order to ensure their individual relevance and their organizations' survival, venture into the uncharted waters of the new reality.

As I left the building that afternoon, I saw an unmanned crane parked in front of a half-constructed high-rise building, initially intended to house still another bank, and was struck by the symbolism. Would it ever be finished? Was the glass half full or half empty, not just for the financial services industry, but for the global economy and the psychological employment contract between employee and organization? We've been there before, but the lessons didn't take. The layoffs of the late 1980s and early 1990s—what I call the first act—were an early wake-up call but one that was not adequately passed on and was overridden by the short-term noise of the recent boom. Today we have reached the tipping point, and we have no choice but to accept and accommodate the new reality. What is at stake is the survival of our organizations and individual relevance.

The new psychological employment contract has experienced a long and painful birth, but it is here, it is real, and it has a major impact on our ability to revitalize our organizations. My focus in *Healing the Wounds* is on those who remain in organizational systems after downsizing. For the employee, a primary danger is what I call *layoff survivor sickness*. I explain the nature of this disease and discuss ways to become immune to its toxic effects. For organizational leaders, I outline strategies, perspectives, and models congruent with the unique leadership challenges of the new reality. Too often organizations institute layoffs to cut costs and promote competitiveness,

but afterward, they find themselves worse off than before. All they have to show for it is a depressed, anxious, and angry workforce that is confused, fearful, and unable to shake an unhealthy and unreciprocated organizational dependency.

Audience

Although anyone interested in the profound changes taking place in the relationship of person to organization will find *Healing the Wounds* useful, I direct my comments here toward three often overlapping audiences: organizational managers and leaders, layoff survivors, and layoff victims.

Organizational Managers and Leaders

If you are a manager or leader in an organization that has been, or is about to be, downsized, you have a tremendously important role and a difficult twofold task. First, you must come to grips with your own survivor status. You must deal with your own feelings while you work toward a relationship with your organization in which you are more empowered and less dependent. You cannot be of much help to other layoff survivors until you have helped yourself. Second, you must take on the most vital and complex managerial role since the industrial revolution. You must lead the other people in your organization through a painful and irrevocable shift in the terms of the psychological contract that exists between employee and organization.

This book can help you reach a personal understanding and acceptance of your own survivor feelings while also providing insight into the ways employees can develop a more autonomous and less dependent organizational

relationship. Chapters Seven, Eight, and Nine offer examples of managerial actions that support the new psychological employment contract, which no longer guarantees job security. Chapter Ten sets out an important frame of reference for those striving to understand the basic shifts taking place in the new reality. Many organizational leaders feel a great deal of pain and guilt over what they perceive they have “done to” employees in the service of organizational downsizing. This chapter helps alleviate this guilt by pointing out that the organizational changes are systemic.

If you are a manager, you are caught up in a basic change in the relationship of individuals to organizations, and you are asked to play a vital leadership role during this painful transition. You must lead the change from within the change. Chapters Eleven, Twelve, and Thirteen provide valuable perspectives and models for leading in the new reality. This book will help you deal with your own survivor issues and frame the environmental changes underlying downsizing; it will help alleviate guilt you may feel for what you have “done to” employees; and it will offer practical ideas for exercising leadership in the midst of fundamental change.

Layoff Survivors

If you are among the increasing legions of people who remain in organizations that have been downsized, merged, or delayered, *Healing the Wounds* will help you understand that you are not alone. The anxiety, fear, and sometimes depression that you experience are normal survivor feelings. However, many who survive cutbacks work in organizational cultures that do not permit individuals to admit to natural survivor reactions. Even in organizations where emotions

are considered valid data, it is difficult for most people to be truly open about their survivor feelings. After cutbacks, there is great, if often subtle, pressure to dig in, tighten your belt, grit your teeth, and work harder to move the organization forward. After layoffs in macho cultures, people feel it would be selfish or not teamlike to admit their true anguish and say how debilitating that anguish is.

If you are a layoff survivor, the most immediate benefit of this book may well be a clearer understanding of your normal and yet often unshared survivor feelings. The first three chapters show why those who survive layoffs universally feel such a deep sense of violation. In Chapters Four and Five, readers will discover both personal and organizational echoes in the actual voices of layoff survivors. Chapters Four and Five legitimize survivors' repressed feelings and begin a necessary catharsis, and Chapter Nine points the way for survivors and victims alike toward breaking an unhealthy organizational dependency and learning to create an empowered employment relationship, with reduced susceptibility to layoff survivor sickness.

If you are among those who remain after cutbacks, *Healing the Wounds* will help you toward a deeper understanding and acceptance of your survivor symptoms and give you strategies for an employment relationship in which you are more autonomous and less likely to feel like a victim.

Layoff Victims

Most layoff victims—those who have left involuntarily—eventually find themselves employed in another organization. A surprising number, particularly managers and professionals, rebound into organizations with worse

epidemics of layoff survivor sickness than those the layoff victims came from. In this way, many employees simply transport their survivor symptoms from one place to another.

I have a friend, now in his third organization, who reports feeling less enthusiastic with each successive move. When it comes to life planning, his scarce and marketable skills, good network, and interviewing savvy ironically have made it easy for him to rebound. He has not taken the time to deal with his survivor feelings, take stock of what he really wants to do, or come to grips with the reality of the new employment contract, which calls for a more autonomous, less dependent employment relationship.

If you are a layoff victim, you must make your transition a learning experience. An understanding of the nature of this new employment contract (Chapter Ten), the personal perils of organizational dependency (Chapter Nine), the survivor symptoms that probably exist in many of the organizations to which you are applying (Chapter Four), and the empowering possibilities of your choices (Chapter Fourteen) will be of great help in your personal transition.

Overview of the Contents

Layoff survivor sickness debilitates both organizations and individuals. Organizations should develop systems to accommodate the new linkages that are called for between individuals and organizations, and individuals should develop more entrepreneurial and less dependent connections to organizations. What is at stake is nothing less than the survival of our organizations and of our self-esteem and autonomy as employees. That survival is also the subject of this book.

Because denial is a primary symptom of layoff survivor sickness, its effects are nearly always underestimated. Moreover, the higher a person is in an organizational system, the more she or he denies the symptoms. For these reasons, I devote the first six chapters to an explanation of the pathology of layoff survivor sickness. In the remainder of the book, I show what to do about the sickness using a four-level intervention model (Chapters Seven to Ten), and then I outline leadership strategies and perspectives that fit the new reality (Chapters Eleven to Fourteen).

I have divided the book into four parts. Part One outlines the profound changes in the relationship of person to job that leads to the mistrust and sense of violation that survivors of organizational layoffs feel. Chapter One examines the dynamics of layoff survivor sickness through a case study and a metaphor. Chapter Two outlines the fundamental paradigm shift that has occurred in the relationship of person to organization.

The universality of the survivor experience and the similarities between the feelings of layoff survivors and the feelings of survivors of other traumatic situations are the subjects of Part Two. Chapter Three explores the universal traits of survivorship, demonstrating the emotional links between layoff survivors and others who have survived trauma and tragedy. Archetypal survivor themes emerge that are also apparent in the statements of layoff survivors.

Most research on layoff survivors is conducted in a laboratory or is a summary of questionnaire results. Chapter Four presents raw data on actual layoff survivors, bringing home to readers the depth and complexity of these survivors' symptoms. It will be a rare person who is not reminded of his or her own organizational situation. The host organization for the research sample in Chapter Four was revisited five years later, and the results of a second sample

are presented in Chapter Five. It is apparent that, unlike wine, layoff survivors do not automatically improve with age.

Part Three is centered around a four-level intervention model that serves as a road map to reestablishing healthy and productive relationships between employees and organizations in the midst of continual downsizing and trauma after layoffs. Chapter Six sums up the research and introduces this model. Chapter Seven explores level 1, or process, interventions. These are basic first-aid interventions at the point when layoffs take place. Level 1 interventions will not cure layoff survivor sickness but will provide damage control until more permanent solutions are found.

Layoff survivors carry heavy emotional baggage, and unless they are given the opportunity to drop it, they are unable to progress beyond their debilitating funk. Level 2 interventions allow survivors to grieve. Chapter Eight outlines processes for breaking blockages and stimulating catharsis.

Chapter Nine applies the concept of codependency to organizations. Level 3 interventions deal with the painful but liberating process of breaking away from organizational codependency. Employees are codependent with an organization to the extent that they index their self-worth by their success in that organization and attempt to control and manipulate the organizational system. Organizationally codependent people are always susceptible to layoff survivor sickness. Those who break the bonds of organizational codependency are immune.

Chapter Ten reviews the series of shifts that have made a new employment contract necessary. It explores processes for making organizational systems relevant to the new contract, which demands profound and evolutionary

changes in our organizational systems and in us as individuals. On the personal level, they often require us to behave in accordance with a reality that opposes the values conditioned into us through organizational cultures that were formed just after World War II.

Level 4 interventions alter organizational systems to accommodate the reality of the new employment contract. In discussing levels 1 and 2 (Chapters Seven and Eight), I have been as prescriptive as possible and include case studies and specific advice to both the employee and the manager. My advice is more general for levels 3 and 4 (Chapters Nine and Ten). Implementing the new employment contract demands complex individual and organizational changes. Therefore, I help readers explore the changes in their own organizations and personal careers.

Part Four deals with the critical leadership challenges within this new environment of change, ambiguity, and violated employee expectations of long-term job security. Today's leadership requires new skills and a great deal of courage. Chapter Eleven examines leadership competencies relevant in the new reality that are not often found in business schools or corporate training programs. Chapter Twelve reviews the critical leadership task of reconceptualizing perspectives of loyalty, commitment, and motivation from the old paradigm. Chapter Thirteen outlines the core skills and relevant models necessary to lead organizational systems in a new paradigm.

The death of the old patterns of organizational thought and behavior, painful though it may be, opens up the possibility that we as individuals will acquire greater personal empowerment and autonomy and that more organizations will survive these competitive times.

Chapter Fourteen discusses the ultimate existential choices that individuals and organizations now confront.

Healing the Wounds is the culmination of multiple ways of perceiving and responding to the global epidemic of downsizing and the need to put the pieces together—both individual and organizational—and move on. It combines research, case studies, and methodologies from my own consulting practice and specific advice based on my experience. The case studies have been disguised to ensure client anonymity. Although this book is based on research, it is for practitioners and can be used at several levels: to help line managers intervene in their organizational systems, consultants and consulting managers develop intervention techniques, and individual survivors understand what is happening to them and see that they are not alone.

Healing the Wounds views layoff survivor sickness as the symptom of a condition even more toxic to the human spirit: unhealthy dependence. For organizational leaders and employees who respond courageously to the call to combat this symptom, there is the exciting promise of reclamation of lost autonomy, the ability to index self-worth by good work, and the exciting potential of a quantum increase in organizational productivity and customer service.

June 2009

Greensboro, North Carolina

David M. Noer

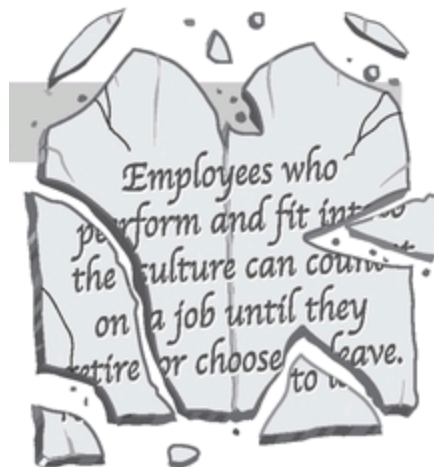
PART ONE

THE SHATTERED COVENANT

CHAPTER 1

Forgotten Survivors

What Happens to Those Who Are Left Behind



"No one is happy anymore. I think a lot of people are under stress, and it tends to balloon out, and everybody is absorbed by it. You don't have anybody coming in in the morning, going, 'God, it's a great day!'"

Layoff survivor sickness begins with a deep sense of violation. It often ends with angry, sad, and depressed employees, consumed with their attempt to hold on to jobs that have become devoid of joy, spontaneity, and personal relevancy, and with the organization attempting to survive in a competitive global environment with a risk-averse,

depressed workforce. This is no way to lead a life, no way to run an organization, and no way to perpetuate an economy.

The root cause is a historically based, but no longer valid, dependency relationship between employee and employer—a type of cultural lag from the post-World War II days when employees were considered long-term assets to be retained, nurtured, and developed over a career as opposed to short-term costs to be managed and, if possible, reduced. The first act of the harsh reality of this new psychological employment contract became painfully evident in the late 1980s and early 1990s. Then there was an intermission when both employees and employers were seduced back into complacency by the liquidity and economic boom of the early years of the new millennium. The curtain abruptly rose for act two with the financial meltdown of 2008, and we are now facing the jolting reality of a worldwide wake-up call. The second act is much more somber and represents the final shattering of the old psychological employment contract. We are caught up in an unprecedented global epidemic of layoffs, and the toxic effects of layoff survivor sickness on both individuals and organizations are approaching a pandemic tipping point.

The battle to ward off and eventually develop immunity to these survivor symptoms must be waged simultaneously by individuals and organizations. This battle is among the most important struggles that we and our organizations will ever face. Individuals must break the chains of their unhealthy, outdated organizational codependency and recapture their self-esteem; organizations must reconceptualize their paradigms of loyalty, motivation, and commitment in order to compete in the new global economy.

The old psychological employment contract began to unravel about twenty years ago, and some people are still feeling the effects. Although we are well into act two, the

dynamics haven't changed, and we can learn much from the past. For the organization, managing according to outdated values will no longer work. For individuals, struggling to hold on to a meaningless, deflated job can be a Faustian bargain that is hazardous to their mental health, as the following examples illustrate.

Lessons from Act One: Juanita and Charles— Victim and Survivor

When the layoffs hit, Juanita and Charles were both department directors, the lower end of the upper-management spectrum in the high-technology firm where they worked. Juanita was in her late forties, Charles in his early fifties. Although they had traversed very different paths to their management jobs, they were equally devastated when their organization started “taking out” managers to reduce costs. They experienced similar feelings of personal violation when the implicit psychological contract between each of them and their organization went up in smoke. Although this contract was only implied, Juanita and Charles had assumed that the organization shared their belief in the importance of this contract.

It wasn't long before both were experiencing survivor symptoms of fear, anxiety, and mistrust.

Juanita had achieved her management role. She had returned to school in midcareer, earned an M.B.A, and—through talent, determination, and the efforts of a good mentor—moved quickly through Anglo-male management ranks that were lonely and uncharted for a woman. When Juanita lost her job, the official explanation was that her department was “eliminated” and no other “suitable” positions were available. In reality, she was done in by the

existing old-boy network, which at least in the early stages of the layoffs looked after its own. (In a form of layoff poetic justice, the network fell apart as the “rightsizing” continued.) Juanita was a “layoff victim.”

Charles evolved into his management role. He was a classic organization man, joining the company right out of college and following the traditional career path of working his way up the system by punching the right tickets, knowing the right people, wearing the right clothes, and generally walking the walk and talking the talk. This career path was a hallmark of the large hierarchical public and private organizations that dominated the post-World War II era in North America, Western Europe, and Japan. The psychological contract that Charles and Juanita trusted was a legacy of this organizationally endorsed career path. Charles believed he had made a covenant that unless he violated the norms and standards of his company, he could count on his job until he retired or decided to leave.

Although Charles lost his influence, watched his support network disintegrate, ended up taking a substantial salary cut, and lived in a constant state of anxiety, guilt, and fear, he managed to hang on long enough to qualify for early retirement. He carried anger and depression with him when he left. Although technically a survivor, he is a victim of layoff survivor sickness. He would have been better off psychologically if he had left, and his company certainly would have been much wiser to invest in helping him make an external transition than living with his anger, guilt, and anxiety for fifteen years.

When Juanita was laid off, the company helped her take stock of her life and career. It spent some time and a fair amount of money on her psychological counseling and outplacement services. Juanita took over two years to grope her way through a time of exploration, regeneration, and

ambiguity that William Bridges (1980) has called the “neutral zone.” She emerged as a principal in a small but vibrant and thriving consulting firm. She has cut back her hours somewhat in the past few years, but is still excited about life and stimulated by her work, and she has merged her career and personal life into a balance she found impossible in her previous job. She became a much more integrated and congruent person as a layoff victim.

Charles is still living an anxiety-ridden life. His guilt, fear, and anger have spilled outside the job. He is now divorced and emotionally isolated, and he continues to struggle with alcoholism. His company, which after twenty years and two mergers, is still mostly intact, is going through another round of layoffs. Once again, in act two, it is spending some of its very scarce resources to help those who are leaving but doing nothing to re-recruit those who have survived. As a result, the legacy of Charles lives on in a whole building filled with angry, unproductive, risk-averse employees. This is the team the company is fielding to compete in a global marketplace where innovation and creativity are the only true competitive advantage.

The Basic Bind: Lean and Mean Leads to Sad and Angry

Layoffs are intended to reduce costs and promote an efficient lean-and-mean organization. However, what tends to result is a sad and angry organization, populated by depressed survivors. The basic bind is that the process of reducing staff to achieve increased efficiency and productivity often creates conditions that lead to the opposite result: an organization that is risk averse and less productive than it was in the past.