

# Managing Employees' Decruitment Exercise during Corporate Crisis

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## Abstract

Restructuring anywhere around the world is often premised on the need to make a system more functional most especially when the existing system is either unable to fulfil its essence of existence profitably or when it is observed that such system is moribund but what do we say of a defective restructuring and how do we guide against such as a lot of organizations in trouble seek for solutions to their plight, they are found in more trouble and crises. Unarguably, lot of factors can be responsible for corporate crisis; from internal to external on a wider spectrum however in an attempt to solve this crisis a far reaching decision would have to be made on the various input into the business, processes and structure. This decision is often than none on the need to restructure the existing arrangement thus affecting personnel and other resources. From the personnel angle; it could be a wrong hiring decision, previous internal restructuring without training, over blotted staff strength, poor/sluggish personnel performance, among others. While in most cases employees' go errors are often committed on the part of decision makers during the process of addressing corporate crisis. The thrust of this paper is on how to manage employees' decruitment exercise during the process of solving corporate crisis without aggravating the crisis.

**Keywords:** Corporate crisis, crisis, crisis management, decruitment & employees

## 1.0 Introduction

No corporate Organisation whether small or big desire any form of crisis. However, no matter how strategic managers or management team can be corporate crisis is inevitable but the strength of every manager or management team lies in how such crisis is timely and profitably managed without compromising the chances for the organization to remain a going concern.

Recent happenings around the world reveals that a lot of organizations are not having it blooming, while some are facing the reality others are trying to cover up. In Nigeria for example, the banking industry, Manufacturing industry and even some Governmental agencies are seriously in crisis using different nomenclature like merger, acquisition, bailout, reform, restructuring, privatisation to mention but a few as a coping strategy. The reality is that the organizations are confronted with crises and that is why restructuring and the likes became imperative.

Although this situation is not peculiar to this country Nigeria and even Africa as a continent, what is worrisome is if other measures has been taken before resulting to the last option 'decruitment' and of prime interest is also whether the process of decruitment is objectively carried out. The News Agency of Nigeria (NAN) through 'The Guardian' news paper recently bemoan the manner in which the banking industry were reducing their staff strength; First City Monument Bank (FCMB) on April 30 2012, disengaged 550 staff of FinBank Plc due to the current merger process between them. In a similar development, Access Bank Plc on February 1, 2012 downsized 1,500 staff of intercontinental Bank while Zenith Bank Plc sacked 200 of its workers on April 24, 2012.

In the same vein, the recently released Oronsaye report (a committee set up by Federal Government of Nigeria to look into the structure of government agencies) recommended pruning down government ministries, departments and other agencies from 263 to 161. This report without implementation has generated a lot of controversies from the stakeholders' most especially labour leaders because of the negative implication it will have on the Nigerian civil servants.

Although the Nigerian Labour Law under section 20 gave a vivid insight into how to implement redundancy in the case of one especially when the organization is seriously in financial crisis and running cost is becoming too high for the management to bear. Acknowledging the fact that one of the build up to increase in running cost of any business or organization is the employees' remunerations and during corporate crisis, redundancy can be declared on idle workers or on those activities that are not key or streamline in the process of work redesign but this should be implemented with high level of sincerity and objectivity.

Therefore, this paper is of the opinion that if decruitment process is not appropriately managed, grudges (legal actions) and sabotage can set in from the part of unjustly exited employees while discontent and demotivation are likely to spread among the existing personnel of the organisation and the impact could be disastrous as competitors could use the advantage to hijack the skilled and experienced staff to their side while such action can complicate the existing crisis the organization is into.

## 1.1 Conceptual Scheme

### Corporate Crisis

Crisis connotes negative impression, since it is connected to most varied unpleasant situations and experience. It is a Greek terminology representing 'krisis', a medical term by Hippocrates to describe the negative turning point in a disease. Fink (1986) opine that Crisis is an unstable time or state of affairs in which a decisive change is impending --- either one with the distinct possibility of a highly undesirable outcome or one with the distinct possibility of a highly desirable and extremely positive outcome.

But for the fact that the direction of this paper is on corporate crisis, effort will be geared towards encapsulating crisis within our discourse. Organizational analysts observed that corporate crisis otherwise referred to as company or organizational crisis is a short-term, undesired, unfavourable and critical state in a company which has derived from both internal and external causes and which directly endangers the further existence and growth of the company.

Contemporary organizations are mostly open system, the chances that the crisis will affect all the stakeholders is very high. From the employees to the host community, supplier to government, among others will no doubt be affected thus managing the crisis become important to all. This start from addressing the right causes of it; to avoid wastages of time, money and effort, in order not to aggravate the crisis.

Managing a crisis corresponds to the different choices, decisions and strategies that organizations adopt in order to contain a situation that is perceived out of control as it diminishes the level of uncertainty due to the choices made by the manager, thus allowing a greater control of the events. Nevertheless, these strategic choices are based in short-timed decisions that seriously affect the level of information and the availability of paths to choose from (Seeger et al., 2003; Mitroff et al., 2001).

As strategic move are made to salvage the situation, it's always glaring that operations will have to be narrowed down to a reasonable size to reduce the overhead cost. Part of these overhead cost is on staff while pruning down staff strength is a critical stage which if not properly manage can aggravate the situation cause more havoc to the continued existence of the organization. This informs us on the need to manage decruitment process with caution.

### What then is Decruitment?

No one single universal definition in describing decruitment. The concept encapsulate: downsizing, retrenchment, lay-off, redundancy among others but arising from the need to reduce staff strength in the organization. Decruitment in most cases arises to safe the future of the organization and employment of larger part of the present employees of the organization.

Decruitment is the process of reducing the size of organization's workforce or restructuring its skill base. Denoted by  $S < D$  that is If supply for workers exceeds demand for it. This happens when organization is passing through difficult situations and need to balance demand against supply.

### Views on Decruitment

- Imposed by reality
- It is an activity authorised by senior Management team
- It is a process of picking more competent and relevant employees and eliminating incompetent and irrelevant ones in the light of work redesign
- It is negative to concerned employees but positive to organization

### Objective VS Subjective Decruitment

#### Subjective decruitment

This is a bias decruitment exercise in which due process are ignored for favouritism based on personal criteria, norms, standard and other unfair act. Selection criteria are based on the principle of discrimination. Such a decruitment process is often based on ethnicity, gender, trade union membership, race or colour, marital status, national origin, religion or belief, disability, bottom power, Godfatherism, family relations, bribery and so on. Although discrimination rules are different throughout the world, some common principles can be noted—most importantly, that decisions based directly on any of the above features will be unlawful. Therefore, choosing someone for decruitment merely because of active participation in union activities or any reason relating to maternity leave, birth or pregnancy, disability or any other family leave, will not be acceptable.

This approach is used by uncultured and unprofessional management without minding the consequence on the existing crisis, forgetting that there is room for appeal in any case of unfair/subjective decruitment and that is why objective decruitment is important to avoid legal action which is capable of endangering the current state of the organization profile. From the view above, subjective decruitment does not have a laid down rule or procedure for reducing staff strength.

A sincere objective decruitment exercise goes beyond just picking individuals that are to leave the organization but it identifies the right individuals who will no longer fit into the new work arrangement. Therefore, it involves the process of using objectively developed standards, common criteria or norms to select the individuals who will not fit into the proposed work redesign. Issues of merit, experience, education, adaptability, skill ability, commitment and other qualifications are often of top priority. The extent to which the procedures are adhered too, the better it is for the organization to move away from the pending crisis and reducing the chances of aggravating it.

## **1.2 Objective Decruitment Options during Corporate Crisis**

1. Last in First Out (LIFO): This represent the decruitment of the set of employees that were employed from the rear till it get to the expected number planned for. This has a direct relationship with length of service in the organization but it often involve employees with least years of service that is those that recently join the service of the organization. A common criterion for decruitment because of the risk and cost involved. Most of the employees in this category are often fresh in the system, beginners and learners with lower expertise and compensation.
2. First in First Out (FIFO): This also has to do with length of service in the organization but from the highest years that is those to be considered are employees who have been with the organization for a long period of time. There is need for caution here because competent and agile hands should not be dropped and if this is thrown into the wind, competitors can take advantage of this.
3. Poor Performance record: Performance is critical to any organization survival and if there is any employee with high incidence of poor or sluggish performance record such are to be decruited ahead of time. A way of going about this is to review the record of every employee noting queries on performance and input to organization bottom line.
4. Misconduct Record: In most cases when the need to reduce staff strength becomes imperative, management often review the files and document of staff to know those who have the highest rate of misconduct. Such categories of staff are always added to the list of the purported staff to be disengaged.
5. Age and retirement: commonly used alternative to compulsory dismissals is asking for volunteers to take early retirement. This has many of the advantages associated with voluntary measures and may also provide opportunities for younger workers to advance into new roles. However, sometimes it means that the organization loses substantial skills and experience. The effectiveness
6. Job restructuring/skill relevancy: In the process of restructuring and pruning down jobs, when some jobs are cut off some staff with irrelevant skills who cannot also be redeployed to meet up with the new arrangement even with training are often disengaged too.
7. Health Record: At times during the exercise human face can be lost into the air. Some staff that were been kept for ethical or social reasons might be disengaged. Staff suffering from prolong ailment which is affecting their level of productivity might also be asked to go.
8. Employee leasing: At times decruitment is done with human face most especially when it involves good hands and the company in question has strong tentacles. Sister companies or partnering companies can be liaised with to absorb these personnel under an agreement for a period of time.
9. Temporary disengagement: This is a measure to still instil some assurance in the staff that they are still with the organization when this turnaround from the present predicaments. Personnel do have their employment withheld owing to the crisis situation, this is often done to retain good hands and avoid unnecessary legal action whilst they might be recalled when things get better.
10. Work hour cut: The introduction of skeletal service is another form of reducing staff strength. Employees can suffer some form of temporary decruitment in this form. The long effect is reduction in running cost for the organization with reduction in staff salaries because they will only be paid for the few days worked.
11. Qualifications: important principle for selecting which employees should be dismissed during a retrenchment exercise is to try to retain those individuals who will contribute most to the business in the future. Therefore, using worker qualifications may be an obvious guide to the skills of employees. However, clients should consider whether qualification requirements disproportionately affect particular groups, for example, ethnic or national groups. There is nothing wrong with using worker qualifications as a criterion if they genuinely reflect necessary skills for a post. However, the skills should be actually used in the job. Moreover, other tests may be available that can be used in the job.
12. A combination of any of the above is also possible. In fact, in reality it is what organizations do.

## **1.3 Process of objective decruitment exercise during Corporate Crisis**

1. Determination of source of corporate crisis: A serious diagnosis of the present situation must be carried

out to ascertain the source of the crisis. This is the responsibility of Senior management team, it could be erroneous product design, managerial mistake, unfriendly policies, natural disaster, reputational issues, psychopathic act, etc irrespective of the source of corporate crisis there will always be negative personnel implication to it indirectly but there could also be direct corporate crisis via human resources (Loss of key executives, Loss of key personnel, Rise in absenteeism, Rise in vandalism and accidents, Workplace violence, etc.) But which ever, the common practice is to see decruitment as a last resort others are freeze on new hire, internal transfer or redeployment, reduction in salary, etc. At this stage, a committee is expected to be set up in the organization to manage the decruitment process. The role of the committee will be to determine the revised shape of the workforce, plan in detail the numbers of workers required in each division of the organization and the skills required for each post, determine a draft timeframe for implementation, to ensure there is a clear timeframe for each, stage of the decruitment process and enough flexibility to allow for changes in the process so as to reflect ongoing consultation.

2. **Job Redesign:** Job enlargement, job enrichment, etc. are the options here to compress and give more responsibilities to fewer hands especially where the system is over blotted with staff. Eliminating those functions and activities that are considered irrelevant to the new work processes. For example, some of the questions will be: what functions are germane to the new work order? What activity is irrelevant to the new arrangement? Etc.
3. **Determine the extent of Personnel Implication:** Consideration of the present workload and the required work hours based of the new work arrangement from unit to sections, department and the likes are the next stage.
4. **Personnel Audit:** This is a critical state in the process. The effort is to generate a report of the true personnel status in the organization. The audit is to ascertain the total number of personnel, ghost workers (if any), ages of staff, numbers of years spent in the organization, health status, educational qualifications, skills, etc.
5. **Involve all stakeholders in the process:** Engage workers and their trade unions (if in a unionised setting) or other representatives. Consultation may also include Local, State, or Federal Government Agencies (most frequently the Ministry of Employment, Labour and Productivity). Reach an agreement with stakeholders on process for consultation. One of the easiest ways to ensure problems with any process, particularly one as difficult as decruitment, is to leave unions and other stakeholders feeling that they have no say in relation to the process.
6. **Select the decruitment Option of Choice:** Adopt the applicable option from the ones discussed above.
7. **Compensation procedure and fund availability:** This can be done in two ways: Monetary and non-monetary procedures.
  - 7.1. Monetary plan can be put in place to cushion the effect of job loss by the employees. This monetary compensation varies within organizations, depending on an individual employee's length of service, wage or salary level, performance, or special hardship payments. However, employees should be fully compensated for their notice period. If not required to work during this time, workers should receive payment that reflects the wages they would have earned if they had been working.  
Any outstanding remuneration to employees on decruitment should be fully paid. Any loan, salary in advance and other outstanding to the employer that are deducted from final payment should be clearly identified and this should only be done. Also, any such payments should not be delayed. It is good practice to ensure that payments are received by the employee on his or her last day of work. However, circumstances may make it otherwise it is important to ensure that the concerns and their representatives understand what is happening and know when payments will be made. There should be a means for complaint about late payment. Calculating the appropriate amount of payment for each employee requires accurate information on the salary and wage levels in the company and information about service and other criteria.
  - 7.2. Non-Monetary Compensation: Companies may take a range of steps that go beyond monetary compensation. On situations like this, employees guide on how to find new sustainable means of livelihood is essential to cushion the effects of decruitment on the individual, family and society. Companies are often in a good position to use some resources to seek to improve the work and life chances of those workers that they have placed in precarious situations as a result of the retrenchment process. These may include one or a combination of the following:
    - Training career and financial counselling promotion of local economic development
    - Opportunities outsourcing assistance with finding new employment.
    - Enterprise training
8. **Communicate decruitment procedure:** A proper documentation of the process is vital as evidence of disengagement. However, each of the affected must be provided with the following details; the reason

of disengagement, management future plan, notice of disengagement, entitlement, mode of payment, time of payment, submission of company properties, etc.

9. **Implement the exercise:** This phase is a dedicate stage to handle as there could be gang up and counter move by the affected personnel, however if the process has been open and sincere lesser thorny issues will occur and if they do such will be treated under appeal. It is the phase for the announcement of the number of personnel that will be affected and the manner in which employees will be served their notices. The notice should be in black and white in duplicate copies while the affected will sign off for record purposes. If possible, HR should meet with every person affected by the exercise, and be prepared to review individual selection in light of any particular information learned. At this point the final list is generated while necessary documentation is served communicating request for handover note, submission of company's properties in their possession (official vehicle, phone, etc.), while after due clearance authorisation for necessary payment will be effected by account department. Depending on the arrangement in place outside the monetary compensation, other non-monetary compensation could be implemented as discussed above.

#### 1.4 Managerial Styles for Decruitment during corporate crisis

The approach of this paper is democratic and participatory styles. The reason for this is within the employment agreement; it is the duty of employer to provide work for employee and in case of any challenge due notice must be given to the affected employee by the employer. No element of force is required therefore it connote that the employee is carried along (participatory) and involved in the process that should be fair and objective (democratic).

#### 1.5 Concluding Remarks

From the foregoing, decruitment is a last option for surviving corporate crisis. It is a deliberate process of reducing staff strength during corporate crisis. The various options discussed are all inclusive with no one option is exclusively a cure to managing corporate crisis.

The process can be objective or subjective but the view of this paper is on objective to avoid legal actions and unnecessary staff demotivation in the organization which is capable of aggravating the crisis situation.

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