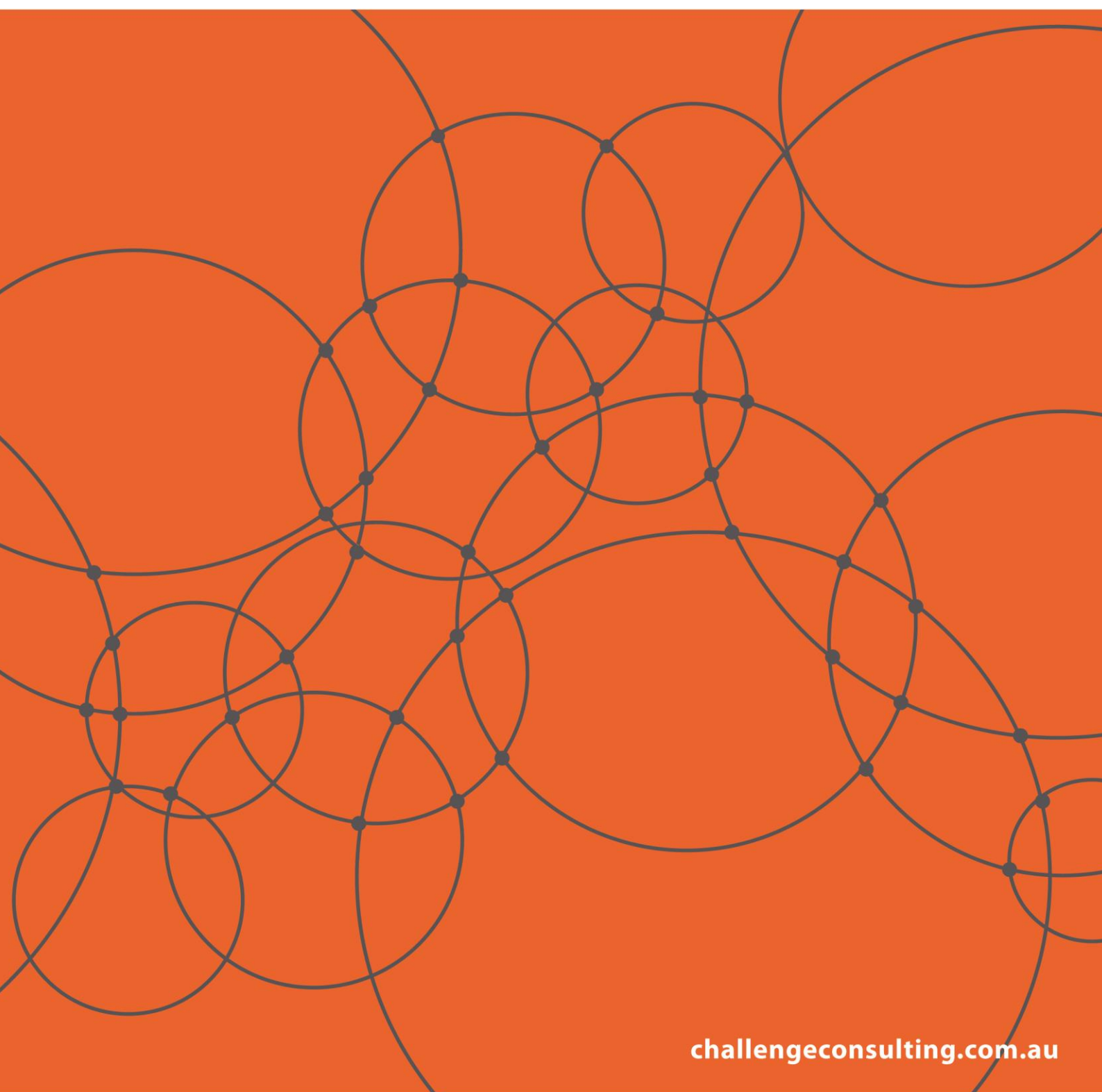




**Challenge  
Consulting**

# Best Practice for Managing Downsizing



## The costs of ineffective downsizing

Most organisational downsizing initiatives, despite the best intentions, fail to achieve their stated aims<sup>1</sup>.

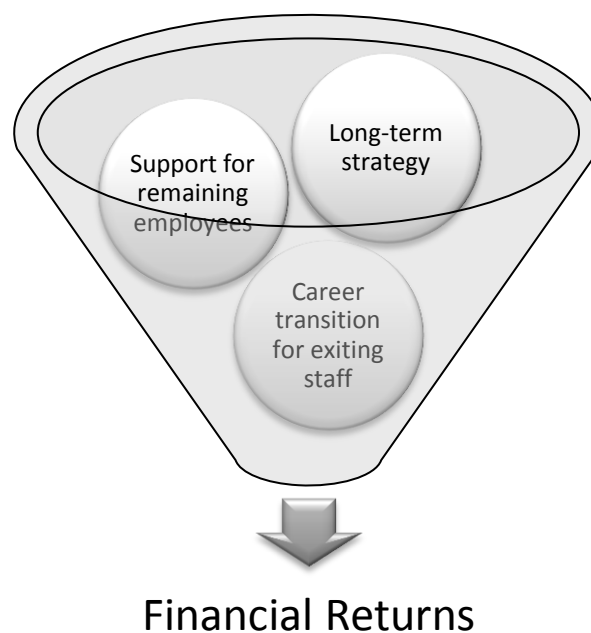
### Ineffective downsizing can be incredibly costly for your business

Based on a study on 1,005 organisations that implemented downsizing, it was reported<sup>1</sup>:

- 80% needed to rehire some of the people that they had previously terminated
- < 50% met cost targets
- < 33% increased profit as much as expected
- < 25% achieved satisfactory improvements in shareholder return
- < 25% achieved expected productivity gains

### What did organisations that achieved financial returns following downsizing have in common?

Those organisations that achieved financial returns following downsizing were more likely to have a long-term strategy for the change, provide support for remaining line managers and employees, and provide career transition for exiting staff.



**Figure 1. Organisations that achieved financial returns following downsizing had three key factors in common.**

Through targeted organisational development Initiatives, Challenge Consulting helps your organisation effectively lead a successful organisational change - before, during implementation and in the months that follow.

<sup>1</sup> Cummings, T.G. and Worley, C.G. (2005), 8<sup>th</sup> Ed. *Organization Development and Change*. Thomson South-Western

## How Challenge Consulting helps you successfully lead change initiatives

### Step 1: Long-Term Strategy

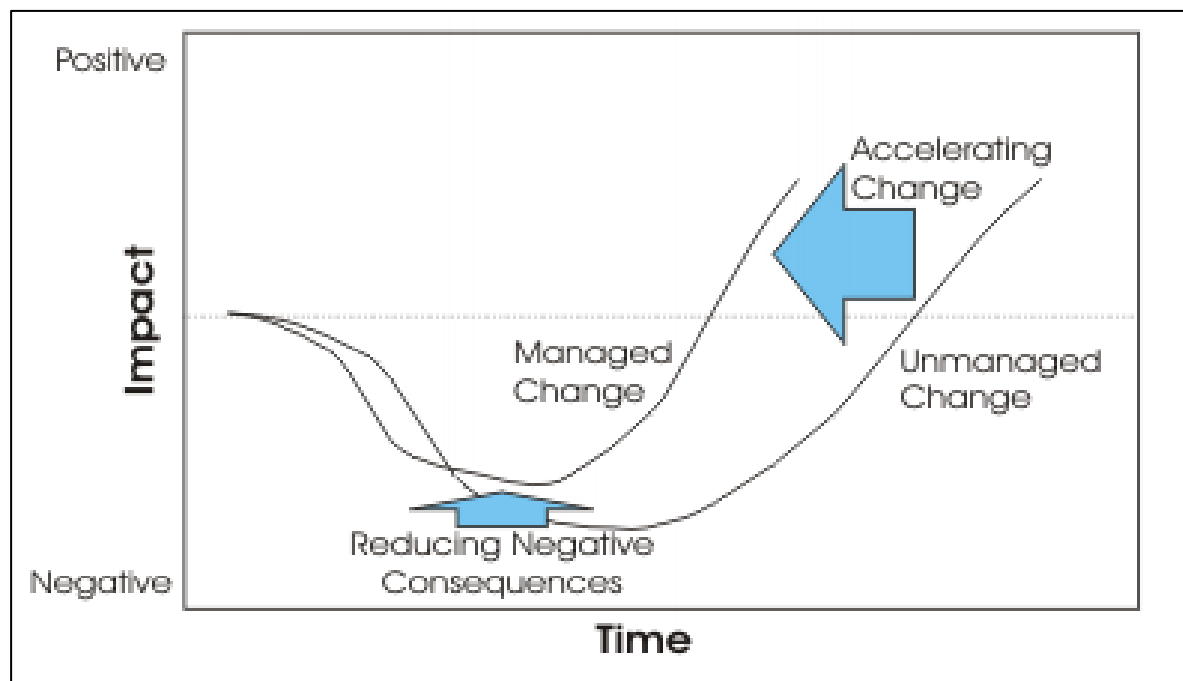
Organisations that commit to a long-term strategy for anticipated changes are more likely to achieve financial returns following downsizing. As seen in Figure 2, when downsizing is not strategically managed or left unmanaged, the negative impact of the change is more pronounced and longer-lasting.

Equipping your Senior Leaders with the skills to define this long-term strategy is critical to the success of the anticipated downsizing. Challenge Consulting works with your Senior Leaders to examine:

- Risks and benefits of different change strategies in your organisation
- ROI and business case for downsizing versus alternatives to downsizing
- A long-term strategy for future growth for the organisation

Challenge Consulting also works with your Senior Leaders to develop an implementation plan to take your organisation forward, which will include:

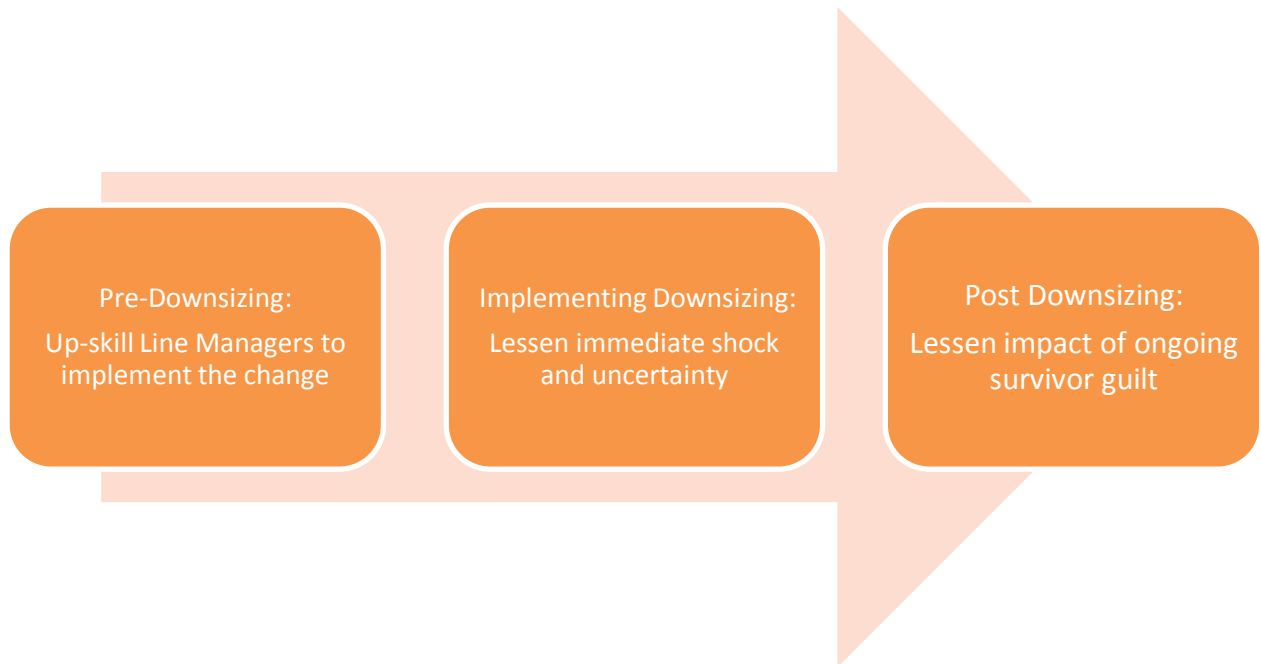
- Consultation plan - consultation and involvement during the change process - with who, about what, how much should employees be involved?
- Communication plan — internal, external, initial, and ongoing
- Engagement plan - steps to ensure employee engagement with the long-term vision and strategy for the change



**Figure 2. Negative impact of change is more pronounced and lasts longer when change is left unmanaged.**

## Step 2: Support for Remaining Employees

Following downsizing your Line Managers and remaining employees will be critical in achieving the long-term vision of the organisational change that was defined in Step 1. Challenge Consulting support your organisation before, during implementation and in the months that follow with targeted coaching, training, and team development with your line managers and remaining employees to accelerate the outcomes of the change towards your defined long-term strategy.



**Figure 3. Support for remaining employees is required before, during and after implementation of downsizing.**

## Step 3: Career Transition for Exiting Staff

Organisations that invest in career transition services for exiting employees demonstrate a clear message and commitment to their remaining employees, achieving:

- 36% less absenteeism costs
- 42% less turnover costs
- 93% less wrongful termination lawsuits<sup>2</sup>

Challenge Consulting's accredited Career Development Practitioners assist your exiting employees; from being available to provide support on the day of the announcement to the management of targeted group or one-on-one career transition programs:

- **Bronze Program:** recommended for your entry-level staff, up to 5 hours support.
- **Silver Program:** recommended for mid-level staff, up to 10 hours support.
- **Gold Program:** recommended for longer-standing or senior-level staff, up to 20 hours support

Formal career support, as provided by Challenge Consulting, achieves faster re-employment for those exiting employees. In the long-term, those that participate in formal career support are more likely to recommend your company as an employer of choice<sup>3</sup>.

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<sup>2</sup> Challenger, J. A. (2005). Return on investment of high quality outplacement programs. *Economic Perspectives*, 29, 86-93

## How Challenge Consulting has helped other clients

### Challenge Consulting has assisted organisations manage small-scale and large-scale downsizing initiatives.

For example, Challenge Consulting supported an organisation in the IT&T sector with career advisors available on-site across Australia to provide support simultaneously as the redundancy announcements were taking place. We provided immediate support to the affected individuals and their managers, followed by tailored, individualised outplacement programs for the outplaced employees. Through a professional, streamlined service we helped this organisation manage this difficult period with a smooth transition, whilst helping former employees to be quickly re-employed.

### What our clients say:

- “Our company has involved Challenge Consulting for a number of learning initiatives including manager education sessions, career development presentations and more recently for training our change champions. The Champions Training was a significant project. Narelle Hess designed and delivered the Champions Project. The collective feedback from participants resounded Narelle’s expertise with the frequented quote ‘she really knows her stuff’. Challenge Consulting in my opinion, embraces the boutique model of service which is why we engaged them. This model encapsulates customisation, price competitiveness and quality. I would recommend them to any organisation that aligns with this philosophy”. **Junita Mushenko, People and Culture Manager, Standards Australia**
- “The staff at Challenge Consulting provided me with the insight to construct a detailed yet concise resume' that helped me stand out and secure several job interviews. Some even led to job offers. Through comprehensive coaching, they equipped me with a structured approach and style necessary to succeed in the interview process. But most importantly, they provided me with confidence and reassurance during a time of considerable stress and uncertainty. The staff at Challenge Consulting were patient, sympathetic and very professional. I consider myself extremely fortunate to be assisted by them. I would certainly recommend their services to anybody looking for employment or employment advice.”
- “Narelle was very professional, knowledgeable and personable. In fact, aside from the purpose of "outplacement" and enhancing the chances of re-employment, just completing the program was very insightful into preferred work styles and goals an individual sets/requires. I would recommend Narelle's services to anyone requiring help if they find themselves looking for employment, or about to.”
- “Thank you for your guidance and support throughout the stressful and emotional transition of finding another role.”
- “I just wanted to thank you for the consultation and for the follow-up information. It was very interesting going through all the points, and I believe it will really come in useful - much more so than I thought it might be!”
- “I really appreciate that you have given me a lot of useful information and it definitely helps me plan my new career pathway.”
- “Thank you again for your presentation and it was well received and appreciated by all staff in attendance.”

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<sup>3</sup> Hughes, D, Bosley, S., Bowes, L., & Bysshe, S. (2002). The Economic Benefits of Guidance, Department of Education and Skills.



### Introducing: Narelle Hess – Organizational Change Project Manager

Narelle Hess is a qualified, registered Organisational Psychologist. Narelle brings her expertise in organisational behaviour and career development in facilitating the development of strategies for success with her clients. Narelle has worked closely with a range of clients, from the private, not-for-profit and government sectors.

Narelle has assisted a range of organisations during organisational change. This has included support for teams and groups of individuals during large scale change and tailored, individualised career transition support for all levels, including senior executives. Her competence in counselling and advising individuals has empowered them to make important career choices during these periods of change and take the steps to achieve their career goals and aspirations. She is well regarded for her exceptional relationship building skills, professionalism and caring manner. Narelle is also a professional member and board member for the Career Development Association of Australia.

Narelle presented on trends in career development at the International Congress of Applied Psychology. She was awarded Best Paper at the Academy of Management Conference for her research on Generational and Career Stage Differences in the Psychological Contract between employees and organisations. She has published her research in Career Development International and Journal of Vocational Behavior. She has also provided expert commentary in BRW magazine, CareerOne - Sunday Telegraph, MyCareer - The Age, and CNET publications on organisational change, career development, effectiveness of training, teambuilding, and workplace planning.

For a confidential, no obligation discussion about how Challenge Consulting can make a positive contribution to the success of your business, please contact:

**Narelle Hess on (02) 9221 6422 or by email [nhess@chall.com.au](mailto:nhess@chall.com.au)**





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