

What Best Companies Do in Times of Uncertainty

Great Place to Work Best Practice Library. Learnings from 2008-2009 Recession



Activated Insights

Communicate More



- **Communicating more frequently:** Edward Jones addressed the economic crisis in 63 different employee communications in a one month period
- **Adding new communication mechanisms:** Baptist Healthcare South Florida's Pastoral Care Department launched the "Spiritual Rx of the Day", a daily email quotation or vignette meant to inspire and reassure employees
- **Focusing leader time on communications:** Roughly 35% of senior leadership time at Goldman Sachs is dedicated to internal communications, through various meetings, large and small, formal and informal
- **Developing special trainings for managers:** NetApp developed a middle manager training that focuses on communicating with employees during tough times.

Case Study on Proactive Planning

Four Seasons Hotels



FOUR SEASONS

- Four Seasons aims to put their employees first, including using layoffs only as a last resort
- To achieve this goal, the company proactively cross trains and promotes from within, which enables easy redeployment (either permanent or temporary) of employees whose positions are eliminated.
- During slow times they have implemented a hiring freeze, encouraged people to use their vacation time and/or take voluntary leaves of absence.
- Further they have encouraged people to take advantage of voluntary reduced workweeks and have redeployed as many employees as possible to different departments or different properties
- Only after they have done as much as possible with the options above do they consider a mandatory work reduction, where hourly employees receive fewer and/or shorter shifts. Lay-offs are considered only after all of the above have been implemented.

Using Layoffs as a Last Resort - and When Absolutely Needed

3 best practices emerge



- **Redeployment:** Among the most common practices in the 100 Best Companies are efforts to redeploy affected employees to reduce the number laid off by as much as possible
- **Outplacement:** Also common is providing outplacement services and severance packages for those who do lose their positions
- **Transition Period:** One of the most significant practices is allowing a transition period of a few days to a few weeks for employees to transition their work, find new employment and say goodbye

The CEO blogs frequently on a public platform, and employees regularly hear from him. His style is personal, emotional and transparent. Below is an example post and email that was shared with all employees during the last U.S. recession.

To all Zappos employees:

Today has been a tough, emotional day for everyone at Zappos. We made the hard choice of laying off about 8% of our employees. The layoffs will affect almost every single department at Zappos. In addition, we are also looking at closing some of our brick and mortar outlet stores in Nevada and Kentucky. This is one of the hardest decisions we've had to make over the past 9.5 years, but we believe that it is the right decision for the long term health of the company. The rest of this email will explain why... We feel fortunate that we have Sequoia Capital as an investor who had the foresight to see the ramifications of the tough economic times that lie ahead for all of us. On October 7, Sequoia held a meeting for all of their portfolio companies (including Zappos), with one very clear message: Cut expenses as much as possible and get to profitability and cash flow positive as soon as possible...

...Because of all this, we are reducing our staff by 8%, but because we are being proactive instead of reactive about it, we are able to take care of our employees and offer them more than the standard 2 weeks severance (or no severance) that most other companies are giving. We are offering to pay each laid-off employee through the end of the year (about 2 months), and offering an additional amount for employees that have been with us for 3 or more years.

In addition, because our regular health benefits cover 100% medical, dental, and vision for employees and 50% for spouses and dependents, we decided to offer to reimburse laid-off employees for up to 6 months of COBRA payments. In doing all of this to take care of laid-off employees, we expect that it will actually increase, not decrease, our costs for 2008, but we feel this is the right thing to do for our employees. It will put us in the position of having a lot more financial flexibility in being able to respond to potential changes in the economy in 2009...

...I know that many tears were shed today, both by laid-off and non-laid-off employees alike. Given our family culture, our layoffs are much tougher emotionally than they would be at many other companies. I've been asked by some employees whether it's okay to twitter about what's going on. Our Twitter policy remains the same as it's always been: just be real, and use your best judgment...