

10 downsizing mistakes that can break your business

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Downsizing is difficult. Perhaps that's why so many companies get the redundancy process wrong and fail to see how their mistakes increase the negative impact of a redundancy announcement.



Potential damage from a badly managed restructure

The media regularly reports on staff being retrenched in a manner that:

- Puts the business in danger of legal action or reputational damage
- Cripples future capacity
- Fails to consider remaining staff
- Prevents employees leaving with dignity.

Why mistakes can happen

Downsizing is difficult. It's difficult for the executive deciding who to retrench, the line manager delivering unwelcome news and the HR manager motivating employees who remain. And of course it's particularly difficult for those most affected – the employees who are made redundant.

In addition, redundancy processes are often managed in a relatively short time frame.

Common mistakes to avoid

If you want to minimise the potential for risk, be aware of common mistakes such as the following:

1. Ignoring alternatives to retrenchment

Employers are required by law to explore other options such as redeployment.

2. Not being able to demonstrate redundancies are genuine

Why are you downsizing and how did you choose the roles to retrench? If you can't demonstrate why the position is no longer needed, the employee may be able to claim unfair dismissal.

3. **Skipping consultation**

Most awards and agreements require you consult with affected employees and unions representing them. And it should be genuine consultation, not just a PR exercise.

4. **Failing to consider voluntary retrenchments**

By not offering suitable candidates the option of voluntary redundancy, you miss out on a solution that potentially avoids a compulsory selection process and layoffs.

5. **Selecting people unfairly**

Choosing candidates for the wrong reasons may expose your business to claims of discrimination, unfair dismissal or dismissal for a prohibited reason. Decisions about who to select as part of a strategic redundancy process should be based on individual skills and future business requirements.

6. **Miscalculating notice periods**

You must provide the legally required minimum notice period or, if the employee is not required to work to the end of the notice period, payment equal to the wages for the notice period.

7. **Paying the wrong amount of redundancy payments and entitlements**

Mistakenly paying too little may lead to legal action being taken by the employee. If you pay too much, this unnecessary expenditure may prove difficult to recoup.

8. **Telling employees by letter or email**

Workforces are often diversified and can be spread around the globe, but don't use this as an excuse to implement redundancies by correspondence. Much like when any relationship ends it is always more compassionate to tell the news in person either face to face or by telephone. Our [guide to conducting notification meetings](#) is a best practice approach to telling people their role is redundant.

Not offering specialist support such as outplacement programs can be another costly mistake, damaging your image as a caring employer and increasing the risk of legal action if former employees aren't adequately supported in their career transition.

9. **Forgetting the correct procedures for a departing employee**

Following a stressful notification meeting, it can be easy to forget the standard processes that all exiting employees must follow such as returning company property.

10. **Ignoring remaining staff**

After delivering bad news, it's tempting to keep out of the way. However your remaining staff are likely to be feeling upset about the redundancies and may have questions for you.

Acknowledging and avoiding these potential mistakes will not only help to make the redundancy process more bearable for both you and your employees. It will also reduce the risk of successful legal action against your organisation and potential reputational damage.

To find out more about how to successfully manage a redundancy process, download Glide Outplacement's [Redundancy Checklist](#).

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