

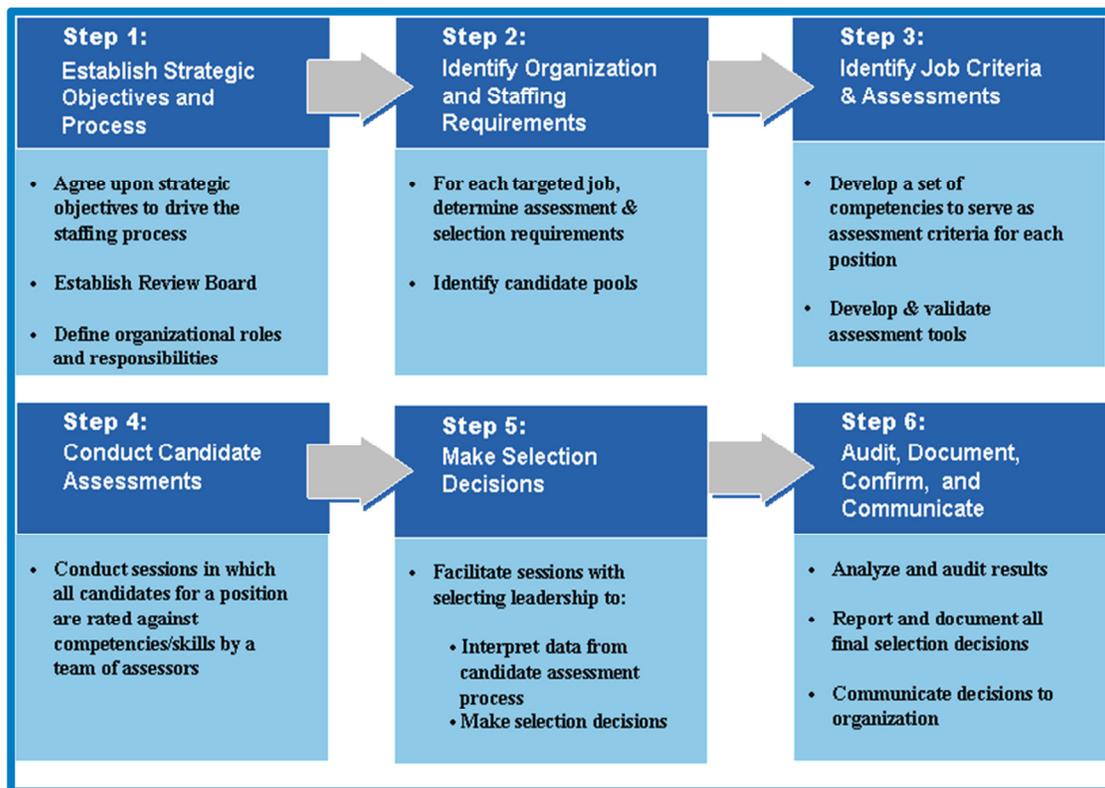
Staffing for Mergers, Acquisitions and Downsizing White Paper

John C. Scott, Ph.D.

This economy presents extraordinary challenges for both domestic and global organizations struggling to remain competitive and profitable. Invariably, this environment drives organizations to make difficult decisions regarding optimal staffing levels and possible reductions in force. When these conditions are combined with recent legislation (e.g., Ledbetter Fair Pay Act and proposed changes to the Equal Pay Act), and a recent Supreme Court decision (Meacham et al. v. Knolls Atomic Power Laboratory - No. 06-1505, 2008) that increases the burden on employers when defending RIF decisions, it is more important than ever to ensure that that your organization employs best-practice staffing procedures whenever a reduction in your workforce is necessary.

Staffing needs that result from these organizational changes present a unique set of challenges not typically faced in standard staffing situations. Whether it is a result of a targeted reduction in force, a restructuring or a merger, staffing for organizational change generally occurs under conditions of high stress, unrealistic deadlines, extraordinary scrutiny, and great uncertainty. Facing pressure to staff the new organization as quickly as possible, expediency often takes precedence over sound staffing decisions.

An organization facing a reduction in force needs a clear vision regarding what is required for its long-term success. Without a structured and well-communicated staffing model to guide this effort, the resulting selection decisions are often perceived by employees and managers alike as



arbitrary and unfair. Research and experience over the past 15 years have conclusively demonstrated that companies using unstructured approaches experience decreased productivity, eroding morale and, with alarming frequency, employment litigation.

Fortunately, the defining characteristics of a best-in-class staffing model are also the characteristics that define a legally defensible staffing model. It is not necessary to tradeoff effectiveness for legal defensibility. Whether companies confront the staffing process internally or enlist the help of experts, it is crucial to understand the key principles that should guide a strategic staffing model when dealing with a reduction-in-force situation.

This paper outlines the principles and practices that are necessary to build an effective staffing model that will withstand legal scrutiny and place the right employees, with the right competencies, into the right roles.

The Staffing for Organizational Change Process Model

The Staffing for Organizational Change (SOC) Process model contains 6 integrated steps that are designed to build a solid foundation upon which staffing decisions can be made. Each organization will need to flesh out the specifics of these steps to meet their own unique circumstances, however the principles & strategies presented below can serve to guide these decisions.

Step 1: Establish Strategic Objectives and Process

The very first step in the process is to convene a governing body of key stakeholders who will be responsible for overseeing all aspects of the staffing initiative. This body, often referred to as a review board, should be comprised of executive-level decision makers from the line organizations, legal and HR. The review board will have a number of critical responsibilities that will help drive the process and bring it to a

successful conclusion. The review board's chief responsibilities will include:

- Establish the set of guiding principles for the staffing process
- Determine how displaced employees will be dealt with
- Agree on communication, roll-out, and post-change management strategies
- Commit the resources needed to effectively carry out all phases of the staffing process
- Review selection decisions across the entire organization before they are finalized and announced
- Serve as champions of the process

Once the review board is in place, they will need to establish the ground rules or guiding principles upon which the organization's leadership can agree. The way these principles are fleshed out will vary by organization, but it is critical to have a thorough discussion and resolution with the organization's leadership, legal & HR on each of these principles. Since these principles are so important to the ultimate success of high stakes staffing, we review each below. We recommend the following 7 principles for this review

1. **Adapt the staffing model to organizational initiatives.** The objectives of the initiative will dictate how the staffing model is to operate and sets the stage for all else that follows. For example, in a merger, the primary goal is to *select in* the most qualified incumbents from the legacy companies for positions in the new organization. The primary challenge is to execute a fair staffing process that affords equal opportunity to employees from each company- all candidates must be placed on a level playing field. In a targeted RIF, the principle objective is to *select out* the least qualified incumbents and the primary challenge is to differentiate among incumbents for the purpose of making termination decisions. Each of these initiatives requires a different approach but there are a number of commonalities that will drive the staffing model, regardless of the

particular initiative. These commonalities are embodied in the remaining 6 principles.

2. **Ensure job relatedness.** The criteria for selecting (or displacing) employees must be tied to requirements of the job. Once the success factors that are critical for effective execution of job responsibilities have been identified, assessment tools need to be developed and validated against these factors. Validation of the success criteria and assessment tools enable more accurate staffing decision-making while greatly limiting risk.
3. **Ensure procedural justice.** The staffing process should be made fully transparent. Employees need to know how they are being evaluated and by whom. With the confidence that a valid staffing process brings, there should be no reason to hide the specifics of the staffing model from the workforce. It is not unusual for an organization's leadership to want to play their cards close to the vest and decide that the best course of action to communicate only what is necessary. This is a mistake. There is never an information vacuum; without active communication of the process, rumors and misinformation will take hold and generate even more pressing challenges.
4. **Execute quickly but effectively.** It is imperative to move this process along as quickly as possible to minimize disruption to the organization. That doesn't mean that the process should be rushed. Instead, the process should proceed in orderly and reasoned fashion- cascading through the organization - beginning with top layers of organization and mission critical jobs.
5. **Identify and involve key stakeholder groups.** This guiding principle is so important that it alone will make or break the success of your efforts. Whenever any kind of organizational intervention is attempted, particularly high-stakes staffing changes, it is always wise to involve some key stakeholders. First and foremost among these is the *Review Board*, already discussed above. Several other teams to assemble include a *Design Team* responsible for defining the new organizational structure, an *Assessment Team* responsible for evaluating all candidates, and a *Selection Team* responsible for placing/displacing the candidates in the new organization. These four teams play an essential role in ensuring the overall success of the staffing initiative.
6. **Build a rigorous and fair staffing process.** The assessment process must be reliable and valid to ensure that the evaluations are accurate, fair and defensible. Once the solid assessment framework is in place, the staffing decisions must be inextricably tied to it. By design, the process should make it very difficult to override valid assessment data. In addition to ensuring a scientifically sound assessment and staffing process, we advocate the inclusion of one additional, critical element—consensus decision making. Both processes, assessment and staffing — should be consensus driven, as it is only through a consensus-based process that you can ensure calibration, reliability, accuracy and ultimate buy-in from managers and employees alike. While this creates an additional layer to the staffing process, the value added to the process far outweighs the additional resources required.
7. **Review and audit all decisions.** This principle is also absolutely critical and will serve to ensure that the entire process is job related and fair. Multiple level reviews should be conducted to: 1) ensure fairness, 2) root out inconsistencies and adverse impact, 3) engender buy-in, and 4) provide formal recourse as needed. These reviews should cover both the assessment and selection

phases and may involve collecting additional information

The Guiding principles serve as a foundation that enables you to create a logical sequence of steps in the staffing process. They also help us deal with the ambiguous and non-scripted situations that will inevitably present throughout the staffing initiative. Recall, through all of this we will be operating in an environment of turmoil and uncertainty so these principles (all developed and agreed to within Step 1) will serve as the beacon for navigating through the process and staffing the organization effectively.

Step 2: Identify Organization and Staffing Requirements

The goal of this step is to specify the job titles that will be covered and what layer in the organization will be reached by the staffing process. For M&As and restructurings, it is necessary to develop a process for qualifying candidates for new and redesigned jobs and to decide whether candidates can be allowed to compete for multiple jobs at the same. For RIFs that do not involve a restructuring, a business plan should be developed that includes a proposed organizational chart with the targeted jobs identified. The rationale should be provided for which jobs/employees are being targeted, what layer in the organization will be reached, and how this aligns with the business need. It is imperative at this stage to consider business continuity—how important functions will continue to deliver if anticipated headcount reductions are made.

It is at this point that the structure of the staffing process is defined. In some cases staffing decisions will proceed top-down and in others specific layers or functions will be identified. Once the overall staffing plan is created, the next step is to identify which positions in the new organization should be subjected to the staffing process and which, if any, are exempt.

The key set of questions that will need to be answered include:

- 1.) When will assessments be required?
- 2.) Who will qualify as candidates for these jobs?
- 3.) How will displaced candidates be dealt with?

Step 3: Identify Job Criteria and Assessments.

The focus during this step turns to specific jobs--the job outcomes and responsibilities created in step two are now fully developed into job descriptions with competencies and a specification of required knowledge, skills, abilities, and minimum/preferred qualifications based on relevant job data and analyses. It is critical that competencies and KSAs are developed and validated by job experts (e.g., the Design & Selection Teams). By doing this, rigorous assessments can be identified that are appropriate for the selection or downsizing decisions that must be made.

There are a range of tools available to assess candidates but the core of our recommended assessment methodology is consensus-based ratings of performance on each of the competencies identified as required for success. This consensus-based format can be supplemented with self-assessments, structured interviews, business cases, and minimum/preferred qualifications.

All of the assessment tools should be professionally validated using the strategies outlined in the *Uniform Guidelines on Employee Selection Procedures* (1978) and the *Principles for the Validation and Use of Personnel Selection Procedures* (*Principles*; SIOP, 2003). The Design & Selection Team members are often called upon as subject matter experts to assist with this process. The advantage in involving these stakeholders at this point is that they feel as though they have some say in the tools that will be used to make the staffing decisions- increasing their buy-in and comfort with the process.

Step 4: Conduct Candidate Assessments

The primary means of assessing a candidate's qualifications is through a facilitated consensus rating process involving first- and second-level supervision. Direct and one-over managers participate in a facilitated assessment session to rate the performance of their direct reports who are candidates for the targeted position. Candidates are rated on the key competencies required for success. In making their ratings, supervisors will consider the candidate's self-assessment (if collected), past performance documentation (covering the last three years if available) and other relevant sources of input.

Members of the assessment team—who will rate or interview candidates—must be trained to ensure they understand the competency model and deliver calibrated ratings.

Some assessments, such as manager ratings and the collection of previous performance ratings, can occur offline while interviews and assessments must be scheduled and conducted face-to-face.

Members of the assessment team then meet to combine assessment data and reach consensus on the candidates. At this point, manager ratings can be challenged to ensure they are unbiased and consistent. The team combines assessment ratings to establish an overall score and then ranks the candidates.

Step 5: Make Selection Decisions.

The Selection Team will meet collaboratively to review assessment results and to determine whether any additional information may be required. This team will review the ranked listing and collaboratively discuss the best placement to meet the business needs. An assessment facilitator should moderate this meeting and will provide perspective from a diversity standpoint. Decisions should be documented and tied clearly to the organization's mission and workforce needs.

It is critical for the selection team to communicate with selection teams in other functions to ensure that candidates who are being considered for multiple positions are not double selected.

Step 6: Audit, Document, Confirm, and Communicate Decisions

Before being communicated, selection decisions made in Step 5 must be audited to ensure a lack of adverse impact and that processes were followed. This review should be conducted by the Review Board. A legal review is appropriate at this stage, as is developing talking points for managers who must roll out the selection results. Following the principle of quick execution, and to minimize angst and rumors, decisions should be communicated to the appropriate people within a narrow timeframe. Once communicated, change management specialists will implement the post-change plan to minimize survivor syndrome and energize employees regarding the future.

A Fair and Legally Defensible Process

The strength of this process lies in its ability to be both a predictor of success and a legally defensible means of managing organizational change.

The process is driven by several key factors: 1) *Collaboration*: All phases of this process are collaborative in nature which ensures open communication and no surprises for the key stakeholders involved, 2) *Consensus*: Decisions that are based on a consensus among the key stakeholders are more reliable and accurate and are subject to greater support and less potential undermining, which is critical for moving forward, and 3) *Calibration*: All ratings of performance are calibrated across raters and competencies to ensure that candidates are fairly assessed and treated. This is accomplished through the development of behaviorally-anchored rating scales, rater training and continual “push-back” throughout the assessment and selection phases. When organizations commit themselves to investing in a thorough and fair evaluation of their employees' performance potential, everyone reaps the benefits. After observing an impartial staffing

process in action, employees are less likely to suffer from the declining morale so often cited after a reduction-in-force. When staffing plans are also coordinated with longer-term change management plans, the surviving employees move seamlessly from new roles to focused action.

Organizations, armed with a process that is demonstrably job-related, face considerably fewer allegations of unfair terminations. More importantly, an organization dedicated to staffing for success creates a considerably strengthened workforce--one with an increased standard of performance and the skills needed for the future.

For further information on this topic see:
Scott, J. C., & Pearlman, K. (2010). Staffing for organizational change: A practical and legally defensible model. In Scott, J. C., & Reynolds, D. H. (Eds.). *The handbook of organizational assessment: Selecting and developing organizational talent*. Alexandria, VA: Jossey-Bass/Pfeiffer.