

FutureSizing

Positioning for success.



by Malcolm P. Heard and
Matthew P. Spackman

FACING MULTIPLE QUARTERS OF PROFIT declines, the leaders of Circuit City, the consumer electronics retail store chain, faced a daunting challenge. If the bottom line did not improve, the company faced bankruptcy. Executives recognized that, though they could not immediately influence profits, they could directly affect the bottom line through decreasing salary costs. The fiscal needs called for quick action. The executive team settled on a strategy of work force reductions, beginning with sales associates whose salaries impacted the bottom line most. The 3,400 most highly compensated sales associates were laid off. After a brief bounce in sales performance, the chain saw steady declines in sales until finally filing for bankruptcy.

This scenario could describe several organizations who, when faced with poor performance, decide to reduce their work forces, only to find that their actions don't solve their problems. In fact, work force reductions based upon tenure, salary, or performance are largely ineffective in resolving financial woes. These work force reductions are largely ineffective because they are the result of short-sightedness on the part of leaders who make decisions to address an immediate crisis, not long-term performance.

When facing economic difficulties, a reduction in work force may be necessary. How leaders decide who to retain and who to let go will determine both short-term survival and future viability. In troubled times, leaders need to plan for the future, not simply react to the exigencies.

Retention decisions may be made on the basis of many criteria; however, none of them address the need for leaders to meet current economic challenges and position the organization for future success. In fact, terms such as *downsizing*, *rightsizing* and other work force reductions are so tied to

addressing current economic conditions (not the future desired state), that we coined a new term, *FutureSizing*, to describe our process of aligning a work force to meet present and future needs.

FutureSizing aligns a work force to the demands of the current market and to the desired future state. Since retention decisions are made on the basis of both current performance and potential performance, *FutureSizing* is sensitive to current economic realities and visionary. It enables leaders to address current challenges while positioning themselves for future success.

Tenure, salary and performance metrics are examples of criteria traditionally considered when leaders make decisions regarding who to retain and who to let go. They should serve, however, as only a small part of the data considered when making these decisions. These criteria are limited in the sense that they reflect the organization as it is *currently* constituted. The Circuit City example shows the pitfalls of making retention decisions solely on the basis of compensation and with regard only for current economic concerns. The result was that the organization defensively positioned itself for short-term viability. In the long term, Circuit City lacked the talent necessary to succeed.

To best determine who to retain and who to let go, leaders must consider the talents of their work force and how those talents will affect performance in the future, desired state. Tenure, salary and performance metrics are measures of previous accomplishments, but *talent*—a person's innate capacity to perform a particular task at near-perfect levels—indicates capacity for future performance. *FutureSizing* enables leaders to assess the talents of a work force and to align those talents with the desired future state by identifying the talent-based potential of each employee. By selecting those to be retained and those to be let go on the basis of talent, leaders can maximize the potential of the organization.

Leaders considering a workforce reduction can think of their associates as falling on a continuum ranging between *those you can't afford to lose* and *those you might do better without*, based upon current performance and outcomes. Some people fall in the extremes of this continuum, and the decision to keep them or let them go is fairly simple. However, most people

likely fall between these two extremes, and these decisions are more difficult. You need an assessment of talent—not simply a consideration of tenure, salary and performance metrics.

For 20 years, Talent Plus' assessment technology has assisted leaders in talent management. Our structured interview process provides leaders with a measure of employees' talents and suitability for current and future roles. When combined with performance metrics and other assessments, measures of talent can identify those who should be retained. The ability to objectively measure associates' talents and fit for the desired future state is essential to *FutureSizing*. Otherwise, retention decisions can't address both present concerns and future goals.

FutureSizing involves six steps:



1. Identify current economic demands and the future desired state.
2. Identify associates who you can't afford to lose and those you can afford to lose.
3. Identify associates who fall between these two extremes, and gather performance metrics and other data for them.
4. Conduct structured

interviews with the middle group in line with their current or future roles.

5. Make retention decisions on the basis of how people's talents, performance, and other metrics align with the future, desired state.
6. Address the developmental and support needs of those retained and ensure that they receive the support necessary to achieve goals.

By laying off their highly compensated salespeople, Circuit City's leaders also lost their best salespeople.

We create *Talent-Based Organizations* through the selection, development and retention of the best people. Every person has talent, and the expression of talent depends upon opportunity: $(Talent + Fit) \times Investment = Growth$.

In making workforce reductions, leaders must decide how to determine who to retain and let go. This decision affects whether leaders can address the economic concerns of today and succeed in the future. *FutureSizing* takes account of associates' talents—not simply their tenure, salary, or performance metrics—enabling leaders to address current economic concerns and position for success into the future. LE

Matthew Spackman and Malcolm Heard are senior analysts at Talent Plus, creating Talent-Based Organizations. Call 402-489-2000, 1-800-VARSITY, or visit www.talentplus.com.

ACTION: *FutureSize your organization.*