



RETAIL AND MARKETS

WHY BREAKING UP SHOULDN'T BE SO HARD

THE BENEFITS IN ADVOCATING FOR DISMISSED EMPLOYEES



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This is a preprint from the book "Sweden Through the Crisis", to be published in the fall by SIR, Stockholm School of Economics Institute for Research.

It is a difficult time for all businesses. Not only has COVID-19 created great stress in our everyday lives, but it has all but extinguished the demand side of markets beyond groceries and facemasks. In an effort to cut costs, businesses are now faced with the unenviable decision to let loyal and committed employees go. Anyone who has gone through this experience themselves, or simply watched the George Clooney movie *Up in the Air*, can picture the uncomfortable and distressing experience that many organizations are going through right now as they deal with layoffs. This is especially true for most retail organizations in Sweden. Svensk Handel reported in the spring that some businesses lost 80% of their turnover due to Covid (1). This early report was followed in the second quarter by the largest decrease in GDP since 1940 and a 220% increase in job terminations versus last year, indicating how dire the circumstances are (2). Though this situation is not what anyone envisioned, it may be that organizations can leverage this situation in a way that helps firms bolster their strategic position, helps bolster employee engagement, and helps the broader market return to probability faster.

What is this magic panacea that you are selling? Simply this: *Organizations should advocate for the employees they let go.*

How does it differ from what organizations do now? When considering the fate of employees, organizations are more typically geared towards upstream operations. Organizations and human resource (HR) departments are in the business of identifying and recruiting employees who fit current needs and ensuring that they happily join organizations so that they can employ their talents internally rather than at a competitor (3). Sure, HR departments internally monitor contracts and serve as a resource when employees feel like their physical or psychological contract is violated (4), and these processes are critically important to businesses. Yet, when it comes to an employee's life-cycle at an organization, organizations and HR departments are focused on the beginning and middle of the relationship, while less attention is paid to the inevitable breakup beyond exit interviews. But this does not need to be

the case. Here, I suggest that organizations can and should play a more involved role. Specifically, I argue that organizations should actively advocate for recently fired employees.

Being an Advocate

What does it mean to advocate for leaving employees? I suggest that advocating for leaving employees occurs across three steps: (i) *Identifying* employees' key capabilities, (ii) *Searching* for new roles at other organizations that take advantage of these capabilities, and (iii) *Investing* in employees to reduce the disparity between current capabilities and potential complimentary roles.

Step 1 – Identify Capabilities. Most organizations, at some level, have already done Step 1. Managers and peers have worked with individuals and understand where their strengths lie. Organizations also know the sort of work employees do and the capabilities necessary to get the job done. Understanding employee strengths and skills is only part of the equation. Organizations should also gather positive recommendations and recollections of employees who are leaving, sharing these not only with other organizations as a form of positive reference, but also with the employees themselves, as doing so may help leaving employees psychologically adjust to new jobs. In fact, research shows that collecting and sharing positive recollections of employees from peers and workplace friends – what is referred to as a “relational affirmation” – helps employees perform better on new teams by buffering themselves from threat and bolstering their ego (5). Given the threat of being fired and having to find a new job, this sort of psychological support is critically important. Thus, rather than relying on leaving employees to polish their CV, there are psychological and performance benefits to organizations actively collecting and sharing positive affirmations of departing employees.

Step 2 – Search for Complimentary Roles. This is a new and somewhat odd role for organizations, but not one that is unheard of. Searching for complimentary roles means not only surveying the job

market but activating critical inter-organizational networks (6). For instance, research tells us certain key individuals sit on many different corporate boards, increasing their ability to identify the need for new opportunities of employment and match this to outflows of employees recently let go. For example, it is probably not a surprise that the recent retraining of Scandinavian Airlines (SAS) cabin crew by the hospital Sophiahemmet to help in the COVID-19 crisis in Sweden was facilitated by individuals who sat on the boards of both SAS and Sophiahemmet. Similarly, we know that fashion retailers face a significant decrease in demand whereas other retail operations – such as online grocery delivery – are booming. Early research out of the University of Chicago suggests for every ten jobs lost three will be created (7), highlighting the heterogenous effects of COVID-19 on hiring practices across specific labor markets. For Example, while Svensk Handel reports large job losses in brick and mortar stores, there was a 33% increase in online sales, providing some indication that certain market segments are growing in this crisis (2). Because of this imbalance, individuals who sit in strategic brokerage positions between expanding and contracting organizations should play an active role. They should encourage discussion among industry specific and broader professional networks, helping to search for new employment opportunities as demand shifts across organizations regardless as to whether they need to hire new employees or if they have to let some go.

Step 3 – Coordinate the investment in leaving employees. The case study of SAS cabin crew illustrates another critical point. Although SAS cabin crew had gone through rigorous safety training for their roles keeping passengers safe in the air, including the administering of first aid and oxygen (knowledge that was immediately applicable), they still required additional training in order to make the transition to nursing or ambulance service. In other words, despite all that they knew they needed to be retrained before they could work effectively. Yet, communication and coordination between SAS and Sophiahemmet, two normally unlikely bedfellows, allowed this training to happen relatively

seamlessly and get the cabin crew into the workforce in their new roles helping in the crisis. Thus, it is important that organizations identify what sort of skills workers will need and work with partners to facilitate the speedy education of employees who are leaving organizations.

The Benefits of Advocacy

Clearly some of these actions are beyond the scope of what organizations traditionally think are their responsibility. In fact, it may seem like the only ones that benefit from organizations becoming advocates of leaving employees are the leaving employees themselves. However, this ignores both strategic and practical benefits for organizations that act as advocates for leaving employees.

Strategic Market Signals. First, when organizations do not advocate for fired employees, they miss an opportunity to strategically position themselves as a preferred employer due to the benefits and status they provide to employees, even those who leave. In other words, some organizations have been apt to realize that the benefits of being an employee do not always come when employed, but they also come from being “alumni” of the organization due to the underlying competence it signals in labor markets (8). Being a McKinsey consultant or a Google engineer is beneficial not only due to the salary but because future employers recognize that jobs at these two organizations are often accompanied with extensive training, helping to improve the attractiveness of these employees on the job market. Additionally, these organizations often maintain alumni networks and events which lead to benefits in being an ex-employee. As a result, potential employees fight for competitive internships and starting roles at McKinsey and Google, serving as a strategic human resources advantage for these organizations.

This is not isolated to consulting or technology. For instance, SAS is currently developing a leadership training program for their pilots. Certainly, leadership is important for someone controlling a 30,000 kg piece of aluminum traveling at 750 kph. But can SAS say that all pilots will be with the organization in an industry facing the pressure of

consolidation? Although this is the preferred outcome, it is impossible to predict. Nonetheless, SAS recognizes the value of this program to employees and that the program serves as a signal of quality to the market, helping them attract the best and brightest when compared to their competitors due to the support they offer employees who may leave.

Averting “Survivor Syndrome.” One of the most pernicious effects of layoffs is the demotivating effect that layoffs have on the staff that stay with organizations, in other words the “Survivors.” (see Werr & Wakeman, this issue). Following layoffs, research has outlined the negative consequences of this “Survivor Syndrome” where organizational survivors feel burdened by the guilt of staying while friends have been fired and grapple with the stress of potential of future layoffs (9). As a threat to one’s position and job security, survivor syndrome typically leads employees to disengage at work, hurting organizational performance, and ironically leading survivors to leave organizations that are already trying to do more with fewer employees.

One of the ways organizations can avoid survivor syndrome is to treat leaving employees fairly, something that advocating for them helps achieve. The fair treatment of departing employees is effective in circumventing survivor syndrome as it demonstrates to survivors that organizations will treat everyone, including those who lose their jobs, with dignity and respect. Advocacy helps to relieve feelings of guilt in survivors, as they realize that those who leave are treated well and can potentially find new jobs. It also helps them to deal with the stress of future layoffs by understanding that organizations will go to bat for them, using their resources to help them find new employment even if it may not be internally. Together, advocacy can serve as a potent cure for the ailments of survivor syndrome following organizational layoffs.

Helping Markets to Recover. While signaling one’s quality to labor markets and employees is likely to have fairly direct benefits in terms of organizational reputation and reduced survivor syndrome, this last benefit may either be understood as an indirect and delayed benefit, or perhaps just as a moral imperative. In other words, it may simply

be the right thing to do. It is known that the search for employees is an imperfect process, but organizations can help improve the process by advocating for employees in ways that add transparency and support to an often long and lonely process. More concretely, they help to reduce the period of unemployment by serving as advocates. If organizations communicate and coordinate their advocacy across a market segment, this process will help reduce long-term unemployment and get people back to work in ways that benefit us all. It could be argued that even ignoring the strategic and psychological benefits, organizations should act as advocates for their employees because it is the right thing to do for society.

Final Thoughts

Here, I argue that organizations can play a critical role by serving as advocates for their departing employees. Given the disproportionate impact they have felt, there is perhaps not a place that this is more true than in retail organizations. Is this beyond the traditional view of the firm? Sure. Will it require time and resources to do effectively? Probably. Are there significant and perhaps unforeseen benefits to be gained by serving as an advocate? You bet. Though the investment in such a process may seem risky, it will be the firms that differentiate themselves from competitors in positive ways that will emerge stronger following COVID-19. Organizations that serve as advocates for leaving employees are likely to improve their strategic position and support surviving employees in ways that increase their workplace engagement, but they will also pay a critical social role in fostering the economy’s return to normalcy. Most of all, organizations that advocate for their employees can help friends and peers find new jobs, something that might simply be motivation enough.

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