

Case study on internal memo

Business, Company



Course of action on the issue of employee lay-off

It is my proposition that the company should reduce the number of employees to be laid off from 10% to a lower figure so as not to affect the company's future ability to attract talent, to prevent a decrease in employee morale and to prevent giving a bad customer image. The lay off number can be reduced by making an across the board pay cut and offering unpaid vacations as a cost cutting measure and refocusing on the core business of the firm in the long run. Immediate lay off should be carried out to reduce the effect on employee morale of the remaining employees. The last in first out method of lay off should be adopted. This measures will enable the company maintain a good customer image while at the same time cutting operational costs.

Reduction in the number of employees to be laid off

A cut of 10% of the employee numbers has been identified as sufficient to cut the company's costs to the desirable level. However, this proposition does not take into consideration the long term effects on the company which may hurt the company's future performance and profitability. The following are the reasons for the proposition.

Decreased employee morale

Cutting employee numbers at a high percentage like 10% will result in reduced employee morale and motivation. This will negatively affect productivity and may lead to further operational problems for the company.

Future ability to attract talent

Cutting employee numbers at such a high magnitude may negatively affect the firm's ability to attract talent in the future. The company needs to retain ability to attract and retain talented employees in the future and laying-off such a high number of employees may adversely affect this ability.

Bad customer image

Laying-off a high number of employees will project a negative image to the company's customers and this may negatively affect the company's future sales and market share.

Long-term cost of lay-offs

In the long-run, the company may incur costs in recruitment, hiring and training of new employees and thus defeat the basis for the present cost cutting lay-offs.

The reasons above necessitate the need to reduce the number of employees to be laid off from 10% to a lower figure.

Ways of reduction of the lay-off number

The company should employ the following methods to retain employees while at the same time ensuring that the goal of cost cutting is met.

Pay cuts

As proposed by one of the members of the committee, an across-the-board pay cut should be implemented. Care should be taken to avoid union action and proper communication should be made to all employees to explain the situation necessitating this course of action and enlist support for it.

Unpaid vacations

As a way of avoiding both costs and employee cuts, unpaid vacations can be offered to employees as a way of reducing the present costs. This may be effective in reduction of costs since no termination costs will be incurred.

Refocus on the core business

The company should utilize the reserves meant for acquisitions on operational procedures. Further acquisitions which may not have strategic value to the business should be avoided in an attempt to rein in costs.

The above methods can be effectively used to reduce the employee number to be laid off while at the same time ensuring that the cost cutting objectives of the proposed lay off are met.

Method of conducting the lay-off

Though the number of employees to be laid-off may be reduced, care has to be taken to ensure that they leave in the most amicable of terms.

Immediate lay-off

The process of cutting the employee numbers should be immediate to ensure that its negative effect on morale and productivity of the company is at minimum. A process of sending off the workers which drags over a long period of time should thus be avoided. The remaining employees should be assured that no further lay-offs will take place.

Last in first out lay-off method

From the many methods proposed by the members of executive committee, the best method to employ in the lay-off process would be the last in first out

method. This is because the cost of their termination will be lower and they will be able to easily find other jobs.

Immediate lay off and last in first out lay off will be the most effective method to adopt in conducting the lay off while ensuring that there is minimum effect on the morale and future profitability of the company.

It is my opinion that since it is inevitable that the company lets go of some of its employees, the number should be reduced in an attempt to save the company's image to its customers and to protect the welfare of its employees. The last in first out method would be most appropriate; it would reduce cost of termination and ensure that the company's pool of experienced employees is maintained.