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MANAGING EMPLOYEE REDEPLOYMENT

Creating Value Through Opportunity

ISG

INTRODUCTION

The management of corporate redeployments is a business discipline that most companies embrace only reluctantly, even after the fact. Yet we live in an age when redeployment of corporate personnel is becoming a regular task for many major multinationals.

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Redeployment of displaced employees either out of the company (through separation, redundancy or retirement) or internally through retraining, internal recruitment and flexible working schemes is an emotive and complex issue that demands careful management. Employees displaced should be viewed as assets, not liabilities, and managed accordingly — otherwise valuable human capital will be lost to the business which could otherwise be utilized to create value and offset future recruitment and training costs.

During the business case analysis of a captive/outsourced project this redeployment exercise is often captured as a heavy one-time cost, with insufficient analysis of alternative scenarios. The redeployment of employees is covered by differing national legislation around the world and often generous company compensation policy which can greatly increase the cost of this redeployment exercise. In an article in the U.K.-based Sunday Times, a large scale redundancy programmed underway at Eircom (Irish Telecoms Operator) estimated the average redundancy cost for its employees at €130,000 each, with a theoretical maximum of €170,000. Employers must consult with Works Councils or Consultation Committees and respect individual employee rights; failure to follow the law results in litigation and negative press.

The challenging European legislative environment requires organizations to take an active approach to employee redeployment; an approach that may create value for companies redeploying employees elsewhere in the world. Most companies rely upon HR managers and generalists to plan and implement redeployment policies. Yet the complexity of coordinating an effective redeployment effort is causing some employers, particularly multinationals, to consider hiring a specialist to manage these tasks.

WHAT IS REDEPLOYMENT?

In the past decade, many large organizations have reorganized their workforce and business processes to reduce the cost of their front and back office functions — either by moving them to a specialist service provider (outsourcing), by implementing a local "shared service center" or by aggregating and moving shared services offshore to a location with advantageous labor costs (captive). The employees who previously provided these functions may now be surplus to requirements, and need to be redeployed.

Redeployment comes in a number of guises. Some or all of these may fit employees:

1. Traditional redundancy, often accompanied by outplacement services.
2. Internal redeployment.
3. Transfer to the new organization (shared service center or outsource service provider).
4. Retirement (including early or partial retirement where applicable).
5. Sabbatical or leave of absence.
6. Flexible working schemes (part time, job share, flexible hours).
7. Retraining, leading to redeployment in other areas of the business.
8. Voluntary attrition or separation.

With careful management and communication, the negative connotations of redeployment can be mitigated.

WHY REDEPLOYMENT MANAGEMENT IS IMPORTANT

From an employee perspective, redeployment can be seen as an opportunity or a threat — more often the latter! We are all subject to feelings of inertia, with involuntary changes to our current circumstances seen as especially undesirable. With careful management and communication, the negative connotations of redeployment can be mitigated and in many cases opportunities for individuals can be created that may not have arisen otherwise.

Twentieth century redeployments often ended up in mass redundancies, where employees were asked to leave the company with no analysis or management of their departure — other than to calculate the redundancy costs. The collapse of many technology companies, and the fall in the world stock markets in 2000 and 2001 saw many long-term, highly valued and expensively trained employees depart with large redundancy checks.

The Human Resource function often quotes that, "Employees are our company's most valuable asset," but when redeployment looms, are they really treated as such? In any redeployment exercise, the "in scope" population will contain a mix of high, average and poor performers. Most companies retain talent on the basis of domain knowledge, experience, pay, or years of service yet few plan on the basis of future-state skills.

Outsourcing or off shoring used to be synonymous with bad press — to some extent this is still true in the United States, but in most of Europe the initial furor has decreased to background grumbling. The difference may be due to a number of factors: high employment (indeed increasing employment in local call center or support functions, despite thousands of jobs outsourced or off shored); protection of worker's rights via the Acquired Rights Directive and the legislation (and culture) that demands reasonably paced worker consultation.

Managing redeployments typically includes a team composed of legal and HR professionals. Increasingly, however, some companies also engage a specialist: a Redeployment Project Manager. The additional cost is relatively small and offset by the potential value creation of a well-managed redeployment. Given the cost of redundancy in many European countries, it may well be covered by avoiding redundancy payouts to one or two personnel. The Project Manager will ensure local consistency of communications, provide a single point of contact to help resolve issues and can liaise with the governance team to ensure personnel are available to maintain service levels during transition. Normally, the Project Manager will be asked to ensure common practices are applied in all locations — some companies require an approach where the "highest common denominator" rule applies worldwide. This ensures all employees are treated fairly and equally, communications and processes that can be standardized and that local "politics" regarding the posting and filling of vacancies and organization changes are minimized.

Poorly managed redeployment is expensive and hits the bottom line just at a time when the company is focusing on reducing costs.

Last, but not least, poorly managed redeployment is expensive and hits the bottom line just at a time when the company is focusing on reducing costs. If in-scope employees are not actively managed, service levels may dip during transition, and the handover of key processes may be jeopardized. These negative effects can be avoided. In a recent redeployment exercise carried out by an oil products multinational, approximately 420 employees and contractors were affected in 11 countries. Through careful management, the number of redundancies was reduced to less than 50 in total — with some European countries managing down to zero. Employees were redeployed via a number of mechanisms. Some left voluntarily, some moved into positions previously held by contract staff or into current or new vacancies, a few retired or reduced their hours, and some transferred to the outsourcing service provider. The cost saving, just in terms of redundancy cost avoidance totaled several million dollars; the saving in human capital skills was immeasurable, but truly impressive.

REDEPLOYMENT MANAGEMENT IN ACTION

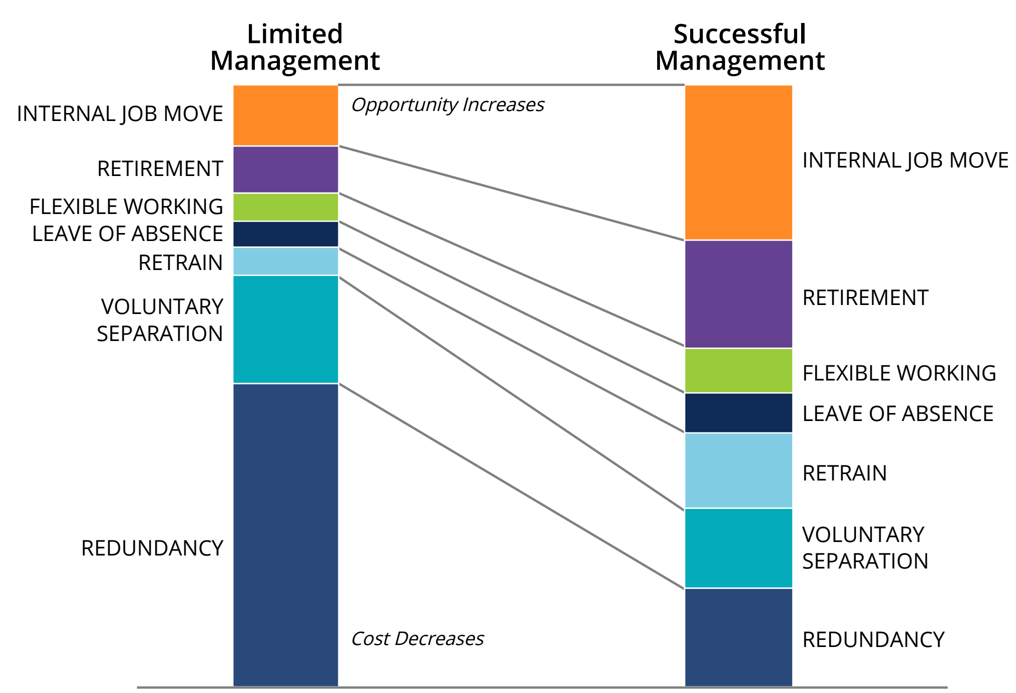
Picture this scenario: A global company seeks to outsource business process transactions to an offshore service provider; on first analysis the tasks performed by several hundred employees based in 20 different countries will be outsourced. The service provider will begin transitioning the processes in scope offshore and the company has the unenviable task of dealing with the displaced employees. Is this a glass half empty or a glass half full?

In Europe, the Acquired Rights Directive and national legislation require the implementation of a framework of consultation and employee rights. To those that have not worked within this framework it can appear cumbersome, time consuming and expensive; however, it does provide a useful sanity check, ensures a change management and communication plan is implemented, and allows employees to make personal decisions at a measured pace.

When BP decided to sell off part of its Petrochemicals arm in 2004, displacing a significant number of employees, the company established an instructive set of best practices. To manage this process and maintain employee motivation, the company worked in partnership with Penna (a human capital management company), creating a resource center to support employees and give advice and guidance in continuing their career. "The Sunbury Resource Centre was a great success, with over 90 percent of the people using the centre achieving a positive outcome," reported David Richards, BP HR Manager.

Figure 1 below indicates how a successful management program can enhance positive redeployment outcomes, minimize costly redundancies and avoid the loss of key staff through poorly managed voluntary separations.

The impact of Managed Deployment and Employee Redeployment



WHEN TO ENGAGE

When should organizations consider initiating an active Redeployment Management project? As a rough rule of thumb, active project management should be engaged if more than three countries are involved in the redeployment or more than 20 employees/contractors are involved — especially if some or all of the employees are based in Europe. Very localized redeployment can be dealt with effectively by local management and HR; however, when more than 20 personnel are impacted, tougher legislation comes into force, such as the requirement to consult on an individual or collective basis, and it becomes difficult for one or two individuals to manage without coordination.

During the initial assessment of an outsourcing opportunity, task your project team with some analysis in this area to gain a view of the likely financial impact — even if it is just a headcount per country, with a rough estimate per head of redeployment costs. Most organizations will utilize their existing HR personnel to manage the administrative aspects of employee redeployment — ensuring that the legislative and corporate policy requirements are met and providing helpful support to the local population in scope.

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If Redeployment Management is not available, the HR personnel will tend to act locally and may unwittingly spread uncoordinated communications to their employee population, Works Councils and external agencies. Opportunities for internal redeployment of personnel may be missed, or the wrong employee may be chosen to retain for an internal post. The coordination of best practices regarding training, flexible working arrangements and sabbatical/leave of absence will be problematic. The transition/transformation team will need to maintain multiple HR contacts to ensure key personnel are retained until handover are complete.

KEY ISSUES TO CONSIDER

The role of the Redeployment Project Manager can be challenging to source; the job description requires an experienced HR professional with good project and change management skills, knowledge of the functional area in scope, the gravitas to liaise with many internal and external organizations (often at a high level) and a practitioner understanding of the applicable legislation. In Europe this includes: Acquired Rights Directive (ARD) and its relevant national implementations (such as Transfer of Undertakings, Protection of Employment — known as "TUPE" in the United Kingdom), national employment and labor relations laws, data protection, employee benefits and applicable case law judgments. It may be difficult to source this role internally. Employing a suitable advisor or consultant is often favored because of the experience and impartiality third parties bring to the role.

Consider a "ring fence" mechanism to give in-scope employees a good chance of moving into current vacancies.

Below are listed several nuggets of wisdom in the area gained from experience on various projects.

1. Always include contractors or temporary workers in your analysis.
   - It makes sense to replace contractors, wherever possible, with permanent staff.
   - In some countries, contractors may be deemed to be employees if they have been employed for more than two years on similar terms and conditions to regular employees (U.K.).
   - For final analysis of headcount or cost savings, all positions in scope should be included.
2. Always check corporate policies before embarking on any action. If this is done early enough you may have time to amend policies that will limit your flexibility to redeploy (for examples, rules on leave of absence or training allowances).
3. Insist that all manager/employee one-to-one meetings are documented and signed off by both parties. In some countries employees may have rights to sue the company for unfair dismissal. Documentary evidence regarding management conversations and agreed outcomes is vital evidence to support the organization's decisions and actions.
4. Ensure that the retained organization has a well-defined structure and employees are fairly chosen from the available pool to fill these positions. Consider a "ring fence" mechanism to give in-scope employees a good chance of moving into current vacancies — this ensures only a small pool of eligible impacted employees can initially apply for identified vacant positions, giving them a good chance of transferring to a suitable internal position.
5. Draw up a timetable of Works Council/consultation meetings and socialize your estimation of the earliest date key employee actions can be taken. This timetable will act as a key driver for transition plans.
   - In France, Germany and Italy, you will need to receive "positive advice" from the local Works Council before you can approach individual employees.
   - It may take three sessions with the Works Council or appropriate subcommittee before positive guidance can be received. Avoid the summer months, when the councils do not meet due to member vacations, if at all possible!
6. Various countries may have union-agreed quotas for redundancies or retirements.
7. Listen to any and all advice without prejudice from Works Councils, consultation bodies, employees and managers. These stakeholders are often the source of very good ideas. After all, the whole point of consultation is to do just that — consult.

Most companies that have been considering outsourcing or off shoring will already have endured several months of stasis; the organization may not have changed for some time. Employees may have left, creating unfilled gaps. Teams may be working above or below capacity, as the business has changed but the organization remained static. Now is the time to review human capital requirements. A first priority will be to establish the structure for the retained organization while maintaining the morale of your employee base. A positive attitude and open style will help the retained organization to remain engaged and effective, and give at-risk staff confidence that all possible avenues are being explored to ensure the best outcome for each individual.

OPTIMIZING THE WIN-WIN OPPORTUNITY

Handled well, an organization can expect to gain positive benefits from retraining talent, retraining committed and valued staff and managing employees to leave the business on good terms.

The volume of outsourcing, shared service and captive project activity continues unabated: "In the EMEA region, 2007 saw a 24 percent year-over-year increase in total contract value for outsourcing contracts valued at greater than €20M" said Duncan Aitchison, TPI Index — EMEA, January 2008.

Although there are no official figures that detail the numbers of employees who required redeployment, it is becoming an increasingly common event in many employees' careers. Outplacement agencies are continuing to attract good business, but when cost is an issue these may be considered as an expensive, last resort. Handled well, an organization can expect to gain positive benefits from retaining talent, retraining committed and valued staff and managing employees to leave the business on good terms.

By establishing a positive redeployment culture, any negative or conflicting communications should be mitigated, the organization's brand identity will be protected and the commitment of retained staff will be boosted. Cost will be avoided in many ways: lower redundancy costs and outplacement costs, increased retention of expensively recruited and trained staff, reduced future recruitment costs, avoidance of potential litigation and efficient management of communications.

In many industries, experienced employees will move, voluntarily or not, between a few organizations, bringing their knowledge of previous employers with them. They may even become competitors, partners or clients. Just think of the difference in attitude they will bring if they have been either poorly or well managed as a result of a redeployment exercise. The cost of respect in this case is relatively low, but its value to an organization in future years could be substantial.

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