



Well-managed Demotions

Shining star. That's how most would describe the mutual funds portfolio manager at a large financial services company. Because of her stellar performance, she became the leading candidate to replace her boss when he retired. No one was surprised when the announcement came.

Her job, however, changed dramatically. She was no longer managing a portfolio but the entire group of portfolio managers. Performance reviews, department budgets, and strategic review meetings replaced the hunt for clues on the direction of the stock market.

Before long it became apparent that she was not filling the needs of the position. Her strengths clearly rested in managing stocks rather than people. The company decided it had made a mistake. Rather than terminate this former top performer, the company decided that it would be beneficial for her to move back to her former position as portfolio manager. Her demotion was well managed and she quickly performed at a high level once again.

Companies too infrequently use well-managed demotion as a way of growing a business. Perhaps the fear of hurting someone's feelings or even a fear of being sued inhibits exploring the demotion option. As a consequence, executives are allowed to continue occupying positions where they are not performing up to standards. Not only do these individuals fail to accomplish the objectives for which they are responsible, they also prevent other talented people from occupying positions of greater responsibility - they become blockers.

The Blocker's Negative Impact

Executives become blockers for many different reasons. Sometimes the requirements of the position as well as ►

“Executives who are not consistently performing must be scrutinised”

the requisite skills have changed dramatically and the executive has been unwilling or unable to keep up. Other times, poor initial selection is the cause.

Companies with many blockers can expect to see highly talented individuals lower down in the organisation leave. These talented performers and possibly future leaders fully recognise the blockers and see the implications for their own careers. Negative consequences can be seen many levels down and may be quite pervasive.

Today's competitive business environment dictates high performance at all levels. Executives who are not consistently performing up to expectations must be scrutinised. While termination may be appropriate, blockers may be valuable to the corporation in another capacity. A change in the scope of a person's responsibilities may re-energise the individual and provide benefit to the company.

Prevention is Best

Before discussing specific steps to demoting an executive, it is worthwhile to reflect on how to prevent such situations from happening in the first place. Examining promotion policies and practices can be an important first step in reducing the frequency of having to terminate or demote failing executives.

How are candidates chosen for promotion? The emphasis should be on the capability to perform now and in the future. Some companies only promote those who are deemed to have the potential to perform two or three levels higher in the company. But even in the best-run companies, mistakes are made and tough personnel moves must be addressed.

There are three steps to demoting somebody. The first

is determining whether termination or demotion is appropriate. Next is how to communicate the demotion. The last is managing the demotion after the lesser role has been accepted.

Demotion or Termination: How to Decide

When questions arise about whether an executive is appropriately deployed, it is often a sign that something is wrong.

What are the critical factors for success within the existing job? Does the faltering executive have these skills? If not, how quickly can he or she acquire them? Have there been clear expectations about expected results and timelines for completion? Did the individual understand these expectations? Has clear feedback about performance been given? Has any progress recently been made in improving performance?

Once the relevant questions have been answered, it is important not to wait. A warning about missed targets and possible consequences may help the person achieve the goal. It also gets the individual accustomed to the idea that things are not going well. In general, there is a tendency to procrastinate in such situations. This makes things worse. You must consider what impact this executive's continued failing will have on the business. Can the business afford to wait?

Once you conclude that it is in the interest of both the enterprise and the executive to make a change, you must then assess how the individual will likely react to a demotion and factor that into your decision. Has he or she handled setbacks well in the past and bounced back from them? If so, demotion is worth a try.

You also must carefully think through the placement possibilities. Where can this person's skills be used? Who might be a good boss? It may be best to deploy the individual within one's own area of responsibility so as not to be seen as trying to palm off weak people. But sometimes the best placement is, in fact, in someone else's area. Being straightforward about the situation with the demoted individual's potential boss is essential.



Communicating and Managing the Demotion

Before communicating a demotion it is important to have all the circumstances and contingencies planned out. The specific responsibilities of the new job should be clearly delineated. Other important details must be addressed in advance. Will the individual's compensation be protected and for how long? Any loss of benefits should be clearly planned out with the human resources department before the demotion is discussed with the individual. The objective is for the demoted executive to be able to make a fully informed decision about whether or not to accept.

It is also important to have addressed the legal implications. A demotion is like any other job change and can be the source of lawsuits. Being prepared for legal contingencies helps protect the corporation from liability.

Delivery of the news of the demotion is in many ways like a termination. There is no need to rehash specifics. It is important to be clear and firm. One way of presenting the decision is, "as we have discussed, my judgment is that your performance has not been satisfactory. I've made a decision to offer you another position in the company and I would like you to take it. I think it fits your skill set well." Whatever way the news is phrased, it should be a statement of fact, not a question, suggestion, or debate about the reasons for the demotion.

It is also necessary to have an alternative prepared: "If you decide not to take this position and leave the company it would be with this severance package." Identify and clearly articulate the details of the package. It is important to ensure that the individual understands that there are only two alternatives and that staying in the current position is not an option. It is appropriate to give him or her a few days to think it over.

If the executive accepts the lesser position, some

significant management challenges remain. It is vital that he or she not view the new job as a safe harbour, but as a position where it is possible to better contribute to the corporation. The individual must understand what has to be accomplished in order to be successful in the new position. It is also important that he or she understand that failure will almost certainly lead to termination.

A demotion is an opportunity to convey a message to a department or an entire company about performance expectations, directions for the company and what it will take to be successful. The mere fact of a demotion will cause others to examine their own performance. Of course, the purpose of the demotion is not to cause insecurity, but to communi-

cate the expectation for high performance. A well-managed demotion can convey that the company values its talent by expending the effort to maximise the potential for contribution of a valued employee in a different position.

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Emotion is a Big Part of Demotion

A demoted person's feelings and pride must be considered. Face-saving statements should be made about the new job. The objective is to strike an appropriate balance between protecting someone's ego and communicating an important message within the company.

The demoted executive will likely go through predictable stages of emotion. He or she may go through denial, then anger and finally move into a state of acceptance. Demoted executives who are successful in their new positions often go beyond acceptance to view the position for the opportunities it presents.

It is important to understand what failure and loss mean to this individual. Allowing time to work through the various emotional stages following a demotion is essential. Sometimes an individual's job is such a part >



of the person's self-concept that the change can have a devastating effect. The new manager of the demoted executive should be sensitive to these stages and be prepared to help the individual through them.

Nevertheless, while time may heal most wounds, negative and destructive behaviour should not be tolerated. If such patterns develop, they must be addressed immediately, directly and assertively.

A frequent fear of demoted executives is that they have lost the respect of peers. It may be necessary to offer some counsel as to how the individual can manage how they are viewed in the company. The more dignity with which demoted executives carry themselves, the more respect they will retain. Ultimately, the greater the self-esteem retained, the greater the likelihood of success in the new position.



High Performance is a Necessity

When an executive ceases to perform adequately and becomes a blocker, the company suffers. In today's business environment it is vital to address these situations promptly. In some cases termination is warranted. In others a well-managed demotion may be appropriate.

When demotions are carefully thought out, presented to the individual in a constructive manner and well managed after the fact, both the company and the individual benefit. It is possible for faded stars to shine once again. [DBR](#)

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TIPS & TECHNIQUES

Selection decisions fail for two main reasons: unclear job specifications or a faulty evaluation of the candidate.

***“If you can't
measure it, you
can't manage it”***



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