

Available online at www.sciencedirect.com**ScienceDirect**

Procedia Economics and Finance 34 (2015) 19 – 26

Procedia
Economics and Finance

www.elsevier.com/locate/procedia

Business Economics and Management 2015 Conference, BEM2015

Outplacement as Part of Human Resource Management

Zdenko Stacho^{a*}, Katarína Stachová^b,

^a Department of Management, Institute of Economics and Management, School of Economics and Management in Public Administration in Bratislava, Furdekova 16, 85104 Bratislava, Slovakia

^b Department of Management, Institute of Economics and Management, School of Economics and Management in Public Administration in Bratislava, Furdekova 16, 85104 Bratislava, Slovakia

Abstract

The paper is focused on the issue of outplacement primarily due to the fact that although every employed person statistically encounters dismissals, awareness of the process, procedure and importance of outplacement is marginal in organisations in both the Slovak Republic and Czech Republic. A dismissed employee is only perceived as something unnecessary which needs to be got rid of as quickly and as cheaply as possible while observing legal regulations. Unfortunately, organisations do not realise the secondary consequences of such behaviour. Our paper will present the reasons of organisations to carry out outplacement, their focus on it and the frequency of outplacement process. The scope of outplacement in organisations operating in the Slovak Republic and Czech Republic, which was determined by means of a questionnaire survey in 2014, will also be dealt with.

© 2015 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license

(<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of the Organizing Committee of BEM2015

Keywords: outplacement; human resource management; dismissal of employees

1. Introduction

Outplacement can be defined as a professional care about dismissed employees, employees remaining in an organisation and managers responsible for dismissals. However, it primarily includes programmes aiming at making a forced leave easier for the affected employees and helping them gain success on the labour market. The main objective of outplacement is to reduce negative effects. With regard to the fact that dismissals are perceived as negative not only from the viewpoint of those dismissed but also from the viewpoint of remaining employees and

*Ing. Zdenko Stacho, PhD. Tel.: +421-907-082-448

E-mail address: zdenko.stacho@vsemvs.sk

the public, as they primarily evoke a negative state of a company, frequently even its winding up, there is a number of reasons for outplacement:

- Internal, towards leaving employees:

A positive signal to leaving employees (that we have done something more for them than e.g. an acknowledgement of their work for us); help to the most vulnerable group of dismissed employees falling under the 50+ group Urbancová and Hudáková, (2015); an increased chance of possible employment renewal (in case of changed conditions in an organisation, resulting in enlarging the number of employees); customer retention (dismissed employees become clients, as they know the quality of products and services of their organisation); maintaining positive contacts in case an employee leaves to a different company

- Internal, towards remaining employees:

Motivation and stabilisation of remaining employees (dismissals significantly affect performance and work ethics, and it is therefore necessary to focus on stabilising the working atmosphere, as well as it is a form of a clear message of an organisation on how it views its employees. Organisation thus clearly declares that it appreciates its employees and does not only get rid of them); reduced concerns of managers about undealt dismissals (it is necessary in the outplacement process to prepare managers for a demanding task – how to handle notice deliveries).

- External, towards all stakeholders:

Retention of customers and suppliers; part of organisation's public relations; part of the social pillar of socially responsible entrepreneurship.

All the aforementioned reasons have something in common – positive future of an organisation. In order to focus on all outplacement requirements, it is necessary to focus on it comprehensively and perceive it as a process.

The outplacement process has been defined by several authors, while they divide it into a various number of steps. They most frequently include four-step to eight-step processes, while most of outplacement processes are only focused on the leaving employees, which is not sufficient. We identify in the greatest extent with Hroník (2013), who comprehended the outplacement process comprehensively and divided it into four steps:

- **Step 1: Creation of outplacement project** (who manages; what form it will have; specification of quality, speed and price levels; retention plan; specification of selection criteria)
- **Step 2: Creation of outplacement communication plan** (procedure and content of both internal and external communications, preparation of managers for a change, i.e. understanding, acceptance, adoption)
- **Step 3: Outplacement execution** (programme for key employees, programmes for those dismissed)
- **Step 4: Evaluation of executed outplacement** (outplacement costs and effectiveness, proposals, modifications and changes)

Within the first step, it is necessary to focus on the creation of outplacement project, which requires a clear definition of who will manage the project. Projects are typically not managed by one person. A group of persons participating in the process is usually selected for this purpose. For this purpose, organisations either engage their own employees or external sources. Both variants have their positive and negative features, see Table 1. We believe the most advantageous variant is a combination of sources, when the positive features of both possibilities are applied. It is advantageous if employees of an external agency train internal managers on how to conduct a dismissal interview, and the internal managers subsequently put it into practice, as they are the ones who know dismissed employees. In practice, organisations address external agencies for this purpose in most cases.

Table 1. Positive and negative features of engaging internal and external employees in the outplacement process

	Internal employees	External employees
Positive features	They know organisation and employees, lower costs	Expertness, experience, quality databases
Negative features	Demanding from the viewpoint of time and knowledge	Higher costs

Source: Hroník (2013)

The first task of employees responsible for managing the outplacement process is to define what positions will be cancelled and replaced, and subsequently to define particular employees to be dismissed. Key positions in accordance with an organisational strategy are defined first, with subsequent definition of positions to be cancelled and activities and knowledge, which will be necessary to transfer to other positions. Subsequently, after it has been clearly specified which employees will be affected by changes, it is necessary to select criteria on the grounds of which employees are to be selected. Based on such criteria, organisations should be able to clearly define employees they are interested in and they want to include in a retention programme, as well as employees who have to leave. In case an organisation has employees whom it is unable to clearly place whether in a retention programme or a dismissal programme, it is possible to provide a temporary incentive scheme or knowledge delivery programme for such employees. It is appropriate in this relation to use a matrix comparing the level of motivation of employees and the level of their knowledge, see Table. 2.

Table. 2. Comparing the level of motivation of employees and the level of their knowledge

Motivating potential/ Usable knowledge	Lower motivating potential	Medium motivating potential	Higher motivating potential
Key, deliverable with difficulties	Knowledge delivery programme (3months – 1year)	Retention	Retention
Standard knowledge and experience	Dismissal (immediately)	Incentive scheme (approximately 1 year)	Retention
Routine and easily adoptable knowledge and experience	Dismissal (immediately)	Dismissal (immediately)	Job offer at a different position within the organisation

Source: Hroník (2013)

It is also necessary within the first step of outplacement to specify its form, which typically directly depends on a number of dismissed employees and their position and financial resources reserved for outplacement. A group form of outplacement is rather applied for managers at lower levels and for regular employees especially when an organisation is dismissing a greater number of employees and it would be financially unbearable for it to ensure individual outplacement for such employees. Individual outplacement is primarily intended for senior management.

Based on the aforementioned findings, it is also necessary in the first step to determine a time interval of outplacement, i.e. to specify a time within which organisations will provide outplacement. Short-term outplacement, i.e. up to three months, is normally applied for junior positions. This interval is typically prolonged to maximum six months for middle positions, and long-term outplacement is primarily provided for nine and more months to top management and positions applicable with difficulties Chiumento (2014).

Last but not least, it is necessary within the first step of outplacement to define educational methods and their content. Educational methods most frequently applied for this purpose include personal assessment, lectures, role-playing and e-learning. Personal SWOT analysis is most frequently carried out and development plan is most frequently specified within personal assessment. The content of other aforementioned methods is typically focused on the possibilities how to find a new job, requalification possibilities, legal and social counselling and psychological help Stachová and Stacho (2013).

Based on the aforementioned, it can be stated that it is necessary within the first step of outplacement to define the following:

- Who will manage and carry out the outplacement project?
- Which employees will it relate to (who will be dismissed, who will be included in a retention programme, incentive scheme and knowledge delivery programme)?
- Time interval of outplacement
- Form of outplacement
- Methods of outplacement
- Time interval

It is necessary within all variables to focus on so called Magic triangle, while the quality of outplacement is most important and should not be at the expense of price or time. Outplacement quality should always be in the first place. Final price of outplacement significantly depends on who will carry it out.

In the second step, it is necessary to focus on the creation of outplacement communication plan. Crucial elements of communication within outplacement include its openness and timeliness, i.e. telling the truth openly and not concealing anything unless it is necessary for other strategic reasons Hroník (2013) and speak on time. It is the only way how to prevent rumours, half-truths and disinformation both in organisations and outside them. Internal communication, which needs to precede external communication, is most important within communication inwards. It requires a clear definition of strategic objectives of an organisation, communication of dismissals as a fact as well as presenting to employees how not dismissing now would threaten employees and organisation in the future. It is also necessary within internal communication to prepare managers for communication with the dismissed and remaining employees, as they have to motivate the remaining employees to cope with their uncertainty and divide new responsibilities and tasks among them. Individual communication and approach also have to be properly focused on key employees. On the other hand, in relation to the dismissed employees, they have to cope with their negative reactions upon announcing dismissals and with a proper communication of an outplacement offer. Communication outwards with other stakeholders is also important, as they need to be informed in order for them to be aware of a new organisational strategy and not to feel under a threat, respectively to be able to quantify their threat and declare their values and importance for the given organisation.

Outplacement execution itself is included in the third step of an outplacement project. It is a phase in which organisations should have prepared everything and can announce and initiate a change. It is important to announce that a change is being initiated, objectives of such a change and that it also includes dismissals. This step can be divided into two basic areas – programme initiation for key employees and a programme for dismissed employees. As the aforementioned implies, outplacement does not need to be focused on all employees in an organisation, however it necessarily needs to be focused on two groups most threatened during dismissals, which are key and dismissed employees.

The programme for key employees is typically carried out and communicated slightly in advance. It is appropriate to present them a new organisational structure, their position in it and their new responsibilities. It is ideal if an organisation can ensure that they are included in learning, respectively their future scope of work is clearly specified for them, i.e. a clear declaration of their incorporation in the organisation's development programme project – retention. This programme aims at minimising the risk for key employees and eliminating their undesirable leave and their unsettlement, as the most frequent reaction to uncertainty is looking for a new job, or a reaction of hiding in a corner, i.e. an invisible strategy. The need of a focused individual approach stands out within this programme.

Communication with leaving employees and initiation of a programme focused on them follow subsequently. This programme includes a dismissal interview, which is generally defined as the most difficult managerial responsibility from the emotional viewpoint, as it often significantly changes both career and private lives of employees. Reaction to a dismissal announcement is very similar to the reaction to an announcement of a life-threatening illness. The fear of job loss results from the fact that work ensures the fulfilment of individual needs, structures the day, creates the possibilities of social contacts, participates in creating the status of an individual and enables self-realisation. Successful handling of a dismissal interview significantly reduces its negative effects on both a dismissed employee and a dismissing manager. Last but not least, dismissal interviews also include the provision of comprehensive information on particular help provided by an organisation by means of so called outplacement package.

The last step of the outplacement process should be an evaluation of executed outplacement. With regard to the fact that the main objective of outplacement is a return of costs exerted by an organisation, outplacement's economic return needs to be measured. It is given by the fact that organisation's image will not be tarnished and the image of a responsible employer will be built. Inwards, economic return is measured in relation to remaining employees so that it does not disturb relationships in any direction but a fair approach is evaluated and appreciated. The given facts can be analysed by means of different organisational climate researches.

Evaluation should also be focused on the costs exerted on dismissed employees, while a typical outplacement cost is a half of the monthly salary of a dismissed employee. Even though more could be spent from the financial

viewpoint, it is important to realise that the objective of outplacement is not to take finding a job on oneself but to support a former employee in these efforts.

Outplacement effectiveness is predominantly defined by a new job opportunity of a dismissed employee. In this part of the analysis, organisation can have a problem with information availability however the extent of information unavailability also reflects an outplacement level, for if an employee has found a job and does not want to communicate with their organisation at the same time, it means that outplacement has failed, so it also represents a report on the outplacement effectiveness. Effectiveness itself can be monitored outwards with a half-a-year up to a yearly interval, while outplacement can be considered effective when 60 % of employees find a new job within half a year. It should be 75 % for managers. However effectiveness can also be monitored inwards, when the productivity, respectively an added value of the remaining employees is monitored as a hard parameter and the satisfaction of remaining employees can be monitored as a soft parameter Hroník (2013).

The fourth step of outplacement should result in proposals of its modification with regard to the fact that on the grounds of found effectiveness and costs, we can incorporate changes which can be reflected in the future.

Outplacement is in fact only hardly graspable by company managements primarily due to the fact that what we have not lost due to outplacement and what we could have lost applying a different procedure is only measurable with difficulties. Values declared and applied by top managers are therefore often the abstract line of focusing or not focusing of organisations on outplacement.

2. Material and methods

Objective of the paper is to present results of the research conducted between February 2014 and May 2014, predominantly aimed at finding out whether and how human resource management is currently implemented in organisations operating in Slovakia. With regard to the extent of the given issue, research was divided into ten partial objectives, while one of them was to identify whether organisations realise the importance of allocation and whether they focus on the allocation process in practice. This paper is dealing with the results of this partial objective.

The set of respondents comprised 340 organisations operating in Slovakia, while the main condition posed on the organisation was the size of at least 50 employees. The overall size structure of interviewed organisations is provided in Table 3, implying that organisations with the number of employees between 50 and 249 were most represented in the research.

Table. 3. Size structure of the analysed organisations

Number of employees in organisation	Share of organisations in %
50 - 249	66
250 – 1,000	27
over 1,000	7

Source: Authors

Systemic approach was applied in research processing, and obtained information was processed through the methods of induction, deduction, analysis, synthesis and generalisation. Analysing the present state, when organisations operating in Slovakia realise the importance of allocation and its implementation in practice, questionnaire research was applied and statistic methods were applied for its processing. Most of obtained values were expressed in per cents upon the results summarisation.

3. Results

Within the research, we were interested in whether organisations had introduced outplacement. Unfortunately, the current approach of organisations to outplacement is mostly influenced by non-awareness and insufficient knowledge on the given issue, since organisations perceive it only as a certain highly-over-standard service for an already “not needed” employee without any significant impact on them in return. The analysis of organisations operating in Slovakia showed that only 12 % of them focus on the outplacement of leaving employees (Table 4).

Almost 20 % of negatively responding managers stated that they did not even understand the term and had never encountered anything similar in their practice.

Table. 4. Organisations providing outplacement

Do you provide outplacement for leaving employees:	Yes in [%]
Yes	12
No	88

Source: Authors

This statement also resulted from the answers of organisations (Table 5), where only 3 % of respondents claimed that they dealt with outplacement comprehensively, and 9 % of respondents did so partially. It implies that more than 85 % of the interviewed organisations do not realise that a quality outplacement implementation means not only a possibility how to help an employee in a difficult life situation to find a new realisation but also a possibility for the organisation to build both internal and external positive images actively. It declares values, contributes to positive organisational culture creation, which has a subsequent direct impact on the overall mood in the organisation. Organisations thus not only declare their social responsibility but also influence their surroundings as truthful employers perceiving their employees' problems sensibly and having an interest in participating in their solution.

Table 5 Content of outplacement in organisations operating in Slovakia

Do you provide outplacement for leaving employees?	Yes in [%]
Yes, we provide psychological advice	6
Yes, we organise trainings focused on job seeking	5
Yes, we organise trainings focused on social and legal duties for them	3
Yes, we provide financial advice	2

Source: Authors

4. Discussion

Focusing on outplacement, or the best possible leaving, has a number of reasons from the viewpoint of the future of a company. They include the fact that a currently unneeded employee becomes a desired employee again (company goes through recession, implementation of a new similar production in the future, etc.), whom a company has already verified, who knows company values and is identified with them and behaves according to them. The second reason is that a dismissed, respectively voluntarily leaving employee can become a work partner or customer immediately, respectively after some time. The third reason is that dismissals primarily evoke a negative state of an organisation to all stakeholders, although dismissing is frequently related to the implementation of new modern technologies or organisation's recovery.

The aforementioned clearly implies a need of comprehensive focus on outplacement, however it is clear based on the findings from organisations operating in Slovakia and the Czech Republic that the present state is insufficient, which is also confirmed by a comparison of similar researches conducted in the Czech Republic and the United States of America in 2014 (Table 6).

The approach of managers in organisations operating in the United States of America in relation to the focus of organisations on the outplacement process can be considered desirable. The given fact probably results from the historical viewpoint, as the basis of outplacement was established in the 1840s, while it was first implemented in the United States of America. In 2001, Association of Career Consulting Firms Int was analysing costs of the global volume of outplacement services in the world and found that USD 1.5 billion out of the overall USD 2.5 billion was invested in outplacement by organisations operating in the United States of America, which was 50 % more than money invested in it by all European countries Stýblo (2005) (Table 7).

Table. 6. Comparison of number of organisations providing outplacement

Analysed country	Organisations focusing on outplacement	Organisations not focusing on outplacement
Slovak Republic	12 %	88 %

Czech Republic	10 %	90 %
United States of America	70 %	30 %

Source: *Rise Smart, 2014, Guide to severance & workforce transition; Own research*

Table 7. Volume of outplacement services in USD in 2001

Monitored countries	Volume of outplacement services in USD
United States of America	USD 1.5 billion
Europe	USD 600 billion
Rest of the world	USD 400 billion
Total	USD 2.5 billion

Source: *Association of Career Consulting Firms Int*

It is inevitable to realise that human resources, people with knowledge, experience, abilities, and skills affect the value of organisations at present Haldin and Herrgard (2000), which influences economic situation in organisations and also in states. Retirement of employees or their leaving to competing organisations can cause losses of important knowledge and it is therefore necessary to prepare for such a situation properly Johannessen and Olsen (2003). The focus on outplacement as a process can prevent the leaving of key employees on the one hand, and ensure an accurate definition of particular employees to be dismissed on the other.

5. Conclusions

Human resource management represents a strategic and well-considered logical approach towards managing personnel who participates in the effective fulfilment of organisational objectives individually and in teams. The key objective of human resource management is to achieve success and competitive advantage through a strategic positioning of skilful and devoted employees on the basis of an integrated set of cultural and personal procedures Kachaňáková (2013), Gubíniová and Pajtinková-Bartáková (2014). In relation to the focus of organisations on strategic positioning of employees, employee allocation is one of the key HRM functions, as it is related to new employees hired from external sources (the first positioning during hiring, trial period and adaptation process), employees returning at their position after a longer time (after maternity leave, an injury, internship, etc.), internal mobility of employees (promotion, repositioning) and last but not least, also termination of employment (dismissals, resignation, retirement) Stacho and Stasiak-Betlejewska, (2014), Mračková et al. (2014). In terms of hiring new employees, returning employees and internal mobility, one of the tasks of allocation is to acquire a full-fledged, stable and satisfied employee in the shortest possible time, and its main task in terms of employment termination is to ensure that the leaving of employees is managed and fair. In terms of managing the leavings, organisations should make finding a new job easier for dismissed employees in the greatest possible extent. It is appropriate for this purpose that organisations focus on dismissing as a systematic process. However, the analysis conducted in organisations operating in Slovakia showed that the process or at least its partial steps are only dealt with by 12 % of organisations, which is only a few compared to the global trend.

Acknowledgements

The article is related to Grant Agencies of VSEMs project No. 3/2013, The Key Functions of Personnel Management in the Context of the Development of Organisations Operating in the Slovak Republic and Czech Republic and project No. 1/0890/14 Stochastic modeling of decision-making processes in motivating human potential.

References

- Association of Career Consulting Firms Int [22.8.2015] <http://www.acf-europe.org/wp-content/uploads/2012/12/ACF-Bylaws-2005.pdf>
 Chiumento. F. 2014. Outplacement statistics [14.8.2015] <http://www.chiumento.co.uk/outplacement-statistics-condemned-by-flexibility/>

- Gubíniová, K., Pajtinková-Bartáková, G. 2014. Customer Experience Management as a New Source of Competitive Advantage for Companies, In: The Proceedings of the 5th International Scientific Conference on Trade, International Business and Tourism „Application of Knowledge in Process of Business Dynamization in Central Europe“ Bratislava: EKONÓM, University of Economics in Bratislava pp. 162-168
- Haldin-Herrgard, T. 2000. Difficulties in diffusion of tacit knowledge in organizations. In: *Journal of Intellectual Capital*, 1, 357–365. doi: 10.1108/14691930010359252.
- Hroník, F. 2013. Outplacement on line [2.3.2014]: http://www.motivp.com/motivp/media/modul_107/-Default.aspx?deadline_id=79756
- Johannessen J, Olsen, B. 2003. Knowledge management and sustainable competitive advantages: the impact of dynamic contextual training. In: *International Journal of Information Management*, 23, 277–289. doi: 10.1016/S0268-4012(03)00050-1.
- Kachaňáková, A. 2013. Present state of performance evaluation in public administration organizations operating in Slovakia. In: *Economic Annals-XXI*, 5–6, 22–25.
- Mračková, E., Hitka, M., Sedmák, R. 2014. Changes of anthropometric characteristics of the adult population in Slovakia and their influence on material sources and work safety. *Advanced Materials Research*, Vol. 1001, 401-406,
- Rise Smart. 2014. Guide to severance & workforce transition [20.2.2015]: <http://go.risemart.com/2014Guideto-Severance.html>
- Stacho, Z., Stasiak-Betlejewska, R. 2014. Approach of organisations operating in Slovakia to employee's performance evaluation. In: *Ekonomičnij časopis - XXI*, [vol.19], no. 5-6, p. 85 - 88
- Stachová, K., Stacho, Z. 2013. Employee allocation in Slovak companies In: *Business: Theory and Practice*. - Vol. 14, No. 4 pp. 332-336
- Stýblo, J. 2005. Outplacement jako řešení optimálního stavu zaměstnanců [15.3.2014] <http://www.mzdovapraxe.cz/archiv/dokument/doc-d1016v992-outplacement-jako-reseni-optimalniho-stavu-zamestnancu/>
- Urbancová, H., Hudáková, M. 2015. Employee development in small and medium enterprises in the light of demographic evolution In: *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*. Vol. 63, No. 3 pp. 1043-1050