

Leading in Turbulent Times: Lessons from the Dreaded 'Downsizing'

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My Background and Experience

- ▶ Fourth College Presidency (Indiana, Vermont, Florida, JCTC) covering 17 years.
- ▶ Undergraduate degree in finance, MBA, Doctorate in Higher Ed. Administration
- ▶ Began career at Fortune 500 company as merger and acquisition analyst
- ▶ Full-time faculty member for two years, Academic Program Chair, Academic Dean, Chief Academic Officer at two colleges
- ▶ Have never 'laid off' an employee in 28 years of college experience
- ▶ Started as President of JCTC on January 2, 2106 - knew we had a crisis brewing on January 3, 2016...

What Caused the Crisis?

- ▶ A Perfect but Common Storm consisting of:
 - ▶ Significant year after year enrollment declines
 - ▶ Significant decreases in State support for higher education (KY has been identified as the sixth worst state in terms of higher ed funding cuts during the past decade)
 - ▶ System-level leadership change (President and Chancellor)
 - ▶ A prolonged leadership change with a long term President retiring, followed by two interim presidents and an extended search for the new President
- ▶ Resulting in the total expenditure of all college reserves (and then some)

College Fall Headcount Enrollment

<u>Year</u>	<u>Headcount (Fall)</u>	<u>% Change (Yr. to Yr.)</u>
▶ 2010	14,823	
▶ 2011	15,351	+ 3.56%
▶ 2012	14,511	- 5.47%
▶ 2013	13,451	- 7.30%
▶ 2014	13,677	+ 1.68%
▶ 2015	12,159	- 11.10%
▶ 2016	11,995	- 1.35% (post downsizing)

College Reserve Position

▶ FY2010	\$ 7,360,985
▶ FY2011	\$ 9,429,566
▶ FY2012	\$10,604,268
▶ FY2013	\$ 6,283,100
▶ FY2014	\$ 3,089,013
▶ FY2015	\$ 1,878,600
▶ FY2016	(\$ 2,082,256)
▶ FY2017 (projected)	\$ 3,500,000

The Situation in January, 2016

- ▶ College had 11+% enrollment drop in Fall and an 8% drop in spring
- ▶ Governor announced a 4.2% immediate current year cut to funding and a 4.2% additional cut next year
- ▶ System required College to develop plan in early fall to trim \$5 million in current year expenses
 - ▶ In January 2016 the College had only partially implemented plan and trimmed less than \$1 million total due to:
 - ▶ Leadership tenacity
 - ▶ Fundamental plan problems

Timeline for Action

- ▶ January 15, 2016 - met with system President to discuss the situation and inform him,
 - ▶ No way to save this year - we will end with negative reserves
 - ▶ No way to avoid downsizing the employee base
 - ▶ Will require 2-3 years to dig out of the negative finances - Can the system carry us that long?
 - ▶ Will likely need support up to \$5 million to bridge the turnaround
- ▶ April, 2016 - must notify any impacted employees in advance of layoff
- ▶ July 1, 2016 - begin new FY downsized and ready to go

The Process of Elimination

- ▶ Guiding thought - “we will not die a death from a thousand cuts - do it once and do it deep”
- ▶ Needed to cut \$7 million to feel safe going forward - deep enough to handle more enrollment declines/state cuts if they materialize
- ▶ At \$75,000 salary and fringe average that’s just over 100 positions or 18.5% of workforce
- ▶ No initial breakout of faculty/staff mix - but knew everyone would be watching how I handled my own staff
- ▶ Needed to protect against any unintentional discrimination appearances
- ▶ Needed consistent employee notification process

Legal Concerns

- ▶ Needed to meet all contractual deadlines for notification
- ▶ Needed to provide due process where warranted or deserved
- ▶ Needed to anticipate that there would be suits and threats of suits (I estimated 20% of those laid-off would seek redress)
- ▶ Needed to be ready for that one employee who just refused to let it die

- ▶ All the above meant that I needed good and readily available legal counsel which I'm pleased to say the System provided.

Public Relations Concerns

- ▶ It's always nice to have cover...UofL, JCPS
- ▶ Reporters will always find someone who sees things otherwise
- ▶ Anything in writing will be immediately leaked to the press
- ▶ Anticipate Public Records Requests and plan accordingly
- ▶ How to announce layoffs without sacrificing the college image of academic quality and/or student access
 - ▶ Think about how you can frame this in advance

Internal Concerns

- ▶ Shared governance concerns
- ▶ Us versus Them concerns
 - ▶ faculty vs. staff
 - ▶ faculty/staff vs. Administration
 - ▶ Jefferson employees blaming System Office
- ▶ The false view of the role of the Foundation
- ▶ Here a VP, there a VP, everywhere a VP/VP
- ▶ How to communicate that this wasn't an Org. Chart adjustment - it was a total organizational culture reinvention

‘Dirty Deeds - Done Dirt Cheap’

- ▶ First layoff consisted of four positions in late march that were ‘at will’ positions - legal felt these needed to be done early.
- ▶ Second wave in early April consisted of 62 staff positions
 - ▶ Determined unit by unit by me - based on my experience
 - ▶ Determined not by individual performance but by positional need
 - ▶ Length of service mattered only when positions in a specific unit were duplicated
 - ▶ Layoffs were at every level and ‘All Along the Watch Tower’ - 15 persons on President’s Leadership Council
 - ▶ Required every employee to be met with individually within a one day window - best thing I ever did
 - ▶ Required complete confidentiality
 - ▶ Had employee base notified before management positions were notified

Faculty layoffs

- ▶ Final wave in mid-late April, one week after staff notification consisting of 35 faculty positions
 - ▶ Screening tools consisted of
 - ▶ % of sections adjunct-taught by discipline
 - ▶ Excess seating capacity in sections offered
 - ▶ Ability of local market to provide qualified adjuncts
 - ▶ Once positions were identified, individuals were selected based upon seniority
 - ▶ Then, after selections were made, total group was evaluated for possible bias/discrimination
 - ▶ 10 tenured faculty members ended on the cut list, so legal held a 'mock' trial to see if process held up for each one - five did and five didn't

The Aftermath

- ▶ Press coverage was light - with only one rag running judgmental article
- ▶ 14 of the 101 persons sought legal counsel, all but one settled by end of Fall, 2017
- ▶ 5 tenured faculty all 'negotiated' exits
- ▶ Total cost to college of delaying actions past July, 1 for some employees was less than \$300,000
- ▶ Several internal armchair quarterbacks who wanted to second guess the process
- ▶ Most employees understood that we had reached this point and it was necessary - including many who were let go.
- ▶ About 15 have been rehired into other vacated positions over last 12 months
- ▶ The number of retirements this year more than doubled from last year - 35+ compared to 15 last year.

The Aftermath (cont'd)

- ▶ One position had to be 'rehired' because it became apparent it was critically important
- ▶ Fall and spring enrollment fell about 5% - we had the capacity to handle this.
- ▶ We are now financially stable (strong reserves, reinvestment in IT, reinvestment in deferred maintenance)
- ▶ New budgeting process
- ▶ Forward looking perspective

Lessons Learned

- ▶ I skated as a President for 15 years, have made up for all of that in last two.
- ▶ You can make tough decisions and not lose your future viability as a leader.
- ▶ Never waste the opportunity a good crisis brings - Change requires that you create a sense of urgency and a crisis does that for you
- ▶ Be brutally honest about your college's situation - don't hide the facts
- ▶ Don't rely on 'cuts of convenience' over time or engage in 'across the board cuts' - there's no leadership in that
- ▶ Make adjustments strategically with an eye on future growth/development
- ▶ 'Measure twice - Cut Once' - You don't want to do this again, and no one else does either
- ▶ Require complete confidentiality and enforce that expectation

Lessons Learned

- ▶ Cut your own staff most severely - all eyes are on you and your behavior
- ▶ Talk with each employee - not just those being dismissed
- ▶ Plan to spend time and money settling some claims - this will not be perfect
- ▶ Expect some of the layoffs to drag out - costing you some planned savings
- ▶ Expect some to understand and support you - expect just as many to vilify you (Hatchet Handy) - don't waste time on them, they are why the place was in trouble to begin with
- ▶ You must raise your performance expectations - why would anyone do more (or retire if they are eligible) if there are no performance expectations to motivate/push them/change their behavior?

But the Two Biggest Lessons Learned

- ▶ The show must go on - why engage in all of the grief that such an adjustment creates and then return to the same behaviors that got you into this mess - The operating culture must change or you have wasted your time...
- ▶ Personally, I learned that, even though I considered myself a savvy financial manager at previous colleges, I dramatically underestimated the ability of a College to reinvent itself when/if it has to. We all have a level of inefficiency/waste that would shock us if we had to do what I needed to...We have 'the capacity to cut, to create capacity'