

## **Outplacement Reduces Cost – The False Economy of Failing to Provide Career Transition**

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Many companies do not provide outplacement (variously known as career transition, executive outplacement, corporate outplacement, etc.) assistance to employees have been severed. Some companies don't know that organization's providing corporate outplacement even exists. Others don't think that offering outplacement services to departing employees has any value. After all, why should they take scarce resources and squander them on someone who has left the organization? How does that make sense?

Even among those organizations that do provide outplacement, buyers of these services tend to focus on cheap and quick (time limited) programs rather than on those that have any real chance of delivering the assistance needed by the person in transition or the protection the organization they leaving truly need. The thought pattern is "we need to do something" but "it needs to be cheap". This "check the box" approach is often taken by very morale business professional who are really trying to help.

Like those who don't see any value in outplacement programs, however, the miss a valuable opportunity to do better for their organizations and their ex-employees. The reason this occurs is often because managers can not clearly articulate the value of providing these services in a quality way. They simply don't see the downstream incremental value of doing outplacement that really helps people when they need it most.

### **How Providing Outplacement Helps the "Bottom Line"**

Few of us exist in isolation. We have networks of family, customers, friends and acquaintances. Each of these "personal life stakeholders" is, to one degree or another concerned about what happens to us. Each of these people have similarly extended networks. One "event" can cause significant and unpleasant ripples throughout several of these interconnected groups.

Few people have much extra time or money with which to be helpful when someone loses a job. As such, most will provide morale support, "keep their eyes open" and related activities. While most can not "give" anything because they have scarcely anything available from which to donate, there is no shortage of things they would be willing to withhold, including time and money, from anyone giving offense to someone to whom they are related by birth or interest.

It is a well known that when you upset one customer, they tell 11 others. They, in turn, tell five more each. In total, 56 potential consumers can get a negative report on your business each time you or one of your employees delivers less than excellent customer service.

Being terminated has tremendously more life impact on the average person and their family than does a bad customer service incident. Termination may cause severe disruption in the fabric of one's life. Because of this; the number of people who become aware of a termination is often dozens of times that when a customer service interaction has gone poorly. If the story told by the ex-employee is not favorable to your organization, your sales will suffer. Assume that you lose just one customer. What does that cost you?

### **Simple Example of the Value of One Customer**

Cost of Customer Acquisition + Overhead Burden Satisfied + (Profit Earned on Each Sale X The Cycle of Purchasing Over a Life Time).

Few businesses know the cost of customer acquisition. An explanation of this concept is outside the scope of this writing. Suffice it to say, however, that the costs can be huge. Assume for purpose of this example, that the cost (sales, marketing, etc.) to acquire one customer is \$1000 (a relatively low number).

Each customer contributes to paying the fixed overhead of a business. Each time a client makes a purchase, some part of their money is allocated to facility rent, machinery and a wide range of going-into-business costs. Each time a customer decides to leave, they take that fraction of the overhead payment with them. This also reduces overall profit (see below) and hurts cash flow.

Assume that a business has paid for all of its overhead expenses. In this case, the customer is contributing (excluding variable expenses and simplified for purposes of this discussion) pure profit. Assume that on a consumer good the profit is \$100.

Also, assume that this product is purchased every two years throughout the life of a customer. Over a 40-year span, one customer would buy from you and generate profit 20 times.

Now, put the numbers together. Setting aside overhead rates, the total cost of losing one potential or existing customer would be:

Customer Acquisition [\$1000] + (Profit [\$100] X Cycle of Purchasing (20 iterations)) = \$3000.

The multiples of this number become truly frightening in short order. Since the exodus (or lack of entry) isn't immediately apparent, the origin of these losses (even the losses themselves because they often represent incremental additional growth to the business) are not easily identified. They are none the less real and painful.

Legal fees can make a substantial negative impact on a business. The average cost of attorney and related fees today to **successfully** defend an employee case through court is \$100,000. This does not in account for the fact that employees, who are being paid to perform value-added work for your customers, are instead being detailed to develop or dig out facts to support your case, giving testimony, gossiping out the issue, etc. Further, imagine the impact to your business if the case hits the media. I have seen many a two inch headline that caused business owners to become apoplectic.

The costs referred to above are if you **win**. If you lose, the costs are often many times this amount. The papers are full of multi-million dollar verdicts.

Luckily the lost of customers, reputation, time and cash resources can be easily avoided in many cases. Have you ever been treated unfairly on the job? Most people have had a bad experience at some point in their career. Even so, you've probably never seriously thought about suing your employer and neither have most people. Why do some folks sue and others just go on with their lives.

People sue **not** because they have been wronged but because they feel they have been demeaned or treated in a dismissive way. If you part friends, you rarely have to worry about the ex-employee bad-mouthing you and your company or seeking the services of a third party to help them get what's "due to me."

## **Be a “Friend In Need” With Good Outplacement**

When a person loses their job, they often need help. They need to know what to tell their family and friends. They need to focus on finding a new job as opposed to why they lost the last one. They need to have help to effectively search the market and get a job quickly.

Most employers are too busy running their business to be of much personal assistance. Outplacement firms are skilled in all these areas. They also can guide people going through career transition to find “the” job (rather than “a” job) and improve their personal happiness and financial well being. Outplacement firms can also advise how to handle tricky terminations to ensure that they go as well as possible.

Outplacement saves money. Failing to provide exiting employees with the help they need, at the time they need it most, is false economy at best. Show your ex-employees, their families, friends, support networks and third parties that you are a caring organization. You will avoid a host of negative consequences and feel better about what you have had to do.

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