Mario Bogdanovic[1]
Domagoj Cingula[2]

MAKING DECISION IN COMPANY DISMISSAL PROCESS

Abstract

Although all companies tend to develop and grow, the reality is also business contraction with necessity of firing company employees. This especially occurs during the global crisis and decreased demand for company goods and services that reduces company reproduction process. Therefore is employee reduction often the only solution for cost reduction and company survival. To minimize social costs, employee dismissal process should be managed fairly with all relevant criteria taken into account. Management of the company should rate actual workers performance, development potential or social criteria all objectively to get strong arguments for first selection and for making the final choice. Not all rated criteria are equally important in a specific moment so Analytic Hierarch Process is used to select and rank the employees that are taken into account for firing based on the importance of each criteria which is defined by company management. Human individuals cannot always be measured or valued by pure numbers, yet final result of this method precisely shows which candidates should be in focus for dismissal based on different information about each employee (actual performance, development potential or social criteria).

1. Introduction

In its lifetime company goes through different stages or phases. All business entities tend to grow, develop or decrease through these phases in general. Growth represents increase of material and human resources of the company (business enhancement, employment increase, revenue and profit increase or capacity increase), while development represents qualitative changes like new technologies, higher product/services quality, new markets, better quality structure of employees or higher business efficiency (Dvorski and Kovšca, 2011, pp. 378–379).

Reduction in business activities is connected with different strategies for resolving the problem surplus of employees by means of different options for regulating this problem (Buble, 2006, pp. 373–374). Although there are different strategies for resolving the employees surplus (e.g. job sharing, shortening the working time, non-paying days off, diminishing or "freezing" the salary, stimulating free abandonment of the company, earlier

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[1] Universidade Presbiteriana Mackenzie (PPGAE-Mackenzie), Brazil, e-mail: leonardobasso@mackenzie.br; leonardofernandbasso@terra.com.br
[2] Universidade Presbiteriana Mackenzie (PPGAE-Mackenzie), Brazil, e-mail: leonardobasso@mackenzie.br; leonardofernandbasso@terra.com.br

retirement, demotion, transfer to another working place, natural drain, discharge/layoff) because dismissals causes big economic, social and general social "shaking" (Bahtijarević-Šiber, 1999, pp. 235–237) that often can not be avoided. Besides exceptional situations where employee has to be fired under certain circumstances (serious contract violation for example), neither growth nor development have the aim or intention of dismissing company employees. This type of employee discharge is known as final disciplinary step (Mathis and Jackson, 2012, p. 221) and does not represent topic of this paper. Business contraction as a long term or permanent negative change in business (Dvorski and Kovšca, 2011, p. 389) on the other hand, often results in reducing the number of company employees despite the fact that company owners do not want or tend to fire someone. Dismissal process can be treated as non-voluntary separation and should satisfy the criterion of justice, in order to diminish the negative consequences like court accusation or violence toward company (Noe et al., 2006, p. 355). Therefore the whole employee dismissal process should strive to the maximum level of justice. It is a great managerial mistake when trying to convince employers that something is just and correct, when it is not, because in this situation respect and trust may be lost (Templar, 2011, p. 73), with negative impact on working and organizational climate and culture. The important managerial tool in dismissal decision process can be objective method for calculating the rank of employers which should be unwillingly separated from the company according to defined criterions. Discharge of company employees is phenomenon particularly often in times of crisis and official figures have shown that unemployment rate across the eurozone hit a new all-time high of 11,8% in November 2012 (Eurozone unemployment reaches new high, 2013). Current situation with unemployment problem worldwide confirm relevance of this topic.

2. Whom to release?

The dismissal process should also be the part of human resource management politics, so in this process we should differentiate two types of dismissal causes (Marušić, 2006, p. 309):
  a) dismissal due to the disciplinary causes (e.g. the employees who do not respect the rules of the company or even worse, who do not react to manager requests, i.e. they destroy working discipline and/or working atmosphere);
  b) dismissal due to technological surplus (which imply some employers rights).

This paper deals with the second dismissal causes, because the first group of employees is usually on the top of the manager dismissal list. To answer on the question in unwanted situation where dismissal of the employees is "an unfortunate must", because of technological surplus reasons, certain assumptions have to be realized. This primarily refers to the permanent monitoring of the company employees and their performance. This process consists of observing employees in an ethical and legally permitted way by measuring their performance, conducting interviews, or in other words rating them in general. It is not easy to release someone, especially after long-term successful business relationship or in small rounding where people are usually bond. One thing that is critical for successful managing of labor relations is fairness, but in addition to fairness, a decision to dismiss an employee must also be lawful (Amos et al., 2008, p. 356).

Decision making tool that simplifies any problem similar to this one (certain number of different alternatives where each alternative can be described with more criteria of different level or intensity) is given in Analytic Hierarchy Process – AHP Method. The method was developed by American mathematician Thomas L. Saaty, and the core of the whole process is to make a structure where is possible to determine the importance of the elements – dismissal criteria in this example. Once the main structure is completed, the AHP is surprisingly easy to apply (Saaty and Vargas, 2012, p. 2). In this specific case, management decides which criterion has higher priority over another.

2.1. Defining criteria

Process of observing employees and rating their performance varies among different companies. Measured categories and measuring techniques both depend on many different factors.

Internal factors:
- type of business
- company size
- organization,
- Management goals etc.

External factors:
- country / region development level
- ethical environment
- competition
- Legal environment etc.

Each company management defines categories that are considered as relevant. The authors present list of relevant criteria based on their own working experience and management knowledge. Criteria determination represents the first step of dismissal process.

Observed and measured criteria:
1. Efficiency (Labeled as **Eff.**)
2. Quality of work (**Q**)
3. Ability to react and adapt to unknown situations (**Unk.**)
4. Team work (**TW**)
5. Loyalty (**L**)
6. Absences (**A**)
7. Improvement potential (**Imp.**)

2.2. Employee shortlist – alternatives and evaluation

Employees that are considered as potential for contract termination are already rated in each category only if company permanently takes care of their evaluation. Evaluation of employee's performance example is shown in Table 1.

Employee	Eff.	Q	Unk.	TW	L	A	Imp.
X Y	0,40	0,60	0,40	0,60	0,20	0,80	0,40
X A	0,40	0,60	0,40	0,60	0,20	0,60	0,40
X B	0,60	0,60	0,40	0,60	0,40	0,60	0,60
X C	0,40	0,80	0,20	0,60	0,80	0,60	0,80
X D	0,60	0,40	0,40	0,80	0,40	0,80	0,20

Table 1: Example: Shortlist and evaluation of each criterion

Evaluation of every employee based on rating all criteria is described as follows:
Chosen range for evaluation: each criterion rating with 5 levels of evaluation

Eff.:
0,20: satisfying
0,40: average
0,60: efficient
0,80: very efficient
1,00: remarkable

Q:
0,20: low quality
0,40: average
0,60: quality
0,80: high quality
1,00: remarkable

Unk:
0,20: not so good
0,40: average
0,60: good
0,80: very good
1,00: remarkable

TW:
0,20: poorly functioning
0,40: average
0,60: good
0,80: very good
1,00: pure team player

L:
0,20: not very loyal
0,40: average
0,60: loyal
0,80: very loyal
1,00: extremely loyal

A:
0,20: often absent
0,40: average
0,60: rarely
0,80: in some situations
1,00: almost never

Imp.:
0,20: low potential
0,40: average
0,60: has potential
0,80: a lot of potential
1,00: constant improvement shown

Described evaluation in mentioned example gives overall results as shown below (∑):
Employee X Y: 3,4
Employee X A: 3,2
Employee X B: 3,8
Employee X C: 4,2
Employee X D: 3,6

Since managers find different criteria as relevant or more important, the next step is to determine list of priorities with purpose to adjust evaluated criteria to manager's preferences. Therefore overall results gathered above have unsatisfying relevance - since evaluation or rates to be more precise are not weighted yet by manager's priority list. Thus the procedure goes to the next step of criteria significance determination.

2.3. Significance of each dismissal criterion

Management of the company uses objectively gathered rates for each employee, yet to get needed (and final) results must determine relevance of each measured and evaluated criterion. The authors present AHP so this is realized using Saaty's scale (Table 2).

Intensity of Importance	Definition	Explanation
1	Equal importance	Two activities contribute equally to the objective
3	Moderate importance	Experience and judgment slightly favor one activity over another
5	Strong importance	Experience and judgment strongly favor one activity over another
7	Very strong importance	One activity is favored very strongly over another, its dominance is demonstrated in practice
9	Extreme importance	The evidence favoring one activity over another is of the highest possible order of affirmation
2 – Weak, 4 – Moderate plus, 6 – Strong plus, 8 – Very, very strong (Intermediate values) Intensities 1.1, 1.2, 1.3 etc. can be used for elements that are very close in importance.		

Table 2: *Saaty's Scale – definition and explanation of creteria domination (3, 5, 7 etc.) or subordination (reciprocal value: 1/3, 1/5, 1/7 etc.) intensity (Saaty, 2006, p. 3)*

Example of management preferences and weighting of measured criteria is shown in Table 3.

	Eff.	Q	Unk.	TW	L	A	Imp.
Eff.	1	1/3	5	4	3	4	5
Q	3	1	6	5	4	5	6
Unk.	1/5	1/6	1	1/3	1/3	1/2	1/2
TW	1/4	1/5	3	1	1/2	2	2
L	1/3	1/4	3	2	1	2	3
A	1/4	1/5	2	½	1/2	1	1/2
Imp.	1/5	1/6	2	½	1/3	2	1

Table 3: *Distribution of weighting criteria importance (pair wise comparison)*

Values above show Saaty's scale usage to compare all criteria to get relevance list, or in other words to get importance of each observed and rated criterion. Fractions are further calculated (1/5 = 0,20 for example) and each value from table above goes in ratio with column sum (Table 4. and Table 5).

1	0,33	5	4	3	4	5
3	1	6	5	4	5	6
0,20	0,17	1	0,33	0,33	0,50	0,50
0,25	0,20	3	1	0,50	2	2
0,33	0,25	3	2	1	2	3
0,25	0,20	2	0,50	0,50	1	0,50
0,20	0,17	2	0,50	0,33	2	1
∑= 5,23	∑= 2,32	∑= 22	∑= 13,33	∑= 9,66	∑= 16,5	∑= 18

***Table 4:** Intermediate step to get normalized matrix*

As described above, every element is further divided with its column sum.

0,1912	0,1422	0,2273	0,3001	0,3106	0,2424	0,2778	**24%**
0,5736	0,4310	0,2727	0,3751	0,4141	0,0303	0,3333	**39%**
0,0382	0,0732	0,0455	0,0248	0,0342	0,0303	0,0278	**4%**
0,0478	0,0862	0,1364	0,0750	0,0518	0,1212	0,1111	**9%**
0,0631	0,1078	0,1364	0,1500	0,1035	0,1212	0,1667	**12%**
0,0478	0,0862	0,0909	0,0375	0,0518	0,0606	0,0278	**5,5%**
0,0382	0,0732	0,0909	0,0375	0,0342	0,1212	0,0556	**6,5%**

***Table 5:** Calculated criteria importance*

The last column in Table 5. calculates row average, which represents each criterion relevance. Labels (**Eff., Q, Unk. TW, L, A, Imp.**) are excluded from Table 4. and Table 5. due to calculation table simplification. Hypothetical management from this example find working quality and efficiency as two most relevant criteria.

3. Employees ranking and final choice

Evaluation results from Table 1 are further being multiplied by the criterion weight to get final score. For example, assigned score in Team Work category (0,20; 0,40; 0,60; 0,80 or 1,00) is being multiplied by 9%. The rest of calculation is shown in Table 6. This specific case shows that employee XA achieved worst results in regard to the management requirements. The authors present a simple example that can be easily implemented in any organization. This method will be of special benefit in organization with larger number of employees where many of whom show similar performance.

Employee	Eff.	Q	Unk.	TW	L	A	Imp.	TOTAL
X Y	0,096	0,234	0,016	0,054	0,024	0,044	0,026	**0,494**
X A	0,096	0,234	0,016	0,054	0,024	0,033	0,026	**0,483**
X B	0,144	0,234	0,016	0,054	0,048	0,033	0,039	**0,568**
X C	0,096	0,312	0,008	0,054	0,096	0,033	0,052	**0,651**
X D	0,144	0,156	0,016	0,072	0,048	0,044	0,013	**0,493**

***Table 6:** Obtained results and final ranking*

Making final decision in dismissal process does not necessarily have to be strictly related to the result of AHP method. Although AHP method can be very important managerial tool for

making decision regarding employee dismissal, it should not be the only tool/method for dismissal decision. Since dismissal of employees have serious business, economic, but also emotional-psychological and social consequences, in this process beyond management (as owners representatives) professional team from the HRM department and Union representatives can be also involved. Situation where decision or agreement is achieved by the consensus between management, professional team from the HRM department and Union representatives represents good solution.

So by means of the AHP method with the assistance of professional (e.g. criterions of employers potential development and "soft" people characteristics which can not be measured only with figures) and social Union support (who should include different social criterions- e.g. difficult family situation), maximum level of the justice principle in dismissal process can be achieved. When dismissal process is done correctly (by means of AHP method as a main managerial tool in dismissal process) and after discussion plus consensus with professionals from the HRM department and Union representatives, and after detailed and kind explanation to employees who should be separated from the company, the negative dismissal effects can be prevented in a two way sense. Firstly in sense of the company wellbeing in terms of angry employees who have to leave the company against their will (e.g. court accusation, aggression toward management), and in terms of deteriorated working and organizational climate for the employees who are staying in the company. Secondly in sense of the psychological strengthening of dismissed employees, who in the case of just and socially kind dismissal procedure can confront their difficult situation much more easily.

4. Conclusion

Dismissal is an organizational procedure for diminishing the employee number. The paper resolves the problem of objectively righteous dismissal of employees in case of technological surplus by means of AHP method. Using AHP method management can objectively choose those employees for dismissal who have shown the worst performance according to the nominated criteria (e.g. efficiency, quality of work, ability to react and adapt to unknown situation, team work, loyalty, absences, improvement potential etc). AHP method represents very good basic tool/method which can facilitate this kind of decision, namely dismissal decisions are never an easy ones.

Since dismissal have serious business, economic, but also emotional-psychological and social consequences, in this process beyond management (as owners representatives) some other things may be included: professional team from the HRM department and Union representatives. Well balanced dismissal solution can be achieved in situation where final decision is result of the consensus between management, professional team from the HRM department and Union representatives.

Namely when dismissal has been done correctly (by means of AHP method as a main managerial tool in dismissal process) and after discussion and consensus with professionals from the HRM department and Union representatives, further after detailed and kind explanation to the employees who should leave the company, all or most negative dismissal

effects can be prevented in a two way sense. Firstly in sense of company wellbeing in terms of calming down angry employees who should leave the company although they do not want to (e.g. court accusation, aggression toward management), and in terms of diminishing the consequences of deteriorated working and organizational climate for the employees who are staying in the company. Secondly in sense of the psychological strengthening of dismissed employees, who in the case of righteous, just and kind dismissal procedure can confront their own unwanted and difficult situation much more easily and with less stress.

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