Borders Group Inc. cuts 275 corporate jobs; Ann Arbor News turns to McTevia

Layoffs at Borders Group Inc. include 156 jobs at Ann Arbor headquarters

By Stefanie Murray | The Ann Arbor News
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When Borders Group Inc. announced cuts of nearly 275 corporate jobs Tuesday - including 156 in Ann Arbor - the news wasn't a big surprise since the beleaguered bookseller detailed a plan last week to slice $120 million in annual costs.
Still, it marked an emotional milestone for workers at the bookseller's Ann Arbor headquarters.

Borders has never laid off so many people at once at its Ann Arbor headquarters, which now has just over 1,000 employees.

The move follows the layoff of five vice presidents and three directors in May. Before that, the last time Borders announced a large layoff was when it let 90 people go in a 2006 restructuring.

"This is something that was given just a ton of thought; we did a lot of diligence on this," Borders' chief executive officer George Jones said in an interview Tuesday. "We realized our overhead structure was too high, and it just didn't make sense for our business. ... We started working with (an) outside consultant to do it intelligently, to do it surgically instead of with an ax.

"Anytime you do something like this, you can't lose sight of the personal side of it because it negatively impacts a lot of people's lives," Jones said. "It is an unpleasant day and an unpleasant experience. We feel like we made the right move for the future of the company."

Jones said there aren't plans for additional layoffs.
In both 2006 and 2007, Borders lost more than $150 million - even though its revenue increased. In spring 2007, Borders launched an aggressive turnaround plan aimed at returning the company to profitability. Earlier this year, the retailer said it's considering selling all or parts of its business. Rival Barnes & Noble Inc. has assembled a team of executives and consultants to study a possible combination with Borders.

The $120 million expense reduction plan is part of a larger effort Borders outlined last week to reduce its debt, improve its cash flow and better manage its inventory.

This week's job cuts eliminated 20 percent of Borders' corporate workforce, but less than 1 percent of its total 30,000 employees. The cuts do not affect workers at the company's Borders Books & Music or Waldenbooks stores.

Borders employees whose jobs were cut are being offered transition pay, severance packages, job placement assistance and counseling, the company said.

Dan Smith, Borders' executive vice president of human resources, said most of the jobs eliminated were full-time and came from almost every department. Each person affected had a one-on-one discussion with his or her supervisor early Tuesday. Every senior manager had team meetings later in the day, and companywide town hall-style gatherings are planned.

"It was important to get it done in one swoop instead of dribbling it out over time and (creating) a lingering uncertainty," Jones said. "After everything settles down, there should be some relief that employees don't have to be looking over their shoulder, worrying about their jobs."

It appears Borders is making proper restructuring moves, said Jim McTevia, principal of McTevia & Associates, a corporate restructuring consulting firm based in metro Detroit. But he cautioned that it's still possible Borders could cut more corporate jobs.

"When you have a financial problem, whether you're an individual person, Chrysler, Borders, I don't care who it is, you have three things you can do," McTevia said. "Number one, you can increase revenue. Number two, you can cut expenses or number three, depending on the economy, you can do a combination of both."

"Until the economy improves and they get their costs in line with their revenues, they will continue to lose money," McTevia said. "You can keep on cutting and cutting and cutting until your expenses match your revenue."

E. Han Kim, a professor of finance at the University of Michigan's Stephen M. Ross School of Business, said corporate layoffs are an expense-cutting move that typically happens after a company has sold off, or tried to sell, noncore assets.

"Then when times get really tough, they have to lay off people who are closer to the top management," Kim said. "When that doesn't work, then the last resort is changing of top management through a sale of the company."

If the company were to be sold or merged with another company, that could jeopardize hundreds of jobs at the Ann Arbor headquarters.

"Borders in the long run (would be) in danger of disappearing," Kim said. "They (wouldn't) need two headquarters but they would never say that. That is the unfortunate aspect of capitalism."