

UPHOLDING SUSTAINABLE EMPLOYEE MORALE DURING DOWNSIZING

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Abstract:

Now-a-days downsizing is a part of life. Companies who cut jobs in one year repeat the same in next year. The researcher would like to highlight the many forecasted gains out of downsizing (high productivity, work efficiency, flexibility, better performance etc) could not be achieved. Studies have shown that employees undergoing layoffs often show signs of resistance to change, fear, commitment issues, and withdrawal symptoms since there is a significant rise in their workload. The survivors face commitment issues if they get to know that the company is being unfair in the whole process. Survivors trust is at stake since the top management opts to withhold the information and there is no openness towards communication. This trust and morale further deteriorates when the survivors find out that the management is unreliable and inconsistent in their decisions related to downsizing. Involving employees in downsizing decision making, training the survivors and providing them with career counseling sessions will definitely help to ease the rightsizing process. Trust and empowerment will ultimately become the sources of competitive advantage in this dynamic environment in the coming years. The study highlights the effect of downsizing on employees' morale. It will help to formulate strategies that guarantee the delivery of the desired outcome as well as it will also add to the existing literature on downsizing and employees' performance in multinational manufacturing companies. Data was analyzed through descriptive statistics. The study concludes that downsizing increases their job insecurity. Furthermore, the study recommends that the organization must improve employees' morale in an effort to boost employee's output and make them feel secure and protected about retaining their job.

Keywords: *Employee downsizing, survivors, productivity, morale, training, layoffs, commitment, loyalty, multinational engineering companies*

Introduction:

Downsizing process is conducted to improve organizational efficiency, productivity that affects the size of the firm's employees, expenses and the work processes. Downsizing in other words is also known as "de-hiring, de-recruitment, reduction in force, re-sizing and right-sizing". The basic idea of downsizing was to cut down on costs and increase the overall bottom-line. The actual question was to find out how downsizing was done rather than knowing when and why it was done. Various reasons have been identified over the studies conducted to understand "why organizations decide to downsize the workforce". Some of the commonly mentioned factors of downsizing include "declining profit, business downturn, merging with another organization, resulting in duplication of efforts, introduction of new technology, need to reduce operating cost, desire to decrease levels of management, getting rid of employee deadwood". Many times organizations go on board for a downsizing program without considering its feasible alternatives. Studies have proved that downsizings are not well-planned and underestimate the impact of downsizing on the organization and its human resources. As a result, surviving employees become narrow-minded, self-absorbed and inclined to more risks. Morale starts to sink, productivity drops and survivors start to distrust management. Reducing headcounts without making other changes, companies can barely achieve long-term success they desire. In contrast, steady employers do the whole lot things they can to retain their employees.

The organizations that provide outplacement services or help placing the downsized employees end up in a much better position post downsizing. This creates a better chance of retaining loyalty of the survivors, since trust is considered as the most fragile yet precious asset for any company. The

employees' contributions will depend more on how their managers announce, plan or implement downsizing. Downsizing brought about a change in the managerial mind-set of being associated with organizational decline began to be viewed by companies as a justifiable restructuring strategy aimed at humanizing organizational efficiency. A systematic amalgamation of strategies can help categorize some context-specific generalizations that should prove valuable for committed managers.

"Employee morale describes the overall outlook, attitude, satisfaction, and confidence that employees feel at work". When employees are positive about their work environment and believe that they can meet their most important career and vocational needs, employee morale is positive or high. Unlike motivation, morale cannot be given to employees. Effectiveness of managers, quality interaction of manager with its employees, and the way employees interact with each other all contribute to high morale of an employee. Employees usually liked to be feeling as if they are part of something important and contributing to the success for the greater good is a real morale booster.

Review of Literature:

Steven H. Appelbaum (1997) suggests that organisations should focus more on the people factor rather than the corporate objectives to be achieved after downsizing. He states that the survivors are usually ignored during the streamlining process, and that being a victim of downsizing is no less traumatic than losing a close relative due to death. He suggests that if the company focuses more on the survivors training, career advancement opportunities and compensation benefits, they will be happy and committed towards the organisation.

Jessica M. Lahner's (2004) study "The Impact of Downsizing on Survivors' Career Development" highlighted two aspects of the process: the victim and the survivor. The researcher witnessed many factors of the survivor's existence after the process, such as production, commitment, loyalty and increased emotional quotient. The researcher also focused on the religious and holistic part of the process, noting that a widower feels more depressed and frustrated than a widow or married male. The research concluded by stating that women have more inner faith and are mentally strong than men in digesting the process positively.

Nadia Labib's (1994) research on "The Impact of Downsizing Practices on Corporate Success" states that downsizing is a permanent tool and a common practice. The major factors behind implementing this strategy include mergers and acquisitions, a quick solution towards bankruptcy, privatization of the company, to stay in the competition and many more. Costs related to rightsizing include pay levels of the employees, relocation expenses, settlement cost, various insurances etc. Employers should be ethical while terminating employees and take care that the process of economizing does not hurt the employees.

Franco Gandolfi (March 2014) studied the reasons for firms going for downsizing. He identified two major approaches towards downsizing: Investment in human capital and financial crisis. The basic reasons for downsizing are quick fix solutions, cost reduction for competitive advantage, and motivational factors such as divestment, change in technology, deregulation, competition, and regulatory requirements. The research also found that when technology changes, new recruitment is required to handle that technology, leaving the middle management jobless.

Prof. Rutuja D. Jadhav, Dr. Kuldip S. Charak, (July, 2015) this study examines the adverse effects of downsizing on surviving employees. It suggests that some change strategy like "worry not" or "prolong strategy" or "downsizing" as the last option can be worked out. It also suggests that firms should implement these strategies slowly and steadily after considering all the employees, as no two people are similar. Factors such as stress, productivity concern, honest and straight forward communication, and older employees are affected first.

Alternative to downsizing:

Voluntary Retirement Scheme is one of the alternatives for downsizing. In VRS, the company makes a mutual agreement with its employees to voluntarily retire on payment of agreed compensation by

the employer. This scheme is used by companies to shrink their excess manpower. In India this scheme has been into use since direct retrenchment of unionized employees is not permitted. Recession in the economy forces organizations to opt for VRS in order to survive. Globalization has brought intense competition in terms of manpower, knowledge of manpower, and technological and management systems, leading to the need to recruit fresh management and techno-workers and retire old workers. Intense competition has led to mergers and takeovers in the economy, with many organizations merging or amalgamating to become more powerful and sustainable. These ventures keep lean structure and want to be more cost competitive, so they show doors to many old workers through this scheme.

HR of companies can also think of using cross training option to identify the skill mix of staff today and link it to the skills needed in the future. Successful succession planning requires line managers to identify likely candidates, and successful redeployment requires a sophisticated career management process and career assessment and development activities.

Reduced hours, lower wages, alternative placements, leave of absence, employee buy-outs, employee ownership, and shared ownership are all ways to reduce the number of employees from the company. Reduced hours and lower wages are established to save money. Alternative placements are offered to pension-eligible employees in a specific area, and leave of absence is offered to help an organization during downturn. Employee buy-outs allow employees to buy the operation that was slated for closing and set up their own businesses. Shared ownership allows employees to trade pay increases or pay cuts in return for company stock.

Statement of the Problem:

The psychological issues of downsizing are often ignored by management during downsizing, with most organizations focusing on implementing layoffs or alternatives to layoffs. Levinson (1976) suggests that when organizations do not account for the experience of loss, changes in the organization are unsuccessful, as people are unable to cope with feelings of helplessness. The charge of management in downsized organizations is to create a culture that helps fill the vacuum left by the reorganization.

Organizations need to reestablish a relationship of trust, loyalty, and commitment with their employees to ensure they are not being shafted. While many organizations offer attrition programs to avoid layoffs, some employees feel they have no choice but to retire due to stress. This can lead to a decline in their job performance.

The researcher sought to understand how downsizing affects job performance, employee morale, and trust in the workplace. They focused on morale and productivity, while also considering advanced training and seniority. When downsized and restructured organizations ignore human variables, productivity suffers and morale and motivation starts decreasing.

Objectives of the study:

- To verify if morale and job performance can improve in a downsized organization.
- To find out if trust can be rebuilt after layoffs.

Significance of the study:

Organizations must be able to manage change effectively to maintain professional competence with less staff, as it can lead to decreased productivity, morale, and motivation.

Research Methodology: To keep the efforts controllable, the researcher here has limited the review to studies of employee downsizing taking place at the organizational level only. The study was based on descriptive research design where the key research instrument was questionnaire. The target population was employees of Automobile Manufacturing companies in Pune City. A sample of 60

respondents was selected using non-probability convenience sampling. Data was analyzed through descriptive statistics.

Data Analysis & Interpretation:

Total 5 factors of morale were considered. They are as follows.

- I am doubtful about my future in the company
- Work load has increased
- After downsizing, undesirable emotions affect my work
- Survivors have started feeling idle
- Increased in health issues due to stress
- Increase in Anger levels
- Feeling of Depression

The questions on the above factors were asked to the employees of the automobile companies. Their answers / reactions have been noted in the table below.

Factors related to Morale	Mean	Overall Mean
I am doubtful about my future in the company	2.86	3.08
Work load has increased	3.65	
After downsizing, undesirable emotions affect my work	3.46	
Survivors have started feeling idle	3.10	
Increased in health issues due to stress	3.30	
Increase in Anger levels	2.53	
Feeling of Depression	2.72	

The mean of all the above factors of morale indicate that it has a negative impact on morale of the employees.

The respondents have a feeling of betrayal and insecurity due to downsizing, and are low on moral factors.

The respondents reported that their work has increased after downsizing. At managerial level, employees are expected to work 24x7. However, if there is no remuneration but an increase in roles and responsibilities, the motivation level goes down. This has a negative impact on morale of the employees.

Employees are struggling to focus on their work due to the fear of being downsized, which affects their work and productivity.

The respondents feel stagnated after downsizing, with no future in the company in terms of productivity, promotion, incentives, rewards, extra work load, or engagement activities. This was not the case earlier, when there were regular salaries, attractive incentives, and engagement activities.

The downsizing has caused an increase in stress levels, anger levels, anxiety levels, and chronic stress symptoms. The survivors responded that they were in stress as well as having health issues, meaning they were not mentally strong and physically fit for the extra work. So we can conclude that stress can affect emotions, behavior, and mental ability to work efficiently.

Respondents were asked if there was an increase in anger during working after downsizing. The mean value was 2.63, indicating that they did not agree with the statement. This suggests that employee's anger was not affected by downsizing, as people do not like to reveal their depression or anxiety.

Respondents were questioned whether downsizing helps to fix economic problems, with many believing that other strategies such as reducing working hours, reducing pay, and reducing pay could have helped.

Suggestions / Recommendations

Private organizations face many challenges in creating jobs and maintaining existing employees without compromising the benefit of any party. Employee downsizing is a routine course of action that companies follow, but it has multiple consequences on all stakeholders, including the employee, employer, society, and nation. Suggestions and recommendations for automobile companies and industrial engineering companies should be made before following any downsizing process.

Downsizing is a common practice that automobile and Industrial organizations adopt if they face a crisis. It has multiple consequences on all stakeholders, so it is suggested that companies should consider downsizing as the last option as a strategic decision. Many organizations adopt downsizing due to economic recession and financial problems, which do not arise overnight. Alternatives to downsizing include negotiating with vendors, partial stoppage of amenities/resources/benefits, reduction in administrative and selling costs, reduction in wastage, recruit well qualified and deserving candidates, and reduction in working hours.

Companies should take proactive measures to motivate survivors, such as monetary and non-monetary rewards, appreciation, and engagement activities. These activities will help survivors to come out of stress and mental fatigue, making them more motivated to work.

Company can take care of its employees by providing counseling sessions, yoga sessions, meditation, games, cultural programs, and other activities to help them cope with anger, depression, fear, motivation, unfairness, stress and fatigue. Managers can be trained to be their coach and provide appropriate support. Resiliency training will help them take note of their employees and offer appropriate support.

Conclusion:

Provide employees with ongoing training opportunities to develop their knowledge, promote new skills, build confidence, and reduce fear of job insecurities. According to Diane Tracy's 10 steps to empowerment, the growth of the company is dependent on the people who make up the company. Providing training motivates employees to reach their full potential and creates an environment where talented employees can thrive.

Employees are the heart and soul of any organization and without a team of engaged and committed employees, organizations cannot succeed. In tough economic times, layoffs are inevitable, but managers must remember that trust and respect are reciprocal. Employees crave recognition, trust, and responsibility, and the success of a business depends on its ability to secure the engagement of their employees by tapping into these needs. To do this, managers must communicate objectives and goals to employees, provide them with the training needed to reach their potential, and be fair and objective. By creating an environment where employees feel supported and valued, they will be empowered and motivated to engage and give their best.

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