Financially difficult times

Business, Organization

Organizations vary in scope and their nature of businesses, and it is difficult to make sweeping generalizations without a thorough analysis. Financially difficult times for organizations can result from a downturn in the overall economy, as it is seen at present, due to an unprecedented reduction in global financial liquidity. On the other hand, it can also result from ongoing problems within the market sector the company is currently operating in, or as a result of internal problems within the company itself.

However the two terms ‘ redundancy’ and ‘ downsizing’ are commonly used in today’s human resource management practice, and must be critically examined in light of difficulties faced by organizations in financially challenging situations. Only then can a comprehensive evaluation of human resource practices be undertaken, taking into account the company’s strategic objectives – to survive, re-structure or do both simultaneously. It is only then we would be in a position to evaluate the relationship between a company’s financial imperatives and its commitment to its employees’careergrowth and well-being.

An organisational analysis of ‘ downsizing’ Kozlowski et al (1993) defined downsizing as ‘ a deliberate organisational decision to reduce the workforce that is intended to improve organisational performance’. The focus here is on improving organisational performance, which although directly related to the organisation’s financial imperatives to survive, implies an adaptive process through which the organization seeks to meet the challenges of the rapidly changingenvironmentit finds itself in.

The survivors in the process will often also have to re-train, re-orient themselves in newly created roles (deployment). Often these people lose their former status, pay, benefits and even their specialized attributes. These actions are carried out even though the management of the company is fully aware of these decisions on companyloyalty, morale and a reduced quality of life for its employees, often due tostressanddepression.

It might be questioned therefore whether such an organisation placed its financial imperatives above its employees' interests, but in reality, few employees fail to realize that survival was at the top of the list of the organization's priorities. The anti-employee stance of the organization can be performed as a management function, a little discussed function of the human resources department of the organisation. " Downsizing is probably the most pervasive, yet understudied phenomenon, in the business world", according to Cameron (1994).

In may instances, a vertical integration between an organization's business strategy and human resource strategy may be poor – and this is often perceived as an organisation's lack of interest in its employees. Downsizing can be carried out by organizations by a planned, systematic pro-active strategic approach which involves openness with employees, an explanation of the organization'sgoalsand enough time for the employees to prepare themselves for alternative careers and life goals, or allow for transition to other organisations.

It has been found that employees are much more likely to accept a decision like redundancy when and adequate and genuine explanation is offered for it. (Brockner 1990). In sharp contrast is the reactive approach to downsizing, which is carried out without a strategy in place, and results in unpleasant feelings both from those who lost their jobs and the survivors. In a study by

McCune (1998), 94 % of HR managers had less than 2 months from start to finish in the downsizing process.

Such reactive downsizing results from an urgent need for cost reduction for some organizations, and often do not consider any other alternatives to downsizing – and gives rise to the popular perception which is the main premise of the article – that in times of economic crises, organizations often respond in own their best financial interests, disregarding that of their employees. Quite often, this has negative consequences for even their remaining staff, and this can lead to adverse consequences for the organization's strategy.

From a human resources perspective it is essential that organizations that organizations adopt good practices when it comes to employees in the event of downsizing or redundancies. Why not all organizations are pro-active when it comes to employees' interests Organizations vary greatly to the extent to which their human resources management policies are vertically integrated with their strategic objectives. Some are dependant critically on short-term and temporary contracts, others primarily on outsourcing and yet others have no robust HR management policy in place at all.

Relatively few organizations successfully manage to implement a pro-active policy when it comes to protecting their employees' interests in the long run. In thisrespecta few analytical typologies (Thornhill 1998) can be used to explain why organizations vary in their capacity to be pro-active in managing change in financially difficult climates when it comes to human resources policies and their approach to downsizing or re-structuring.

From a strategic perspective, three such typologies have been discussed by Cameron (1991) and Mishra and Mishra (1994) : (i) Workforce Reduction strategy : This is usually a common and widespread method of reducing the headcount of an organization during a difficult economic climate. As indicated earlier, this is often a reactive method rather than a planned strategic action, often with short and long term negative consequences – since the amount of work remains the same but the headcount is reduced.

It is important to remember why this is adopted by many organizations as a preferred method – it is cost-effective, and for many organizations in difficult climates, the cost of alternative strategies is too high for their survival. Typically these are organizations which are typically small to medium, which do not have an ongoing strategy for employee training and development, and who do not require a highly skilled workforce with specialisms essential for carrying out their business.

Mishra and Mishra (1994) typically found that in these organizations, redundancy led to significant loss of productivity and efficiency. In addition Thornhill and Gibbons (1995) discusses a repeated cyclical process in these organizations which continue to implement workforce reduction whenever financial problems arise. This has an extremely negative impact on the morale and job security of the remaining employees, and such organizations find it difficult to recruit and retain the best workers.

(ii) Organisation redesign strategy : In the study by Thornhill (1998) about half the studied organizations employed this strategy. This involves de-layering the organization, and also typically eliminating work and job redesigning for its employees. Therefore, the headcount as well as the amount of work is reduced in a planned fashion, with less negative adverse effects to the organization. It is notable that although the net effect on employees being made redundant is still the same, some organizations actually make to effort to provide proper explanations to outgoing employees.

(iii) Systemic change strategy : This is often a more fundamental re-structuring in organizations involving its own employees and adopting a continuous change management program designed to bring about continued improvement. A third of organizations use this method Cameron 1993), and its use is not only limited to financially difficult climates, but also during times of normal functioning as part of continuous re-structuring. Although downsizing is commonly undertaken it is done as part of a continuous change management strategy in mind, and is likely to generate the least effect on organizational performance.

A cultural perspective on reduced job security in times of recession and financial crises – acase studyin the UK Expectations for life-long jobs in the corporate sector have radically transformed over the last two decades, beginning noticeably with the 1990's. At all levels, from managerial to non-managerial technical ones, employees progressively look at jobs as opportunities to ' gain skills' and then move on. A particularly detailed study in this respect was carried out by Hopfl and Smith (1992), on two of the largest British firms British Telecom (BT) and British Airways (BA).

This new shift in organization consciousness was noticed as early as in the 1990's, to put in the authors' words : " Many BT staff no longer have the belief that they are " stamped BT to the core", as one manager put it. This is perhaps an indication of a " healthier" relationship between the employee and the organization. ” Thisculturechange is a very important consideration when it comes to analyzing the attitude of modern organizations to job cuts. Change programs as the study highlights, arise out of commercial needs.

The need to downsize or redeploy as part of an organization’s need to survive overrides all other considerations as competition in the marketplace has become extreme. One senior manager quoted in the study confronted a group of managers with the brutally honest message: " Don't be deluded into thinking the change was about being nice to each other. It was about effectiveness, performance and survival". While BA had introduced job cuts as part of its re-structuring, it had also set about a change management program to re-define the relationship between its employees and the organization.

Moving away from its roots of its earlier commitment culture by working 12 hour days, it introduced the concept of work-life balance and stressed upon the importance offamilylive and espousing family values. Both BA and BT changed the culture of the organization in which they incorporated human resource concerns into their corporate objectives – this was intended to raise the morale of employees in uncertain financial times, improve their sense of commitment andmotivation. In this atmosphere of trust, employees feel valued and not manipulated in the event of corporate re-structuring, and even redundancies.

The above real-life scenario provides an example of how human resources can play an effective role in preparing the employees for unfavorable decisions include redundancies, by being transparent, brutally honest and still appearing concerned about employees’ welfare. This can be accomplished by a cultural change management program which encourages such healthy relationships. An Ethical View of Organizations not put its employees’ interests first There is little doubt that organizations can always find legitimate justifications for putting its own survival interests first – before consideration of its employees.

Several authors have stated the same theme : Ethical principles and the reality of the marketplace are often not compatible with each other. (Cadbury 1987). The duty of an organization to safeguard its employees’ best interests in times of financial crisis can only be termed a moral obligation, and a part of the organization’s corporate socialresponsibility. On the other hand, the process of downsizing and making people redundant raises a host of ethical and moral dilemmas. How to select those people earmarked for downsizing ?

Beauchamp and Bowie (1979) studied the ethical issues facing managers who are responsible for downsizing, and found that the majority of them adopt an utilitarian view. They somehow seem to believe that the decision to downsize is for the common good of the largest number of people within the organization, and would make the financial problems of the organization go away. This finding is shared by other authors as well, notably Premeux and Mondy (1993) and Fritzsche and Becker (1984).

From a managerial perspective, the definition of the population whole best interests were taken care of invariably the company or the organization and its insiders, and not from the social perspective or point of view. Since organizations are chiefly financial entities, and comprise of employees, it is difficult to argue that downsizing implies acting against the interest of employees. It merely implies that unpopular decisions were taken to ensure that the organization survived first and the greatest number of employees' best interests were at the core of the decision.

In conclusion, a critical analysis of the premise that during financially difficulties, it is always the financial imperatives that are prioritized above the employees' interests is a situation fraught with moral dilemmas. The role of Human Resources in implementing this decision is merely to ' soften' the impact, but at its core, financial imperatives to survive will always remain the chief justification for any difficult decision, in challenging times. References Beauchamp, T. L. and Bowie, N. E.

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