

The long term impact of staff reduction on surviving staff: starbucks experience

[Business](#), [Company](#)



Research Aims

Staff reductions are often required as part of the restructuring of an organisation, or as a response to economic conditions. However, the focus of the research here is to look at the long term and whether this type of staff reduction has an impact on the staff that remain, rather than focussing on those that leave. It is argued, at the outset, that the remaining members of staff are often overlooked, as they are perceived to be the “ lucky ones”.

Despite this, the basis of the research is that there will be both a psychological and practical impact on those remaining staff and these issues needs to be considered with much greater emphasis by the management team when looking at this type of restructuring. The aim is to provide a much greater understanding, by looking at Starbucks as an example, so that the management team is in a better position to deal with these types of situations in the future (Ferrie et al., 2001)

Objectives

In order to achieve this aim and to look at the broader issues associated with staff reactions, it is recognised that there will need to be several focussed objectives. Staff reactions are by their very nature going to vary, depending on a variety of subjective factors and by being clear with the objectives this will ensure that the overall aim remains the focus of the research throughout. The key objectives are as follows:

To gain an understanding of the initial redundancy or downsizing process, including the impact of the various selection processes; for example, the

long-term impact is likely to be different where the redundancy is voluntary and therefore understanding the involvement of those staff retained in the process is the first step to understanding the reactions.

To understand the perception of individuals, depending on their role within the downsizing process; this recognises that there are multiple staff being impacted on when some are made redundant as well as the retained staff. These include the staff members who were not involved in the process, in the first place, as well as the managers, to make the ultimate decision.

To appreciate the psychological reactions and individual perceptions of those staff members who remain within the organisation, depending on the way in which this process is managed; for example, is there a difference between staff who are engaged with post-redundancy, or does it generally seem preferable to return to a “business as usual” mentality (Armstrong-Stassen, 1993)

Finally, the impact on the performance of the business over a longer time horizon will then be considered, looking at the immediate aftermath, as well as six months or even one year down the line, with potential reference to the ways in which staff members then react when the recovery process takes place. For example, it is potentially suggested in the literature that staff lack loyalty to the organisation and when general economic conditions improve may be more likely to look for alternative employment, as a result of the treatment they received during the recessionary period.

Research Questions

Two key questions emerge from this proposed research:

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Which factors impact on and to what extent do they impact on the remaining employees, following a period of downsizing or redundancy

How can a management team look to mitigate the negative effects of downsizing and redundancy

Critical Review of the Literature

The literature in this area has already dealt with a variety of factors relating to redundancy and the impact on an organisation, but has not looked specifically at the longer term impact on the retained staff and the wider staff groups that may not have been directly linked to the restructuring and decision making.

Firstly, it is noted that research in this area recognises that staff members will typically understand that there are often periods where it is necessary to downsize or restructure, to such an extent that there will be involuntary redundancies. Klein (2009) states that, although staff will recognise this need, there is now also a recognition that the business managers are making decisions with the staff in mind, but are instead looking specifically at the immediate business demands. This shows lack of long term recognition of business sustainability, when it comes to retaining staff loyalty.

Research by Machlowitz (1983) looked at the emotions of the individuals, following on from a redundancy situation where they were survivors. This looked at the immediate aftermath, from an individual perspective, finding that individuals typically felt emotions of guilt or isolation, as well as a feeling of betrayal, where they felt that the process had not been undertaken

completely fairly. Research from Brockner et al. (1985) looked at a laboratory experiment where students were subject to “lay offs”, finding that feelings of inequality were emerging and a sense of disgruntlement happened where it was felt that the relationship between the individuals was in some way unfair. This indicates that where there is a redundancy situation, the vitally important aspect to consider is the process of the downsizing, rather than the actual downsizing itself. Anxiety also ranked as a driving factor, as there was the concern that others would be made redundant, in the future. These perceptions and fears potentially result in efficiency within the organisation reducing and the staff then being more prepared to look towards other locations for their long term employment (Hughes, 2000).

The longer term impact of staff reduction and downsizing remains largely unexamined and the purpose of this paper is to look at how these activities can have an impact on the longer term operation within the business, by understanding the way in which the surviving individuals react (Cascio, 1993). Further research is also required to ensure that the management team understands the impact of the way they handle a downsizing process and that this can have a direct and lasting impact on the success of the business, in the long run.

Industry background

In order to explore this issue in more detail and to create a relevant analysis, Starbucks is being looked at as a case study. Starbucks presents an

interesting opportunity for analysis, as it has risen very rapidly from its first store which opened in 1971 to an organisation that has stores in nearly 21,000 locations across the world. Despite this, during the last ten years, the store has actually reduced its numbers, in the wake of the global financial crisis and lowering profits (Jennings, 2008).

Starbucks was not seemingly on the brink of disaster and in fact continued to open up other stores across the world, yet chose to close 600 stores across the United States, creating an interesting question as to how it impacted upon staff members where there were reports of a globally successful organisation that was still experiencing redundancies in their local area.

Arguably, the reason for the downsizing in the United States was the recognition that they had achieved the maximum growth available within the industry and they simply had too many stores. Takeaway coffee is largely a luxury product, with a limited number of affluent individuals able to partake on a regular basis. Despite Starbucks being a popular location for individuals and being recognised as an outlet in which individuals can choose to spend a large amount of time working or meeting friends, there are some limits to the number of customers who are prepared to pay premium price for good quality beverages.

With an industry essentially at saturation point, there needs to be a readjustment of strategy, yet there is likely to be a reaction from the employees who feel somewhat jilted having been involved in the dramatic growth and now suffering from their own success and hard work. This type of

reduction is therefore particularly interesting, as it is a reaction within the industry, rather than something which can necessarily be attributed to the staff members themselves.

Research design

The research design for this paper is particularly important, as it involves looking at the feelings and reactions of individuals, thus making it a different type of research than simply collecting statistical data and then analysing this in a quantitative manner. In order to look at the reactions of individuals to a downsizing scenario, it is necessary to consider a sufficiently broad range of individuals, to gain any material understanding of exactly what is actually going on and the way in which individuals react. Different individuals will naturally react differently to a downsizing scenario. Certain individuals may even view this as an opportunity to further their own position, as there will be less competition within the organisation when it comes to securing their future; others will be much less positive, despite both individuals being part of the same process (Vahtera et al., 1997).

For this reason, the primary method of research will be a detailed case study of precisely what is happening within the organisation. This will include an understanding of the management theory behind the downsizing, before then going on to undertake a relatively detailed questionnaire with individuals from a variety of different locations, all of whom have been affected by the downsizing in some way, as well as completing at least two focus groups where individuals are brought together to discuss their

experiences. This form of research is particularly important in this scenario, due to the fact that when individuals are left to openly discuss their thoughts and feelings, it is likely that they will open up and produce a much deeper understanding of their reactions (Weca, 2008).

Data Analysis Plan

Due to the qualitative nature of the research planned, the necessary data analysis also needs to be sufficiently open to looking at individual reactions and trying to find consistency of patterns of behaviours or thoughts. For this reason, the questionnaires will involve a quantitative analysis of the results, which will offer an understanding of any patterns being formed, before then looking towards the qualitative aspect of the research, in order to understand why certain responses have been obtained. By taking this two-stage approach, it is anticipated that the overall conclusions will have sufficient certainty, based on the quantitative analysis and will also be able to add to the understanding, through the use of individual thoughts and responses. A particular concern does arise, however, that there will be some limitations in the accuracy of the research. Firstly, the research focuses on survivors within a certain location or organisation and there may be an unwillingness of the individuals to be completely open about their thoughts and feelings, for fear of jeopardising their own position in the future. There are also likely to be limitations, due to the fact that this research is focusing on one organisation alone and downsizing may have different responses in different organisations (Stone, 2008).

By ensuring that any results obtained are dealt with anonymously, this will assist in some way to ensure greater accuracy. Nevertheless, there will always be the need to recognise that interviewing survivors of a redundancy process is potentially a skewed approach and some individuals are going to present an inaccurate picture, purely to further their own position, or at least to protect it. On balance, however, this overall analysis is likely to present the most balanced result and also establish some themes and generalisations which will be useful for the future.

Conclusion

In conclusion, understanding the impact of a downsizing programme on surviving staff members is crucial to the approach taken by the management team and any such situations in the future, either within the same organisation or for management teams of other organisations (Schwaner-Albright, 2008). Personal reactions to a situation can be somewhat difficult to appreciate and understand, due to the fact that individuals, by their very nature, will react differently to exactly the same factual scenario. The aim of this research, is to identify themes and generic strategies that may be useful to those looking at downsizing in the future, in order to ensure that surviving members of staff do not suffer from the negative effect of the redundancies and that the organisation is able to return to full efficiency, as soon as possible.

Time-scale for Project

This research is being undertaken over one academic year, although the plan is to undertake a full research and write-up within eight months. The following chart depicts the general approach that is being followed.

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Background, Aims and Objectives

Literature Review

Research Design

Research Collection

Analysis of Research

Writing Up

Revisiting and Checking

The majority of this research will involve the collection of primary data and the analysis of the research findings that have then been collected. It is anticipated that there will need to be several re-visits to the original data, as new information or themes arise. For example, analysing questionnaires will provide a strong starting point for the focus groups, but following the focus groups, it may then be necessary to go back to the questionnaires to further explore certain key issues. It is for this reason that the research collection and analysis of research findings takes up such a substantial part of the time allowed.

There is a degree of flexibility in this process and the research will be sufficiently flexible to ensure that the key points arising from both the case

study, conducted as part of the literature review and the research collection, is able to take a longer period of time, if required.

Resources

As noted previously, the research is focusing entirely on the experience of individuals within one organisation. Therefore, good access to those individuals will be an essential element of ensuring that this research is conducted in sufficient depth. It is also noted at the outset that one of the main aims of this research is to provide the management team with guidance as to how it can better manage a downsizing operation in the future and therefore having management support in order to gain access to key individuals is a necessary resource.

Secondly, understanding the responses received and looking at existing literature will also require access to a variety of different publications, although this can largely be obtained through library facilities.

On balance, the key resource within this research is the ability to speak to a variety of individuals who have survived the downsizing process in Starbucks. This will require the management team to be completely supportive of the overall agenda. Individuals may be reluctant to speak about the subject or do not feel that the management team is supportive of this. No specific software is required for the analysis, although Microsoft Office suite including Excel will be useful, in order to collate the information received.

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