

Motivation in economic downturn for surviving employees

[Business](#), [Employee](#)



| Motivation in Economic Downturn for Surviving Employees | Awesome | Julia Gao Helen Hu Hannah Hung Chimeme Pan Johnson Sun Mandy Wong Yidi Yu Elaine Zhu | | 4/15/2013 | | Motivation in Economic Downturn for Surviving

Employees

1. Executive summary The global economy experiences a downturn every five to ten years nowadays. During such financial crises, organizations might have to face the issue of lay-off in order to reduce cost and survive from the downturn. Apart from the negative effects on the unemployed, those survivors also go through a hard time.

This report has firstly investigated possible negative effects on remaining employees. It is found that survivor syndrome, including five major types, occurs among survivors. Besides, four relevant solutions for managers are provided to minimize the negative influence on remaining employees and to support future development of the company. Lastly, current issues and concerns with respect to motivation maintenance are also discussed for feasibility.

2. Introduction During the financial crisis, many organizations are downsizing and laying off their employees.

A major factor that contributes to the failure of most organizations to achieve their objectives after downsizing is that they do not adequately and effectively address the “ people factor” related to surviving employees throughout the process. In other words, most companies focus on comforting the leavers instead of concerning the negative effects on the survivors. Survivor Syndrome is a mental condition that occurs when people perceive themselves to have done wrong by surviving a traumatic event when others did not.

In the field of management, it refers to the negative psychological and physical impact that organizations' layoffs bring to the remaining workers (Cascio, 1993). In this report, we identified 5 major negative effects on survived employees and provide possible solutions to the managers.

3. Major negative effects

3.1 Psychological effects

1. Job insecurity.

Survivors wonder how long they will be able to keep their jobs, and they worry that they are not prepared to find work elsewhere, or that there are no comparable outside jobs.

Since survivors are at the risk of losing jobs, they no longer regard themselves as an integral organization member, as which they are responsible for the future of organization.

2. Depression, anxiety and fatigue.

The process is demoralizing and stressful for the managers who must lay off employees, as well as for employees who lose friends and colleagues. After the layoffs, more work and more pressure to perform, mentally and emotionally drained after survival.

3. Reduced risk-taking and creativity.

Many survivors are afraid to face challenging jobs, accept a new task, or discuss a work-related problem for fear that they expose themselves to criticism or poor performance appraisals and become the target of future layoff. As a result, they are receptive to their status quo as being "safe" instead of taking initiative.

4. Distrust and betrayal.

Doubts may arise about the wisdom of the layoff choices when survivors believe that someone laid off is more capable than a remaining one.

The feeling of unfairness can lead to worries about the transparency of organization operation thus causing distrust and possible job-hopping.

3.2

Physical effect Apart from the psychological negative effects, layoffs may also influence the physical health of the survivors. Great pressure and heavy workload can have a bad impact on employees' immune system. Under this situation, people are probably to have more physical symptoms, like stomachache, headache and cold.

4. Solutions for managers

The following are four solutions provided to minimize negative effects on survivors.

1. Open Communication Research has proposed that procedural justice, which is the perceived fairness of the process used to determine distribution of rewards, has a critical role to play in the management of employee organizational commitment, trust in the corporations and turnover intentions. Hence in times of uncertainty and fear, increasing the perception of procedural justice is the key to rebuild trust and confidence among the employees and hence combat the Layoff Survivor Syndrome. This could be achieved through open communication.
1. 1 Communicate about the downsizing Managers could pursue promoting perceived fairness and transparency through openly addressing the downsizing event, explaining explicitly and honestly the rationale as well as procedure for the layoffs and illustrating how the action of downsizing will lead to future organizational success. Open-book management, a strategy that is designed to help facilitate the communication process, is widely adopted by many recognizable corporations such as the HSBC Group and Cathay Pacific during downsizing.

Through disclosure of the detailed business and financial information, the practice provides employees with insights into the company's situation and hence the rationale for layoffs. Moreover, the approach empowers

employees to take ownership of their work as they are now fully aware of the implications of their actions on the company's performance. As a result, they are motivated to take the initiative to help reduce cost. Furthermore, managers should be candid about the potential drawbacks of the policy.

For instance, while downsizing inevitably leads to increased workload and prolonged working hours that create an overwhelming stress for the survivors, timely and quality communication with the employees about their new roles and responsibilities is hence imperative to help them better manage the pressure and maintain employee morale and productivity. 4. 1. 2 Communicate about the future Goal Setting Theory clearly demonstrates that working towards a goal is a major source of job motivation.

Effective communication about the organization's post-layoff goals and visions is therefore important in maintaining and strengthening employee commitment. Regular update on the organization's long term strategies will further reinforce trust and confidence among the employees, as not only does the action assure them that the leadership is actively solving the problems, but also conveys a clear message that they are being valued and respected by the company. While open communication should be encouraged at all levels, special attention should be devoted to the group of employees who are highly skilled and professional in their field due to their great inclination to leave for greener pastures in times of uncertainty, as well as those who are personally affiliated with the laid off as they tend to experience the greatest emotional toll from loss of their co-workers. 4. 2 Job

reassignment Job reassignment means to redesign individual roles according to their talents and background.

Job reassignment is essential in clarifying everyone's duty in order to assure that the company can still function normally. And in another aspect, proper job reassignments may also to some extent reduce the negative effects on survivors such as job insecurity and anxiety. 4. 2. 1 Job design Here are some suggested actions for job redesign, including combining tasks, creating natural work units, establishing internal or external client relationships, expanding jobs vertically, and opening feedback channels.

The actions mentioned above provide the survivors with more and better opportunities to develop their skills and to take their responsibility. Since the workload of individual survivor usually becomes heavier, what managers can do might be making the job more motivating for the survivors. They will help the survivors to experience the meaningfulness of their work, and also have higher working satisfaction. It will also be able to keep survivors from feeling passed over during the downsizing; they must be assured of their value, which will reduce their job insecurity. 4. 2. Training and supporting programs Besides job design, managers should do a lot more work in order to assure that job reassignment is being carried out successfully, in which training and supporting programs should be offered. Sometimes in the haste of layoffs, employees are shifted to new assignments without appropriate preparation such as job insecurity and lack of confidence in competency. It is found that " people are uneasy because they are not sure what they are supposed to be

doing, who they should be accountable to, or if they are doing a good job"(Wexley & Silverman, 1993).

In the wake of a downsizing, managers are suggested to sit down with each employee to help clarify his or her new role. Employees need to know what expectations have changed and how those changes may have an impact on their daily work. Research shows that most employees find great comfort in knowing exactly what they're working toward and exactly what's expected of them. Additionally, a large portion of anxiety is caused by lacking confidence in competency. Survivors worry that they will not be competent in their newly restructured job functions that the survivors do not ever possess.

So immediately after layoffs, employees should be trained on how to handle new tasks or responsibilities. 4. 3 Pay-for-performance As the expectancy theory states $\text{motivation} = \text{expectation} * \text{instrumentality} * \text{valence}$, in relation to effort, performance and rewards. Therefore, we suggest the pay-for-performance scheme to work alongside this theory. The general idea is rewarding through the recognition of work done by overachievers, thus encouraging performance levels. There are, however, several takes to this approach according to Stephen O'Bryne. . 3. 1 Pay versus target pay is tied to performance Some companies believe that pay-for-performance is best reached by awarding compensation when the performance level is above a target level, thus a decrease if it is below target level. Companies such as Procter and Gamble are known to use this method. For example, in its 2010 proxy statement, P&G describes pay for performance this way: " We pay

above target when goals are exceeded and below target when goals are not met. ” 4. 3. 2 Pay doesn't go up when performance is poor

This method defines pay for performance in terms of performance and pay changes. In its 2008 U. S. proxy voting guidelines, ISS said it would vote against compensation committee members when “ the company has a pay-for-performance disconnect,” defined as an increase in pay coupled with a decrease in performance. 4. 3. 3 Pay versus market pay is tied to performance Adopting target pay/prior year pay as a benchmark for assessing pay-for-performance has led some companies to focus on market pay instead.

Companies such as Dow Chemical and CSX agree that superior performance should lead to above market pay and poor performance should lead to below market pay. 4. 3. 4 Pay percentile equals Performance percentile If a company provides target levels of pay at or above a particular percentile but the performance does not meet the percentile of peer companies, the firm should redesign its compensation strategy to align it with the organization's compensation. This can help the situation as it recognizes the efforts of individuals and thus boosting the general morale of the employees.

Limitation in this approach lies in deciding the target levels. For example, some companies may adopt a needlessly high target pay level which may result in the rewarding of poorly behaved executives with pay levels that, albeit lower than those for well performing executives, remain above the market. 4. 4 Individualized recognition and reassurance People have social esteem needs such as recognition and belongingness. Employee recognition

and reassurance is a critical issue especially when a company is dealing with downsizing, where the survivors are both physically and psychologically affected.

Here are 4 detailed ways to raise employee recognition. 4. 4. 1 Offer reassurance whenever possible Recognition is the essentially positive feedback that lets employees know they are valued and appreciated by their co-workers, supervisors and the organization. Employee recognition could be raised from daily works to formal events. Certainly, special tasks, important meetings and awards presentation are good chances for creating employees' sense of belongings and self-actualization. Apart from those formal situations, bonuses and prizes, daily appreciation and reassurance are also important.

By sending thank-you email or a handwritten note of praise, employees would feel that their hard work is being rewarded. Then, they will be more motivated and continue to work harder (Murdock, 2010). 4. 4. 2 Provide counseling for survivors for further development Counseling can take the format of buddy program in which manager acts as mentor and employee as mentee. Manager may meet with employees on an individual or small-group basis to devise a personal plan for goal achievement. By doing this, the survivors will be aware of the opportunities they still have remaining in the company.

Besides, a feedback system can also be established where the employees give feedback about their progress in achieving individualized goals and managers help to evaluate and make improvement on their plan at the same

time (Boyd, 2013). The program serves as a channel for mutual communication in the company. Therefore, remaining employees can release the distress brought about by downsizing. 4. 4. 3 Continue to communicate, especially one-to-one Individualized communication would be a modified way to boost morale based on different personality type of employees.

By communicating with employees individually, managers are able to understand their feelings and problems and offer helps to improve the situations (jobsDB HK, 2007). Also, they could realize employees' personalities and take them into account when designing plans for reducing negative effects from lay-off. For instance, for an employee with need for affiliation according to the Three-Needs Theory, he/she probably prefers a social event to renew his/her personal network. As a result, surviving employees could be easily motivated. 5. Conclusion

This report discusses 5 negative effects on employees who have survived organization's layoff and the corresponding solutions. Layoffs due to the financial crisis can lead to physical problems and a series of negative psychological effects including job insecurity, depression, anxiety and fatigue, reduced risk-taking and creativity, distrust and betrayal. Facing such a situation, open communication, job reassignment, pay for performance, and individualized recognition & reassurance are the four corresponding solutions suggested. However, the real situation is much more complicated, where more issues should be taken into consideration.

One concern is the diversity of workforce. Different employees have different values, backgrounds, making it challenging for managers to identify and

satisfy their needs. Another concern is the cultural difference. Most current motivation theories are based on the situation in the United States and managers cannot assume that motivational programs will fit in their own case. Therefore, it is suggested that managers should incorporate local cultural factors and personal characteristics when dealing with the downsizing negative effects. ----- [1]. Cascio, W. F. (1993).

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