Downsizing: layoff and employees

Business, Employee

A Project Report on: Corporate Downsizing in the Indian context TABLE OF CONTENTS 1. Objective Corporate downsizing is very common in the US corporate sector but it has till recently not been adopted by many Indian companies.

This is changing nowadays, with many Indian companies going in for downsizing as an organizational strategy to cut costs or get rid of non-performing employees. Our objective in this project is to analyze some of the reasons why firms are taking up downsizing. We have studied the effects of downsizing at the organization level, the managerial level and the survivor level. As part of our project, we conducted a survey on survivors of downsizing from Indian companies which have conducted mass or individual layoffs in the recent past.

Since downsizing is still relatively new in the Indian context and in most cases, the survivors do not wish to delve further on this topic, our responses were limited in number but they were sufficient to give us an idea of downsizing in the Indian context. Apart from this, we have also studied the actual downsizing process in companies and how it is carried out. We have given some recommendations on steps to be followed by organizations to make sure that they do not acquire a negative image post downsizing. Also, steps to boost the survivors’ morale have also been suggested.

If this is not done, downsizing typically leads to increased turnover among high performers in the organization. Downsizing may be unavoidable in some organizations to cut costs – however the HR departments and managers should handle this issue with utmost sensitivity – to avoid any long-term negative effects to the organization. 2. Introduction Layoffs, frequently called downsizing, describe the process in which companies remove temporarily or permanently a number of employees from their payroll. The general purpose of this practice is to reduce the organization's burden of excess labor costs when human resources cannot be used effectively.

Charles Handy first predicted that the technological revolution, which was beginning to make its force felt back in the mid-1970s, would transform the lives of millions of individuals through a process he termed . down-sizing. Downsizing is not a new phenomenon. Downsizing came into prominence as a topic of both scholarly and practical concern in the 1980s. It became a management mantra. (Lecky, 1998) in the 1990s which subsequently became known as the downsizing decade (Dolan, Belout, & Balkin, 2000). In the early 1990s, CEOs and executive management were being targeted more and more by the shareholders.

The merger wave of the 1980s taught executives that any company trading at price-earnings multiple lower than the industry-wide multiple was considered undervalued, or a poor-performer, and ripe for a takeover, or messy shareholder law suits. CEOs used to be concerned with optimizing production and cutting costs, which they hoped would engender profits and therefore shareholder wealth. The focus moved on to convince the market of the upward potential in their stock prices. In other terms, it doesn't matter whether you really have good project or potential to grow but what matters is whether the stock market believes that ou have such strength. To handle such pressure many CEO's looked for the quick fixes which would reflect immediately in the profit margins of the organizations. Instead of focusing on the long terms planning, short termsgoalswere set which to project good picture of company's status. And the easiest way to go around it was to cut down labor cost as it has a significant contribution to the expenses incurred by the company. Executives looked at the balance sheet to trim the fat, and viewed cutting labor as a necessary and relatively painless method to boost profit margins.

The economy was experiencing the sort of growth that made both skilled and unskilled labor more and more superfluous. At the low end of the wage and skill scale, advanced automation in machinery and assembly were enabling workers to become more productive, and reduced the amount of workers necessary for a given level of profit. At the middle end, rapid advances in informationtechnologyreduced the need for a large layer of middle management to process and interpret data and feed it to higher management. Additionally, trimming the payroll liability seemed an easier way to increase profits in the short term.

The payroll is basically a current liability, and to the extent that workers are not engaged in long-term contracts (or to the extent that a long-term contract with a substantial number of employees is soon to expire), the firm has a certain flexibility in determining the amount of labor it uses in the short run. A move to adjust employment might be a relatively painless way to boost cash flow, when compared to selling land or equipment to obtain cash. A buyer might not be readily available, and the purchase price would not be certain.

At first, firms that were lagging their competitors in terms of accounting earnings and price-earnings multiples decided to downsize. As these firms began to catch up to the rest of their industry in terms of profitability, firms that were performing quite well also began to turn to downsizing as a way to convince the market that they were worthy of a substantial jump in market capitalization. From 1993 to 1996, there was a sentiment in the market that smaller up-start companies were going to overtake the larger, blue chip corporations, which were perceived to be bloated with superfluous workers and internal red tape.

Although these rumors of diseconomies of scale were widely exaggerated, many large corporations slashed their labor force in a move to maintain an aura of competitiveness. Downsizing is not specific to any industry, it has occurred across the industries. While manufacturing, retail, and service have accounted for the highest levels of downsizing, it is evident that downsizing took place in both the private and public sectors. 3. Why do Firms Downsize?

During periods of economic uncertainty, increased costs and declining sales, business owners are sometimes forced to evaluate cost-cutting options including downsizing and layoffs. When a business is in a cost-cutting mode, downsizing and layoffs can take different forms: • Reduction in force—this is when an employer decides that its labor costs are too much, so they reduce the number of positions. • Position elimination—this is when an employer determines that the position skill-set requirements have changed, the market and competition have changed or sometimes the position simply goes away. Restructuring—while disruptive, some employers find it necessary to restructure their organization. Basically, companies restructure in order to reassess strategies and improve operations. Individual layoffs It is recognized that an employee's commitment to an organization can be expressed in three particular ways: affective, continuance, and normative. Affective commitment is focused on an emotional attachment to the organization. On the other hand, continuance commitment is when an employee stays with an organization based on a perceived cost of leaving.

In this case, the employee is staying because he/she thinks it will cost more to go find work elsewhere. Lastly, normative commitment refers to an employee's moral obligation to stay with the organization. This can arise due to the employee feeling that the organization has treated him/her well and therefore, he/she owes the organization a continued period of employment. In one sense, each type of commitment somewhat ties the individual to the organization; however, each impacts differently on the manner in which the employee conducts him/herself in the workplace.

For example, an employee with an affective commitment will often go above and beyond what is required of his/her position in order to assist the organization in meeting its goals. Employees with high affective commitment tend to be absent from work less frequently and display a higher workmotivationand organizational citizenship. Continuance commitment, however, is negatively related to performance whereby employees tend to do simply what is required, have higher rates of absenteeism, and low motivation. An individual can become a threat to the company by engaging in activities which are against company's norms.

These activities may include coming late for the meetings and for work, intentionally working slowly, wasting resources, gossiping and spreading rumors or some serious misconduct such as stealing from company or colleague, verbal abuse, insubordination, sabotage, sexual harassment etc. His behavior in the organization can adversely affect the productivity of other members of organization. And sometimes the situation can be so serious that it can hamper the image of the organization. And if he can influence coworkers to indulge in such activities then it becomes serious problem for the organization.

The best approach to handle such situations is to consult that particular individual and convince him from engaging in such activities. But even if with the repeated warnings, he refuses to change his deviant behavior then it is necessary to get rid of such person. Mass Layoffs '''Mass layoff''' implies laying off a large number of workers. Mass layoff constitutes a set of activities, undertaken on the part of the management of an organization, designed to improve organizational efficiency, productivity, and/or competitiveness.

It represents a strategy implemented by managers that affects the size of the firm's workforce and the work processes used. The reasons given for the mass layoffs are: Changing market conditions The market determines the lifecycle of a business, and the organizations must stay in touch with changing market conditions in order to keep up the pace of growth. The business climate these days has become enormously more competitive. Global markets have contributed new competitors that can offer goods and services at a much lower cost. Market shifts and the introduction of new technology can make a business become obsolete almost overnight.

As many times it is not possible to make the suitable adjustments immediately, and to remain competitive companies often go for the downsizing. Mergers and Acquisitions A merger is a tool used by companies for the purpose of expanding their operations often aiming at an increase of their long term profitability. An acquisition, also known as a takeover, is the buying of one company by another. When this happens, many positions gets replicated or become redundant. For the efficient operation of the organization, it becomes necessary to cut off these jobs. Closure of business unit

Due to ever changing technology, development of new products, a company might decide to take out a particular product from the market and close that business unit. If it not possible to accommodate released workforce in the production of the goods then only option remains is that of lay off. Poor financial forecast If the performance of the company is not up to the mark in the recent years and the gloomy picture is supposed to remain for later period also, then it becomes absolutely necessary to cut the costs in some way or other. This may lead the managers to takes decisions of mass layoffs.

Overstaffing Organizations hire employees by forecasting their human resource requirement in near future. This forecasting is based on the company's current position, state of the economy, growth in the industry, ongoing deals with the clients, company's growth plans etc. The predictions made during this analysis may go wrong for several reasons and organization may end up in hiring the employees beyond its requirement. It is not possible for all the organizations to keep these employees on the payroll due to economic constraints or space constraints.

In this case manager often take a decision to layoff the extra resources. Meeting the goals Each company decides and declares the targets for the current fiscal year. But as the end of the year comes nearer, company's realizes that these goals cannot be achieved by current pace of production. Since there is high pressure from the upper management to meet these goals, managers look for the softer targets such as reducing cost by the mass layoffs. Unprecedented disaster Any unpredicted disaster like sharp fall in stock market, natural calamity, or accidents can plunge organizations in huge losses.

So a business owner has a no choice but restructuring his business which often involves downsizing. 4. Downsizing – Indian Perspective Before Indian companies felt the effects of the economic reforms, lifetime employment was often standard practice. Job seekers would get their foot in the door at their favorite companies with the aim of settling down permanently within the organization. Perhaps the main reason for this reluctance to hand out pink slips was cultural – there simply was no knowledge of the concept of " downsizing. ” India’s integration into the global marketplace has changed the rules of the ame significantly. As the economy and the technology industry have slowed to sustainable growth levels, various companies have been forced to downsize in order to remain competitive. Although corporate downsizing in India increasingly resembles downsizing in Western countries, there is residual reluctance to laying people off. A broad selection of companies operating in India, from shabby state-run enterprises to lean and efficient high-tech multinationals prefer to use of voluntary retirement schemes to trim their numbers in tough times.

Some larger companies also elect to downsize through other methods, including deferred recruitments, “ benching” people, and using employees for internal orcommunity serviceprojects. This institutional squeamishness toward layoffs, while understandable from a social perspective, has had some negative effects. State-owned enterprises as well as some private companies are still overstaffed as a result of an unwillingness to lay off employees. Layoff practices in US: ? A generic reduction in force, of undetermined method. ? An Involuntary Reduction in Force - The employee(s) didn't voluntarily choose to leave the company. A Voluntary Reduction in Force - The employee(s) did play a role in choosing to leave the company, most likely through resignation or retirement. ? Layoff notice by email. Following are common practices followed by Indian organizations for downsizing: Deferred recruitments: This is not actual downsizing but one of the ways to bring down the strength of company for a short term. In this case the recruitment process is deferred, so that by the time the new recruits have joined the company, the company is out of the crisis which is the cause for downsizing.

This process is mainly followed in IT companies, where most of them recruit high number of students who are in final year of theirgraduation. Usually, these companies take into consideration that the next year market will be at the same pace, but there have been considerable variations in market during the last decade. The students who were recruited will join the company as soon as the company has found out ways to come out of the crisis. For example, many students who were recruited in 2006 by many IT services companies have joined in 2008.

So, effectively the company saves the costs on those employees. Following this method, the company doesn’t need to layoff any of the existing staff. Benching people: Bench strength is defined as the finding the perfect pool of employees who will be substitutes for existing employees incase of employee turnover. These people are trained for those positions so that they can hit the deck running. But this essence of bench strength is lost in case of Indian companies where, Bench refers to the buffer of employees not assigned to a particular project.

As the company works towards improving utilization rates while keeping a tight rein on employee additions, its bench strength would come down. In some cases, employees are on bench for a long period. This is a signal that these employees are just in job because they were previously recruited but not because of the work the company has. So employees who are benched have no work to do. They get bored of not doing any productive work and so try to find out a job where they can really work, instead of just coming to office everyday and passing their time.

In this way Indian companies don’t layoff anyone but create circumstances where the employee doesn’t have any option but to leave the company. Using employees for internal and community projects: Internal projects are the projects which are done by the company to increase efficiency within the organization. Usually these projects have no dead lines or have a specific plan. They are just conducted as there is more of man power. This is one of the first steps an Indian company takes when they want to downsize. They put the excess workforce in any one of the internal or community projects.

Some of these projects are created so as to accommodate all the excess employees. Employees in these projects will be outcast as the internal projects will not produce any output. Also, employees in these projects do not get enough incentives for their performance. This decreases the employee morale and employees tend to quit the organization. This also serves a signal to employees that the next step is to put them on bench. Bottom performers’ layoffs: This is the only case in which Indian companies hand over pink slips to the employees.

Every company has a policy of reviewing the work done by an employee in last few months. After the review, employees who are not performing well are sent for special training. Luckily, if the review period and the time at which the company decides to downsize coincide, company uses this opportunity to layoff the extra employees by not giving them a chance which they used to provide earlier. 5. Effect of downsizing on organizations Even though downsizing is primarily done as a positive action to turn around an organization, the main casualty of the process is the way in which people affected are dealt with.

Majority of the research on organizational downsizing has been carried out to study the consequences of downsizing at the employee level and the organizational level. At the employee level, research is carried out from a psychological and behavioral viewpoint with a focus on the survivors (employees who remain in the organization after downsizing), victims (employees who are asked to leave) and implementers (managers involved in implementing downsizing, including asking employees to leave).

In our study, we have restricted our focus to the survivors and implementers. We have not focused on the effects of downsizing on the actual victims since they are outside the scope of the organization. Effect on survivors An organization’s post-layoff success depends upon the reactions of people in its surviving workforce. Researchers have identified a number of negative symptoms exhibited by survivors during and after downsizing. The most common of these include:

Survivor syndrome: A set of emotions, behaviors and attitudes exhibited by surviving employees. This is mainly manifested by lowered morale, initial upsurge in productivity followed bydepressionand lethargy, increasedstressas a result of increased level of uncertainty and ambiguity, threat of job loss, denial or psychological distancing from the perceived threat, lower commitment, increased absenteeism, turnover, decreasedloyaltyto the organization, fear of future cutbacks and diminishing expectations regarding future prospects in the organization.

Survivor guilt: Feeling ofresponsibilityor remorse and is expressed in terms of depression, fear and anger. Survivors may perceive that traditional attributes, such as loyalty, individual competence, and diligence are no longer valued since their co-workers, who had displayed such traits, were themselves victims of downsizing. Survivor guilt mainly occurs when survivors perceive that their own performance merited no better treatment, than that accorded the downsized victims. Survivor envy: Feeling of envy towards the victims.

Survivors presume that victims are able to obtain special retirement packages, financially lucrative incentives, and new jobs with more attractive compensation. In most cases, downsizing fails to address the ' people factor' effectively whereby the needs of the surviving employees are paid due attention. In many organizations, employees form social groups to fulfill their needs for affiliation. When any member of this social group is laid off, the remaining members see the procedure as unjust, even if the laid-off employee was incompetent for the job.

This triggers the feeling of survivor guilt and resentment against the organization. In some cases, the survivors are asked to take broader and unfamiliar responsibilities as a part of efforts to cover the tasks previously performed by those who leave the company. This can lead to burnout, frustration, decline in creativity and trauma – all symptoms of the survivor syndrome. Survivors are reluctant to take up projects from which their peers or friends were laid off, since they feel that working on that project increases their chances of getting laid off as well.

Survivor envy occurs when the victims get very generous rehabilitation packages from the organization. In this case, survivors see this as an unnecessary expenditure on behalf of the organization. Also, if victims manage to find new high-paying jobs in other organizations, survivors feel a sense of envy towards the victims. Psychological contract has been defined as " an individual's belief in mutual obligations between that person and another party such as an employer". Survivors of downsizing hold the organization responsible for breaking the psychological contract with the victims.

Perceived violation of psychological contract might lead to a decrease in the employees' organizational commitment and enhance their intention to quit their jobs and to look for alternative employment. On the other hand, some researchers have also found positive effects on survivors post downsizing. Survivors who feel that the top management has carried out the downsizing process justly, feel an increased sense of self-esteem at being retained by the organization and hence their motivation to work increases. These survivors do not view the process as threatening.

If the reasons for downsizing are communicated beforehand, survivors tend to see the process as transparent and fair. Also, empowerment and job redesign gives survivors the confidence in their individual capacity to cope with the threat of downsizing and hence result in their exhibiting more progressive responses. Effect on implementers Consider the case of survivors in managerial position, who are the ‘ implementers’ or ‘ executors’ of the downsizing process. Studies have shown that their job performance and organizational commitment of managers suffers significantly following downsizing.

Managers feel responsible for violating the ‘ psychological contract’ with their subordinates. In some cases, the managers feel responsible for not providing enough training opportunities to the laid-off employees and hold themselves personally accountable for not guiding their subordinates correctly and not being able to avoid the layoffs. This is more likely to occur in Asian nations, where the feeling of ‘ collectivism’ is high, as compared to western nations, where the feeling of ‘ individualism’ reigns higher.

The feeling of personal responsibility causes huge stress in the implementers of the downsizing process. To overcome this feeling and project an image of being just, most implementers start looking for options in other organizations. Alternately, managers try to rationalize their actions by devaluing and blaming the employees who were laid off. In some cases, the downsizing process implementation creates so much stress on managers that they tend to become hyper effective. They tend to think that all the roles that they should be playing are important and try to perform effectively in all dimensions.

This normally results in burnout since the behavior cannot be sustained on a long term. Managers who are optimistic, have high future success expectancy, a high tolerance for ambiguity and a greater openness towards change are less negatively affected by downsizing than those who lack these emotional resources. In times of crisis like organizational change, ‘ toxic handlers’ – managers who shoulder organizational pain by helping their co-workers deal with their workplace frustrations, sadness and bitterness, are better handled to act as implementers of downsizing.

Negative reactions to psychological contract violation perceptions in implementers might be mitigated to some extent through good working relationships with co-workers, making conservative promises to new recruits which the organization can live up to, clear explanation with rationale for the downsizing decision, extensive and transparentcommunicationwith employees regarding the exact scope of the changed contract, evenhandedness in dealing with both survivors and victims, and encouraging cohesiveness and team spirit among employees.

Thus, the actual downsizing procedure should be carried out only by those managers who have a high emotional quotient, to handle the various psychological effects and stress arising out of the implementation. Effects on organization Organizations report both positive and negative effects of downsizing. In many organizations, the anticipated economic benefits like lower expenses, higher profits, increased returns on investments and higher stock prices do not occur as expected.

Also, other anticipated organizational benefits like lower overheads, smoother communication and increased productivity do not develop. On the contrary, downsizing causes increased turnover among the survivors as well. Hence, the organization also ends up losing valuable organizational memory, knowledge base and experience. In case of mass layoffs, downsizing leads to the loss of key talents and disappearance of crucial skills. Survivors who take over the jobs of their laid-off colleagues start feeling perceptions of job overload and lack of job clarity.

When organizations downsize in response to decline in growth rather than a strategy to boost performance, the most competent employees quit voluntarily since they do not see any growth prospects in the organization and the relatively incompetent and inefficient employees get left behind. This further hastens the organizations decline. Organizations that carry out downsizing along with a reduction of assets show higher financial performance than other firms. So downsizing should be part of an overall restructuring package rather than a one-point solution to reduce organizational costs.

Downsizing alone cannot ensure an improvement in a firm’s performance. The manner in which it is carried out plays an important role in the financial and operating performance improvement of the organization. 6. Survey Analysis and Results We conducted a survey of 100 people across various organizations varying from manufacturing to services and from public sector to private sector. We got varied responses withrespectto our survey. We are presenting the analysis of the survey through different perspectives and are representing them through various charts.

In the survey 34% of the respondents reported that the layoff they have seen in their professional life was mass layoff, whereas 64% reported cases of individual layoffs. [pic] The cases of individual layoffs were due to various reasons ranging from technical incompetence to distrust in the organizations core mission and its values. More than 40% of the individual layoffs were due to technical incompetence and 30% were the cases where there was distrust between the employee and his boss.

In 10% of the cases, the employees were found to be engaged in anti organizational practices. In 10% of the cases the employees laid off were victims of politics in the organization. In some of these cases, they were part of the lobby that was working against the will of the rulingcoalition, these were the employees who were holding important positions and were bottle neck in the process of decision taken by the department heads. The cases of mass layoff happened during the period of recession and due to major change in the technology.

These cases happen when the industry was in a smooth phase and the company they were engaged was a middle level company and the company was unable to sustain the market pressures, these were the reasons that were given by the HR department of those organizations while laying off the employees. One of the questions in survey was regarding the effect of downsizing on the productivity and motivation of the remaining employees. 52% of the respondents reported that it did effect the employees productivity and motivation which led to increased absenteeism.

The employees lacked focus while working atleast during the next month and a half, they had a notion that a similar thing can happen to them as well. They were psychologically effected when one of their close friends, who was among the employees who were laid off. [pic] Even after the mass layoff took place there were rumors in the organization regarding further such layoffs that can happen in future. Several employees tried to relocate to other organizations, some of them were ready even to join at less salary and perks in other organization. 0% of employees who felt demotivated after the layoff were those who some how felt that they are less technically competent or they lacked some of the basic skills such as communications. When respondents were asked whether they thought of quitting their job soon after the individual or a major layoff, the response varied. Some of them thought of quitting the job immediately and choose the next best possible option they had in hand. 52% of them were somehow indifferent to the recent layoff, they didn't think about leaving the organizations due to mal effects of layoff.

Some of the employees amongst them who held important positions in the organization, they were in positions of decision making or were close to the people who were decision makers. [pic] A high 18% of the respondents felt like leaving the organization within a month while 21% of them thought of biding their time and believing that will improve. They thought of leaving the organization in the next six months duration if the situation doesn't improve. % of respondents plan to leave within three months. Almost 40% of these respondents actually left the job since they believe that this organization is not worthy enough to put their efforts in, as they felt that loyalty is not the virtue of praise in their respective organization. Among the respondents who planned to leave within a month, 60% of them have seen mass layoff. Hence, mass layoff is perceived as more of a breach of psychological contract between organization and the employees. [pic]

The query posed to respondents was regarding whether the notice period was served to the outgoing employees or not. 21% of them replied no to the question. The outgoing employees felt the breach of psychological contract by the company, the same was felt by rest of the employees as well. Every employee seems to be of an opinion that the organization should have atleast given a one month’s notice to the employees. The HR department on the other hand felt that sometimes its inevitable to give notice period.

There are several reasons for that, primarily they stressed high absenteeism by the employees and unethical behavior and practices including sexual harassment and other such personal inclinations. [pic] 12% of the respondents reported that the outgoing employee faced embarrassing moment while he was laid off. It includes being escorted by the security personal, personal abuses by the immediate boss and comments by the colleagues. Almost 30% of these employees were charge sheeted treated on the grounds of unethical behavior and 90% of these cases happened during individual layoffs. pic] One of the important area that needs to be addressed whether or not the company has taken due action to keep up the morale of the remaining employees and sideline the side effects of the layoff. 45% of the respondents responded that the due course of action was not taken by the organization. This somehow made them feel to plan to quit the organization. They somehow felt ignored and indifferent in the eyes of the management. Out of these 45% cases, 30% happened during the individual layoffs.

The course of remedial action is expected from the organization especially in cases of mass layoff as it turns down the morale of the remaining employees and it further affects the productivity, absenteeism factor and the turn over ratio of the organization. 7. Process of Downsizing The most prominent reason forfailureof downsizing is lack of preparations for this process. A successful downsizing process requires planning that begins long before the formal announcement. Downsizing project consists of four stages. These are 1. Making the decision to downsize, . Planning the downsizing, 3. Making the announcement, 4. Implementing the downsizing. [pic] Fig: The Stages in downsizing process. 1. Making the decision to downsize: The first step in the process of downsizing is making the decision to downsize. But, before making that hard decision, it is important to investigate all possible alternatives and use downsizing as a last resort. Various alternatives, such as: freezing hiring, overtime restriction, freezing salary, pay cuts, elimination of bonuses, shortening workweeks, unpaid vacations, etc. hould be tried before taking the decision. If the company considers all possible alternatives and find that they could not help to achieve company's goals, it should consider forced layoffs and make the decision to downsize. The reasons for downsizing need to be clearly defined by management. Also, the decision to downsize should never be a short-term solution. It must be integrated into company's vision that makes clear how downsizing will create a competitive advantage. The vision will help employees to understand why downsizing is necessary.

It also helps employees to see a real future for themselves in the company. 2. Planning the downsizing: Before making the announcement of downsizing it is very important to make implementation plan. Some of the issues which have to be considered within planning the downsizing include the focus of the downsizing strategy, who should implement the downsizing process, how should the leavers be identified, what compensation will leavers receive and when will they receive it, how and when will the stayers` jobs be reorganized, what training will be necessary.

In order to do this stage successfully, it is necessary to do activities such as: a) Form a cross- functional team: The team which will plan and implement the downsizing project should consist of many specialists who come from many functions: human resource, operations, finance, public relation, etc. The team should represent the interests of all members. Also, the team members should divide up the responsibility for communication to stakeholders. b) Identify all constituents: One of the first tasks of the team is to identify constituents who are affected by downsizing and to include their interests in implementation plan.

The constituencies include: employees who will be laid off, survivors, shareholders, the community, etc. c) Use expert if it is needed: If there are some areas about which the team does not have enough information or knowledge (job retraining, financial counseling, etc.) it will be necessary to engage experts from the outside. Outplacement companies can help employees to find new job quickly. d) Provide training for managers: By providing training for managers, they become able to communicate the downsizing convincingly, gain skills to deal with emotions of laid off workers, etc.) Supply information about the business: By sharing information about the business employees will have full knowledge of the company's finance and its activity and downsizing will become less a crisis and more an expected solution. Also, sharing sensitive financial or competitive data ensures employees that they can trust the management to be open and honest. 3. Making the announcement: The key activities to be taken care of while making the announcement of downsizing are, explaining business rationale, announcing the decision and notifying benefits. The management should explain the reasons for downsizing and the implementation process.

By explaining the necessity of downsizing management can help employees see that downsizing is not caused by their contribution. The company should make the announcement simultaneously to all constituencies. Announcement should give information about downsizing benefits, separation process and the benefits and services for those who will be laid off. Also, at this stage it is important to communicate the company's vision so that the employees who stay will know how downsizing will help the recovery of the company and to see themselves in companies` future. 4.

Implementing the downsizing: The first three stages are very important for the effective downsizing, but the fourth stage is where former preparation and promises are to be realized. The key areas in the implementation stage are communication and employee involvement. At this stage it is important to tell the employees the truth about all their concerns and needs. The best is face-to-face communication. By honest answering, the management builds trust and the sense of necessity. A well implemented downsizing process requires the employees involvement, too.

Remaining employees often have good ideas about restructuring their jobs and improving internal processes, so they should be involved in implementation phase. 8. Suggestions to improve the morale of survivors post downsizing The morale of the survivors post downsizing would be very low and the management should take enough care to improve the employee morale post downsizing. This can be achieved by proper planning, communicating and by maintaining anenvironmentof trust. Some of the suggestions to improve the morale of the survivors post downsizing are: 1.

Plan: The plan should be made by reviewing prior changes, analyzing how the changes were made and making corrections based on their assessment. This plan should include: redefined tasks and responsibilities; strategies to assist managers in helping surviving employees adjust to organizational changes; communications on why changes are necessary and how roles will change. 2. Communicate concisely, clearly and frequently: For both managers and " survivors" layoffs are emotionally draining experiences. It is often difficult for managers to know what to say and how to say it properly to those who are still with the corporation.

Experts agree that it is better to communicate bad news when it is known than keep it waiting for a more appropriate time. At the same time the manager needs to communicate with the survivors how the organization plans to recover, the employees' role in that recovery and why the changes are necessary. 3. Apply emphatic listening: Often managers are required to console or counsel with survivors of downsized organizations. Managers with strong Emotional Quotient (EQ) may naturally be able to empathize with and consol survivors. However, many managers may require some points on the importance of “ listening emphatically”.

Listening is trying to understand the ideas and feelings expressed by others. Good listeners use silence effectively. They postpone judgment about the other person’s feelings, attitudes and concerns until after they have completely heard the person. 4. Maintain an environment of trust: Managers must reinforce the trust factor since many survivors may feel emotionally disappointed. Employees must understand that the charge of the manager is to ensure the organization survives and must trust him to make and communicate the right decisions. 5.

Keep Employees Grateful and Humble: The survivors should also be reminded that they should be thankful to have a job. By not filling those vacant positions there's less competition for eventual promotions 6. Avoid Negative Feelings through Positive Motivation: The confused and vulnerable employees should be reassured that a change of job or an out-of-state position is the new learning curve they've probably needed. 7. Separate the Transitionally Displaced: Create a transition center for the dispirited who no longer have a job (but are still on payroll) that removes them from the rest of the company.

Without distractions, these isolates will focus expeditiously on their futurecareerplans. 8. Disinformation about restructuring: The information about the restructuring has to be kept as vague and inconsistent as possible. In fact, the more disinformation the better. A certain amount of uncertainty heightens group competition and, hopefully, will disorient your best people and/or intimidate them from leaving. 9. Create Social Diversions: Some diversionary event for should be planned for the beleaguered, " survivor shock" employees. 9. Conclusion

It has to be noted that downsizing or any dramatic change will be met with an emotional response that will be as intense as the situation is threatening. In many cases people will feel victimized and will need to mourn their losses before they can move on. They should be handled properly and if possible, professional counseling should be given to them. 10. References • Learning from the past – Downsizing Lessons for Managers, Franco Gandolfi • Organizational Downsizing: From Concepts to Practices, Sanghamitra Bhattacharya and Leena Chatterjee • Network Destruction: The Structural Implications of Downsizing, Priti Pradhan Shah