

Establishing Theoretical Perspectives: The Significant Influence of Downsizing as an Implemented Strategy on Survivors' Motivation

Mansour Alshrif Al-Hammali (Corresponding author)

Faculty of Leadership and Management, Universiti Sains Islam Malaysia

USIM, 71800, Nilai-Malaysia

E-mail: mansour.alhmmali@yahoo.com

Nasser Ahmed Nasser Habtoor

Faculty of Leadership and Management, Universiti Sains Islam Malaysia

USIM, 71800, Nilai-Malaysia

E-mail: habtoornasser@usim.edu.my

Mohamed Mihlar Abdul Muthaliff

Faculty of Leadership and Management, Universiti Sains Islam Malaysia

USIM, 71800, Nilai-Malaysia

E-mail: mihlar@usim.edu.my

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Abstract

Downsizing is a business strategy implemented to improve an organizations' financial position by a reduction and reorganization of the workforce. Often survivors after downsizing are not given much attention, yet the achievement of new strategic goals depends on the survivors having positive attitudes, relentless commitment and high motivation. The purpose of this paper was to describe how downsizing influences the motivation of the remaining employees from theoretical perspectives. Research indicates that employees who are motivated and committed contribute vastly to the financial-bottom-line of the organization.

Therefore, downsizing organizations should continuously search for ways to increase such qualities among their survivors.

Keywords: Organization, Downsizing strategy, Survivors, Survivors' motivation, Theoretical perspectives

1. Introduction

Downsizing is a strategy that has been used very commonly by organizations during the last two decades to face the challenges emerged with the different competitive environments. Downsizing is a form of restructuring organizations in term of workforce reduction to bring the required improvement in work systems, redesign organization and establishing adequate human resources to maintain business competitiveness (Kulkarni, 2013). Nowadays, competitive environments where most organizations are sometimes forced to restructure due to economic meltdowns, downsizing has proven to be a relevant strategy for organizations restructuring (Morton & Orman 2010).

The main motivation of most downsizing efforts is the desire for an immediate reduction of workforce and increased the levels of efficiency, productivity, profitability, and competitiveness in organizations (Bhardwaj and Yadav, 2011). But somehow, downsizing as an implemented strategy has generated a great deal of interest among scholars, managers, and or decision-makers. For instance, some authors suggest that research knowledge about downsizing is still relatively underdeveloped (Macky, 2004), while others stress the confusion surrounding downsizing strategy (Gandolfi, 2008). The adoption of downsizing strategy has remained popular mystery among all parties involved in organizations (Kennedy, 2005).

2. Purpose of the Research

The result of a downsized organization is the need for reorganization. Questionable is whether they remained employees, who are remained, are motivated enough to pass through such a reorganization. Or as stated by Denton (2009), "How does one create trust that can weather the storms of downsizing, outsourcing and the temporariness of today's world? How does one keep people coming in every morning and working hard?" (p. 11). Getting employees to do the work and enjoy doing it can be related to the motivation of the employees (Stoffels, 1978). In addition, motivation can be linked to the satisfaction and dissatisfaction of employees (Tietjen& Myers, 1998). The purpose of this paper was to describe how downsizing influences the motivation of the remaining employees.

3. Methodology

This paper represents a descriptive literature study in which published articles have been reviewed. A literary view was created by retrieving data out of different secondary sources such as journals. As stated by Sekaran (2003) the purpose of a literature study is the identification of the most important variables and to document the most important findings based on prior research. This literature study gave a description about the concepts

“motivation of employees”, “downsizing” and the influence of downsizing on the employees’ motivation.

4. Indications from Literature Review

4.1 Downsizing

Organizations implement different strategies in order to survive. One could argue whether an organizational downsizing is a strategy or not. Nevertheless, downsizing is a frequent used phenomenon. Downsizing is a business strategy to improve an organizations’ financial position by a reduction and reorganization of the workforce (Appelbaum & Donia, 2001). Furthermore, downsizing has become an intervention for organizations in order to demonstrate its flexibility, bureaucratic structure reduction, increase of efficiency towards decision-making, communication improvement, and cultivate entrepreneurship (Appelbaum, 2001; Bruton, Keels & Skook, 1996; Mroczkowski & Hanaoka, 1997). According to Bruton, Keels & Shook (1996) also productivity becomes better after downsizing.

4.2 Influence of Downsizing on Employee Motivation

Organizations have to treat their employees, who have been terminated, with dignity and appreciation. Otherwise in a reaction, survivors of the employee reduction can become angry and retaliate because of the improper attitude towards their exiting colleagues (Cangemi & Miller, 2004). Besides the reorganization of certain employees there is also the influence on the employees who are remained. The survivors can lose trust and motivation which therefore, on the long run, can seek for other ways out. A strategic human resource management, in order to maintain and motivate, a viral human capital is essential (Tsai et al., 2005). In addition to this, in order to achieve a successful downsize strategy there are some critical factors. The human resource system has to be managed effectively. Downsizing organizations need to involve their employees, stimulate teamwork, provide training, and rewarding. Human resource professionals have the critical function to take care of the implementation of the downsizing strategy (Cameron, 1994).

Highly committed employees are proud of their membership in the organization and expend therefore extra effort at work. Due to a change of the organizational environment, such as downsizing, this commitment can easily be disrupted. A common downsizing has been found to have a negative influence on the loyalty of the maintained workers. Therefore it is important to determine how to maintain a positive motivation of the employee under changing situations (Tsai, et al., 2005). The factors ‘job satisfaction’ and ‘continuance commitment’ are critical for the creation of motivated human resources (Tsai, et. al. 2005). in order to improve the employees’ willingness to remain, organizations should pay attention to the most important aspects; salary/benefits, support for personal well-being and family life, the nature of work, working environment, and management style of immediate supervisors. (Tsai et al, 2005).

4.3 Theories and Downsizing Stages

According to Guiniven (2001) there are three lessons to learn; the recognition for the need for

grieving, the notion that the organization starts with a new period and the importance to communicate the transition and not the change. In order to create motivation during and after a downsizing strategy, each of theories can be implemented in one of the five different stages. Especially at the fourth and fifth stage the management of an organization is able to influence the motivation of the remained employees.

Stages	Theories/Models	Clarification
<i>Stages (1)</i>	Four downsizing conditions (Cummings & Worley 2001)	An organization has to clarify what condition causes the response to implement a downsizing strategy. Also, in order to implement a suitable downsizing strategy, an organization has to determine its goals and objectives.
<i>Stages (2)</i>	Different downsizing strategies (Cummings & Worley, 2001)	After stage 1, an organization needs to decide which kind of downsizing strategy is the most appropriate. Is the purpose to reduce employees or is a systematic redesign more suitable.
<i>Stages (3)</i>	“Implementation stage”	The implementation stage should be carried out from a top-down perspective. Important for an organization is to focus on the main target of the downsizing strategy.
<i>Stages (4)</i>	‘The hierarchy of the needs’ (Maslow, 1943)	After downsizing, an organization has to acknowledge that their employees focus themselves on the basis needs of the employees which are remained (for example; ‘safety and security’).
<i>Stages (5)</i>	Communication lessons (Guiniven, 2001)	In this final stage it is important for downsized organizations to stay in communication with the employees. With communication it is possible to reduce the feeling of uncertainty and create comprehension.

In order to implement a downsizing strategy with the maintenance of a vital human capital, a strategic human resource management is essential. The most important factor for organizations is an effective management of this human resource management. One of the main theories is to create high involved employees who are proud of their membership in the organization. As discussed there is a relation with the theory of Maslows’ hierarchy of needs (1943). After a downsizing, employees shift to a lower layer of needs. Also downsizing theory can be related with Herzbergs’ two factor theories (1959). Employees experience

downsizing as stressful and unsecured. In case of using a downsizing strategy, important for organizations is the communication with their employees. According to Guiniven (2001) there are three lessons to learn; the recognition for the need for grieving, the notion that the organization starts with a new period and the importance to communicate the transition and not the change. In order to create motivation during and after a downsizing strategy, each of the discussed theories can be implemented in one of the five different stages. Especially at the fourth and fifth stage the management of an organization is able to influence the motivation of the remained employees.

5. Discussion of the Findings

Employees have to be motivated in order to get them work harder and enjoy it. The motivation creation of people can be reduced to the common needs of people as discussed with Maslows' hierarchy of needs (1943) in which there are five different layers of needs. Each need has to be fulfilled before starting to fulfill the next need/layer. Especially at the fourth layer an organization management is able to create motivation with their employees. However, it is important for managers to acknowledge the three aspects of Lazenby (2008); delegating authority, recognizing achievement and communicating important facts. There are also two types of motivation according to Herzbergs' two factor theory (1959); intrinsic (also called as the 'motivators') and extrinsic (also called as the 'hygiene factors'). Employees need the intrinsic factors for the long term goals, the creation of positive attitudes, and job satisfaction. On contrary of the 'hygiene factors' which have a temporary characteristic, 'Hygiene factors' will not lead to a high satisfaction level. However, the absence of these factors can create great dissatisfaction. The "job characteristics" model reflects the theory to practical facets. In order to motivate employees it is important to determine which aspects cause an improvement. It can be concluded that the most important preferences are not financial but personal related. Not all employees can be considered as equal. So the mentioned preferences can be different which depends on several employee characteristics.

Downsizing is a business strategy to improve an organizations' financial position by a reduction and reorganization of the workforce. There are several reasons for organizations to choose a downsizing strategy. Besides this, there are different kinds of downsize strategies; workforce reduction (in which a number of employees will be eliminated), organizational redesign (which starts with the reduction of work and afterwards with a limited employee reduction), and systematic redesign (this strategy is focused on the organizations' culture, attitude and values of the employees). To achieve a successful downsizing strategy implementation, five different stages of Cummings and Worley (2001) could be used.

6. Conclusion

In order to implement a downsizing strategy with the maintenance of a vital human capital, a strategic human resource management is essential. The most important factor for organizations is an effective management of this human resource management. One of the purposes is to create high involved employees who are proud of their membership in the organization. After a downsizing, employees shift to a lower layer of needs in the hierarchy model of Maslow. Furthermore, downsizing theory can be related with Herzbergs' two factor

theory (1959). Employees experience downsizing as stressful and unsecure. In case of using a downsizing strategy, important for organizations is the communication with their employees. Three lessons to learn are important for organizations which use a downsizing strategy; the recognition for the need for grieving, the notion that the organization starts with a new period, and the importance to communicate the transition and not the change (Herzberg et al., 1959).

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