



Effective Downsizing in Small-to-Medium Sized UAE based Organization

Project Management Dissertation

By

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Abstract

The downsizing issue is a topic of interest especially for all organizations experiencing financial decline. In general terms, Downsizing is defined as the set of activities carried out by management to enhance the efficiency, productivity, and competitiveness of the organization by reducing the workforce size.

The research provides an opportunity to understand the growing phenomenon of downsizing. The purpose of this research is to give a better understanding of what are important factors to consider during downsizing. The selected case study resembles a sample of the mid sized organizations in UAE and primary data was collected through personal interviews with the employees.

The research critically studies different aspects of downsizing process at organization “ABC”. Where “ABC” is a small to medium size national organization in UAE working in the service sector in UAE and recently has gone through a downsizing process due to the economic down-turn. The research also assesses employees’ perception of organizational downsizing across mainly two dimensions: the degree to which the downsizing process was effective and the degree to which it impacted the organization overall performance as well as employees’ productivity and morale.

A particular interest in this research was to review the downsizing process at “ABC” with respect to the successful factors for effective downsizing compiled by Cameron in 1994.

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Introduction

These days, it is not unusual to see notices about employees' layoffs when you pick up a newspaper or browse a website. This is one noticeable result of the global financial crisis which started in the 2008 in the US and which forced several organizations to announce massive layoffs in order to reduce the organizations' operating expenses and increase employees' productivity hoping to endure their operation for a longer term and give better value to their shareholders.

Locally, the drop in oil prices along with the global melt down had affected the economic growth and forced major UAE organizations particularly in the real estate industry to slash thousands of jobs and put major projects on hold. Considering that in 2007, the expatriates' population reached 3.62 million, against only 864,000 nationals, and expatriate victims of downsizing had to leave the country in a month time if a new job was not found, the exodus of thousands of expatriates had its domino effect over the other sectors in UAE which increased the negative effect of the global recession.

In a typical downsizing process, organizations are left with hard decisions to make such as whom to layoff and what is the best way to do it. And management are usually skeptical in announcing their plans for downsizing, where they tend to give their employees as little warning as possible in order to avoid demoralization or unproductively.

This research aims to review the main contemporary academic literature relevant to organizational downsizing and address the rationale behind this strategy and the reasons that prompt companies to downsize. The research first go through the various definitions of downsizing and the language used to describe organizational downsizing, and then focuses on the different approaches that organizations would apply when going through this process. Then the research will investigate downsizing positive and negative impact on business performance with emphasize on hidden costs associated with downsizings due to lower employee morale and increased turnover.

The research main objective is to analyze the strategy used to implement the downsizing in the case study organization, “ABC”, and identify what are other alternatives available. The research will compare and contrast the actual process with Cameron’s established critical success factors to achieve a successful downsizing. Furthermore, the research will discuss the actual consequences of downsizing at both levels; individual and organizational with a particular focus on the organizational performance as well as attitudes, behavior and commitment of the employees who survived the process or the victims who lost their jobs.

The research is finalized with conclusions and suggestions and point to areas where future research is needed.

Literature Review

Downsizing could be a reactive strategy in response to organizational bankruptcy or recession. Downsizing does not just ‘happen’ to an organization. Rather, it is intentionally implemented, whether effectively or ineffectively (Cameron *et al.*, 1993).

History:

According to Cameron (1994) and Touby (1993 cited in Cameron (1994), downsizing originally impacted the blue collar workers in the 1970s and 1980s, through massive layoffs and drastic cutbacks, typically during cyclical downturns. Also, Freeman (1994 cited in Cameron 1994)) added that mid-1980, the white collar workers had also become the target of downsizing activities on a large scale.

Cascio (1993 cited in Appelbaum *et al.* 1999) argues that the white collar workers are often hit the hardest by downsizing due the fact the blue collar workers are able to trade off wage freeze or concession for job security while the white collar workers do not have that security.

While researchers explain that reducing organizations’ headcount is expected in countries that are state-dominated and are moving towards privatization such as Latin

America and Eastern Europe, Mcrozowski and hanaoka (1997 cited in Applebaum *et al.* 1999) pointed out that in 1990, restructuring in industrialized countries similar to Japan and a Sweden led to employment reduction and increased the level of unemployment.

Definition:

When organizations began to respond to recession in the 1980s, downsizing term was used to describe the process of employees' layoff which is reducing the organization size in terms of employees it has. McCune *et al.*, (1988 cited in Appelbaum *et al.* 1999) believed that although many alternatives exist, such as reducing the work required, eliminating functions, delayering, attrition, hiring freeze, offering early retirement incentives, or reducing working hours, layoffs and reduction in workforce seems to be the most common way to downsize.

Researchers also explained that, from a managerial perspective, organization downsizing means a tactic to achieve organizational productivity and competitiveness. For example, Cameron (1994) defined downsizing as a set of activities undertaken in the part of the management of an organization and designed to improve organizational efficiency, productivity, and/or competitiveness.

Whereas from employees' perspectives, downsizing represents actual or potential job losses or job insecurity, and for those who survived the workforce reduction, downsizing may come to mean more workload and responsibilities, longer working hours, increased stress and anxiety. As Turnbull and Wass (1997 cited in Farrel *et al.* 2005) explained it, 'an intensification of work and a pronounced sense of job insecurity in the internal labour market'.

Other terms used for downsizing are smart sizing, work force reduction, reductions in force, layoffs, restructuring, right sizing. Cameron *et al.* (1993) listed more terms sometimes associated with downsizing such as compressing, consolidating, contracting, demassing, ownshifting, slimming down, leaning up.

Nevertheless, Cameron *et al.* (1993) described downsizing as a strategy that wittingly or unwittingly affects the size of the organization's workforce and its work processes'. Also, equally important to point out is that downsizing can be proactive and anticipatory or reactive and defensive (Cameron, 1994a).

The researcher found that the most comprehensive definition of downsizing is found in Chen *et al.* (2008) work,

“A set of managerial actions taken by organizations aiming to adjust to environmental changes, overcome management difficulties, and improve efficiency increase productivity and competitiveness.”

Downsizing Drivers:

Downsizing was once associated with organizational distress or economic downturn, but these days have become permanent feature of the global business landscape. The decision to downsize is a strategic one, drivers for downsizing may vary depending on the changes in market environment or the goals which the organization would like to achieve.

- **Competitiveness**

Since employees' salaries are the most straightforward cost which usually contributes a significant percentage to business costs, organizations tends to cut down labor cost when they desire to improve its competitiveness and lower the products or services prices. Organizations that downsize should be able to lower their labor costs and, as a result, to control product prices to improve competitiveness (Cascio *et al.*, 1997 cited in Applebaum *et al.* 1999).

Mishra and Mishra (1994) considered the downsizing which took place in the early 1980s, was a continuation of organization's efforts in an attempt to become more competitive. And they also stated that organization continued this trend until today in order to stay competitive in the global market place.

- **Technological advancements**

In 1997, Wagar investigated several factors which may drive downsizing and found that organizations introducing a new labour saving technology were significantly more likely to have engaged in one of the workforce reduction activities. A growing reliance on technological advancement and innovation normally result in heightened productivity and fewer workers required, thus improving the productivity of individual employees and producing more efficient product design and quality. Beylerian *et al.* (2003) believed that the emergence of technology and automation have resulted in the replacing for formerly irreplaceable individuals. The introduction of new information technology or the use of automation in some cases replaced the employees such as a telephone operator who would be replaced by an Interactive voice Recognition machine. Also, access to the internet allowed people to work from remote location without the need to be on site to do their work. Hence the physical space of the organization is no longer required

Nonetheless, Dunford *et al.* (1998 cited in Appelbaum *et al.* 1999) argued that a change in technology is not a primary reason for firms to engage in downsizing activities. In fact, Cameron (1994) pointed out that technological improvements often resulted in hiring additional workers rather than replacing the existing employees.

- **Globalization**

Globalization and the breakdown of trade barriers had surfaced foreign competition with lower wages and more efficient processes. As a result, organizations were forced to consider alternatives such as shifting their production facilities into an offshore country with lower wages while keeping the intellectual capital resources at home. In this case, restructuring in form of downsizing is used as a short term strategy to cut labor costs and, as a long term strategy by applying downward pressure on wage demands from those who remain with the company. Beylerian *et al.* (2003) regarded the trend towards globalization have has prompted many US organizations to compete by cutting payroll costs and by abandoning entire industry sectors.

Moreover, Globalization had accelerated the need for the changes in organizations in order to survive and stay competitive. Beylerian and Kleiner (2003) concluded that the overriding rationale for downsizing appears to be the need for survival and the ability to compete in the new global economy.

- **Economic Downturn**

In tough economic times, dramatic changes occur in the environment; organization might lose a market share or forced to respond to a fierce competition from its rivals.

Hence, downsizing often tends to be the first option for organization to cope with revenue decline and profit erosion, where they look for big and quick cuts in their cost through altering its size to fit its new market position and customer base. Merabal *et al.* (2005) stated that downsizing is a common short term response for organization which finds itself dealing with financial issues such as decreasing sales and rising costs hoping to achieve higher profitability and better cost savings.

On the other hand, CEOs often believed that downsizing is value enhancing activity and tend to increase profits by cutting down the most predictable cost, salaries. Consequently, stock prices and shareholder value are increased as soon as layoff is announced resulting with more economic benefit for their shareholders. Cascio (1993 cited in Appelbaum *et al.* 1999) found that senior managers are more comfortable forecasting future costs than future revenues; hence lowering the cost through laying off employees is the fastest course of action to heighten earnings and eventually the price of the organization's stock.

During recession, organizations often resort to a knee jerk reaction by cutting costs across the board. Burke and Nelson (1997) found that downsizing is one of the emerging sources of organizational changes that represent the effects of the economic recession and attempts by organizations to survive and to increase productivity.

Although necessary, cost cutting is no longer the only goal of a recession strategy. Appelbaum *et al.* (1999) reported that a survey conducted by the American

Management Association resulted in nearly half of the respondents felt the recession had no influence whatsoever on downsizing. In fact, Bigelow and Chan (1992) strongly suggest that organization with good cash in hand should take advantage of the recession by adopting an opposite strategy in order to drive marginal competitors out of business and garbing their market share. A good example is when Kelloggs decided to double its advertisement budget during the great recession in 1930 in order to push it new Rice Krispies packaged cereal. As a result, they managed to increase their profits by 30% and to become the industry dominant player.

- **Efficiency and Productivity**

It is not necessary that only organizations experiencing financial problems downsize, many growing organizations go through downsizing to eliminate waste and redundancies in order to speed up the production and increase its efficiency.

An empirical research study by Tsai *et al.* (2006 cited in Tsai *et al.* 2008) demonstrated that although the economic factor was the major reason for downsizing, the pursue of efficiency and efficacy was the basic reason behind the downsizing actions. Also, downsizing could be simply driven by a restructuring strategy to reduce the layers, trim excess fat and produce better lines of communication to achieve efficiency through out the business. Bruton *et al.* (1996) stated that downsizing leads to lower overhead, less bureaucracy and faster decision making while allowing for better communication and elevated productivity.

- **HR**

Another reason for downsizing could be driven by a proactive HR strategy rather than in response to a financial downturn. Ryan and Macky (1998) gave an example of organizations effort to eliminate unnecessary over-staffing which has been once rewarded with promotion in the bases of the size of their departments this encouraging them to expand their empire. They also explained that the adoption of new work flexibility programs to achieve work-life balance for the

employees result in the breakdown of job demarcations, fewer jobs and hence fewer workers.

- **Mergers, Acquisitions and Privatization**

Combining two organizations with different structures and systems forces the organization to consider restructuring and reorganizing the business to ensure profitability and productivity. Hence this process which is aimed at streamlining the operation to achieve synergy lead to the shedding of duplicated staff.

Tsai (2001 cited in Tsai *et al.* 2007) explained that since 1990 the global economy had forced organizations to apply a scale of economy though mergers and acquisitions which led to more actions of downsizing. Similarly, Kinnie *et al.* (1997) explained that privatization of public sector organizations may involve substantial redundancies as new owners appraise the levels of employment required.

- **New Business Strategies**

Some organizations choose to withdraw from a market or eliminate product lines as part of their strategies. Such shift in business strategy results in layoffs. Porter (1980 cited in Dewitt 1998) stated that market withdrawal associated with people and facilities elimination is a business strategy firm follows when it serves distant, population-sparse, or other geographically nonviable market positions. Also, Kogut and Kulatilaka (1994 cited in Dewitt 1998) commented that market withdrawal is likely to reduce both the organization's scope and scale and ultimately reduce its ability to support geographically dispersed operations.

The Impact of Downsizing:

Most organizations when they consider employees' layoffs, they are seeking a quick and direct fix for their forecasted business plan. They believe that the reduction in operating expenses will positively affect their financial balance sheet. And since salaries represent a large percentage of the overall expenses, it is believed that getting

rid of whole layers will reduce overheads. And it is often justified and supported by enhancing communication and decision making.

In the following section we will critically review the literature related to impact of downsizing on organizations and assess its viability.

- **Higher Profits and increased stock prices**

Despite the fact that downsizing reduces costs, and cutting costs raises profits, there is no clear evidence that downsizing actually increase profit, at least not in the United States. The IBM example given by DeMeuse, Vanderheiden and Bergmann (1994 cited in Farrell and Mavondo 2005) stated that when a series of reductions in the workforce was announced, there was a corresponding fall in stock price and financial performance. Also, the action caused a drop in IBM's corporate rating by three points by Standard and Poor's. Cascio (1993 cited in Farel and Mavondo 2005) supported the same argument where his research concluded that the evidence of the benefits of downsizing is not strong enough, and the anticipated benefits such as higher profits, increased stock prices, and increased return on investment often are not achieved. On the other hand, Bruton *et al.* (1996 cited in Appelbaum *et al.* 1999) reported that two years following downsizing, the stock value of organizations often decline. They also found that organizations' financial performance continues to lag after downsizing.

Nevertheless, downsizing may save on workforce costs of an organization, but it also means substantial immediate costs such as paying off downsized workers, increased rework, and overtime costs. Downsizing is also associated with longer-term costs associated with losing valuable personnel, lost new business opportunities and undermining employee morale.

Moreover, Lalli (1992 cited in Orpen 1997) explained that according to the Wyatt Company survey of a heterogeneous sample of 1,005 United States organizations, very few of the managers behind the downsizing efforts felt that their profits expectations had been realized. And only 25% of the organizations indicated that profits had increased as was expected.

- **Performance & Productivity**

As explained earlier, organization often engages in downsizing for the hope of achieving efficiency and productivity. It is believed that removal of surplus jobs and making the organization leaner and meaner will drive the surviving employees to work harder and better.

Madison and Clancy (2000 cited in Farrel and Mavondo 2005) who analyzed annual organization reports to examine the association between downsizing and performance found that initial downsizing is associated with improved performance, and that subsequent reductions in personnel are associated with poorer performance.

Disappointingly, there is little empirical evidence to support that downsizing leads to improved performance and productivity. Literature mostly showed that few of the downsizing companies reported an unexpected increase in temporary workers and consultants, and the need for employees to put in overtime and to be retrained. Cameron (1994) added that downsizing is often accompanied with resentment and resistance to change among the employees and hence a loss of productivity, efficiency, and competitiveness.

However, there is some evidence to suggest that feelings of guilt or fear of further job cuts can increase performance and productivity (Brockner, 1988 cited in Kinnie 1998)

• **Poor Morale and Survivors' Syndrome**

It is widely accepted that downsizing has a negative effect employee's morale. It is considered to be traumatic for both laid off and staying employees. Although one would believe that remaining employees are expected to be grateful, studies proved that employees who survive the downsizing are typically insecure, overloaded and had negative attitudes towards their jobs. Evidently, downsizing is a disruptive process for both employers and employees where the management should be vigilant in its implementation in order to achieve the required benefit while minimizing the level of emotional stress.

Studies which focused directly on the attitudes and morale of employees mostly agree that employees who remain after downsizing are typically more cautious, less creative, more self-absorbed and have poorer morale, a set of symptoms that have been identified as the 'survivor's syndrome' (Brockner *et al.*, 1992 cited in

Orpen 1997). Among other symptoms are lower commitment to the organization (Bowman and Singh, 1993 cited in Orpen 1997), greater work stress (Byrne, 1994 cited in Orpen 1997) and more job insecurity (Heenan, 1989 cited in Orpen 1997).

To summarize, Survivor's syndrome has become a well known term in downsizing literature; Brockner *et al.* (1987 cited in Appelbaum *et al.* 1999) identified four psychological states that survivors might experience: job insecurity, positive inequity, anger, and relief. They described the positive inequity as the survivor guilt due to the perception that their performance was not better than those of the terminated workers.

- **Increased Workload**

A crucial mistake made by the management of these organizations is not giving enough attention to the employees who remain in the organization. Survivors are normally faced with increased level of stress due to the sense of insecurity associated with increased demands for higher productivity and from adapting to the changes in the organization structure.

Bigelow *et al.* (1992) pointed out that one of the main causes of productivity problems is the worker overload where fewer people are left to do the same amount of work. And they clarified that when people become overworked, stress increases, absenteeism rises, quality slips and work often does not get done, or it gets done hurriedly and poorly.

- **Psychological contract**

The psychological contract is defined as “the perceptual, involving the reciprocal responsibilities of the employer and the employee, with a distinction typically being made between the transactional and relational components of the contract” (Morrison and Robinson, 1997 cited in Beaumont *et al.* 2002).

Although not well recognized, downsizing of organizations involve a change in the parameters of the psychological contract. Contemporary literature focuses in the employee perception of violations of the psychological contract by employers

as a result of downsizing. In different words, the breach in the implicit employment leads to a loss of loyalty and commitment among the workforce and decline in motivation to go the extra mile for the company.

- **Leadership Trust**

Regardless of the management leadership skills after layoffs trust is injured. Employees need reassurance about their future; they need explanations about why and how the people were chosen to be terminated. Mone (1997 cited in Appelbaum *et al.* 1999) pointed out that employees trust in management largely affects their reaction to any downsizing activity. Employees need to feel that management is genuinely concerned about their well being. Failing to maintain the trust relationship would lead to increased absenteeism, decreased workplace cooperation, innovation, productivity and quality performance.

Mone added that downsizing affects also the industry, society and national economic health as a whole. Thus trust should be maintained among internal and external stakeholders.

- **Innovation and creativity**

During downsizing, employees become less flexible and over dependent on traditional, well known ways of doing things, and creativity is inhibited. They suffer from increased fear and job insecurity therefore they are less likely to take risks, suggest new ideas or even excel in their own job. Dougherty & Bowman (1995) examined the effects of downsizing on innovation where they examined if downsizing hinders or help product innovation, and in what way. The researchers concluded that downsizing disrupts the organization's ability to create innovations since downsizing breaks the system of entrepreneurial networking in the organization. Dougherty and Bowman further explained that new product innovation relies on "strategic linking" where people need managers who can champion their ideas, sales people who can sell the resulting products and others.

- **Loosing Valuable employees and institutional memory**

Another side effect of a downsizing process is the increased possibility of losing the top performers; they tend to feel that an organization in the process of downsizing does not fulfill their needs for growing and challenging environment. Bedeian and Armenakis (1998 cited in Schraeder 2006) observed that organizations could suffer from the loss of the most valuable employees who are leaving the organization early in the process to secure their career advancement, thus losing the key knowledge, experience, and expertise. The organization could further be locked out from market if the leaving individuals capitalized on new opportunities for their new organization. Moreover, Mone (1994 cited in Appelbaum *et al.* 1999) supported the same argument where he reported in his case study on a major 100 fortune organization that downsizing process is often associated with fewer benefits, raises and rewards that is not satisfactory for highly skilled employees, thus causing them to feel less committed and seek employment elsewhere. Conversely, he found that employees with low value to the organization tend to perform at lower levels and have less confidence to look for other employment opportunities this less inclined to leave the organization.

Another important aspect worth pointing out that when long term employees are being cutoff and/or replaced with new part-time and consultants, organization is at risk of losing its institutional memory which leads to lower efficiency and creativity.

To finish up managers need to carefully plan ahead before starting the downsizing process. Their organizations could be at risk of losing valuable knowledge when skilled and experienced employees are moved out of their functions or leave the organization.

Downsizing Approaches:

Freeman (1994 cited in Ryan *et al.* 1998) had developed two approaches to downsizing; 'Reorientation' and 'Convergence'. He suggested that organization engaging in a downsizing process should evaluate whether its internal operation

and environment are compatible with the external environment and accordingly determine which approach to follow.

These approaches are built upon models of organizational change; Convergence embraces the incremental and gradual change while the reorientation encompasses the metamorphic and discontinuous change model.

- **Downsizing as convergence**

The main objective of the convergence approach is to reinforce the existing structure of the organization through ongoing improvement. Organization members are forced to think of more efficient processes or better streamlined operations to keep on doing what it does better. As a consequence, reinforced or converged downsizing would be implemented on a smaller scale and as part of a process aimed at reinforcing an organization's mission, strategy, systems, and structure (Ryan & Macky, 1998).

Hardy (1987 cited in Appelbaum *et al.* 1999) found the advantage of the convergence approach is that the organization continuously seeking improvements through striving to make the firm as efficient as possible by streamlining operations and reducing workforce, while at the same time conserving the skills and knowledge required.

To conclude, convergence approach is a bottom up approach where the entire organization adopts the mindset of continuous improvement. The changes occur in incremental steps and are best implemented at the micro level, such as the localized tasks, jobs, and processes.

- **Downsizing as Reorientation**

Adopting the reorientation approach forces the organization to address issues concerning not only the operational processes but also original objective behind the process with an aim at redesigning the entire organization. Such approach leads to a redefinition of the organization mission and strategic direction with a basic objective of adopting a new more efficient and effective structure.

Organization engaged in major downsizing efforts to realign the internal organization with the external environment in order to gain a competitive positioning within the industry, should adopt a reorientation approach (Bailey and Szerdy, 1988; Bruton *et al.*, 1996 cited in Appelbaum *et al.* 1999).

Downsizing with the reorientation approach usually takes place through combining units and eliminating redundancies. It is often implemented with a selective layoffs based on needs and skills analysis rather than across-the-board cuts. Emphasis must be placed on the firm's relationship with other organizations, tasks formerly performed by the organization may, following reorientation, be transferred outside the organization.

It is worth mentioning that Hardy (1987 cited in Appelbaum *et al.* 1999) urged organizations to subsequently adopt convergence practices after following a reorientation approach. Once the organizations have undergone a major redesign of their structure and processes, they should adopt a continuous improvement mindset, and seek an ongoing improvement in efficiency.

To wrap up, Convergence is fine tuning of the current vision and mission, strategy and structure, Reorientation is a redefinition of the organization's mission in reaction to environmental change. Hence, organizations should consider its current mission, goals and core competencies and how it fits with the existing internal and external environment. Upon careful diagnostic, organization decides which downsizing approach to follow.

Finally, once a firm has decided which downsizing approach to adopt, it must then establish which downsizing strategy or strategies to use.

Downsizing Strategies:

There is empirical evidence from literature emphasizing the fact that downsizing is not a good or bad concept but rather how organizations undertake downsizing

determines whether it was successful or not. Unsuccessful implementations of downsizing have been linked to the quick and short term management reaction to market downturn and decreasing revenues. Hence, it is usually accompanied with several problematic consequences especially to the survivors. Cameron *et al.* (1993) found that the speed with which downsizing strategy is often carried out also means that it is hard to know exactly what knowledge and institutional memory, and what critical skills will be lost to the organization.

Researches believe that both healthy and declining organization can take advantage from downsizing only if the organization harmonized the strategy with its future vision and objectives. Nevertheless, most literature nailed down the implementation strategies of downsizing to three types; the workforce reduction strategy; the organization redesign strategy; and the systemic strategy.

- **Workforce reduction**

Simply this strategy focuses in reducing the number of workforce. Organization may choose among alternative ways to cut down employees cost. Such methods would include but not limited to across the board lay off, voluntarily retirement or a natural attrition. However, each method entails different cost for both the organization and the employees. (Greenhalgh *et al.*, 1988) identified five ways in which to implement workforce reduction:

- 1- Attrition
- 2- Induced redeployment
- 3- Involuntary redeployment
- 4- Layoffs with outplacement assistance
- 5- Layoffs without redeployment assistance.

While the only advantage of this strategy is to lower organization overhead, it often neglects the long term health of the organization. It is not possible to predict who will leave the organization thus losing critical skills, knowledge and experiences that might be important to the organization. Therefore it is essential when adopting this strategy to pay special attention to key skills of employees which are linked directly to core competency of the organization.

- **Work redesign strategy**

This strategy aims to change work process and organizational structure in order to reduce work required rather than reducing the number of employees. According to Appelbaum *et al.* (1999), it is a mid-term strategy implemented by phasing out functions, hierarchical levels, departments or divisions, redesigning tasks, combining units and adopting a shorter work week.

Nevertheless, this strategy would eventually reduce the workforce. As a result of this strategy organizations may decide to outsource functions such as payroll, production, and human resource to reduce costs. In New Zealand, this strategy is common where many public and private sector companies now outsource a number of functions such as payroll and recruitment selection (Boston *et al.*, 1996 cited in Ryan *et al.* 1998).

The key advantage of this strategy is the efficiency achieved upon redesigning work processes while the disadvantage is that it requires time to analyze and redesign work in the areas of concern. Moreover, it does not give the immediate results in terms of reducing overall cost.

- **Systemic strategy**

This strategy focuses on ongoing systemic change in the organization structure and thus the culture of the organization. This stipulates changes in organization's attitude and values of employees coupled with the simplification of the entire system, including the internal and external environment. It also ensures that constant and repetitive workforce reduction will not have to be carried out in the future.

Cameron *et al.* (1991) advocates that an organization should seek employees' input to come up with ways to simplify jobs and processes or even reduce the number of outside suppliers in order to achieve an efficient downsizing.

Systematic strategy is a long term method and may not result in the immediate reduction in bottom line numbers; in fact it may increase spending due to the

investment in employees who are seen as crucial resources for a successful downsizing rather than a cost reduction target.

Within the downsizing literature, this strategy is considered as the most likely to generate positive outcome. Cascio (1993) pointed out that organizations have to follow a continuous improvement processes in order to sustain long-term enhancements in efficiency such improvements should include systemic changes which help eliminate redundancies, waste and inefficiency.

Finally, it is worth mentioning that researches emphasized that the three strategies are not mutually exclusive. They can be implemented independently or jointly. As per Cameron (1994) stated that it is more common for organizations to rely on alternative methods in order to achieve more depth than breadth when undertaking downsizing efforts

Effective Downsizing Process:

Drew (1994) describes downsizing as the most disruptive and dramatic type of changes that an organization is likely to experience. Therefore managing a downsizing process is considered to be a subset of managing overall organizational change. It is important for organization to learn how to downsize effectively regardless if they are facing difficulties or using it as a proactive strategy for improvement. Cameron (1994) in his study of 30 organizations in the US automotive industry that have been engaged in downsizing activities, highlighted several factors which are considered crucial to the success of an effective downsizing process.

a) Approach

Organization should go through downsizing as an opportunity for improvement rather than a reactive strategy to the market condition. The approach of downsizing should be proactive with a long term objective to increase of productivity and a short term goal to address the current challenges of the organization.

Similarly, Bedeian and Armenakis (1998 cited in Appelbaum *et al.* 1999) supported Cameron by emphasizing that successful downsizing is achieved if it was aimed at increasing performance rather than a defensive reaction to financial difficulties.

Cameron also accentuated the importance of approaching downsizing as a long term strategy that considers the human resources as assets rather than liabilities. Organizations have to put together a long term plan of its human resources with proper diagnosis of their skills and functions taking into consideration their reactions and attitudes towards the downsizing.

According to Mishra *et al.* (1998 cited in Appelbaum *et al.* 1999), many organizations are mainly worried about controlling the damage, thus they only react to employees' negative reaction rather than putting plans to maintain their trust and disperse their worries. Also, Maber and Schmenner (1997 cited in Appelbaum *et al.* 1999) pointed out that organization that are not well prepared for the consequences of downsizing such as retraining or redeployment plans, are soon faced with many more problems than they ever anticipated.

b) Preparation

Most contemporary literature attributed the downsizing efforts' failure mainly to lack of preparations. For this reason, management should prepare for downsizing before it is considered a last remedy of survival. A continuous and thorough analysis of the organization status must take place in a strategic planning process. The planning goal should be to recognize the business problem, identify the core competencies and reveal weaknesses in order to address the short and long term objectives. This necessitates an analysis of redundancies, unjustified cost and inefficiencies as well as consideration of viable alternatives to select the most appropriate one which best serves the final objectives. Appelbaum (1991) further explained that preparation for downsizing requires a solid analysis of the organization's situation and development of employees' consensus for the need to change before engaging in layoffs of any kind.

Additionally, management should prepare the organization's culture to embrace the new change. Appelbaum *et al.* (1999) pointed out that a strong supportive

organizational culture is essential to any downsizing implementation. They believe that since downsizing breaches the psychological contract between managers and employees, an existing culture cannot be depended on to support the effectiveness of the new change. They postulate that a new culture with the core values of support, discipline and trust should be created. This argument is also supported by several researchers who advise the executives to ensure that their organization's culture is ready to embrace a change before engaging in any downsizing activities.

Also, an essential part of the preparation stage for leaders of the organization is to create a vision statement which gives the organization something to aim for and provide it with a sense of direction. Appelbaum *et al.* (1999) believed that a vision statement is central to the development of an organization's culture and the leaders must commit to the values inherent in it. Cascio (1993 cited in Orpen 1997) explained that unfortunately in a downsizing organization, managers who lack the necessary information tend to play it safe by not making new plans or by sticking to the established plans that are often outdated. And more importantly, their attention tends to be focused on urgent problems associated with keeping one's job in the organization.

Finally, (Emshoff, 1994 cited in Appelbaum *et al.* 1999) advised leaders to initiate programs which build positive attitudes towards downsizing in order to light a new fire of employee enthusiasm.

c) Involvement

Cameron (1994) emphasized that a typical top-down downsizing approach is most likely the least effective. Staff involvement is deemed to be the most important aspect of the downsizing process. Their participation at every level is necessary; all employees should feel some responsibility for any change that may occur. When they take part in identifying the problems and planning for the new change, their acceptance of the process and willingness to transform will be better.

Moreover, Mirvis in his study in (1997 cited in Appelbaum *et al.* 1999) reported that the "opportunities to participate in decisions" is rated highly when it comes to retaining and motivating superior employees.

Also, Cascio (1993 cited in Appelbaum *et al.* 1999) warned leaders from surprising employees with downsizing and he associated survivors' syndrome with a lack of employee involvement where he suggested that it is possible to minimize the negative consequences felt by survivors by actively including all employees in the planning stage of downsizing. This includes engaging employees in reviewing communications as well as alleviating meaningless activities and improving processes.

Finally, literature established that seeking customers, suppliers and other external stakeholders' feedback and support is deemed to be healthy for organizations that are looking for improvements through downsizing strategies.

d) Leadership

Cameron (1994) considered any successful organizational change should not only be managed but also headed by a leader; a Leader who is visible, accessible and interacting. Empirical evidence from literature stated that the overall vision, strategy and direction should be initiated at the top management level. Appelbaum *et al.* (1987 cited in Appelbaum *et al.* 1999) accentuated that leadership should be highly visible, supportive, aggressive, and possess confidence-building skills. Thus, strong and symbolic leadership must always be willing and prepared to project positive energy and support employees through answering their questions transparently as well as taking into account the needs of the numerous stakeholders of the organization and not only those of the shareholders.

Buchanan (1997 cited in Appelbaum *et al.* 1999) also stress on the responsibilities of the leadership in a downsizing organization. He believed that for organizations to survive a change successfully, a strong, committed leadership is required along with a clear corporate vision and mission statements. Similarly, Mishra *et al.*, (1998 cited in Appelbaum *et al.* 1999) stated that employees most likely to react with resentment and disloyalty if they felt that their leaders' decisions and actions are solely out of their own self-interest.

It is essential in this regard to mention that only leaders can effectively lead an organization through the journey of downsizing. Such leadership is not merely about enforcing the change happen but also about taking responsibility for it.

Hupfeld (1997 cited in Appelbaum *et al.* 1999) believes that the CEO should be this leader where he should act as the agent of change and lead the organization through the change process. Whereas, Appelbaum *et al.* (1987 cited in Appelbaum *et al.* 1999) believe that the human resource department should also take part in the leadership role.

e) Communication

Empirical evidence from literature showed communication as vital to successful implementation of a downsizing process; it encourages the employees to combine forces in order to survive the change caused by downsizing while establishing a sense of trust and honesty towards the management. Through communication, confidential financial and competitive information must be shared with employees; they need to feel that they are being regularly enlightened with the downsizing efforts. De Meuse *et al.*, (1994 cited in Appelbaum *et al.* 1999) believed that without such communication employees will feel excluded, rumors are likely to spread, and employees will become demoralized.

Although there are numerous methods to communicate, including memos, emails, newsletters, and bulletin boards, Cascio (1993 cited in Appelbaum *et al.* 1999) stated that open and honest communication requires human interaction which cannot be completely replaced by technology.

f) Support

As stated by Appelbaum *et al.* (1997), it is important to pay equal attention and to provide support both to the downsized employees and to those who remain in the organization. Several literatures which address the survivors' syndrome emphasized on the need to treat the downsizing victims with dignity and fairness. This will ultimately affect the survivor's perception towards the fairness of the layoff process where they would be interested in outcomes as indications of whether or not the organization could be trusted in the future (Hubbell *et al.*, 2005; Spreitzer *et al.* 2002 cited in Schraeder *et al.* 2006)

Strategies to help downsizing victims include providing them with safety nets such as giving them enough advance warning, financial benefits and counseling.

Other initiatives include retraining as well as contacting other organizations firms and seeking outplacement. De Meuse *et al.* (1994 cited in Appelbaum *et al.* 1999) suggested that downsizing organizations can provide help to victims through outplacement services, training and redeployment as well as collaboration between the private and the public sectors and securing financial aid from governments. Furthermore, Mishra *et al.* (1998 cited in Appelbaum *et al.* 1999) advised to provide personal and financial counseling to laid-off employees in order to help maintain their feelings of empowerment and combat their feelings of despair.

Appelbaum (1997) warned form compromising the survivors' morale after witnessing their friends losing their jobs particularly if they perceive the layoff process as being not fair. Often, these survivors react negatively and lose their commitment to the organization. On the other hand, management not expect survivors be to enthusiastic about downsizing due to the increased workload with no raise, and not to mention that they are required to learn new tasks and take on broader responsibilities. Therefore, Survivors need to receive training to help them adapt to downsizing rather than leaving them to ad hoc on-the-job training.

g) Cost cutting

In a study conducted by Mirvis (1997 cited in Appelbaum *et al.* 1999), it was found that organization engaged in downsizing as a reactive strategy to cut-cost were more likely to face post-downsizing problems compared to organizations with a proactive strategy to improve productivity. Cameron (1994) advocated to attack sources of fat which are often ignored, such fat include data fat as in excess information, procedure fat as in excessive meetings, and time fat as in response time and finally launch fat as in overload of new programs.

Organizations should consider alternatives to across the board layoffs in order to cut cost. Such alternatives include streamlining operations, putting hiring on hold, decreasing or eliminating employee benefits, or shortening the work week (de Meuse *et al.*, 1994; Feldman and Leana, 1994 cited in Appelbaum *et al.* 1999).

h) Measurement

Organizations that are going through downsizing must have in place specific quantitative and qualitative measures of all activities and processes in order to determine if downsizing has achieved its objective in terms of lowering the cost while improving efficiency. Some of the questions to be asked are:

- Have we improved our competitive position?
- Is decision making process efficient?
- Have the new processes improved performance and productivity?
- Have quality been affected?

Band *et al.* (1995) explained that upon the evaluation of the downsizing efforts, management should review if the goals were achieved and if the organization is flexible enough to cope with change. They also stated that downsizing is not a reiterative business operation and an attempt to make it effective through a second round is certainly doomed to failure.

i) Implementation

Cameron (1994) encouraged organizations to implement a wide array of downsizing strategies and not rely narrowly on the headcount reduction. The implementation process should be administered equitably and fairly to ensure that downsizing is unevenly affecting un-empowered employees, minority group or a certain age.

Cameron (1994) carried on by emphasizing on the importance of providing employees with opportunities for personal growth rather than focusing only on profits and financial bottom lines. He also suggested changing the appraisal, reward and communication systems to reflect the new goals and objectives of the downsized organization. And finally, he recommended implementing downsizing in small and incremental changes to achieve quick wins which can be built upon to achieve greater and bigger wins.

Research Purpose

Research Goal:

The main purpose of the research is to address specific questions, how did organization “ABC” implement the downsizing? Was the downsizing successful? Did it affect the employees’ performance? Have critical success factors recommended by Cameron (1994) and other researchers been taken into consideration?

A secondary objective in the research is to explore if best practices for downsizing do apply in the local market when it is identified as a need for the organization.

In this research, we will assess employees’ perception of organizational downsizing across mainly two dimensions: the degree to which the downsizing process was effective and the degree to which it impacted the organization overall performance as well as employees’ productivity and morale.

Sample Case Study:

In this research, I chose to select one of the local advertising agencies which have gone recently through a form of downsizing activities. The selection was made due to the interest in reflecting the research results on the local market and comparing it with the international findings of other researchers. The focus of our inquiry was on understanding the processes by which downsizing took place and compare and contrast the critical success factors which have been listed earlier in the literature review.

The organization under study, “ABC”, is a relatively young and ambitious organization in Abu Dhabi which is fully owned by Emirati’s nationals. It had enjoyed a prestigious reputation in performance and corporate image for the last 7 years. The organization now is considered to be among the top 5 players in advertising industry in the UAE marketplace. Since its inception, the organization had grown from 10 employees up to 70 employees in the last 5 years due to its enthusiastic and visionary management in addition to the well connected and influential shareholders.

In view of that, this specific agency was selected for two main reasons; first it represents a sample of the target population which is the medium sized organization in the private sector of the local market. And second, the researcher was able to gain

access to the organization staff of all layers and conduct interviews for senior management, middle management and junior staff. The collected data resembles the perception of all levels which enriched the research discussions and enabled more reliable results and conclusions.

Background:

“ABC”, incorporated in 2002, is located in Abu Dhabi, and occupies a prominent position in the UAE’s communications landscape and is uniquely situated to provide a full spectrum of communications services to both the national and regional sectors.

“ABC” has rapidly matured into Abu Dhabi’s leading communications holding group. The organization consists of five subsidiaries which operate across a wide range of disciplines and offer fully integrated marketing solutions to the country’s most prestigious clients.

Each subsidiary specializes in a vital communications discipline. However, following client needs, the subsidiaries are integrated to formulate singular strategies or operate as stand alone entities. The five disciplines are:

- a) **Advertising:** a full-fledged creative agency utilizing a 100% customer-centric approach. Main objective is to set integrated strategies which create customer’s differentiation in the market place and build emotional ties with their customers.
- b) **Public Relations:** a full service PR agency that occupies a niche in Abu Dhabi’s rapidly growing market. Main objective is the image enhancement of its customers. Through tactical PR campaigns and targeted messages across relevant audiences to build strong brand awareness.
- c) **Media.** The remarkable purpose is to get the customers’ brand noticed. By investing heavily in research to find avant-garde products that give the customers’ the utmost efficiency and return on every dirham they spend. The subsidiary has extensive range of strategic locations for advertising.

- d) **Events:** a leading events management that have the experience, connections and creativity to handle all aspects of an event, from initial conceptualization through to strategy and implementation.
- e) **Producers:** Producers is a full-fledged production and post-production studio that encompasses innovation. The subsidiary is fuelled by highly qualified, tried and tested creative minds. As well as armed with top of the line equipment, technology and software.

Methodology

In this research, a case study approach is followed where primary and secondary qualitative data was collected. A major characteristic of qualitative research is that it is committed to in depth analysis of the human behavior through which interviews questionnaires and observation were used. And given that the research addresses the perception and feeling of the employees towards a downsizing process, it was found that it would be more difficult to capture and measure the required information in terms of numbers and quantities, consequently a qualitative method is thought to be more thorough and better for interpretation.

A particular questionnaire was developed in which 30 questions explored employees' view of downsizing practices, organization performance and individual attitudes. In my approach for the interviews, I was keen to have a close relationship with the interviewee and build up an informal ambiance around to interview. My emphasis was to develop deep understanding of individual's opinions in order to come up with more accurate answers to the main purpose of this research.

The problem:

Due to the global economical crisis and the lack of cash flow in the local market, "ABC" witnessed a severe decline in its sales pipeline and was forecasted to face financial problems particularly if the expenditures are kept on the same pace. Likewise, few existing and loyal customers who were going through their own financial problems and struggling for cash flow started to cease some of their confirmed bookings of the media and cancel their existing contracts. This made the situation even worse for "ABC" which forced the management to consider radical remedial actions to cope with the new market situation. And being an employer of highly paid 70 professional employees, "ABC" felt it is a challenging dilemma. Particularly, their business model entails to have these employees on board in order to fill up the pipeline.

Similar to many organizations, "ABC" was trying hardly to avoid cutting off staff by taking several proactive actions. For instance, it imposed mandatory and across-the-

board benefits cuts. Another side was a hiring freeze except for key positions and tightening the travel expenses and equipment purchases. Unfortunately, these methods were not enough to save the organization's balance sheet. As business got worse and losses increased, the organization started to identify redundant resources and low performing subsidiaries. It had the option to layoff around 15 employees across different sections but decided to use an alternative method. Upon the HR recommendations, the management decided to reduce the working days from 5 to 4 days per week for low performing business units, and consequently lowering the salaries of these employees by 20%. The deducted percentage in salaries is equivalent to the salaries of employees who were lined up for termination. The deduction affected only specific business unit's employees and was not across the board.

Although the organization had tried to be fair in the downsizing process and gave consideration to employees' needs, downsizing still caused negative effects on the remaining employees. The low performing subsidiaries felt the process was unfair and that the cut should have been done across the board while other high performing subsidiaries believed it is not fair to cut down their salaries while having to do the same working hours as before. Consequently, low morale started to spread among the employees and many of them even decided to look for other job opportunities while others did leave. Quite a few of them have the organization's core competencies skills and enjoy an excellent performance record. The organization also suffered from the constant loss of the manpower which would have a negative impact on business operation, learning and innovation. In view of the difficulties in coping with employees' attitude and morale, the organization decided to back off and went back to original work arrangement and decided to terminate few of the employees.

Type of data:

In this research, primary and secondary qualitative data was pulled together in order to gain insightful information about the study subject. Primary data were gathered mainly through face to face interviews and observations as well as questionnaires and/or telephone interviews. Secondary data was collected through critical analysis of the available literature on downsizing.

As explained earlier, the interview questions were drawn from several resources among which are the literature reviews. However, Cameron's work in 1994 about

most successful factors for effective downsizing was found the most comprehensive therefore it was mainly considered.

Interviewees were asked a series of mainly open-discussion questions. Through the interviews, participants were able to transfer their personal observations concerning the subject. The interview allowed each candidate, to respond to the questions from his/her own perspective. And to guarantee that participants would respond freely they were assured that the collected information is confidential and no comments would backfire on their jobs.

It is worth noting that the interview focused on the feedback of the white collar workers for two main reasons; first, a percentage of 10% of the total staff represents the blue collar workers which is considered very low and has little effect on the overall results. Second, blue collar workers were not affected by the downsizing process were the management saw there are no redundancy among these workers and their combined salaries had no effect on the overall balance sheet.

The researcher interviewed 55 staff members across the organization, thereby providing a holistic understanding of the challenges involved in downsizing. We asked these individuals not only about their specific experiences but also about their future perspectives. Interviews lasted, on average, approximately 1 week. At each interview, the researcher gave brief examples to help the respondent understand the general phenomenon of interest.

Interview questionnaire:

The questionnaire (appendix B) was developed by using Cameron's research paper (1994) on effective downsizing where he recommended several key aspects to be considered in order for organization insure successful downsizing .

The interview questionnaires had three main sections:

Demographic variables: The researchers believed it is necessary to compare and contrast responses from different positions, tenure in the organization and educational level. This section has six questions which addresses

- **Gender:** A peripheral objective is to study possible relationship between employee gender and its perception.
- **Age:** To examine the correlation between maturity and associated perception.
- **Marital status:** It is hypothesized that family responsibility would affect the tolerance of downsizing.
- **Job level:** The researchers are particularly interested to evaluate the views and insights of different position levels in the organization.
- **Education level:** The researcher is also interested to see the relationship between the education level and its effect on downsizing broadmindedness.

Process analysis: The researcher's main objective is to analyze the process of downsizing which took place in the organization. The success factors recommended by Cameron (1994) have been assessed to evaluate its effect on the process and validate their necessity to achieve and effective downsizing implementation.

The interviewees were asked to state their insights of the process in light of the different critical success factors.

The process has been evaluated in the following directions:

Approach: The interviewees were asked to state their opinion about the approach followed by management to address the downsizing. The approach was tested out for being a long term strategy aimed at improving the productivity and effectiveness of the organization. In addition, the approach was assessed whether the human resources were considered as liability rather than assets. The employees have been also asked about their own understanding of the downsizing and how do they feel about from a general perspective.

Preparations: The interviewees were asked to express their feelings about how well the organization was prepared to address the new market situation.

Involvement: the researchers stressed on understanding how well the employees were involved in setting up the plans for the downsizing strategy.

Leadership: both management and junior staff were asked about the perception of the leadership attitudes and behavior during the downsizing organization. The researcher assessed the availability of an articulated vision and mission for the desired future of the organization.

Communication: One of the most important aspects of the downsizing implementation is how well the communication was effective and transparent. The staff and management were asked to state their views if information was provided frequently and honestly to all employees during the process and whether rumors and ambiguity were allowed to flourish.

Support: it was important to study the support extended to employees by the management during the implementation process. Both survivor's support and victims' support are investigated.

Cost Cutting: In this question, the purpose is to examine the sense of financial savings in different aspects of the organizations. Examples given, restricting overtime, providing leave without pay, eliminate redundancies. Different excess fat reduction and process analysis is also examined.

Measurement: both management and staff were asked to state their opinion about different evaluation procedures undertaken by the management to assess the degree of downsizing implementation effectiveness.

Implementation: The interviewees were requested to express their perception about how well the downsizing process was handled. The main interest was to evaluate the equitable and fairness of the process.

Downsizing impact: In this section, the researcher is seeking to evaluate the effect of downsizing across two dimensions; the employees and organization.

The employees' dimension studied productivity, performance and morale as well as feeling of unfairness, betrayal and distrust. Other aspects also are the feeling of depression, sadness or guilt together with Fear, insecurity and uncertainty, Intention to quit and Career development.

Other employees' mind-set trust in senior management, organization and the assessment process were also points to be probed.

The other dimension is how the organization was affected by the downsizing process; aspects included:

- Organizational knowledge
- Financial performance
- Innovation

- Market reputation
- Customer and suppliers reaction

Research Findings

Study sample:

Out of the 70 employees working in “ABC” organization, the study sample consisted of 55 randomly selected white collar employees working in “ABC” organization in UAE. Nevertheless, the researcher was keen to include all different job levels in the sample to guarantee that all perspectives are taken into consideration. Out of the 55 interviewed employees, 73% provided valid responses.

Demographic Data

- **Gender:** upon analyzing the interviewees’ gender the following was found

30% Females

70% Males

These results reveal that this organization is a male dominated environment therefore the feedback provided by females in this research although valid might not represent the full view for females in downsizing implementations in the local market.

- **Age:** It was found that 62% of the interviewees were between the 30 and 50 years age while 35 interviewees were below the age of 30. Employees above 50 represented only 3% of the total number. This result exhibits that “ABC” mainly employs a relatively young employees (below age of 50).
- **Marital status:** the results show that there is a balance between married and unmarried employees (42% married and 58 unmarried). Married employees usually carry the extra burden of being the main provider of the family. And since most literature found downsizing has a negative effect on job security and social status fear, this sample represents a valid data for the research results.
- **Job Level:** this factor is important to find the correlation between the job level and downsizing perspective.
 - 19% senior management
 - 34% middle management
 - 35% junior staff
 - 12% others (administration)

The sample is normally distributed between different job levels in the organization which was the aim for this research.

- **Job Tenure:** the sample results found that 48% of interviewees had been with the organization between 2 to 5 years and 45% had been there for only 2 years or less. A very small percentage of the employees had been in the organization for longer than 5 years.

This result is expected due to the fact that the organization was incepted on 2002 and had only grown dramatically in last 2 years. Not to mention that the advertising industry is a dynamic field and the average employee tenure in an organization is 3 years.

- **Education Level:** this variable was selected to show if there is a relationship between education level and the maturity in the downsizing perception.
 - 1% High School or equivalent
 - 63% Bachelor degree or equivalent
 - 26% Post graduate degree or equivalent
 - 0% Ph.D. or equivalent

The above results shows that most employees are bachelor degree holders which is an expected result in any average small to medium sized organization in UAE especially if taking into consideration that blue collar workers were not included in the sample.

Additionally, it is common to find a low percentage of PH.D. holders in similar organizations.

Downsizing Process

Approach: According to the survey result it was found that most employees at various job levels including the senior management felt that the downsizing process was a reaction to the economic downturn and declined revenues of the organization. The process was approached as single target to be accomplished and not as a long term strategy and a way of life. Additionally, there was a general consensus among all interviewees that the process was not approached as an opportunity for improvement where the organization has waited until the crisis happened and tied to find a quick fix.

The majority feedback of the staff (does not include senior management) was that human resources were not treated as assets but rather than liabilities. Few have

commented that the organization failed to address their added value or even differentiate the good performers from bad performers while others stated that they needed to fight continuously for their rights and sometimes take responsibilities of management mistakes. Quite the opposite, senior management staff felt that their employees are valued and treated as valuable assets to the organization.

When the interviewees were asked to spell out their perspectives of the downsizing in general

- 63% of the staff found that downsizing is a tough process but realistic. They believed it is necessary for the organization survival and success in the current economic situation if done properly and efficiently. On the other hand, it was also found that those who did not agree are mostly junior staff.
- Hardly 31% of employees recognized downsizing as an opportunity for on going improvement. Most of them could not relate downsizing to improvement particularly if market conditions are healthy.
- 40% found that downsizing is an approach to maintain an efficient organization. The majority commented that efficiency should be sought at the recruitment level where the organization should avoid recruiting unnecessary staff and consequently resorting to downsizing at a later stage.
- 90% felt that downsizing is a target or a goal to be achieved merely in economic downturn and not in normal market conditions.
- 20% believed that downsizing should be used as a strategy to for continuous progress or a method to achieve a more competitive position. In fact, they felt downsizing is going to have unfavorable effect on the organization especially if it leads to unhealthy workplace and limits innovation.
- 82% thought of downsizing as a constraint or an obstacle to be overcome. Interestingly enough, few felt that this obstacle is global and interdependent across several industries and should be addressed with an open economy policy through out the world to encourage creating new opportunities as opposed to pulling back or downscaling business.
- 50% agreed that downsizing should be used as a continuous activity to eliminate organization fat. Some believes that in normal circumstances organizations should not have any fat to start with.

- Surprisingly, only 20% of staff supported the concept of downsizing as every employee's responsibility. Few employees considered downsizing as a way to cover for management and HR faults due to bad policies, improper planning and lack of foresight during the recruitment process. It was found that barely 20% - mainly from experienced senior management staff- believed that responsibility should be shared across the board.

As explained earlier, all employees considered downsizing as a reaction to the economic pressure. Actually, this view has been always accentuated by management in several occasions when downsizing was under consideration.

Finally, it is worth mentioning that the received responses were consistent across married and unmarried employees who share the same characteristics such as age, organization tenure or education level. Finally, although females were more tactful in their responses, the gender was not found a significant factor in employees' perspectives of downsizing.

Preparations: The majority of the employees felt that the organization did not prepare well in advance for the downsizing before it was mandated and they waited until immediate reaction is required. Few senior management staff believed that despite the fact that the organization did not prepare in advance, it had taken all measures necessary to prepare for downsizing such as proper assessment of available skills and matching them with the projected revenue in the coming few months. Also, the management had run a precise analysis of the business units' performance to identify areas of improvements and cost cutting.

On the other hand, middle management and junior staff who were not involved in the preparation process were surprised of the announcement regarding the downsizing.

Majority of the employees agreed that future mission and core competencies of the organization were established without targets, deadlines and objectives as well as it was not effectively communicated. The employees were left totally in the dark until the downsizing plans were announced. However, few employees viewed the process objective as independent of the downsizing objective by the parent organization. Yet, few staff in the middle management had pointed out that they don't believe that the organization has a vision or mission and what they are going through is a knee-jerk reaction to the slumping economy.

Most of the employees do not support the idea that the organization modified the structure based on the headcount targets rather than effectively accommodating the mission and the core. In reality, most of them got the impression the organization had tried to keep as many employees it could to keep the company operational.

Involvement: It was stated by both senior management and staff that employees involvement was minimal in identifying what needed to change through downsizing and in implementing the changes. The general consensus about downsizing revealed that it was driven from the top management and pushed down to the lower levels. Also, it was treated as senior management entire responsibility where the employees were not involved in making the decision or being held accountable for the outcomes. Conversely, employees were demanded to empathize with the situation and carry out their utmost efforts in order to execute the management plans and save their jobs the organization and even if it meant to be overloaded. From the management point of view, the issue was treated with confidentiality for two main reasons; first they did not want to start rumors which could disturb the operation ahead of time and second, there was sensitive financial information which could not be shared across the board.

The staff interpreted this attitude as a mean from management to save their own jobs on the expense of the employees or to cover up for a major slip-up which led the organization to this stage. This was even augmented by the fact that the first layoff list included junior staff only and none of the senior managers were affected.

Few staff members also indicated that when the staff tried to express their reaction to management's decision they were considered as going up against the management whereas the staff believed that they could have contributed positively to the solution.

According to "ABC" management, the process took into consideration the internal process only and did not involve third parties. The reason for not involving the customers or suppliers in the process was due to the sensitivity of the subject and concerns of spoiling the organization reputation in the market. In reality, the management was steadily communicating a message to the market that the

organization is performing very well and not considering downsizing. Hardly two employees suggested involving the suppliers but none approved to engage customers.

Leadership: When employees were asked to state their opinion about their leader(s)' attitude towards the downsizing, the findings were as the following:

Most of the middle management staff believed that their leaders are visible, reachable and supporting both survivors and victims of downsizing. However, not many believed that downsizing was associated with a clearly articulated vision of the organization desired future.

Although the junior staff perceived their leaders as being accessible and visible, they did not accept the suggestion that they were interacting frequently with the surviving employees or the victims. There was a common agreement that leaders were more worried and concerned about their self-interest than the needs of their employees especially those of the ones who are leaving. Moreover, in certain cases, the staff felt that the management took a long time to settle the financial issues of the terminated employees such as providing return tickets to their home countries.

Almost all employees in different levels judged the leader(s) efforts to project positive energy or motivate employees as being very minimal and not enough to prevail over the situation. They hinted that occasional emails, a lunch invitation or a movie are nice to have but not sufficient to support their needs or improve their performance. Likewise, few employees perceived that breaking the downsizing news itself was not managed in a constructive way and the conveyed message was to demand the employees to work harder or leave the company.

The leaders of the organization thought of themselves as being transparent, supporting and caring. They considered their few meetings, emails and open door policy are enough to address the concerns of their employees. Leaders commented that delaying the decision as much time as they could is a way to prove their point, but eventually they were forced to take the layoff decision and as a regrettable consequence, having unsatisfied employees is an unavoidable result. They also assumed that they supported the terminated employees by providing them with exactly what UAE labor law entitled them for whereas the organization could not afford to offer any extras.

Communication: In this part, the interviewees were asked to evaluate the level of interaction and exchange of ideas which took place during the downsizing process. Middle management have found that the organization have revealed only “need to know” information and kept some sensitive financial figures and shareholders facts confidential because they believed that it would create unnecessary panic if the organization exposed such information. However, they felt that each business unit’s head should be aware of their related financial information to allow them to contribute with valuable decisions based on their better understanding of the market and organization.

Staff perception saw that despite the honest efforts from part of the senior management to communicate the message of downsizing effectively, it still created unrest and doubt in the minds of the employees forcing them to speculate and allowing rumors to flourish which created negative publicity for the organization internally and externally. They also strongly criticized the shocking news about the new hiring with big fat salaries while the message of downsizing was camping all over the organization. Others also felt that staff took the greatest impact while the management was not asked to sacrifice in their least benefits such as blackberries.

Ironically, few junior employees’ strongly believed that the organization has the right to keep sensitive information such as the financials and future plans confidential and conceal from staff.

Similarly, the middle management and junior staff did not feel that the organization was gathering comments to assess the process frequently or constantly and in rare occasions when they did, employees complained that a statement never has been feedback to them or changes are made accordingly.

On the other hand, senior management had confirmed the fact that they have only communicated what is needed to be shared in order to avoid unnecessary disruption and panic in the operation. For example, they felt that it was not appropriate to disclose the financial and business implications of replacing the costly part-time consultant with a new director with a big fat salary. They strongly believed that disclosing the full realistic picture in an honest and transparent way would have negatively affected the employees’ morale and augmented the feeling of frustration and job insecurity. They also deemed their efforts in communication such as the

meetings, emails and informal gatherings as sufficient to convey the message and fight off the rumors.

In the same way, senior management believed that they made considerable and sincere efforts to communicate the downsizing message or to collect employees' views in order evaluate the downsizing process regularly. The management considered their decision to revert to regular weekly working days and remove the percentage pay cut demonstrated their genuine attempt to assess and fine tune the downsizing strategy based on the employees' feedback.

The researcher did not find any specific differences in attitudes of employees based on their marital status, job tenure or gender. However, female employees were found more sympathetic and understanding for the situation.

Support: This section was concerned to examine the level of the support and attention provided for both survivors and victims of downsizing.

Junior staff did not perceive the organization providing equal attention to support both who stayed and those who left. Most of them felt that the organization did not give adequate lead time to the leaving employees especially those who were forced to cancel their work permits and reconcile their financial debts or settle family issues in order to depart the country. Also, they considered it important to provide the downsizing victims with counseling services and treat them with empathy because they were suffering from feeling of worthlessness and rejection. In addition, they saw that it would have been helpful to offer the victims retraining and outplacement services. Others saw that management unreasonably stalled settling the financial benefits and in some cases deprived the victims from a basic need such as a ticket back home or three to six months paid salary.

Similarly, both middle management and junior staff assessed the organization efforts as negligible in motivating, assuring or cross training of the survivors in order to help them adapt to the changes in responsibilities and work overload. On the contrary, after the downsizing announcement, the survivors were facing ambiguity and uncertainty of the future which left them de-motivated, insecure and unsatisfied.

On the other hand, the senior management felt that it is more important to give more attention to the employees who are staying as they are considered more valuable and

key to future organization growth plans. The management has the desire to invest in training and development programs for the survivors but unfortunately the financial circumstances could not accommodate such plans.

Additionally, senior management believed that they have not denied the leaving employees their entitlements of benefits according the origination policy and the UAE labor law.

Once more, the researcher did not find any relationship between employees' different attitudes and marital status, job tenure or gender.

Cost cutting: This section is investigating alternate cost cutting methods implemented by the organization to prepare for downsizing. According to the senior management responses, the organization implemented several methods to cut cost which included restricting overtime, providing leave without pay as well as reducing working days per week and eliminating redundancies. They also implemented several other activities intended to cut cost and reduce excess fat such as reducing information flow and eliminate unnecessary meetings while reducing new programs launches and introducing new response time. They have also analyzed all processes in the organization and redesigned few work activities in order to get rid of redundancies and enhance efficiencies.

However, Middle management and staff level perceived that the cost cutting practices were selective, inconsistent and not executed across the board. They do acknowledge the efforts took place to cut the cost in different was especially restricting overtime and providing leaves without pay, yet they are still particularly confused and displeased with other activities which are not inline with this strategy such as installing new phone system and purchasing new computer equipments in addition to hiring new employees with high salaries or investing in new blackberries sets to the employees. Few staff level employees went to the extreme side by claiming that the organization did not follow a clear process or system even before the downsizing took place.

In response to these accusations, the senior management explained that the internal phone system was long due for replacement. It was faulty and caused difficulty for lots of potential or existing customers to reach the required services. Consequently, opportunities were lost and efforts were wasted in a time where they needed to

collaborate the efforts to close new deals. Similarly, the blackberry system was identified as one of the areas for improvement in the internal process therefore they had to be replaced in order to boost up the internal communication especially between mobile employees thus enhancing the response time and quality of service.

Moreover, and as explained in a previous section, the management justified the new hiring for a key director position as being essential in order to survive this crisis and as a matter of fact, this position was replacing a terminated high cost outsourced consultant.

To conclude, the senior management did implement several activities to cut cost, eliminate excess fat and improve the process efficiencies but their efforts were not justified properly to employees. The management assumed that these activities were self explained and further details to clarify the reasons behind these steps are not necessary or of no interest to the staff. This lack of communication was a major cause of unhappiness and frustration which allowed the rumors to start and flourish.

Measurement: This part of the questionnaire was meant to explore how well “ABC” organization was able to measure and evaluate their downsizing processes.

Junior staff saw that the organization did not employ specific measures of all activities and processes in order to assess the improvement. Also they did not feel that the organization evaluated different alternatives for downsizing in terms of speed and time use. Likewise, the staff believed that the skills and experience of human resources were not analyzed and assessed properly before the downsizing process took place. And though the majority of employees have the complete trust in their senior management, a few of them criticized the management for not being able to differentiate the highly productive employees among the staff and accused them by being biased towards personnel who are considered friends with the senior management. A common demand across the staff employee was to carry out a performance appraisal against certain objectives in order to evaluate the productivity and efficiency of the employees and accordingly decide on who will stay and let go.

In the same way, the middle management shared the same perception with the staff but with a more understanding and supportive attitude. They still think that the organization needed a more thorough evaluation of the downsizing process especially when it comes to analyzing the human resources skills and experiences.

The senior management acknowledged that they are still working on the evaluation and assessment of the different downsizing activities they have implemented. They even stated that they have recognized a need for further layoff in the near future.

Finally, the responses received from employees across the board were consistent and could lead to a major improvement in this regard.

Implementation: In this section, the employees were asked to state their views about how well their organization handled the implementation of downsizing.

Majority of responses acknowledged that the organization placed emphasis on utilizing cross functional teams reducing redundancies and improving efficiency of suppliers operation. However, they did not feel that the organization had modified the structure or eliminated function or departments as part of the downsizing. Few employees felt that the downsizing was administered equitably and fairly even though they noticed that junior staff was the only victim of the process. On the other hand they did not agree that the organization have formed cross-level or cross-functional teams to plan and implement downsizing.

Senior management reported that the organization reanalyzed and redesigned jobs and tasks together with utilizing cross-functional teams while reducing redundancies. They also saw that they administered the downsizing understandably and reasonably and their decision was based merely on future business needs without discrimination or bias.

Downsizing Impact:

Employees' attitude

Productivity and performance: Two third of the interviewees reported that there was no improvement in productivity. In fact they sensed deterioration in performance due to the fact that employees are more consumed with seeking reassurances and security rather than boosting their productivity or enhancing performance.

Morale: Majority of the staff, mid-level and senior management stated that the employees' morale had been affected dramatically due to grieve of the loss of their co-workers and the loss of job security. And even though they survived the process,

they will be suffering from feelings of suspicion and job insecurity. Fewer employees claimed to have a positive attitude despite the crisis.

Unfairness, betrayal and distrust: The majority of employees had sensed a mixture of breach and betrayal, the feelings came not only from disappointment of not getting expected rewards or benefits but also more importantly from a sense of unfairness and mistreatment by their trusted supervisors. This feeling nurtured the blame culture, politics and flourishing of rumors. Nevertheless, fewer employees reported a complete trust and loyalty to the senior management.

Sadness, depression and guilt: Staff at different levels stated that the feeling of sadness, depression and guilt has grown substantially among the employees since the announcement of downsizing. Their sadness feelings were intensified whilst seeing their colleagues' losing their jobs and suffering tremendously from the consequences. This feeling is combined with the guilt feeling which stressed out the surviving employees for keeping their jobs.

Overall commitment to organization: The responses of the staff varied. A large number of remaining employees developed a stronger commitment to the organization due the fact that they were grateful for keeping their jobs and increased responsibility of coping with the new challenges. Others felt like their commitment is deteriorated and they are seeking different excuses to skip work or even leaving for another employer.

Trust in Senior Management, organization and in the assessment process: Again, the responses varied between total, partial and lack of trust in parts of the senior management. Nevertheless, the majority of the junior staff felt the assessment process was not fair and was not based on performance or productivity.

Fear, Insecurity and uncertainty: for this part, there was a general consensus among the employees at different job levels and organization tenure that increased sense of insecurity and uncertainty is a major stressor and a consequence of the downsizing process.

Psychological contract: Although the majority perceived that the organization had failed to fulfill the psychological contract and violated its responsibility to provide stable employment and a positive work environment, they still believe that the current market condition was beyond the organization control. Few employees had even

expressed their gratefulness for getting their monthly salaries on time and without delays.

Intention to quit: Throughout the interviews, this thought was popular among the junior staff and middle management where they expressed their intention to quit if they find a suitable alternative in a different organization. On the other hand, senior management perceived a higher sense of responsibility, loyalty and commitment. They also explained that the job market is over flooded with demands than offers for jobs.

Career development: The majority of the surviving employees expressed their worries about having the experience and skills necessary to do their new or expanded jobs. Some employees expressed their fear that they did not have the knowledge they needed to manage the new responsibility without receiving any training.

Organizational impact

Organizational knowledge: There was a common agreement that the organizational knowledge was not affected due to the fact that the first stage of workforce cut off affected only the junior staff, temps and redundant employees. The staff expressed their fears if a second stage of layoff would include more experienced staff.

Financial Performance: The business had slowed down substantially and the organization had suffered financially due to the crisis; there were also other difficulties such as collecting their long due debts from existing customers or receiving enough down payments for the new project. The staff across the board expressed their worries if the organization will be able to sustain the new market circumstances.

Market Strength: The senior management expressed their worries about the situation where they felt the pie is getting smaller while the competition is growing fiercely. They explained that most advertising agencies who failed to grab new business in Dubai market turned their faces towards Abu Dhabi market hoping to compensate for their losses thus increasing the challenge. On the other side, junior staff and few from the middle management blamed the organization inability to generate new business to the senior management incompetence in snatching available opportunities.

Productivity: the majority of the interviewees reported a slowdown in the organization productivity. They explained that the organization suffered from lack of teamwork and poor quality of outcomes while having overloaded and unsecured employees.

Innovation: the interviewees at all levels stated that innovation is the least of their worries during the current market crisis; they were worried more about the organization survival and saving their own jobs. They also explained that during the current situation it is not advised to take risky actions or follow new ideas as this will jeopardize the organization position negatively in the market.

Discussion

The main purpose of this research is to perform a critical analysis of the downsizing process which took place in “ABC” organization. The research focus was to detect how well the best practices were implemented and its impact on the process.

In many ways, the findings of this research supported the empirical evidence of literature which proposed that downsizing is not always the best solution to the economic crisis. The previous section showed clearly that, after the first stage of the downsizing process, the organization was suffering significantly not only from the current financial crisis but also from poor performance. It is noticeable that the organization did not gain any financial benefits from the process nor did it improve its market position as the new situation dictates. In the contrary, the organization is left with distressed and low morale employees who negatively affected the performance, productivity and efficiency of the organization.

According to the findings, it was evident that the organization took a defensive form where it implemented downsizing primarily as a reaction to loss of market share and profitability. The rationale behind it was to cope with the new market situation that led to lack of cash flow, slowdown in business opportunities and increased competitions. Unfortunately, it was also clear that the senior management failed to look at the process as a long term strategy and a way of life targeting enhanced productivity and competitiveness.

Downsizing Process:

Upon analyzing the implemented strategy, the results showed that the organization adopted a workforce reduction strategy. Although very selective, the main emphasis was on eliminating headcount and reducing number of employees. They offered unpaid leaves, workday’s reduction, attrition and layoff. The organization did not try to cut work rather than workers or change the structure and eliminate business units as well as management levels. Also, there was little evidence that organization followed the systemic strategy where other downsizing targets are taken into consideration such as improving response time and reducing rework. It was clear that employees were not being used as sources to help generate and implement ideas or even felt accountable for reducing costs and finding improvements. It might have been better

for the organization to take a hard look at their downsizing strategy, rather than respond impulsively. The organization should have considered alternatives which can enhance the competitive position while at the same time achieve financial goals. The organization should have reexamined their existing business plans for the reason that plans do not work anymore as they perhaps expected in a crisis situation. New plans should be doable, flexible and constantly changing with the situation, it should have multiple “what if” scenarios with contingency plans for various possibilities. Also, the organization should have studied other organizations which implemented downsizing successfully and apply their best practices to simplify routines, process and customer relationship rather than focusing on headcount reductions.

Another key finding from the research was the approach type; it was noticeable that management was trying to follow the convergence approach. It was found that they focused on incremental downsizing and emphasized more on lower level, less radical downsizing approaches. They tried to decrease the size of the business units without restructuring work. They also ensured the stability is maintained through the top management layers, technology and systems. Similarly, they put emphasis on efficiency criteria and focus in doing things better.

The finding showed that despite the fact the senior management invested time and resources in analyzing tasks, personnel skills and process redundancies, their efforts were not well appreciated or even noticed by the other staff members. In the contrary, the staff felt like the decision was not fair and more biased towards those who held good relationship with management. This problem revealed a major flaw in communication which will be addressed later in this section.

The research established the lack of a clearly well defined and shared vision before the layoff was executed. The management failed to communicate and emphasize what is wanted to be accomplished in the near future. Also, it was noticeable that the organization carried forward some of the same initial problems that the organization suffered from in the past. These problems will sabotage the future and will create a cycle of repeated layoffs with little improvement in organizational efficiency.

One major findings of the interviews results indicated that the preliminary stage which was mainly dominated by the search for ways to cut costs was led by the top management. None of the staff employees were involved in the analysis for the most part nor were external sources tapped for ideas about how to deal with the problem.

Literature stated that hands-on involvement of lower level employees is important for effective downsizing, it fosters innovation and improvements. Employees participation in analyzing the operations either through cross functional teams, committees or self-designed tasks often lead to better ways to eliminate organizational fat, redundant jobs and improved efficiency. This step is also necessary to avoid negative organization attributes such as feeling of unfairness and worthlessness. This way, employees are treated as resources for organizational improvement rather than liabilities to the bottom line.

From a leadership perspective, it was apparent from the findings that the leaders failed to be clear about their vision towards which the organization should be moving. They also did not realize the key role they need to play in leading their teams through out the change situation. Most literature emphasized on the critical role of leadership during the downsizing process. Leaders of “ABC” organization needed to be aggressive, active and accessible as well as supporting their workforce continuously and unifying them around the organization mission and vision. Additionally, they should accentuate the positive goals to be accomplished and make sure that the goals are cascaded through out the organizational to keep the focus on progress and future rather than on the layoffs. Moreover, they should have fostered a mature quality culture so that the organization can focus on doing things right rather than detecting errors and pointing fingers. Senior Management should have demonstrated positive attitude and feelings to inspire the employees to rebuild the organization. In turnaround situation, leaders are asked to focus on people and not processes because people are the one who can create and execute a change. In many organizations, consistent and committed leadership helped employees overcome organizational change caused by downsizing.

Another major flaw in the process was neglecting to integrate the middle management in the process. It was clear from the findings that middle management did not play a vital role in liaising and handling employees’ disturbance during the downsizing; they were secluded from the decisions and were left to deal with the challenges without clear directions. For middle management to be able support their subordinates effectively, they in turn have to learn how to handle queries and resolve problems. As

expected, they were sad and insecure thus, reinforcing rumors and failing to provide enough support to their subordinates. In line with O'Neill and Lenn (1995 cited in Ryan *et al.* 1998) literature which suggested that one reason for the poor outcomes from downsizing is the failure of middle management either to understand or to endorse downsizing efforts.

The findings revealed that the organization was suffering severely from a communication problem. The management thought they were very supportive and considerate but the messages received at the end of the ladder were very negative. None of the efforts of the management was appreciated at the middle management or at the staff level. According to the employees' feedback, they did not consider the provided information as being enough to give a clear picture of the situation and they felt that they are left in the dark at most of the times. Although the senior management believed that they have addressed the downsizing process as eloquently as possible, they needed to realize that no communication is ever enough in a downsizing situations. They needed to provide the message in multiple channels in order to achieve a proper balance between formal and informal ways of communication. Employees should sense a good rationale behind the decisions combined with a well thought out decision making process. They needed to feel the decisions were made for the good of both the business and their future.

According to literature, the best course of action in a downsizing process is one where information is shared as openly and honestly as possible. Employees need to understand the business reasons for reducing headcount, and how the change will be managed. In general, staff develops a more supportive attitude when they are well informed and involved in the process at the same time as giving them more time to adjust to the new information and respond positively to the change.

"ABC" should have designed a comprehensive strategy for communication which embrace broad possible ways to communicate during layoffs; such methods include continuous face to face interaction, one to one discussion, formal and informal meetings, newsletters, memoranda, emails and bulletin boards. It is also important to include education sessions for employees about the downsizing process, their rights and provide them with tips to survive the situation successfully.

Moreover, the findings revealed that senior management mistakenly assumed that the remaining employees should feel grateful that they did not lose their jobs. Therefore, very little effort was spent on the social ramification of downsizing. Consistent with the literature, the remaining employees of “ABC” organization transitioned through multiple negative emotions similar to confusion, unfairness, victimization, mistrust, and grief. And accordingly perceived their jobs as not secure and the management concerned about their own benefits while neglecting the rest of the employees needs. Also, the management assumed that the surviving employees do not need training to deal with the new responsibilities and overload. The management left the employees to be trained on the job which most likely affected their productivity and efficiency. According to literature, the best practice in similar cases is to develop an inventory of employees’ skills which is easily accessed by the management while preparing and planning for downsizing. This will help the organization to identify necessary soft and technical skills and plan for future needs with the necessary training. It is also recommended to support remaining employees by assisting them to plan for their personal growth and articulate their career goals in order to maintain their commitment and align their interest and it with the organization new goals and targets.

More importantly, the organization should foster creativity and innovation through brainstorming sessions at which employees share and discuss their innovative ideas. Also, the organization should increase activities that boost teamwork and enhance moral in order to restore employee harmony, friendship and trust.

On the other hand, the employees did not perceive that “ABC” management showed enough empathy to the leaving coworkers, thus re-enforced the feelings of mistrust and insecurity. The research literature established enough evidence that the downsizing survivors are very susceptible towards how the management is treating their colleagues. Disappointedly, the findings revealed that the organization did not offer extra support to the departing employees. Employees might not remember that the organization abided by the labor law to decide for the severance packages but they will definitely remember how they were being treated during the downsizing process. For that reason best practices recommend walking an extra mile with these employees

to show support and empathy. Best actions include assistance with career transitions skills, relocation expenses and outplacement services.

One more critical draw back in the downsizing process was the tendency to consider employees layoff as one of the main sources of cutting the cost. Evidence form research showed that consequences of layoffs are costly and devastating for individuals as well as for the organization, therefore it was important for “ABC” organization to realize that cutting workforce won’t make it more productive. Cutting cost should focus on analyzing the number of things the organization does and narrow down business to focus areas in order to ensure that the resources needed are devoted to do those fewer things extremely well. Also, identifying precisely where redundancy, excess fat, and efficiencies existed and attach them those areas specifically.

Furthermore, despite the several efforts in implementing several methods to cut cost such as hiring freeze, mandatory vacations and reduced workdays, the organization neglected the fact that the employees are the best source for detecting and initiating new ways to achieve cost cutting. Literature suggested that best ways to eliminate redundancies and control the cost are best achieved through soliciting ideas from employees who are often creative in identifying and recognizing waste. Also, employees appreciate the opportunity to take part of the solution and make a positive impact on their workplace and environment which will charge them with a positive attitude and a sense of belonging. Employers are also urged to link rewards and compensation for the most innovative cost-cutting initiative and/or enhancing efficiency. Resorting to workforce layoff should be the last alternative; in fact some researchers advocated that this option should not be selected in business slowdown and market uncertainty situations. Alternatively, they proposed to invest in continuous improvement tools and techniques to streamline the work processes and achieve a cost effective operation. Also, the organization structure should be reconsidered to find areas of improvement to facilitate communication and enhance information sharing across different levels. Literature proved that a structure aimed at achieving specialized and loosely coupled units while at the same time producing generalized coordinated centralized units to be the most efficient in downsizing.

A final point worth mentioning, senior management should have been more attentive to employees’ morale and explained to the entire workforce the rational behind extra

expenditure such as the investment in new phones system, blackberries and new recruits. This should ensure employees buy-in and commitment and avoid resentment and rumors. Finally, the organizational should find ways to cut cost in the entire system of suppliers, customers and distributors.

For example,

- Reducing the number of suppliers to the minimum based on their reliability, cost and quality.
- Identifying target customer groups to narrow down marketing and sales activities and gain efficiency in sales and customers follow up.

From the implementation angle, it is most often overlooked that downsizing involves both business and cultural changes. It usually represents a pain which impacts the behavior, beliefs and values that drive workforce motivation and productivity. Downsizing threatens financial security and introduces significant levels of uncertainty about the future. The empirical evidence from literature suggested applying the body of learning on the change management to reduce its negative effects. One of the more significance aspects of the change dynamic is that the perception of control. Therefore, the approach in which the transition plan is implemented has a dramatic effect on the long term success for both the victims' and survivors reactions' to the process. Literature encouraged employers to involve the employees in the implementation of the change in order to give them a sense of control over their destinies and decisions influencing their livelihoods and well beings. Also, literature stressed on the important of using a layoff procedure that is perceived as fair and can build employee trust. Unfortunately, the primary finding in this area is that "ABC" organization failed to involve the employees or even explain openly the selection criteria for employees' lay off, therefore it was perceived as being inequitable and biased. Best practices proposed by several researchers in this area is to conduct a formal performance appraisal and job analysis combined with a clearly articulated business plan before the downsizing process took place is very important and key to the success of the implementation. Additionally, providing clear explanations and treating people with dignity while implementing a layoff add to the perceptions of procedural fairness.

Another evidence from research proposed that quality, productivity and customer service often deteriorate over time while financial performance erode therefore researchers urged employers to monitor the progress during the implementation stage of downsizing closely in order to assess its efforts and spot trouble early while helping the organization to adjust the plan along the way. Also, it is important to monitor the emotions and well-being of employees especially for signals of distress and burnout. In summary, most researchers had concluded the organizational consequences of downsizing include disruption of smooth and predictable routines in the operation, rigidity, loss of communication as well as less information sharing and innovation. The findings of this research concluded that “ABC” organization did not implement any formal measurement or assessment for the process; their approach was very reactive and was subject to unhealthy rumors and unproductive informal chatting sessions between employees. The organization could have detected some of the process flaws and avoided the negative consequences if they have put in place a systematic feedback process to diagnose the health of the organization and the performance of the employees’ attitude during and after the downsizing. “ABC” organization should put in place a cost control tracking process along with a cost versus benefit analysis program in order to outline the short-term financial implications and highlight the potential long-term savings or losses. Nevertheless, one cannot adequately evaluate the benefits from a downsizing program when its costs cannot even be measured correctly. Also, it is important to set a timeline for the implementation and the sequence of event to take place before and during the downsizing process in order to pin down the areas of hidden cost especially in quality and labor scheduling.

Downsizing impact:

A secondary goal of this research is to analyze the impact of downsizing on both the employees’ attitude and organizational performance. As explained earlier in the literature, downsizing organizations typically suffer from what is called a survivor syndrome which is a psychological reaction among survivors that affect their values and beliefs negatively and pose a real threat to performance and productivity and accordingly the organizational performance.

Employees Attitude

In reviewing the data and similar to international organizations, the findings of this research showed that organization “ABC” suffered badly from this syndrome. The survivors of this organization received disincentives such as increased workloads and broader responsibilities and escalation in what Cameron (1994) described as the “dirty dozen”. These include decreasing levels of morale, trust communication and innovation as well as increasing levels of conflict, scapegoating, threat-rigidity reaction and conservatism.

One important aspect which “ABC” management needed to pay attention to was to regain employees trust and commitment. Typically, managers are perceived as untrustworthy and unreliable when they hide information and fail to communicate their plans properly. Thus, the management should increase the communication efforts in order to make certain that all employees understand the rationale and circumstances for downsizing. To increase the information exchange, management should encourage employees to pass information upward as well as provide feedback on information passed downward and rely on rumors. Also, middle-management levels at “ABC” organization are key to support their strained subordinates during the transition period, therefore it is important that they are kept well informed about the process and equipped with tools and skills to enable them reinforce the senior management messages and efforts.

Additionally, “ABC” organization should be careful not to lose the talents who are key to the success of the new organization. Leaders should solicit dreams and aspiration of the remaining employees through projecting positive energy and a genuine belief in the future of the organization. Also, the employees needed to understand that the need for layoff was neither due to their mistakes and incompetence nor due to management oversight.

Another crucial point in handling the survivors was to ensure the HRM processes are changed according to the new situation. Employees’ appraisal, reward and development processes should be redesigned and fine tuned to ensure the negative effects of downsizing are handled properly. In a downturn, employees’ concern about their performance is greater therefore it is important not to neglect or ignore the performance appraisal. It is an opportunity to give employees a better understanding of the new and different demands of their jobs in the context of the organization’s

changing needs. This process is also important to emphasize that employees have a stake in reengineering work processes and helping the organization stay competitive in tough times.

Also, it is necessary for “ABC” management to give survivors adequate opportunity to say goodbye and grieve the loss of coworkers. Being insensitive to the fact that employees form close relationships would generate resentment and anger and diminish the sense of being valued by the organization among survivors.

Finally, in similar conditions, employees often find themselves evaluating their current career options and opportunities to grow. Therefore it is important for “ABC” management to take a proactive approach in career development track of the survivors in to engender productivity, enthusiasm and commitment.

Organizational performance

The research also investigated the effect of downsizing on the overall organizational performance with respect to organizational knowledge and productivity as well as innovation and financial performance. Although is too early to evaluate these organizational aspects after downsizing as it has been only two months since the announcement. However the preliminary findings revealed that the organization did not improve financially as was expected but conversely the hidden cost due to loss of quality and innovation had started to contribute negatively. Besides this, the image in the market had dropped as downsizing news started to spread in the market. Moreover, the cut down in the workforce had limited its ability to respond effectively to the opportunities in the market thus affecting its ability to acquire new contracts and close deals. Also it had dramatically affected the creativity and innovation which also affected its competitiveness.

On the other hand, the findings showed that “ABC” organization is fortunate enough for not losing the organizational knowledge whereas most of the leaving employees are juniors but the unfavorable effect of downsizing prompted the key talents to consider leaving the organization.

It would be fair to state that in the short term, “ABC” organization did not gain financially from the downsizing efforts nor it improved its competitiveness. And not

to mention that innovation which is very crucial to any media organization came in last in the list of priorities which will affect further the viability of the organization.

Conclusions and Recommendations

While the body of literature is extensive and many valuable lessons have been learned over the past 30 years, Downsizing remains a complex process and need not be taken lightly. In summary, this research acknowledges the reality of downsizing as a popular practice in times of economic uncertainty. It does, however, present the fact that this “unavoidable devil” can cause pain and stress to all stakeholders.

The researcher concluded that there were similarities between the findings of this research and evidence from several literatures which are based on international organizations. Organization “ABC” failed to yield anticipated downsizing gains; it faced deep organizational and social consequences similar to those explained in the literature. The financial numbers did not look better during the first stage, also resentment, depression and stress among the workforce can very well counteract the required results.

The researcher believes that similar to international large organizations, “ABC” suffered from downsizing consequences due to the fact that success factors for effective downsizing were not taken into consideration. “ABC” management should look at the downsizing as a long term and proactive strategy focused on enhancing productivity and competitiveness and not cutting cost through reducing headcount. The existing plans should be revisited or even replaced with a more doable and flexible one to address the current challenges in the market condition. Also, a clear and articulated vision and mission of the organization after downsizing should be adopted and communicated in order to keep the organization focus to achieve its goals. Leaders of “ABC” organization should unify their employees around the new stated mission and vision and ensure it is cascaded through all levels especially at the middle management layer who should play a crucial role in supporting their subordinates effectively through handling their queries and resolving their problems. Leadership must steer the organization with positive attitude, create a culture of mutual trust among stakeholder in order to have all parties willing to participate effectively to the downsizing efforts. They also needed to be more aggressive, active and accessible as well as continuously fostering a mature quality culture to encourage creativity and innovation. Examples include but not limited to, frequent face to face

meetings, provide honest feedback and conduct brainstorming sessions to share and discuss innovative ideas openly.

Similar to evidence from literature, downsizing in “ABC” should not be pushed down from the top management; employees should be involved early in the process, the sense of control over their career future is important to ensure their support and understanding of the process. Employees are often creative in identifying and recognizing waste should feel accountable for reducing costs and finding improvement in order to give them a sense of control over their destinies and decisions influencing

Researchers rated communication as the most critical factor in the success of the downsizing process. Undoubtedly, “ABC” management failed to provide their employees with enough communication to explain the new situation, goals, and new plans. According to downsizing literature, open and honest communication with the employees at all levels is never enough. “ABC” management should design a comprehensive strategy for communication which embraces broad possible ways to communicate in order to make certain that all employees understand the rationale and behind downsizing and feel the fairness of the process. They also need to include education sessions for employees about the downsizing process, their rights and provide them with tips to survive the situation successfully.

Cutting cost should focus primarily on analyzing the number of things the organization does and narrow-down business to focus areas in order to ensure that the available resources are efficiently utilized. Also, analyzing the supply chain to find ways to reduce number of suppliers and target customers in order to direct marketing, sales and customer service activities more proficiently. In addition, a cost control tracking process along with a cost versus benefit analysis program should be put in place in order to outline the short-term financial implications and pin down the areas of hidden cost especially in quality and labor scheduling.

Support and empathy for survivors is as important as for the victims; survivors are very susceptible to how their terminated colleagues are treated during layoff. Being

insensitive to the fact that employees form close relationships with colleagues generates resentment and anger towards the management. “ABC” management should walk an extra mile with downsizing victims to show support and empathy through assistance with career transitions skills and relocation expenses. Also, they should be more attentive to remaining employees’ feelings and explain the rational behind extra expenditure or the new recruits honestly and openly and not leave it to rumors. Additionally, management should take a proactive approach to the career development of the survivors by assisting them to plan for their personal growth and articulate their career goals in line with the new organizational goals. Also, training and development for survivors is important to enable them to handle the new responsibilities and overload.

On the HRM perspective, management should ensure that processes are changed according to the new situation. For example, employees’ appraisal, reward and development processes should be redesigned and fine tuned to ensure the negative effects of downsizing are handled properly. HR Managers should monitor the emotions and well-being of employees especially for signals of distress and burnout. A performance appraisal and proper job skills analysis should not be neglected at this stage. Finally, employers are also urged to link rewards and compensation for the most innovative initiative to cut cost and enhance efficiency

In conclusion, the downsizing process in “ABC” was not enough to achieve desirable financial improvements. It had to be integrated with an overall approach to changing an organization’s culture and transforming employees’ attitudes and values. And regardless of the organization size or location, there are common organizational attributes and survivors display common symptoms during downsizing. It is how the organization implement downsizing will determine the success or failure of organization’s ability to achieve its strategic objectives. Therefore, downsizing must be undertaken proactively in a way that would decrease the level of the survivor syndrome and address the people issues during the process while achieving the organizational goals.

Limitations

This research offers an interesting angle on the downsizing experience in the local market of United Arab Emirates. However, one must be aware of its limitations when interpreting this research. The limited scope of this research does not give enough evidence to generalize its findings in the local market because one small-to-medium sized organization was considered for the purpose of this research. A more extensive research would involve a larger number of local organizations participants and would focus more on type (private, public), size (small ,medium, large) and industry (advertising, manufacturing, real estate ...etc).

The research also provided a short term view of the downsizing experience in “ABC” organization; it might be interesting to examine how perspectives change after a year period from downsizing. Assessing the long-term impact of downsizing requires further research with a focus on the new dynamics in the changed workplace.

Another limitation could include the fact that most literature on downsizing experience has been generated internationally where there has been the most extensive experience with downsizing. Further researches need to be conducted on the local market taking into consideration the special characteristics of UAE organizations in terms of its structure, culture and financial influence.

Appendices

Appendix A

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Appendix B:

Interview Questionnaire

Analyzing Downsizing in the Organization

Purpose:

The target of this questionnaire is to analyze employee's perception of the effect of downsizing in their organization. The questionnaire has three Sections. Section A is asking about the employee's demographic information. Section B is asking about employee's perception of the downsizing process. Section 3 is asking about employee's perception of downsizing effect on employees and organization during and after downsizing.

Confidentiality note:

The collected data will be used solely for educational research purposes and will not be shared with your management nor will affect the employee's status in the company.

Demographic information

- **Gender**

- Male
- Female

- **Age**

- <30
- 30 and <50
- >50

- **Marital status**

- Married
- Single/separated

- **Job Level**

- Senior Management
- Middle Management
- Junior
- Others

- **How long have been employed in this organization?**

- Less than 2 years
- 2 and <5 years
- 5 and more

- **Education**

- High school/associate degree
- Bachelor
- Graduate (Master's or J.D.)
- Ph.D. or equivalent

Downsizing Process

Approach:

How do you feel your organization approached the downsizing?

1. My organization approached downsizing as a long term strategy and a way of life rather than a single program or a target to be completed and abandoned.
2. The organization approach Human resources as assets rather than liabilities and plan to invest in their development and ideas.
3. My Organization approached downsizing as an opportunity for improvements rather than as merely a reaction to a threat or crises.
4. Describe your perspective about downsizing. (Answer true or false and comment)
 - o Downsizing is an unrealistic demand
 - o Downsizing is an opportunity for on-going improvement
 - o Downsizing is an approach to maintain efficient organizations
 - o Downsizing is a target or goal to be achieved
 - o Downsizing is a strategy for continuous progress
 - o Downsizing is a method to a achieve a more competitive position
 - o Downsizing is a constraint or obstacle to be overcome
 - o Downsizing is a continuous activity to eliminate organizational fat
 - o Downsizing is every employee's responsibility
 - o Downsizing is a reaction to economic pressure

Preparations:

How well do you feel you organization was prepared for downsizing?

5. My organization prepared for downsizing before it is mandated or crucial for survival. It did not wait until immediate reaction is required.
6. My organizing identified what is the future mission and its core competences.
7. My organization modified the structure based on headcount targets rather than effectively accommodating the mission and the core competencies.
8. My organization viewed downsizing as an improvement strategy therefore it established targets, deadline and objectives independent from the downsizing objectives mandated by the parent organization.

Involvement:

How well do you feel your organization involved the employees in the downsizing?

9. My organization drive the downsizing from the top down and did not involved employees in identifying what needs to change through downsizing and in implementing these changes.

10. My organization treated downsizing goals as a top management responsibility. Employees were not held accountable for downsizing goals.

11. My organization focused entirely on internal processes and did not involve customers or suppliers.

Leadership:

How do you feel the organization leaders acted during the downsizing process?

12. My organization leader(s) are visible, accessible and interacting frequently with those affected by downsizing.

13. My organization leader(s) associated downsizing with a clearly articulated vision of a desired future of the organization.

14. My organization leader(s) project positive energy and initiative in order to motivate the workforce during downsizing.

Communication:

How do you evaluate the communication during the downsizing process?

15. My organization revealed only "need to know" information and kept sensitive information at the top.

16. My organization provided information frequently, consistently and honestly to all employees on the progress and processes of downsizing and did not allow rumors and ambiguity to flourish.

17. My organization evaluated the downsizing process frequently based on the feedback of the participants in the downsizing process.

Support:

How do you feel your organization supported the employees?

18. My organization provided equal attention and support to those who stayed and those who left the organization.

19. My organization provided those who are leaving (downsizing victims) with adequate

1. Lead-time
2. Financial benefits

- 3. Counseling
- 4. Retraining
- 5. Outplacement services

20. My organization provided training, cross training and retraining of the survivors in order to help them to adapt to downsizing rather than relying merely on in-the-job-training.

Cost cutting:

What type of cost cutting your organization implemented during the downsizing?

21. My organization did not rely only on headcount reductions but also implemented a variety of cost cutting activities

- Restricting overtime
- Providing leave without pay
- Eliminated redundancies
- Others

22. My organization reduced excess fat

- Information
- Unnecessary meetings
- Launch new programs
- Response time

23. My organization had analyzed all processes in the organization and redesigned work in order to eliminate

- Inefficiencies
- Redundancies
- Non value added steps and resources

Measurements:

What measurements your organization took to evaluate the downsizing process?

24. My organization measured speed and time use for ways to downsize.

25. My organization used specific measures of all activities and processes that directly relate to key services in order to see how improvement can be made.

26. My organization assessed the skills, experience and relevant attributes of all human resource in order to improve decision making regarding personnel and assignments.

Implementation:

How do you feel your organization handled the implementation of downsizing?

27. My organization implemented a broad array of downsizing strategies (true or false and comment)

- My organization placed emphasis on utilizing cross-functional teams.
- My organization reanalyzed and redesigned jobs and tasks

- My organization eliminated middle management levels
- My organization eliminated functions or departments
- My organization reduced employment by not filling openings created by resigned employees
- My organization reduced employment through early retirements, buy-outs, or other incentives
- My organization We reduced employment through redundancies
- My organization reduced employment through transfers to other business units in our organization
- My organization helped improve the efficiency of supplier's operations.

28. My organization administered downsizing equitably and fairly

29. My organization formed a cross level and cross functional teams to plan and implement downsizing with required handoffs

30. My organization changed the appraisal, reward selection development and communication system to reflect the new goals and objectives of the downsized organization.

31.

32. My organization implemented downsizing by beginning with small wins rather than attacking downsizing as a large, complex indivisible task.

Downsizing Impact

Employees Attitudes:

How do you feel the downsizing affected you?

1. Productivity and Performance

2. Morale

3. Unfairness, betrayal, and distrust

4. Sadness, depression, and guilt

5. Overall commitment to organization

6. Trust in Senior Management, Organization, and in the Assessment process

7. Fear, insecurity, and uncertainty

8. Psychological Contract
9. Job Security Fear
10. Intention to quit
11. Career Development
Organizational impact: How do you feel the downsizing affected your organization?
12. Organizational knowledge
13. Financial Performance
14. Market strength
15. Productivity
16. Innovation

