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# **EMPLOYEE MORALE DURING DOWNSIZING**

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# EMPLOYEE MORALE DURING DOWNSIZING

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## The IES Co-operative Research Programme

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# 1. Introduction

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## 1.1 Background

Since the late 1980s, the elimination of jobs and staff has become a reality for many organisations and affected millions of employees. Whatever the corporate rationale, this 'downsizing' is a personal rather than a bottom-line issue for those who survive it and is therefore inextricably linked to the issue of employee morale.

Those that downsize, often successfully anticipate and prepare for the needs of employees being released, through outplacement, career counselling and sophisticated early release schemes. The same organisations may have little information about the assessments of the 'survivors'. This is somewhat surprising given that it is they who are ultimately responsible for the newly structured business's future success.

In turn, popular management theorists have warned of the dangers of business harming rather than helping itself in its drive for increased productivity, by generating a new breed of alienated managers devoid of loyalty or commitment (Hunt, 1986).

This report is primarily concerned, therefore, not with how and why organisations are downsizing, but with maintaining 'surviving' employee morale in times of such organisational change.

## 1.2 The study

In spite of seemingly widespread concerns, the problem has attracted little serious research interest. Limited information exists as to how downsizing efforts differ from other, more positive, forms of change in their impact on employee responses. Researchers of organisational development have largely chosen to ignore a management practice that appears somewhat at odds with their humanistic/collaborative orientation. For their own part, employers have been both reluctant to discuss what is in reality a complex and sensitive issue. It is rarely possible, for example, to get a pre-change/post-change 'score' as employers do not typically allow researchers access to employees when announcing workforce reductions.

Members of the IES's Co-operative Research Programme therefore identified a need to attempt to define how best to manage employee morale during such change. A workshop, attended by 12 of the member companies, confirmed that the objective of the study should be to collate existing knowledge and the emerging understanding of a small number of employers, into a short Employment Brief. Three CRP members were willing to share the findings of their own research in this area. In addition, IES researchers had the opportunity to discuss the impact of structural change on employee morale with six other case studies participating in a parallel study — *Is Flatter Better? Delaying the Management Hierarchy* (Kettley, 1995).

## 1.3 Structure of the report

In this the first introductory chapter we discuss: the concept of downsizing and its emergence as a strategy for organisational change; its impact upon the psychological contract and hence employee morale; and the necessity to manage morale, given the threat to business performance. In the next chapter (Chapter 2) we draw upon the research literature and employer insights, to explore the importance of anticipating and planning for the responses of employees. This is followed in Chapter 3 by a review of those interventions employers can actually make to minimise adverse effects. In the final chapter (Chapter 4) we conclude with a discussion of the need to monitor and evaluate the initiatives taken and to establish effective means for 'listening' to employee concerns.

## 1.4 Downsizing: a strategy for organisational change

### 1.4.1 Downsizing as rightsizing?

Organisational downsizing involves a deliberate reduction of the workforce via staff layoffs, attrition, early retirement *etc.* Although almost inevitably linked with cost control, downsizing is not necessarily linked with business decline. An organisation that is growing may choose to 'rightsizing'. It can reduce the amount of work, as well as the number of employees doing it, by closing units, delayering levels of hierarchy, or removing functions. The current popularity of business process re-engineering demonstrates the strength of employers' commitment to finding better and more cost effective ways of organising.

Rather than being the result of a temporary reaction to economic downturn, downsizing or 'rightsizing' is judged by many to reflect a major structural transformation in business organisation that will continue for the foreseeable future. Mergers and acquisitions, newly automated processes, transfers of operations, and 'flexible' working has turned workforce reductions into an

ongoing activity that is likely to continue independently of current financial performance.

#### **1.4.2 Are anticipated benefits realised?**

The most frequently cited benefits of downsizing to the organisation include: lower overheads and cost reductions, less bureaucracy, faster decision making, smoother communications, greater entrepreneurship and productivity increases. (Heenan, 1990).

One can argue the merits of downsizing as a process for increasing organisational effectiveness. A survey of more than 1,000 US companies found that only 22 per cent achieved their intended productivity improvements, less than 25 per cent achieved the anticipated increase to shareholder's ROI and only 15 per cent perceived the desired reduction in bureaucracy. Seen only as a short-term, crisis oriented, cost saving process, the organisation's capacity to respond quickly to changing circumstances is unlikely to be enhanced. Research has confirmed, for example, that injudicious application of job cuts coupled with the use of non performance based criteria (*eg* seniority) in making retention decisions can be very damaging (McCune, 1988).

Unforeseen and unwanted outcomes encountered within the downsizing organisations we spoke to included: the creation of new job demands for which retained staff have neither the skill or experience to perform; over-subscription to voluntary severance schemes and the creation of a 'reluctant stayer' population; the replacement or re-hiring of previously severed posts; loss of older staff through early retirement with resulting structural blockages to promotions; and other unquantifiable 'hidden costs' such as the loss of organisational memory.

#### **1.4.3 Minimising unwanted outcomes**

Despite the potential negative consequences, however, in the mid 1990s there is every indication that employers will continue to downsize. The issue has become not one of whether to become 'leaner and fitter' but of how to do so in a way that really accomplishes the objective of revitalising the organisation and does not create a series of new problems. The focus on the change process is fundamental. It is often not staff reductions *per se* that create dissatisfaction and bitterness, but rather the way in which the terminations are handled.

There is, however, little in the way of analysis to indicate to managers the 'best practices' they should follow to minimise adverse effects. The most comprehensive studies suggest that successful downsizing strategies are:

- implemented from the top down but also initiated from the bottom up
- short-term and across the board, but also long-term and selective in emphasis, and
- focused on paying special attention to those employees who lose their jobs, as well as those who do not (Cameron, Freeman and Mishra, 1991).

Organisations should allow ample time to overcome normal resistance to change and plan in advance of implementation (Nienstadt, 1989). To do so requires an understanding of the relationship between downsizing and morale.

## 1.5 Impact on employee morale

The three main components of morale have been variously defined as:

- the satisfaction that is obtained from what you do (the job itself)
- enjoying the people you are working with (the work group) and
- trusting the people you work for (management practices and economic rewards).

Given such a definition, it is no surprise that an organisation's ability to maintain morale can be severely tested during and following downsizing activity.

### 1.5.1 Breach of the psychological contract?

Until relatively recently, when employees joined an organisation, good performance and long-term commitment was assumed to be rewarded with progression and job security. In recent years, as such expectations have been challenged, interest in Argyris's concept of the 'psychological contract' has grown, particularly in relation to career management (Schein, 1988; Herriot, 1992).

This notion of a hidden contract is just as applicable to understanding employee perceptions of change. It suggests the existence of an implicit understanding and an unspoken agreement between the individual and the employer. This may meet the individual's needs at three levels:

- a sense of equity and justice *ie* that the individual will be treated fairly and honestly by the employer, that they can trust management to have credible reasons for change and that information and explanations will be available.
- a desire for security and a degree of certainty. In return for loyalty, individuals do not expect to find themselves fearful,

uncertain and helpless as they contemplate who might be next to go. Most of us aim for a degree of certainty in most aspects of our lives and this perception of being in control is related to decreased levels of anxiety in demanding situations.

- a need for fulfilment, satisfaction and progression. Downsizing causes individuals to question the value the organisation places on their contribution, prior successes and relationships. Any form of organisational change has the potential to confuse the role and responsibilities of individuals and the wider work group. During downsizing, employers are likely to also have: lost some of its most experienced staff; re-designed jobs (often with expectations of higher levels of performance); devolved new responsibilities to local business units or down the management hierarchy.

### **1.5.2 The emergence of survivor syndrome**

The popular management press cites numerous studies that show that following a downsizing, surviving employees become narrow in outlook, self absorbed and risk averse. The symptoms of this so called 'survivor syndrome' include a sink in morale, a drop in productivity, and a distrust of management (Brockner, 1992). It is argued that survivors who perceive their psychological contract with their employer to have been threatened, will try to find ways to rebalance the situation in a host of different ways. This may reduce the contributions they make that are within their control, for example through absenteeism; working shorter hours; quality slips or bad mouthing the company to customers.

Perhaps most serious of all is the claim that these emotional responses conspire to undermine the very adaptability the organisation is seeking from downsizing. Individuals are less likely to support even positive changes, suspecting that any change may cost them more than they have to gain (Greenhalgh, 1983, Buch *et al.*, 1991). According to this 'threat-rigidity hypothesis', individuals and the organisation as a whole respond to threat by becoming over-reliant on traditional, well learned ways of doing things. Manifestations recognised by employers we spoke to included:

- inhibited creativity
- a leadership which is more likely to be autocratic and narrowly focused with a tendency to over control
- a tightening up on details and elimination of non-essentials
- true employee involvement in decision making being limited.

## 1.6 Managing morale

### 1.6.1 Threat to business performance

All this serves to highlight the potential risks of low morale adversely affecting business performance following downsizing. Given the complexity and sensitivity of the issue, employers remain largely reluctant to define the relationship in detail. It is apparent, however, that for many downsized employers the promised realisation of longer term cost savings can be undermined by low productivity, absence, high turnover and the realisation that experience, contacts and infrastructure have also been lost. Achieving continual improvement becomes a business imperative, just as the consciousness of employees grows that they are to be both more committed and more disposable. No surprise then that employers increasingly feel they have little choice but to attempt to address the concerns and fears of retained employees if they are to achieve the goals of the organisation.

### 1.6.2 Whose morale?

The majority of employers we spoke to do not conceive of morale as a singular concept. They see it as being synonymous with motivation and employee satisfaction. It might be argued that there are important differences between morale, motivation and satisfaction. Staff may remain committed to meeting their personal work objectives, responding to customers needs, and yet feel aggrieved to a greater or lesser extent with their work environment (*ie* remain motivated but have low morale).

What is most important to employers is the outcome of morale. In other words, employee morale and motivation can be interpreted differently over time and be directed towards a variety of outcomes. It may be necessary not only to differentiate between the desired outcomes of morale for the organisation as a whole, but also for specific groups or individuals. For example, an objective of downsizing might be to stimulate an increase in natural wastage or resignations from a particular staff group considered to lack the capability to respond to future demands.

#### Example

One employer has defined the relevant outcomes of the morale of its employees in terms of their motivation to:

- remain with or leave the organisation
- achieve organisational goals and objectives
- achieve personal goals and objectives
- change working practices
- deliver customer service excellence
- learn new skills.

Having determined that the organisation needs to address the issue of morale, and has clarified the kinds of outcomes required, the challenge remains of finding a process for managing it.

### **1.6.3 Systematic management?**

Because of the wide ranging and fundamental nature of motivation, it would seem inappropriate to treat employee morale as an activity independent from other aspects of HRM. However, as is the case with issues of equal opportunities, for example, there are aspects unique to morale in downsizing that are worthy of focused attention.

As one employer told us:

*'So far we have not been very smart at charming our people in the face of change and it feels like we need a systematic approach to help us make sense of the complexities involved. Maximising the motivational consequences of business activities depends not only on knowing where the right levers are, but on wanting to pull them.'*

In this report we propose that in order to attempt to influence employee morale, the employing organisation should define and develop its ability to:

- anticipate, and plan for, any likely affects on morale of downsizing activity
- make appropriate interventions and alternative downsizing policies to manage morale over time
- monitor and evaluate changes in employee morale and the impact of actions taken.

The next three chapters will address each of the above in turn.

## 2. Anticipating Employee Response

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In order to devise and select policy options which have minimal negative consequences, employers would like to be able to forecast or predict what will happen to morale. Downsizing organisations will ask, for example: is it better to go for the 'short, sharp shock' and get it over with, or should the reductions be spread over a longer period giving time to provide support?

Despite this, attempts to predict how employees will respond are often perceived as being largely futile. One employer which has invested considerable time and experience in this issue, likened it to trying to forecast the weather — you can be fairly accurate a day or two in advance, but any longer ahead than that the organisational climate is pretty uncertain.

Our discussions with downsized employers, many of whom would say they have learnt the hard way, suggest there are means for, and advantages to, pre-empting employee responses. In particular:

- It is important to identify and understand the risks, *ie* those circumstances which are most likely to have an adverse affect. These are often largely predictable and common to most organisations.
- Other aspects will be unique to the particular context and objective of the downsizing initiative. The full impact of the restructuring on human resources should be considered before implementation. At one level, this means ensuring that the staffing implications of the business plan are an integral part of the business planning cycle. At another, it involves interpreting the consequences of job cuts on, for example, the design of remaining jobs, working relationships, and HR systems (*eg* training, performance appraisal *etc.*).
- It is vital to recognise that the organisation is comprised of individuals and that, while no employer can take into account the personality of each and everyone, it is possible to respond to the fact that groups at various career stages have a tendency to interpret change differently.

The remainder of this chapter is organised around discussion of each of the above.

## 2.1 Identify potential risks

The presence of the following factors seem most likely to adversely influence employees' interpretation of the changes associated with downsizing:

- when surviving employees feel that the downsizing didn't need to happen and that the layoff of staff could have been avoided. This is most likely where: employees perceive they have not had sufficient information to be aware of and understand the environmental pressures and economic realities facing the business; when contractors and temporary staff were subsequently hired; and where trade unions and/or staff associations are seen to disagree with the inevitability of staff cuts.
- the degree of involvement that survivors perceive they have in determining the necessity of future changes. There is some evidence to suggest that individuals will be far more receptive to change where they perceive they have the opportunity to contribute to the form it will take.
- Where there is a lack of clarity about the decision making process to keep certain employees and lay off others, employees are more likely to question whether or not the organisation is likely to act legitimately on HR issues in the future. The withdrawal of previously successful applications for voluntary redundancy, due to over-subscription, affected the credibility of the HR function in one organisation.
- similarly, when surviving employees perceive that the criteria for deciding who goes and who stays is either not fair or applied inconsistently. The decision process may be understood but the content may still not be fair in the minds of employees. The use of sickness absence records is particularly vulnerable to misinterpretation.
- when the organisation is seen to have taken inadequate care of redundant or early released colleagues. This concern with organisational caretaking is in part a concern that favourable support will be available in the future, should there be a need for further cuts. It is also, however, a visible indication of the value the organisation places on its people. Research has found that those who remain are more likely to report higher levels of work related stress and insecurity, the greater their prior attachment to layoff victims (Brockner *et al.*, 1990).
- Where the organisation has no history of job cuts and to have offered a career for life, employees are perhaps particularly vulnerable to distress. *In one civil service department, for example, a study by external consultants had confirmed that many employees felt considerable insecurity, given that they had generally seen security of tenure as a positive right. They have little experience of, or confidence about, alternative development paths outside the department.*

- In any organisation, downsizing can be interpreted as meaning fewer opportunities for career advancement. This is potentially the most likely interpretation where promotion is still regarded as the main way of providing recognition and reward, and where alternative career development options are limited or unsupported.
- where the survivors of downsizing are uncertain about the level of performance expected of them. The potential may be greatest, therefore, amongst employees who have not had regular performance appraisals prior to, during and following staff reductions.
- where retained employees perceive that their existing skills and previous experience may need to be changed to keep pace with changing business needs, if they are to continue to be able to contribute fully. Their concerns are greatest when the processes for achieving that development are neither clear nor accessible.
- where managers are unwilling, unable or unaware of the importance of providing adequate time and support to individuals for readjustment — potentially at different paces.

## 2.2 Integrated HR and business planning

The employers we spoke to are clear that a business decision taken without proper assessment of the risk to HR — in terms of poor morale, lost productivity *etc.* — is a bad one. The majority, however, would admit to adopting predominantly *ad hoc* and opportunistic staffing policies with little time for such assessments. The challenge remains one of integrating ‘people’ considerations with other elements of business strategy formulation, including the decision to ‘downsize’.

### 2.2.1 Limitations of existing planning processes

The process by which the future demand for manpower is established is obviously key to successful downsizing but is traditionally fraught with difficulties. The relevance of highly mechanistic and quantitative manpower planning approaches to the realities of organisational life continue to be questioned. So also is the search for resource planning approaches which incorporate changes in the skill and/or competence profile of the future workforce. Such issues have been heightened by the fragmentation and lack of overall integration of business plans, staff budgets, personnel statistics and job evaluation. All of these processes have significant implications for the type and level of human resources but are owned and undertaken by different areas of the business. Subsequently, many employers (often prompted by the high visibility of downsizing efforts) are reviewing processes for proactively considering resourcing options and the development of local strategies and plans.

**Example**

Typical of this review is the following central recommendation from one employer, that human resource planning and succession management are recognised as the third key strategic planning system, of equal importance with budgets and focused on the longer term as well as the current year's staff in post (SIP) figures. The organisation is working to improve systems for forecasting the manpower implications of policy initiatives and prioritising local bids for funds to deal with staff movements and surpluses. Although there was recognition that HR plans are unlikely to have the 'right answers', the process of planning itself, and the development of alternative scenarios, is thought to be helpful in allowing beliefs and assumptions to surface which can provide guidance for the future.

### 2.2.2 Alternative approaches

Planning approaches which maximise the involvement of local line managers offer great potential for pre-empting the impact of future resourcing actions on employee attitudes. There is growing interest in the use of what Rothwell (1995) terms 'action-driven' planning which focuses attention on particular sectional needs rather than large numerical calculations for the whole. An oversegmented approach, however, might fail to take into account overall mission *etc.* and ignore tensions between conflicting needs for flexibility, cost control and greater employee commitment. What is more, such approaches which demand managers to attach value to 'softer' people considerations, are unlikely to be sustained where the achievement of financial objectives is the predominant measure of performance.

Where employers appear to have had some success, is in ensuring that a clear rationale for any planning activity exists, and that it includes taking due regard for HR implications. For some, this has taken the form of explicitly writing objectives for staff morale within the business plan. For those organisations which are undertaking a systematic review of organisational processes and systems (*eg* via business re-engineering, Total Quality Management, project management *etc.*), one option would appear to be to ensure that every team responsible for such reviews also takes account of the consequences for morale and motivation of their activities. This may offer a way of developing an understanding of morale as affected not only by downsizing, but all planned changes to work processes and projects.

**Example**

One employer has developed a checklist to be written into the process and project management guidelines followed by project teams. It consists of a set of guiding principles and key questions to ask at various stages in the project's lifecycle. To date, the checklist has not been implemented outside Employee Relations. A number of limitations became apparent. The first was the difficulty in accurately representing the complexity of real life situations, given that many of the influences on morale and motivation lie outside formalised projects and processes. Another was that building a picture of the overall effect of change on employee morale would be difficult, given the focus on individual change projects. In addition, there would be no way of knowing if the checklist had been followed.

## 2.3 Recognise individual differences

### 2.3.1 Different concerns = different assessments

In addition to pre-empting and planning for employee responses, the key to successful organisational adjustment may hinge on understanding that employees are not all the same. People, by virtue of having different expectations and being at different stages in their career, will experience and respond to a downsizing differently.

#### Example

A review conducted by one employer pointed to differences of attitude toward downsizing which were as much concerned with age and length of service, background and gender, as they were with grade. Younger staff generally were more positive towards change, frustrated by what they saw as 'deadwood' (within line management), and by the lack of decisiveness and leadership from senior management. Younger staff were also generally less inclined to look for a 40 year career in the organisation, and saw promotion as the chief means of reward or recognition, in the perceived absence of well-developed motivational skills amongst line managers. Their fear was often one of an inability to influence policy changes which they saw as being decided and administered by those who had 'made it'.

In contrast, the older and/or more senior staff consulted, often had more memories (and more recent experience) of promotion blockages. In the earlier part of their own careers they were often operating in a culture which placed more emphasis on individual status and job satisfaction as a member of the 'career grade' or fast stream, than on promotion as the chief means of recognition. Their sympathy with younger or junior staff therefore varied considerably. The fact-finding suggested that they were frequently more wary of major personal or organisational change, or definitely negative. Their concerns were often more to do with security of tenure and with a wish to preserve the benefits which flow from having staff with long-term commitment and loyalty.

### 2.3.2 Personality as a mediator

It is clear that employees who work for an organisation at risk of job cuts are more likely to perceive job insecurity and experience stress (Roskies and Guerin, 1989). Personality factors, however, may account for much of an individual's response to downsizing.

The research in this area is rich. Optimism and self efficacy, it seems, help to provide an effective coping style which leads to resilience in periods of change (Scheier and Carver, 1987; Banduru, 1989). In a series of studies, employees who were low in self esteem exhibited a much greater boost in post-layoff performance than those with high self esteem — the former demonstrating a stronger desire to regain some feeling of control over their work (Brockner *et al.*, 1990). Interestingly, one of the employers interviewed has recognised a problem of managers whose sense of personal invulnerability is so strong that they

refuse to acknowledge any threat to their job in the future, and are subsequently unsupportive of initiatives to help those who are. Whilst employers have limited opportunity to influence personality, the notion of hardiness has become fashionable. Downsizing organisations have fewer chances to influence the cultural climate through the induction and socialisation of new recruits. Psychologists and employers alike, however, are keen to define the behaviours and attributes of effective responders to change, and adapt their selection policies accordingly. Similarly, since the proposal that one's attitude and orientation to learn facilitates a positive response to change (Kolb, 1974) the concept of the 'learning organisation' has developed apace.

### 2.3.3 Responding to diversity

Having acknowledged individual group differences it may still be impractical to plan interventions differentially for groups. Employers do not, however, have to resort to pushing these insights into the 'too difficult' pile. Others have found success with focusing on common areas of concern for policy change and planning purposes, whilst at the same time building in support for localised responses.

#### Example

A series of career workshops in one organisation revealed that, whereas the concerns of young graduates were around downsizing threatening their ability to perform and demonstrate competence, the concerns of older, more established staff were more to do with a sense of fewer opportunities to develop further and of career plateauing. For the former group, dispirited by the loss of senior mentors *etc.*, an existing development programme was revised to provide opportunities to learn more about the contribution of others remaining with the company, and to demonstrate the existence of development resources and the networks for obtaining them. A further workshop is to be offered to the older group, aimed at raising awareness of opportunities to develop including mentoring younger employees, as well as informing choices about formal career assessment and planning.

### 3. Interventions to Control Morale

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In the previous chapter we established the importance of anticipating and planning for employees' responses to change. In the following pages we turn our attention to the types of interventions employers can make to control, or at least to minimise, adverse affects on morale.

Most companies have used largely traditional, sometimes paternalistic, methods to build morale, *eg* sponsoring company outings, social events, newsletters, good service awards *etc.* These methods have been threatened by the organisational change of recent years for a variety of reasons: downsizing is almost always associated with cutting costs, and consequently the budget available to fund such activities has in some cases diminished; managers perceive that staff are not naive and would in some way resent interventions that are 'papering over the cracks'; and the legitimacy of the welfare role of personnel is increasingly questioned. Personnel people driven by pressures to demonstrate their own reason for existence are less likely to perceive themselves as the guardians of employee morale.

Research remains inconclusive about what constitutes good practice, given the lack of before and after evaluation. However, there are discernible trends in the way employers can adjust HR policy and practice during and immediately following downsizing:

- winning commitment to the change via considerable effort in **employee communications**
- ensuring adequate provision of **support** for the well being of retained as well as outplaced staff
- enhancing opportunities for training and **development** of new skills, to achieve new ways of working for individuals and groups
- realigning the **performance management** system.

The following exploration of the available research literature and emerging employer practice is organised under these four headings.

## 3.1 Employee communications

A communications strategy is vital during any kind of organisational change. This is particularly true during downsizing, as the loss of staff may have resulted in the temporary loss of informal networks and communications.

### 3.1.1 What to communicate?

Employers' own research confirms that people want to receive information about the **rationale** for downsizing, the process by which it will be achieved, and the **support** available in transition and beyond. Every effort should be made to ensure that the pressures on the business, the inevitability of change, and the advantages those changes will bring, are understood.

**Example**

One employer felt better able to demonstrate the justification for job cuts by continually drip feeding detailed information on competitors' activity in addition to increasing the regularity with which financial results and achievement of targets were made available. Information on the results of customer service levels and satisfaction surveys was also provided.

The organisation should be seen to make an honest attempt to provide information on future staffing targets and skill requirements. Employees want to know long term plans for the company, and the likely human resource needs now and in the future. They want to know what value the company puts on different career paths, their own particular expertise, and what opportunities will be open to them to meet their own training needs.

**Example**

A review team of one civil service employer has recommended the provision of the following information to all staff: national information published weekly, on 1/3/5 year horizon, about projected departmental size, potential staff surpluses, vacancies, promotion opportunities and age profiles; and local information, co-ordinated by personnel and cascaded via line managers, on a 1 year horizon covering the same points as above, together with expected trends in work which may require individuals to acquire new skills.

### 3.1.2 The communication process

It can be appropriate to withhold information and to limit communication. When plans are tentative, discussion may only cause unnecessary anxiety over something that cannot be influenced. However, the findings of employers who have monitored employee satisfaction with communication, confirm that any major breaks in communication are seen as evidence of inactivity and/or secrecy and that rumour will fill in the blanks. Employers should aim to keep a regular flow of information that avoids being repetitive. When no new information is available, people appreciate knowing when and how to expect further news — and for any promises to be kept.

Typical of the one-way communication conducted during downsizing is the **cascade briefing** of centrally provided information. The managers responsible for delivery briefs can feel very vulnerable and constrained to read any corporately issued brief to the letter, fearful of letting something slip or be misconstrued. Employers should recognise in good time their need for support.

**Example**

A major retailer found that people receive the strongest messages from their line managers. Prior to the announcement of significant job cuts to their staff, all branch managers attended a one day workshop at which they had the opportunity to practice and discuss their concerns about staff responses. The guidance they received stressed that even when they may not feel fully informed, honesty and openness is the best policy. Managers should communicate what they do know and be clear about what they don't know or cannot discuss. People may ask more questions than the manager can answer but it is important to be honest and truthful.

Employers' experience suggests that two way communication, where facts are presented and discussion invited, is only constructive for all parties if the right atmosphere is created.

**Example**

One organisation continues to offer open meetings of up to 150 employees at a time, held up and down the country and led by directors, often including the CEO or other board members. Videos are used but to avoid 'talking heads syndrome', employee groups have filmed their questions in advance. The toughest ones are dealt with first in an attempt to impress upon people at an early stage that they are allowed to ask searching questions about any aspect of their company.

No matter how effective formal communication channels are, employees are likely to attach greatest significance to the general tone of communication rather than to the precise content. During change, people tend to have heightened awareness of what in real terms that change means for them and their colleagues. They will therefore be particularly critical of 'hooray' type statements and communications that deny their perception of that reality. Staff in a downsizing organisation are far more unforgiving and critical of any perceived insensitivity or lack of forethought by senior managers. The announcement of big profits in the wake of downsizing clearly requires a great deal of sensitivity, if both employees and the wider public's confidence is to be secured.

**Example**

In a financial services company, the introduction of a new executive company car scheme was hastily abandoned following emotional reactions of disapproval and disgust. The HR Director has made it a personal goal to use every opportunity to influence senior management's ability to send clear signals and gestures that they acknowledge that there are potentially painful effects of downsizing, that they are not immune to them themselves and are taking measures to reduce them.

### 3.1.3 Culture change

For most organisations, downsizing occurs in response to the need for a fundamentally different business strategy and a supportive corporate culture. Whilst the concept of culture remains elusive, the powerful influence which shared values, norms and behaviours can exert on employee thought and action are widely recognised.

Job cuts, however, can pose a real threat to culture change programmes, not least because of the perceived gap between the espoused values of a commitment to staff and the observable behaviour of cost driven, over-worked management. Downsizing employers may be well advised to re-emphasise the corporate mission, how it is going to get there; and most importantly, reaffirming the value of retained employees. Mission and value statements should be matched by everyday experience, and management will be judged by employees in this respect.

## 3.2 Providing support

Employers can and do provide support to the survivors as well as the 'victims' of downsizing.

### 3.2.1 Stress management

There is a wide array of traditional stress management interventions to help employees cope with and alleviate work-related stress. A recent survey of the public, carried out by MORI, found that forty-eight percent of those interviewed had access to counselling through their employer's occupational health scheme (Hodges, 1994). Many employers claim to have extended counselling services, from the outplacement support offered to those employees made redundant, to the 'survivors'. Others are experimenting with **Employee Assistance Programmes (EAPs)** — confidential personal counselling services sponsored, and usually paid for, by employers. Wider than a conventional counselling service, they claim to provide help and assistance with any problem an employee or their family may have, from emotional, marital and stress related problems, legal or financial problems, to alcohol and drug abuse.

EAPs are commonplace in the USA where there is some evidence that this kind of investment can result in a financial return to the organisation. United Airlines, for example, estimates that the savings are as high as \$17 for every \$1 invested (IRR No.438, 1989).

**Example**

From the insights of two organisations piloting an EAP, the factors that contribute towards a successful scheme include:

- the guaranteed confidentiality of the service: if an employee has been referred to the programme by their manager, no details are subsequently released to the employer
- the ease of access to help, normally by a telephone help line and sometimes available 24 hours a day
- sustained communication about the service, to increase the level of employee awareness and understanding
- continued provision for adequate monitoring of the programme and its effectiveness. Despite difficulties in protecting the principle of confidentiality, a combination of statistical data is vital (*eg* sources of referral, age, location, gender, category of problem, category of employee, level of take up and costs) and qualitative observations from counsellors.

Any stress counselling intervention may need to be altered to deal specifically with the loss and grieving experienced by survivors of redundancy. Survivors respond in a similar way to bereavement, passing through stages of denial, anxiety, bargaining and acceptance. Employers who assume survivors are happy to have a job and ready to throw themselves into new roles, are likely in the short term to be disappointed by the response.

### **3.2.2 Career counselling/planning**

Career counselling and planning can help retained employees alleviate the stress of altered career paths, and help them to explore alternatives consistent with the new organisation structure. Career planning involves setting individual career objectives, based upon personal interests and abilities, and planning how to reach them.

**Example**

One financial services organisation runs a series of career workshops for middle and senior managers over the age of 45. Following significant staff layoffs at management level, this group is at risk of poor morale, given the difficulties (perceived and real) associated with progression and security. The objective is to inform participants of opportunities to retrain and develop through internal and external programmes; to share their expertise through mentoring younger managers; and to consider their options for early release and retirement planning.

Fashionable approaches to career management adopt the principles of self development. That is, with support from the organisation, employees learn to take control of their career by discovering what they are best at, taking an active role in their own development planning, or actively working with their manager on the design of their job. Of particular importance in the downsizing organisation is that the realities of the new structure, and alternative paths, are honestly communicated. Career management activities which prepare survivor employees for non-existent opportunities, build unrealistic expectations that culminate in failure and frustration.

## 3.3 Organisation development

As was discussed earlier, organisations can respond to threatening situations, like downsizing, by becoming more change averse, tending towards over-control and short-termism. Standard solutions are sought, new ideas rejected and 'non essentials' such as employee involvement initiatives scrapped. Given that downsizing usually occurs amidst a general context of change, there is potential discrepancy between this threat rigidity and how organisations ought to respond. Employers which have identified the need to overcome this resistance to change, emphasise the importance of the some specific ways of tackling this.

### 3.3.1 Re-building relationships

Employers have found post-downsizing to be a time of reduced trust and even conflict between groups. Scapegoating, power struggles and parochialism can all result from groups interpreting the impact on one another differently. What is more, the task effectiveness of groups will be adversely affected if re-routed communication lines, reporting relationships and revised roles remain unclear.

Working relationships between and within groups and departments can be left to repair themselves over time. Individual groups or teams can be helped, however, to better understand their own and others' revised roles and the interdependencies between them. A variety of team building activities are available. They offer a vehicle for involvement and communication of the new organisation's goals and the contribution expected of them.

#### Example

One large employer introduced an initiative to clarify the roles and relationships of working groups, organised around key business processes following downsizing. The objectives were to:

- improve working relationships with improved levels of trust and openness, resulting in the efficient sharing of problems
- help in re-establishing a feeling of working together for the good of the business, with a common purpose and objectives
- enhance communication, breaking down friction and the withholding of information, especially between different departments or functions affected by staff reductions.

Each process team took it in turns to develop their 'focal role profile'. This involved the team leader sharing with a meeting of managers from other teams and functions, his interpretation of the revised role, focusing on how it has been changed by downsizing, *eg* less resource, new responsibilities *etc*. The focal role team also defined their expectations of other teams and functions that most affected their performance. Next, managers from these teams described what they could do to meet these expectations. A summary of the role profile was prepared before the next inter-group meeting.

Other organisations have purposely developed new networks between revised roles.

**Example**

One retailer recently closed a number of area offices which had previously supplied support services to up to 15 branch managers. The same branch managers are now encouraged to attend a bi-monthly meeting for which they create their own agenda. In addition to providing a source of operational support for issues like staff coverage, product supplies *etc.*, the network is deemed helpful in facilitating information sharing, and preventing 're-inventing the wheel' which may otherwise have occurred if the old culture of inter-branch competition had continued.

### 3.3.2 Enhancing development opportunities

Some downsized employers have found that new job demands have been created which retained staff are not qualified or experienced to fill. Others have invested in training and development, partly to demonstrate a commitment to the employability of retained staff who perceive different careers in the new organisation.

Participation in the national training initiative Investors in People, and accreditation via National Vocational Qualifications (NVQs), is often claimed as a factor in maintaining morale.

Other more tangible interventions include the use of secondments and assignments to other departments. Whilst perhaps only temporary, such moves offer potential new challenges for retained employees.

**Example**

As part of its business re-engineering initiative, one employer has recently selected, via an assessment centre, some 104 middle managers to lead individual process reviews on a full time basis for an indefinite period. Given that few of these managers come from departments which have escaped rationalisation, this exercise is seen as an opportunity to offer new and different challenges, recognition and involvement. In the short term they expect positive improvements in their motivation and morale. The longer term view of such moves is that they are temporary positions and offer no lasting solution to the progression expectations of individuals.

Self development is a growing trend among organisations looking for learning mechanisms resilient to times of rapid change and uncertainty. Approaches can be very diverse and there are a number of choices to be made (Jackson, 1990; Tamkin *et al.*, 1995). Simply encouraging employees to develop themselves however, is unlikely to have a positive impact on either motivation or performance, without support to determine development needs, and access to training designed to achieve both organisational and personal goals. It is still generally the case that the performance appraisal process remains the main source of feedback for individuals. In downsizing organisations,

there is an inevitable tension between using the same vehicle to encourage development and to assess performance.

## **3.4 Performance management**

### **3.4.1 Clarification of objectives**

Following downsizing, management typically expect increased responsibility and decision making by individuals and newly formed teams. Employees, however, can complain that the rules and procedures governing this new found empowerment are not clearly established. There can be confusion about altered role descriptions and new responsibilities, with performance objectives appearing unclear or incompatible.

Retained staff often perceive that they will have to contribute more or at least that they will have to do things differently. Positive feedback and appreciation will be particularly welcome. A lack of negative feedback of any kind can be interpreted by employees as indicative of the confusion and lack of accountability on the part of management. For their own part, surviving managers often have wider spans of control for individuals and functions. They find assuming the management role difficult, with insufficient time to get to know the capability of newly acquired staff.

Those who remain after staff cuts and reorganisations are also concerned about the availability of sufficient resource to enable them to perform. Often this is coupled with uncertainty as to how to secure scarce resources when established working relationships have been lost.

Employers would seem to be well advised to ensure that new performance standards and expectations are clearly defined; that any changes in direct reporting relationships are made explicit; and that sufficient information is made available about budgetary constraints and other resource restrictions, so managers can plan accordingly.

### **3.4.2 Re-alignment of reward**

Adopting new approaches to pay and reward that can support the new model of flat, flexible organisation, is an ongoing challenge for most employers. For the downsizing organisation there is the additional importance of ensuring that changes to pay help ameliorate insecurity, low levels of commitment *etc.*, not exacerbate them.

At the centre of most changes is the move to link pay more closely to performance. Surveys by IES and others have suggested that around 75 percent of medium and large employers have performance pay for some or all of their staff. Of

these, over two thirds probably have merit pay whilst a half have some form of profit sharing. Other key dimensions of 'new' pay approaches include: organising pay structures on the basis of skill and competence; broader pay bands to facilitate greater flexibility of movement *etc.*; share ownership schemes; team bonuses (a recent IES survey found that team pay was only being used by four per cent of organisations whilst some 40 per cent of respondents had formal teamworking initiatives in place) and a menu approach or cash options.

The success or otherwise of amendments to policy of reward, in maintaining morale during period of change such as downsizing, is unclear. IES research (Thompson, 1992) shows that few, if any, employers evaluate the effectiveness of their pay schemes.

### 3.4.3 Importance of line management

Previous IES research has demonstrated that it is the relationship between an individual and their manager that has significant influence over other employee perceptions, such as their identification with organisational change. Downsizing organisations may therefore benefit from improving the quality of such relationships.

#### Example

Analysis of a survey conducted by one employer following a series of job cuts revealed that at its best, line management support is an important source of practical and emotional help. Where inadequate it becomes a major source of dissatisfaction. Effective line managers during the implementation of redundancy programme were perceived to make time to discuss individuals' particular circumstances, chase up further information on their behalf, and exert no pressure on the individuals' decisions. Less effective managers were those who appeared uninterested, made no time available, didn't have the necessary skills and pressurised individuals.

Even the most effective manager can become, or believe themselves to be, ineffective during downsizing. It is quite possible that as each layer of management feels similarly threatened or undervalued by organisational changes, each in turn finds it difficult to provide support to their subordinates.

Amongst the simplest of interventions employers are making to counteract this, is to provide sufficient forums and opportunities for managers to share their concerns. Most organisations include an opportunity to discuss the way in which other staff should be briefed on downsizing plans. However, such opportunities do not always continue throughout the implementation and beyond, and managers can quickly feel isolated. Several managers spoke of the extent to which they felt disempowered by being the messenger of centrally determined decisions regarding staff cuts. Those employers who have brought managers together on a regular basis have found that it is not only therapeutic, but can be used as an opportunity to reinforce the legitimacy of those

more personal aspects of management that can be lost sight of by those under increasing pressures and workloads.

**Example**

One employer has provided explicit guidance and coaching to managers on how to listen to their staff and recognise their individual concerns. The guidance is clear that whilst many aspects of the organisation's change is beyond the control of individual managers, they can affect many aspects of change regarding the individual and their job. For example, they can ensure that their objectives are clear, that their performance is valued and they are being treated honestly and fairly.

## 4. Evaluating the Impact

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Too few organisations we spoke to have felt able to tell us they are confident they have learnt from their mistakes and successes in managing downsizing. They are not alone. In a recent survey of 131 UK financial services organisations, the majority of respondents (62 per cent) indicated that no evaluation of the impact of redundancies on retained employees had been carried out (Doherty and Horsted, 1995).

Much of this lack of learning can be traced to a reluctance and/or inability to evaluate the impact of changes that are made. In order to manage anything, one is required to evaluate and act upon the information so obtained. Whilst it may be complex, **managing** employee morale is no exception and this final chapter discusses:

- identifying what can be influenced and what can not
- establishing measures of morale to monitor
- selecting the most appropriate means for continually 'listening' to employee concerns.

### 4.1 Can you manage morale?

#### 4.1.1 Who knows?

In reality, employers have relatively little experience of systematically managing survivor morale. There are several reasons why this might be so.

- For some, downsizing has been relatively recent and the full implications for management practice are still emerging.
- There are difficulties in establishing stability of leadership and clear ownership of HR indicators such as morale.
- The HR managers we spoke to believed that they are primarily committed to the provision of support to those who are leaving the organisation. Given the seemingly inevitable focus on cost cutting in a downsizing organisation, they found the availability of resources for 'survivors' to be limited.
- Senior management who are newly adjusted to their uncomfortable business decision, are sometimes understandably

reluctant to risk hearing more bad news from those people they are 'pinning their hopes on'.

- Others prefer to rationalise that managing employee morale during job cuts is a phantom issue and that in reality the real challenge is how to improve performance when morale is objectively low.

#### 4.1.2 Limitations to control

Employers' experience suggests that it is crucial to assess the extent to which both the causes of poor employee morale and its solutions are within the control of the employer and/or the individual manager, and the extent to which they are not.

Although employers on the one hand want to find a solution to poor morale, individual managers commonly believe that the general level of staff morale is outside of their control. It is highly questionable that the achievement of personal and organisational objectives can be attributable to employee morale and motivation alone. Consequently, any intervention taken to manage morale will be affected by things that are largely beyond the control of most managers, and impossible to hold constant. Employee morale cannot be considered independently of (1) the skills and competence of the employee, and (2) other factors in the work environment, *eg* organisational culture, design of jobs, work processes and systems, and management practices.

Some of the main limitations to controlling morale are as follows:

- Individuals will be affected and respond differently to, the downsizing activity and to any interventions made by the organisation.
- Often the interpretation people make of downsizing can be based upon how a colleague has been affected, not necessarily themselves. For example, the impetus for one employer's study was the realisation by one senior manager that 'I've made 35 people redundant but we've got 2,000 who think the company stinks'.
- Responses may change over time. Psychologists argue that individuals must go through a period of mourning before they can return to productive levels of performance. It is not clear how long this 'settling down' will take, and subsequently poses a dilemma for those seeking to predict the eventual effects. How do you select a point in time when the effects of downsizing can be said to be over? The full repercussions of downsizing may not be apparent until people have lived in the 'new' organisation for a time.

Even if none of the above issues were present, there are real difficulties in establishing the cause and effect relationship between the process of downsizing and survivor morale. Downsizing is not only restricted to one-off staff cuts or

site/department closures, it is often a continuous process. Different downsizing strategies can be employed simultaneously. Furthermore, the very nature of organisational life is such that jobs and work demands change regardless of staff losses.

## 4.2 Measures to monitor

Recent IES research has emphasised the difficulties in ascribing changes in business performance and related outcomes such as employee morale to changes in personnel practices (Hirsh and Bevan, 1995). Nonetheless there are clearly indicators that can be used, if only to inform good practice rather than measure success.

### 4.2.1 'Hard' measures

Hard or numerical measures appeal to employers because they appear to be simple statements of fact and lend themselves easily to comparison. Downsizing initiatives themselves, for example, are typically measured in terms of whether the required headcount was achieved within time and budget. It is much harder, it seems, to identify valid quantifiable measures of morale. Even the numerically expressed findings of a staff attitude survey are still measures of perception.

**Staff turnover** is a crude indicator of morale during downsizing. Whilst a useful source of information, particularly when used with exit interview data, it should be interpreted with care. There is considerable research evidence to show that an individual's view of how marketable their skills are in the labour market, can influence their propensity to leave. Thus, those employees who feel they can gain employment elsewhere relative easily will, as they become more dissatisfied, become more likely to leave. Those that are less optimistic about their chances of getting other jobs are less likely to leave, even though their dissatisfaction and morale may be adversely affected to a greater extent.

Similarly, **employee absence** is widely perceived to be a measure of morale. Managing attendance, however, is often attempted with inadequate or out of date information (Seccombe, 1995). Establishing comparable absence rates through a period of change such as downsizing can be particularly complex. Furthermore, there is the recurrent problem of attribution. Absence can occur for any number of reasons, some due to accident or illness, some as a result of family or other commitments and some of it work related. Work related absence may be as a result of stress caused by heightened job insecurity, a withdrawal of commitment, or the pressure of additional work demands. There is good reason to assume that downsizing leads to poor morale which leads to poor attendance. Employers should be aware of however of what has been termed 'presentee syndrome', *ie* survivors who, motivated by fear, will come in sick rather than be seen to be absent.

Other performance indicators such as quality of service levels, productivity improvements, industrial disputes and appeals, *etc.* can be indicative of a change in employee morale. Collecting and comparing such data over time can reveal patterns to that change. Several employers are now adopting the notion of a **balanced business scorecard** which over time builds up a picture of the organisation's effectiveness. Hard measures alone will not, however, shed any light on the reason for the change, which is, after all, what is required to actually identify improvements to policy and practice.

#### 4.2.2 'Soft' measures

Softer measures of the attitudes and perceptions of employees can act as a useful 'barometer' for managers to test how much 'pressure' there is in the system, and to isolate current or potential sources of disaffection amongst staff. They also serve as a potentially useful database, allowing management to build up a picture of the workforce and its attitudes according to business, functional, hierarchical, occupational and biographical characteristics. This enables the employer to deal with the varied responses of different groups in the organisation.

#### Example

A government department undertook research prior to the final design and implementation of a downsizing programme. The terms of reference were to identify: the numbers and requirements for staff groups by grade; potential difficulties as the organisation becomes increasingly smaller, especially with respect to career progression; and to develop options for the most effective exit policies. The review was one of several major initiatives conducted in parallel, including the transition to a new pay and grading system, the removal of overlapping levels of management, a review of management training requirements, and the first year of a performance appraisal system.

Two independent surveys by external consultants were conducted – one by questionnaire to 180 randomly selected staff and one by structured interview technique with a sample of 43 staff. In addition, a number of interviews were conducted by the review team together with some grade specific workshops. Staff opinions, feeling and ideas were sought on a range of items including: perception of the need for organisational change; feelings about early retirement and redundancy; attitudes towards limited promotion prospects; likely response to needs for greater staff mobility; qualifications, transferable skills and prospects outside; and the ability of senior management to manage organisational change. Another component of the review was a detailed statistical or manpower planning analysis which established historical and relative trends of staff promotions and turnover by age, grade and length of service and projected likely numbers, opportunities and problems.

The research is felt to have helped the organisation to plan and cost its options in such a way as to provide as positive and caring a balance as possible, between the changing needs of the business and the often conflicting interests of different groups of staff.

## 4.3 Establishing 'listening' processes

For those employers who recognise the particular potential benefit of 'softer' attitudinal feedback, finding the most appropriate mix and regularity with which to conduct this 'listening' becomes the next challenge. The employee communications field has seen an explosion of innovative ideas in recent years, far too numerous to review here. Suffice to say, the following continue to appear as the more significant interventions used in evaluating employee morale.

### 4.3.1 Attitude surveys

Too many employers appear reluctant to 'face the music' of employee concerns during times of change. 'Give them the opportunity to complain and they will.' Indeed, attitude research during a period of job cuts is not unconditionally a good thing. Such research needs careful management to ensure the process is handled sensitively and in a timely fashion. If the organisation has used surveys before, that history must be acknowledged in order to establish credibility and trust. Perhaps most importantly, there should be a genuine commitment on the part of senior management to communicate and be seen to act on the findings. Research that is mismanaged, poorly positioned, irrelevant, or even ignored by senior management, is probably better not carried out at all.

Ideally, employers should identify concerns among all employees as soon as possible after downsizing initiatives are announced. The results can then be used to assess the extent to which employees (including, and especially, managers) understand the reason for downsizing; that they are aware and committed to the vision for future and what is expected of them; and that a detailed understanding is developed of the specific concerns of individuals and groups.

Alternatively, employers have chosen to learn from their experience of particular processes or initiatives in detail. This might be particularly appropriate when downsizing is scheduled to take place in several stages.

#### Example

To support the successful implementation of its early release schemes phased over a four year period, one employer wanted to ensure that it learnt from the successes and failure of each scheme. A range of management information systems was enhanced to ensure that take-up of redundancy could be monitored and controlled. In addition to 'hitting the right numbers', regular information on the response of those employees who were staying, as well as those who were leaving, was seen to be critical. A programme was devised by in-house researchers that included a postal questionnaire, 200 in-depth face to face interviews, and 190 group discussions and 800 telephone interviews with staff at all levels.

The clients of the research included senior line management, operational field personnel, as well as corporate HR management. Each had differing

interests and this was reflected in the way the output was fed back to those best placed to respond to the results. For example, as the research was conducted during the implementation of staff reductions, weekly summaries were made available to the project team to facilitate ongoing adjustment to the redundancy programme as it unfolded.

In addition to effecting change 'on the hoof', longer term learning to inform the design of subsequent downsizing strategies was required. This fell into three broad categories:

- understanding the processes and procedures surrounding the release schemes, *ie* what went well, what went less well, how satisfied people were with the support they received and what improvements could be made
- understanding what elements of the redundancy package on offer affected people's decision to go or stay, and what factors should be built into future schemes to achieve the desired effect at minimum cost
- understanding the morale of employees and their expectations of their future relationship with the company

This internal research is believed to have been beneficial in a number of ways:

- the importance of implications for staff morale were given extra weight with senior managers by using the words of their own staff and relating them to specific events
- it provided information not available in other contexts, which enabled action to be taken to counteract negative effects
- the research was welcomed by employees as an acknowledgement of a morale problem, and that their views were being listened to and acted upon.

The research has not been extended to cover the current redundancy programme, which is targeted more specifically on particular business areas. In this case it is deemed more appropriate to examine specific questions and issues with quick 'surgical' bursts of fieldwork.

### 4.3.2 Local action planning

Line managers can become frustrated that any analysis is not always applicable to their local circumstances, *ie* that aggregated responses are of little use. The growing interest in the use of smaller, more regular or 'tactical' fieldwork is an indication of employers' desires to devise internal 'benchmarks' and ideas for improvement.

#### Example

One organisation has produced a guide to local action planning, sent to all managers in addition to the results of the annual survey. The objective is to provide guidance on how to interpret the survey findings within local teams and create an action plan. Included is a Line Index measure based on responses to ten survey questions to help focus on areas for improvement, *eg* 'giving feedback on performance' and 'supporting personal development'. Resources are being put in place to enable managers to commission mini-surveys where there are particular divisional or unit issues identified as requiring attention.

### 4.3.3 Upward feedback

A particular listening process currently being explored in downsized organisations is upward feedback or appraisal.

Such approaches appear particularly apposite in the wake of post downsizing initiatives to 'empower' the workforce, promote teamwork *etc.* Furthermore, such feedback provides a powerful means for identifying management development needs at a time when the importance of the manager's role in easing through change and maintaining morale is greatest. Counter arguments suggest that the risk of any overt relationship between upward appraisal and job security may turn the whole process into a 'mutual support club' with subordinates providing glowing references for their manager in return for subsequent favours!

Research is needed to clarify the value of such schemes which vary significantly in design and application. Early indications suggest that they have the potential to support the development of more 'personalised' working relationships.

#### Example

A financial services employer established a set of values as part of a new corporate context following downsizing, which reduced headcount by nearly a third. Whilst several of the values reflected the organisation's commitment to high levels of employee satisfaction and commitment, one in particular stated that the company seeks to 'promote an open but candid and sympathetic working environment between individuals at all levels'. The management style and support shown was recognised as crucial in determining the extent to which these values were to be seen by individuals to exist. Consequently, the principle of upward feedback is being incorporated into elements of the performance management process. Managers will seek feedback from their direct reports at either a regular or specially arranged meeting. Managers will then develop an action plan to address issues raised concerning the team or their personal development. This will then be discussed with their manager during an appraisal meeting. The primary objective is to provide the manager receiving the feedback with information that may be helpful in enhancing managerial support in the future. There is no intention that the upward feedback provided should be linked to assessment of performance for pay purposes.

## 4.4 Conclusion

This study has started to reveal some of the ways in which organisations are identifying which levers to pull, and when, in order to combat the more detrimental effects on employee morale of staff reductions. There are clearly a number of inherent challenges, not least of which are the limitations to controlling and influencing such an amorphous phenomenon as 'morale'. It is important that more empirical work be done on the relationship between different change strategies and employee responses, before seeking to generalise. This report, however, will hopefully serve two purposes. Firstly, as a reminder of the importance of taking into account the complex-ities of the issue.

Secondly, as a guideline to the main elements of any systematic attempt to manage morale, *ie* anticipating and planning for the likely affects of change such as downsizing; implementing interventions to minimise adverse effects by providing adequate support to retained staff, enhancing opportunities for development *etc.*; and establishing appropriate means for evaluating the impact of changes over time.

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