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CORPORATE DOWNSIZING AND ITS IMPACT ON HUMAN RESOURCES MANAGEMENT IN LIBRARIES AND INFORMATION CENTRES

Ogunbote Kehinde O.

Abraham Adesanya Polytechnic, Ijebu-Igbo, Ogun State, Nigeria.

ABSTRACT: *Corporate downsizing has become a strategy of choice by a multitude of organizations worldwide. The prime impetus for most downsizing activities is the desire to attain higher levels of efficiency, effectiveness, profitability, and competitiveness. The adoption of downsizing has shown to have considerable impact on the organization and its many stakeholders. There is strong evidence suggesting that the consequences of downsizing are persistently negative. Indeed, numerous organizations around the world embarking upon downsizing have failed to accomplish their highly anticipated objectives. It has also been shown that the execution of downsizing is not confined to economic and organizational realms, but has profound after-effects upon all stakeholders. Corporate downsizing continues to be a major strategy used by organizations to cope with a dynamic and turbulent global marketplace. A fundamental assumption made by executives is that this strategy improves the financial health of the corporation. Organizations go for downsizing to increase their efficiency and reduce costs but it may result in dissatisfaction among employees. This paper therefore investigates the perceived impact of corporate downsizing on human resource management with particular reference to library and information centres.*

KEYWORDS: Corporate Downsizing, HRM, Library, Information Centres

INTRODUCTION

Downsizing is a bald fact of organizational life that has become etched into the corporate culture. As employee downsizing has become increasingly ubiquitous in recent years, the study of this phenomenon has assumed greater significance. Every year thousands of companies lay off their workers in the hope of enhancing organizational efficiency, reducing cost and improving organizational performance.

The business environment is continuously changing and organizations are dealing with the after-effects of a global economic slowdown. Organizations are under pressure to change the way they do business in order to remain competitive in a more demanding and cost-controlled environment. Many organizations have turned to restructuring as a strategic decision to realign internal structures with changing macro-environmental factors (Hofmeyr & Marais, 2013).

The increase in global competitiveness, together with advances in technology and ongoing changes in the environment, requires organizations to continuously adapt and be willing to change their structures, strategies, methods and practices to remain competitive. In some cases they need to transform themselves from rigid bureaucracies into leaner, more flexible operations (Cummings & Worley 2013).

Downsizing in organizations is becoming a popular practice in today's business environment. Every organization attempts to expand or reduce their employees according to their needs, requirements and business conditions. Many of the previous research focus on finding the

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impact of downsizing on layoff survivors and this impact is measured by different variables in different sectors such as impact of downsizing on motivation, organizational commitment and psychological well-being among workers of tertiary and secondary organizations. (Faheem Qaiser Jamal, 2013) and the impact of supervisory and organizational support on supervisor's organizational commitment after downsizing (Amir gulzar and Shumaila Latif, 2012). Very little work has been done to find out the impact of downsizing on Human Resource Management in Library and information Centres. This study attempts to dearth the previous research gaps.

Downsizing

Organizational downsizing has been a pervasive phenomenon in the United States since the mid-1090s, with over 85% of the Fortune 1000 firms having engaged in some downsizing activity (Freeman & Cameron, 1993; Hitt, Keats, Harback & Nixon, 1994). It became a management catch-cry of the 1990's which became known as the downsizing decade. Many associated euphemisms became part of managerial lexicon in the 1990's and continued into the new millennium. A number of terms are substituted for organizational downsizing leading to mystification about the meaning, rationale, motive and purpose of downsizing.

Corporate downsizing is a set of tasks and activities which is undertaken by the management to improve organizational performance, productivity, efficiency and competitiveness (DeYoung and Mirabel, 2015).

Corporate downsizing is a planned set of organizational policies and practices aimed at workforce reduction with the goal of improving firm performance. Thus, downsizing is viewed as an intentional event involving a range of organizational policies and actions undertaken to improve firm performance through a reduction in employees.(Datta and Basuil,2013).

The purpose of downsizing is to provide a means to improve organizational performance. The longer-term aim could be to realize improvements related to greater effectiveness, efficiency, productivity and competitiveness. Downsizing is not an isolated event; it is a process, a subsystem interrelated with other business and management subsystems (Friebel & Heinz. 2014).

Reasons for Downsizing

There are various reasons why organizations make strategic decisions to downsizing the workforce. Research by Vermeulen (2012), states that organizations plan the elimination of positions or jobs for a specific reason or to attain a particular outcome. For instance, an organization would downsize its workforce due to deregulation with an objective of improved labour flexibility in the organization. Reason for downsizing can be categorized as environmental and organizational factors.

Environmental factors

Economic slowdown/ recession

An economic slowdown or recession, as outlined in the Business Dictionary (n.d.), is a period of economic decline, partnered with a fall in retail sales and increased level of unemployment. The most prominent ground for downsizing in organizations is economic downturn. The decline in consumer expenditure produce lower levels of sales, whereby organizations are

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forced to cut back costs and for the most part this is done through reducing labour costs or reducing the workforce.

Increased organization expenditure

When organizations experience increased costs of production downsizing of personnel may possibly be done to meet cost requirements. Organizations could additionally allocate a reduced budget for salary or wages, subsequently offering current permanent staff new part-time permanent contracts with fewer benefits. Downsizing caused by increased financial costs can take the form of casualization, whereby organizations outsource temporary tasks to minimize the core size of the organization (Stafford, 2013).

Technological advances

Downsizing of employees in many organizations are influenced by technological advances which may result in employee lay-offs due to redundancy of certain positions (Datta et al., 2012).

Organizational factors

Downsizing is sourced by means of both external factors as well as internal factors which are found within the organization. Organizational reasons for laying-off employees could include financial concerns of shareholders on their investments or the redesign of the organization so as to be consistent with charters, and relevant to the organization. (Burden & Roodt, 2012).

Furthermore as researched by Burden and Roodt (2012) several additional organization factors that could influence downsizing including; poor performance of a financial business unit/s within the organization, management's decision with regards to strategy on how to grow the organization through amalgamating with other organizations or expanding into new markets, merging departments due to duplication of functions, and a lack of profitability in the organization.

Inefficient and ineffective processes in the organization that need to be addressed through redesigning the organization could result in employees being dismissed. Lastly, when a business is faced with budget constraints that prevent the organization from expanding or carrying the prevailing cost structure it forces the organization to cut cost and reduce the number of employees (Burden & Roodt, 2012).

Acquisition and mergers

This is a process where two or more organizations combine to become one unit. It is aimed to streamline all operational activities in order for all operations to function logically. This grounds downsizing as there are countless positions that are being removed from the organization

Declining profits

It is obvious that if the profits of an organization are showing a major decrease and does not show any improvement after utilizing all other alternatives, managers turn to downsizing the workforce.

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Preparing for privatization

Organizations downsize as they wish to be more effective and efficient and they wish to be profitable in order to compete and to be recognized in the global stock market. Organizations desire to continue being competitive in the global market, and this might be quite tough. Operating and production and costs are to be kept low and organizations are put under immense pressure as they have to use cheap labour.

Forms of downsizing

There are a number of methods by which an organization can reduce the size of their workforce (Redman, 2012):

i. Ill-health retirement

Since the 1990's there has been a major increase in level of ill-health retirement. It is argued that this is a consequence of intensification of work and may also be associated with the increase of stress levels, resulting in a more long-term sickness.

ii. Compulsory redundancy

This method is known as the last resort strategy for employers, as it leaves the employee with no choice of their dismissal. Decisions are made by the manager based on the needs of the business.

iii. Voluntary redundancy

This method of downsizing is increasingly being used by employers, despite the fact that it is expensive. Employees find this method attractive as the best employees leave because of the demand of their skills, whilst poorer employees stay because they are less marketable. Voluntary redundancy gives the employee a choice and this helps to deal with job loss.

iv. Early retirement

Employees opting for early retirement are less likely to re-enter the workforce. There are a number of advantages of early retirement, as it is more socially acceptable to be retired than redundant. Last in first out (LIFO) redundancy selection criteria protects older employees by virtue of seniority, leaving them disproportionately vulnerable to enforced early retirement under employers' labour-shedding policies (Redman, 2012).

v. Natural wastage

This method is seen as the most positive and human method of workforce reduction as it gives the employee a free choice in whether to leave or stay and thus it reduces potential for conflict and employees feel powerlessness. Evidence suggests that this method could depress the workforce morale more than the short sudden approach of dismissal. This form of job loss is also much more complicated for employees and unions to resist because of its incremental nature (Redman, 2012).

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Methods of Downsizing

Downsizing has inspired various innovative ways of removing people from the payroll, sometimes on a massive scale. Several alternatives can be used when downsizing must occur. The most common methods include: Attrition, early retirement buyouts, and layoffs.

Attrition and Hiring Freezes: Attrition occurs when individuals who quit, die, or retire are not replaced. With this approach, no one is cut out of a job, but those who remain must handle the same workload with fewer people. Unless turnover is high, attrition will eliminate only a relatively small number of employees.

Therefore, employers may use a method that combines attrition with a freeze on hiring. This method is usually received with better employee understanding than many of the other methods.

Early Retirement Buyouts: Early retirement is a means of encouraging more senior workers to leave the organization early. As an incentive, employers make additional payments to employees so that they will not be penalized too much economically until their pensions and Social Security benefits take effect. Such voluntary termination programs, or buyouts, entice employees to quit with financial incentives. They are widely viewed as ways to accomplish workforce reduction without resorting to layoffs and individual firings.

Buyouts appeal to employers because they can reduce payroll costs significantly over time. Although there are some up-front costs, the organization does not incur the continuing payroll costs. As noted, early retirement buyouts are viewed as a more humane way to reduce staff than terminating long-service, loyal employees. In addition, as long as buyouts are truly voluntary, the organization is less exposed to age discrimination suits. Employees whom the organization wishes would stay as well as those it wishes would leave can take advantage of the buyout. Consequently, some individuals whom the employer would rather retain often are among those who take a buyout.

Layoffs: Layoffs occur when employees are put on unpaid leaves of absence. If business improves for the employer, then employees can be called back to work. Layoffs may be an appropriate downsizing strategy if there is a temporary downturn in an organization. Nevertheless, careful planning of layoffs is essential. Managers must consider the following questions:

-How are decisions made about whom to lay off, using seniority or performance records?

-How will call-backs be made if all workers cannot be recalled at the same time?

-Will any benefits coverage be given workers who are laid off?

-If workers take other jobs, do they forfeit their call-back rights?

Organizations have no legal obligation to provide a financial cushion to laid-off employees; however, many do. When a provision exists for severance pay, the most common formula is one week's pay for every year of employment. Larger organizations tend to be more generous. Loss of medical benefits is a major problem for laid-off employees.

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Role of HRM in Organization Downsizing Process

The work of the HR manager is among others the handling of employment policies and practices, that is, from recruiting an employee until their exit and everything in between (Boxall & Purcell, 2013). One can say that these are efforts that contribute positively to the organization, in the sense that they add to the organization's potential, not only quantity-wise -that is, by hiring more workers- but also quality-wise -that is, developing both the organization's and the individual's potential and capabilities. Hence the strategic role of HR management (HRM) becomes more eminent within the function of the organization.

As recruitment can occur in large numbers and not just one person at a time, the same can happen with terminations and dismissals; an indication that HRM functions both on individual and collective dimension (Boxall & Purcell, 2013). Mass dismissals have come to be associated with the process of downsizing and that is why HRM is directly related with this process.

Discussing the role of the HR department, all the managers agree to its important role for the downsizing process. “Decisive”, “crucial”, “driving” are some of the adjectives used by most of the managers to characterize it. Most of the times, the HR director took part at the executive board and at the decision-making. In addition, by and large, it was the HR department that made the propositions for downsizing action which then had to be approved by the CEO and the executive board. Concerning the decision on who has to be laid-off, it was not the HR manager alone that was taking the final decision but in collaboration with a line manager or director. Hamed, Bowra, Aleem, & Hussain, 2013).

Role of Library and Information Centres in Policy Implementation

If communication and information remains an effective ingredient in the implementation process, then, the question of how the policies will be disseminated to the intending public becomes crucial. One of the primary functions of the library is the dissemination of information. Thus, the library is assumed to play a crucial role in policy implementation. This is done by ensuring that the policies are disseminated to the public (library users). Library has a role to model the value of the information mosaic built-up over time and across cultures. Other than the library, there is no agency of government that has a wide knowledge of the social significance of the accumulated resources of knowledge in the public domain (Alan, E. S., 2012).

In line with the challenges of implementing government policies in Nigeria, it has saddled Nigerian libraries and information centres with the responsibility of safe-guarding the information of today for a better tomorrow. In a bid to ensuring the effective implementation of government policies, libraries and information centres are expected to play a pivotal role in the following areas:

- Creating awareness: awareness on the said policy must be created by the library to avail the public (library users) the necessary information on the policy. This can be done by making available books and information related to government policies in the library.

- Ensuring feedback: the library can also help in gathering feedback on government policies from the library users. If the government can get adequate feedback on her policies, it will help her in the formulation of new policies as well as improving on the existing ones.

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- Aiding the development of good policies: the library provides necessary information on government policies which in turn aids the development of such policies.

- Consortia: this is also important for the implementation of government policies, since it is only through co-operative endeavors and consolidated effort that government policies can be effectively implemented. No single committee, commission, agency or institution can single handedly ensure an effective implementation of any government policy.

- Educating the public: libraries can be used in continuing education through its print and non-print materials. Librarians, according to Iya (2013), are trained on how to relate with everybody as well as to interpret policies and decisions of government to the people and vice versa. Library is not only an information system, but also a communication system. "The more complex the society is in its bureaucratic and educational requirement, the greater its dependence upon library based information services" (Aguolu and Aguolu, 2012).

Libraries and Information centres play the complementary roles of transmission and dissemination of the policies to the people. No matter how well a policy may be, if not known to the people, they may not understand it.

Downsizing as a Paradigm Shift in Strategic Human Resource Reduction

Klarner and Raisch (2013) study found that downsizing or making regular changes to the workforce make-up, quite often are able to outer perform those that make irregular changes to the structure of the organization. Organizations that can downsize when needed are able to adopt to various competitive environments. However, the ability for an organization to make needed changes does require them to create a sense of stability, for this is a balance to ensure long-term sustainability (Klarner & Raisch, 2013). Ultimately, these internal changes are to be evaluated in regards of the timing of the market environment; managers need to evaluate previous market responses prior to downsize changes. This strategic change process should not be implemented solely to outpace competition; rather, it should be executed to channel resources into innovation (Klarner & Raisch, 2013).

Aalbers and Dalfsma (2014) found how downsizing, as a form of corporate reorganization is an effective instrument that aligns the organization managed-units with the rest of the organization and strategy (Trahms, 2013). Moreover, downsizing was described in this study as a planned radical corporate change to increase efficiency and effectiveness (Schmitt et al., 2012; Gandolfi, 2014). To create innovativeness, efficiency, and effectiveness, organizational managers seek to downsize to: decrease costs, enhance revenues, and to increase competiveness. The downsizing paradigm has shifted in the competitive environment, and is known by managers as a process described by (Aalbers and Dalfsma, 2014) as a workforce reduction strategy without consideration of differentiation in the organizational structure.

Impact of Downsizing on Human Resources Management

Downsizing has consequences for everyone in the organization, regardless if employees are leaving or remaining in the organization. The effects of downsizing on employees and the organization as a whole vary, due to the numerous social and institutional constraints as well as research procedures that organizations undertake to find operational answers.

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Since downsizing involves shrinking an organization's workforce; therefore, human resource management should be considered closely before adopting such strategies in organizations. Some of the impacts are thus explain as follows:

i. Disruptions in the workplace

According to Kravitz (2013) and Burne (2014), there are chances of arising of disruptions in the workplace, which may result in stress, frustration, anxiety and anger in survived employees'.

Cascio (2013) argued that firms that attempted to downsize are unable to achieve better results in terms of return on investment, sales gains, or other objectively measurable. According to Farrell and Mavondo (2015), lay-off strategy has adverse impacts on the firm's performance. The survived employees face unfavorable effects and as they have doubts regarding new or altered work assignments, adaptation in career paths and team changes and resultantly reduced their job efforts, job satisfaction and organizational commitment (Brockner, 2012)). Laid off employees are not the only population which is affected by the downsizing, in fact downsizing also alter drastically the work environment for the retained/survived workers (Gandolfi, 2014).

ii. Reduction of Employees' loyalty

According to Hofmeyr, K. & Marias, A. (2013), firms build their corporate culture to foster innovation and increase loyalty of employees towards the firm. However, downsizing may harm their feelings and it was observed in different firms that employees once committed, more satisfied, productive, adaptable and effective, may feel other way round and resign from the firms. According to a study conducted by Farrell, M. A, Mavondo F. (2015), the survivors remain loyal as long as the working environ-ment is suitable, wages are enough to satisfy their needs, and chances are available for career advancement. The survivors, once very loyal towards organization, will remain loyal to that organization, if they are satisfied with both internal culture and the external environments of the firm. If after the downsizing, they encounter such an environment which is not in conformity with their perceptions and in the absence of job security, the employees may tend to lessen the loyalty level and resultantly leave the organization.

According to a survey conducted by McKenna (2012), loyalty is a vital and critical contributor in success or failure of any organization. Research also depicted that survivors of downsizing perceive reduction in their bond with the organization, and even some extra efforts from the management to maintain the desired level of loyalty of survived employees may not work. In such situations, the survived employees feel that there is no real solution to stop diminishing loyalty (Willie, 2014).

iii. Job Insecurity

One of the major job-related concerns of the survivors of the downsizing is insecurity regarding their jobs (Conway, N., Kiefe, T, Hartley, J, Briner, R. B. 2014). Downsizing leads to job insecurity among the survived employees. Most of the organizations do not follow hard and fast rules, that which employees have to be laid-off and which to be retained. Such behaviour of the organization leaves the employees in uncertainty of their jobs. This uncertainty leads to the job-insecurity, because they may have such perception that they will be the next, if organization intends to adopt the strategy in future. An increase in the perception of the employees about the job-insecurity leads to diminishing loyalty of the employees towards their organization.

A survey of the survived employees, conducted by Friebel, G, & Heinz, M. (2014), showed that anticipation about downsizing has the same effects on the employees, as if it really occurred.

Mere decision of the organization to downsize its work-force may also work as a source of uncertainty among the employees and resultantly affect their performance and perceptions about job security. Employees working in such stressful environment are vulnerable to have diminished their loyalty towards the organization.

The loyal employees tend to stay longer in the organization therefore loyal employees are the main concerns of the organizations (Burden, J., & Roodt, G. 2012). In the downsized organization and during the course of the process the employees intend to seek new jobs. It is due to that many firms, which are not financially sound to introduce compensatory programs to satisfy their workforce, could not formulate and implement programs to increase the loyalty; hence failed to retain loyal employees (Jamal, 2013).

Impact of Downsizing on HRM in LIS Centres

As a goal oriented restructuring strategy, downsizing endeavors to increase an organization's overall performance. However, the consequences of downsizing have proven to be persistently negative. Downsizing at times leads to the loss of qualified personnel. This poses serious problems to libraries and information centres. Libraries and information centres are now competing with local industry and other research and development institutions to attract qualified staff. Shortage of personnel as a result of downsizing hinders building a better research infrastructure and provision of more information resources in libraries. Skilled librarians especially those with IT skills in libraries and information centres are not retained. Many downsizing research also demonstrates that in many cases downsizing bring unanticipated harmful consequences to service quality and costs (Cascio, 2013). For one thing, the high performers that management wants to keep sometimes take advantage of early retirement or other severance options, and management ends up after downsizing with the wrong people.

Management’s efforts to promote high-performance work teams may be harmed by downsizing. Downsizing is extremely detrimental to the operation of work groups and teams. The harmful effect of downsizing on teams illustrates the tension that exists between strategies that promote internal flexibility and those that promote external flexibility.

Downsizing leads to job insecurity among the survived employees. Most of the organizations do not follow hard and fast rules, that which employees have to be laid-off and which to be retained. Such behaviour of the organization leaves the employees in uncertainty of their jobs. This uncertainty leads to the job-insecurity, because they may have such perception that they will be the next, if organization intends to adopt the strategy in future. Therefore, downsizing of employees in library and information centres impacted negatively on the employees and its corporate existence. A good example of this is what was sometimes termed “OOU Tsunami” which occurred in Olabisi Onabanjo University, Ago-Iwoye barely ten years ago, when sizeable staff of the Institution were sacked, the incidents which cut across all the departments while the institution’s Library was not left out. The incident then seriously impacted negatively

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on the strength of the library due to the fact that the quality of library service depends on the professional quality of its staff, which is tantamount to the quality and relevance of the training they have received. The survivors felt unsecured and as a result took to their heels to other institutions.

CONCLUSION

Downsizing may cut labour costs in the short run, but it can erode both employee and eventually customer loyalty in the long run.

Restructuring, rightsizing, streamlining, making redundant, retrenching, reduction in force, selective shrinkage, de-hiring, delayering, reengineering, rebalancing, outplacing - these are just a few of the phrases or euphemisms used to describe downsizing, a phenomenon that has become a ubiquitous fact of modern-day organizational life. The connotation of downsizing in an organization does not have the meaning as it once did. However, in this era, business managers are increasingly concerned with retaining knowledge-based employees, and the advent of the internet as a form of knowledge-transfer, with built in efficiency for work processes to be made easier. Managers knew that in order to remain competitive they had to decrease the workforce and continue to produce at high levels.

It should be noted in this paper that downsizing does not interfere with employee innovativeness or employee goal-orientation post-downsizing. Currently, downsizing is seen by managers as a positive win-win (for both employees and employers) because employees who are skilled but are no longer needed in the main operation, often times, have the ability to transfer to other areas of the organization. The idea is to provide options to employees and to the organization by a redesign of work task to maintain the same quality to customers prior to downsizing.

Downsizing was not always seen as an effective course of action for organizations. This notion has changed, partly due to the shift in the needs of surviving in a competitive environment. The environment includes fast paced technology and globalization forces; all of which requires the reduction of unprofitable business units. Organizational managers have come to realize that bigger is not always better, especially when there are limited resources; those that are needed to provide customers with the same amount of quality pre and post downsizing. Service and product quality is a process based on the cultural aspects that require managers to perhaps downsize the operation in order to focus on their core offering. That is to say, managers downsize [reduce labour] to allocate resources to cultivate a relationship with a target market by providing quality service product offering. Downsizing is here to stay; it is a performance driver, despite the hardships that are felt by resident employees. However, the overall organization, its managers, and shareholders, seek higher performance levels from employees by remaining competitive and surviving in new business environments.

RECOMMENDATIONS

The organization can ensure that they provide more information to employees regarding the implementation of downsizing in their organization so as to provide a sense of transparency to employees. This will allow the employee to establish whether or not they need to find other employment and give them a sense of where they stand in the organization.

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The company should communicate to staff in advance with plans regarding downsizing so employees can prepare themselves emotionally and financially as it is difficult to find employment elsewhere and some employees are the breadwinners of their homes.

The organization should also become more aware of the fact that not only those who leave the organization are impacted by retrenchments and layoffs. In many cases those left behind are impacted more severely, as they experience guilt for having survived, anxiety for future downsizing and stress of increased job content. To ensure that downsizing leads to improved communication and improved performance of staff, the organization should make employees feel as though they are valued in the company and express the reasons as to why the company opted to operate with fewer staff.

Furthermore, the organization can efficiently implement downsizing and ensure that the process undertaken is done in a sensitive manner by offering good retrenchment packages to make those who are eligible to exit feel as though the company is still concerned about their well-being and is not laying-off people by choice.

The implication of the findings for human resources managers is that they should have knowledge of the context in which downsizing is taking place. Such knowledge makes them effective in deciding the criteria, processes and procedures to be adopted when downsizing. Moreover there should be differential of treatment of employees during and after downsizing. This might lead to the strengthening of commitment towards the new organizational order. However, it might also lead to strengthening negative perceptions of deepening discrimination among the survivors. The managerial challenge, then, is to navigate carefully through the downsizing process and maintain a balance among those who leave (victims) and those who remain (survivors). In other words, the elements of downsizing need to be managed with sensitivity to ensure positive psychological outcomes for the survivors and positive economic outcomes for the organization.

Individuals should ensure that they have a career plan in place and are constantly working towards achieving their goals. The results of this research study also suggest that employees should not remain stagnant in one position in an organization as they may fall victim of their jobs becoming redundant.

The implications for individuals and organizations are that communication in organizations is still big concern and employees still have the fear that they may lose their jobs. organizations need to make use of change agents to help surviving employees overcome the change and allow employees to participate in the decision-making. This is because employees feel reassured when they are involved in the organization. Downsizing creates many negative perceptions and attitudes, especially towards management. Management should make use of strategic downsizing. This way they can strategically plan the process beforehand and try to minimize the negative impacts of downsizing and still meet the organizations goals.

Lastly, individuals should ensure that they continually update their skills so that these do not become obsolete in order to ensure that they have the necessary competencies to join another company should they fall victims of downsizing.

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