The survivor syndrome: aftermath of downsizing

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Reports that the fundamental problem with corporate restructuring as it is practised today – as an ongoing strategy even in profitable times, rather than as an emergency move – is that it is based on a flawed vision of what makes people and organizations work well. Excessive downsizing experiences create a new psycho-social problem: the "survivor syndrome". Examines survivor syndrome, identifies its causes and suggests remedies that lead to rebuilding employee commitment to the new organization.

From corporate anorexia to learned helplessness

The trouble with corporate restructuring or downsizing is not simply that firms are overdoing it, cutting staff to the point of "corporate anorexia". Nor is it simply that greedy companies are fattening their profits at the expense of laid-off employees.

The fundamental problem with corporate restructuring as it is practised today – as an ongoing strategy even in profitable times, rather than as an emergency move – is that it is based on a flawed vision of what makes people and organizations work well. It creates an unhealthy culture in the workplace, and sooner or later we are all going to pay.

While some people thrive in the new environment, most of us are not constituted this way. We like stability and continuity. We are quite willing to adapt and innovate, but we require a reasonably stable situation as a platform for learning and creativity.

One message that comes across loud and clear in a downsizing is that how well you do your job does not matter much; you may lose it anyway. Everyone knows a top performer who was let go. This teaches people that they do not control what happens to them on the job – the most disempowering message of all.

It can lead to a state that psychologists call "learned helplessness", a model used to explain why battered women stay with their batterers. They find they are liable to get beaten up no matter what they do, so eventually they become passive. They learn to keep their mouths shut. Do not make waves. Just try to hang on.

Corporate restructuring as it is practised today speaks a bizarre language. It is a language that confuses commitment with co-dependency and stability with stagnation; that mistakes moving around for moving forward. It is a language that puts an entire society on the wrong track and tries to call it rightsizing[1].

Background

Individuals vary widely in their openness to and enthusiasm for change. Generally, the person most comfortable with any particular change is the one proposing it. Regardless of individuals' attitudes towards change in the abstract, people generally do find that change produces anxiety. This is true whether the change is self-originated or imposed by some outside agent[2, p. 55]. Organizational change in the form of reorganizations, downsizing and mergers are a part of everyday life for today's business community. The ability of organizations to manage change quickly, positively and productively leads to competitive advantage[3, p. 2]. In these changing organizations, there are three categories of people: those who will not lose their jobs, those who may lose their jobs and those who will lose their jobs[4, p. xviii]. The first two categories are referred to as "survivors". Excessive downsizing experiences create a new psycho-social problem: "survivor syndrome". This article will examine survivor syndrome, identify its causes and suggest remedies that lead to rebuilding employee commitment to the new organization.

Downsizing: picking the survivors

Since the late 1980s, hundreds of companies and millions of workers have been affected by a new approach to organizational design and management called downsizing. Downsizing refers to the planned elimination of positions or jobs[5, p. 96]. Downsizing may also occur when an organization reduces work (not just employees) and implements cost-containment strategies that streamline activities such as transaction processing, information systems, TQM and even re-engineering. We must realize that the elimination of jobs and layoffs is not over and will be permanent, since there is a fundamental geopolitical shift in the world

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of work that will continue for the next 25 years[6, p. 9].

The decision to downsize is usually a strategic one, undertaken to reduce the waste and inefficiency that builds up in an organization over time. It is expected to improve business development and repositioning for future growth and success[7, p. 35]. In 1994, Cameron[8, p. 190] reported that more than 80 per cent of *Fortune* 500 companies had downsized in the previous five years and that 100 per cent were planning to do so in next five years. Virtually every sector has caught the downsizing fever, from federal governments to trade unions. The results of a survey just referred to[8, p. 190], observed "more than half of the 1,468 firms that downsized indicated that productivity deteriorated from downsizing". In another survey of 1,005 firms that downsized between 1986 and 1991, it was found that only 46 per cent actually reduced expenses, only 32 per cent actually increased profits, and only 22 per cent actually increased productivity[8, p. 190]. It was also reported by Markowich[9, p. 59] that, according to a *Wall Street Journal* article published in 1994, "profits increased in less than half of 531 large companies two years after restructuring; only 37 percent of 500 companies who downsized since 1987 reported increased profits". There are many more recent surveys that have documented similar results. The basic and a priori strategic plans do not seem to correlate with the a *posteriori* results of studies indicating less than rousing success.

The objectives are quite well-known before starting the process of downsizing, as well as the expected benefits to the organization such as:

- lower overheads;
- smoother communications;
- less bureaucracy;
- greater entrepreneurship;
- faster decision making; and
- increased productivity[5, p. 97].

In fact, the expected results are mostly quantitative but, because of the personal impact and the sensitive nature of downsizing, organizations usually try to implement this in a manner that will minimize negative effects and publicity, while achieving their perceived objectives. Some of the statistics reported in the previous paragraph dispute the expected outcomes of downsizing and present disturbing findings. Many reasons may explain why organizations are going through downsizing and they can be summarized as follows[10, p. 61]:

- acquisitions and mergers;
- a "quick-fix" to put off closure or bankruptcy;
- to prepare for privatization;
- to reduce costs to remain competitive in an increasingly global market.

One of the most common reasons why companies that downsize perform so poorly is that they often are successful at anticipating and preparing for the employees who are to be released, but they may not be prepared for the low morale and lower productivity experienced by the survivors of the downsizing[7, p. 35]. Furthermore, when the organization needs its people at their best, they happen to be at their worst[3, p. 5]. The employees are said to be experiencing what some human resource professionals are now calling "survivor syndrome" or "sickness" which will be the focus of this article.

Muddling through the process

When organizations are going through downsizing, they must plan all aspects of the elimination and reduction of jobs to ensure the expected outcomes. A downsizing plan must consider the economic and institutional environments (transition assistance, severance pay, advance notification, etc.), cost benefit (numbers of employees, exit dates, severance pays, stay bonuses, relocations costs, etc.) legal determinants, human resources and ethical responsibility[10, pp. 63-5].

These aspects are very important to obtain the expected results, and some omissions on the planning of downsizing may result in a failure. Cameron *et al.* have looked at failures in downsizing and have come up with these two majors factors[10, p. 63]:

1 that downsizing has not been effectively planned, managed, and implemented; and
2 that downsizing has caused resentment and resistance in surviving employees.

Examining the critical aspects of human capital and strategic competitiveness, Hitt *et al.*[11, p. 35] postulated that the decline in global competitiveness of companies is attributable, in part, to neglect of human capital. This hypothesis is founded on the fact that, during periods of merger mania and downsizing, attention is diverted from other important issues. While managers must continue to make short-term operational decisions, other long-term commitments may be postponed[11, p. 36]. Also, because investments in human capital do not bring immediate returns, this condition may result in lower investment in human capital.

Effects of downsizing on surviving employees

A major factor that contributes to the failure of most organizations to achieve their corporate objectives after downsizing is that they do not adequately and effectively address the "people factor" throughout the process as it related to surviving employees. Research strongly suggests that survivors in the organization also suffer adverse effects after downsizing has occurred. Isabella[7] identified key concerns that focus on career questions after a downsizing. It was found that survivors are usually not informed or are misinformed about many issues, such as their place in the newly structured organization, expected performance standards, the key people in existing networks either leaving or changing, extra work demands, the value of their expertise to the new organization, and the existence or lack of opportunities for advancement. These are further compounded by financial and job insecurities.

In discussing terminations resulting from acquisitions, Schweiger *et al*.[12, p. 127] indicated that a loss of attachment, lack of information, and a perception of "apparent managerial capriciousness" as the basis for decisions on who will be terminated causes anxiety and an obsessive need for survival, which often leads employees to leave the company with bitterness and hostility. However, Schweiger *et al*.[12, p. 130] indicated that, ultimately:

> It was apparently not the terminations *per se* that created this bitterness but the manner in which the terminations were handled. Those who remained...expressed feelings of disgust and anger that their friends and colleagues were fired…[and] felt guilty that they were not the ones who were let go because they believed their co-workers performed at least as well or better than they did.

A major factor influencing the effects of terminations on survivors is their perceptions of how fairly the decisions on terminations were made and how these were handled. This would ultimately affect their levels of productivity and the quality of their job performance.

Motivation theories help to explain this problem driven by downsizing. "Expectancy theory"[13] suggests that an individual will perform and expend only as much effort as is necessary to reach a desired outcome, and the extent of the effort depends on the value of that outcome to them. In this context, if employees perceive that performance is not a criterion for job survival, or even for reward, they will have no incentive to perform. This conclusion is also supported by "reinforcement theory"[13] that people will perform well when there have been immediate positive consequences for good performance. This implies that, when they perceive negative consequences to high performance, such as terminations, demotions, or salary cuts, they will not be motivated to perform well.

Koonce[14] reports that, in a study of 30 *Fortune* 500 companies which had experienced downsizing, it was found that poor employee morale resulted from a number of factors that were neglected during restructuring; namely, organizations failed to keep their employees adequately informed about changes taking place, middle-level managers responsible for implementing changes did not receive adequate training for these tasks, and corporate goals and performance standards were unclear. In addition to poor employee morale during and after downsizing, Koonce further reported that there was management confusion, reduced worker productivity (at a time when workloads are higher), and a lack of commitment on the part of survivors.

In examining the reactions of survivors of layoffs, Greenberg[15] found that survivors are in a good position to judge the fairness of layoffs, both distributively and procedurally. Surviving employees were found to be more committed to the organization when they perceived that the terminated employees were adequately compensated and equitably treated. Greenberg also reported that empirical studies suggest that the current job performance level of employees is a critical factor in surviving employees' judgements of the fairness of the termination process.

The survivor syndrome

Downsizing creates important effects inside and outside an organizational environment. In fact, downsizing results in breaking the organization into several or many groups. A group of employees leaves; sometimes, a group may receive advance layoff notification and a group stays. Confusion is high because employees who lose their jobs may not really understand why, since it was not their fault. The decision is often not related to their performance, while the ones who stay have done nothing more or special to keep their positions.

Previous research reveals that organizations often enjoy an initial increase in productivity because employees work harder and more competitively in an attempt to keep their jobs[16, p. 10]. This initial increased productivity is short-lived and is followed by a strong "malaise" in the organization.

This survivor syndrome is defined by some human resource professionals as being the "mixed bag of behaviours and emotions often exhibited by remaining employees following an organizational downsizing"[17, p. 26]. Downsizing has become an organizational fact of life, and many surveys have confirmed that the survivors are often ignored before, during and after the corporate streamlining. Yet it is the survivors that will be the linchpins of future profitability[18, p. 15]. The employees that lose their jobs during an organizational downsizing go through an emotionally wrenching experience[19, p. 23]. Yet the co-workers who remain with their employers have similar reactions. Today's survivors can be tomorrow's disgruntled, unproductive workers or tomorrow's team players, enthusiastic about being part of a community at work that values their contributions[20, p. 17]. In assessing a downsizing, Isabella[7, p. 35] describes downsizing as a personal, not bottom line, issue for many who survive it, despite the corporate rationale and corporate savings. Locus of control is defined as the extent to which individuals believe that the control they have over their lives lies within their own control or in environmental forces beyond their control[21, p. 97]. According to Noer, the people who will have the most severe cases of survivor sickness are those who build their lives around their employer and the ones who will not are those who define themselves as more than their job[19, p. 23]. Buchholz further comments on this: "people resist being changed, they don't resist change. Change is choice"[3, p. 2].

"...Organizations have under-estimated the negative effects of downsizing and do not take into account the difficulties of motivating a surviving workforce emotionally damaged by watching others lose their jobs..."

Organizations have under-estimated the negative effects of downsizing and do not take into account the difficulties of motivating a surviving workforce emotionally damaged by watching others lose their jobs. Yet, motivating survivors to achieve greater productivity is essential for company success and employee job security[9, p. 59].

We must remember that, next to the death of a relative or friend, there is nothing more traumatic than losing a job, as it disrupts careers and families[22, p. 69]. David M. Noer has found that survivors experience 12 different types of negative feelings and concerns. These are presented in his text: *Healing the Wounds: Overcoming the Trauma of Layoffs and Revitalizing Downsizing Organizations*[23, pp. 90-3].

1. *Job insecurity.* Survivors wonder how long they will be able to keep their jobs, and they worry that they are not prepared to find work elsewhere, or that there are no comparable outside jobs. This will influence their work behaviours and attitudes on a daily basis.
2. *Unfairness.* Doubts arise about the wisdom of the layoff choices made by the managers, as well as the competence with which management has guided the organization. Most organizations downsized for the first time, therefore the exercise was not planned, managed and implemented effectively. Employees have felt that the process was not fair.
3. *Depression, anxiety, fatigue.* The process is demoralizing and stressful for the managers who must lay off employees, as well as for employees who lose friends and colleagues. No one is prepared, including the managers having the difficult task of announcing the new structure. One poll of 1,142 companies that downsized, conducted by the American Management Association, revealed that nearly half were "badly" or "not well" prepared for the dismantling, and had not anticipated the kinds of problems that developed subsequently. More than half reported that they had begun downsizing with no policies or programmes[5, p. 98]. High on the list of anxieties were often unspoken questions like: "Will I be the next to go – even though it looks now as if I'm staying?"[24, p. 90].
4. *Reduced risk taking and motivation.* Many survivors are afraid to take advantage of an employment opportunity, accept a new work assignment, or discuss a work-related problem for fear that they expose themselves to criticism or poor performance appraisals and, therefore, become the target of the future layoff. They try to fit very well into their actual position of being "safe".
5. *Distrust and betrayal.* Some employees no longer sense the organization's future or their place as an integral member of the organization. Employees do not see why they should be concerned about their employer, since this employer was not really concerned for their colleagues. In some organizations, the process was so badly organized and implemented that Mitchell Marks, an industrial psychologist, went one step further and identified this strong distrust as the "Perot Syndrome". In fact, he compares the leadership styles of most chief executive officers in US business as the way Ross Perot decided to walk away from the 1992 presidential contest. At that time, Perot's

supporters were shocked and angry by the rationale of the decision, resulting in strong negative emotional reactions[25, p. 44].

6 *Lack of reciprocal commitment.* Some employees feel the organization has abandoned them. It has not treated them with the dignity and respect to which they believe they are entitled. The kind of win-win situation (employee-employer) developed over the years was totally cancelled.
7 *Dissatisfaction with planning and communication.* Lack of communication and adequate preparation of employees for layoffs causes survivors to view the entire process with suspicion. Only 44 per cent of companies that downsized in the last five years shared details of their plans with employees, and even fewer (34 per cent) told survivors how they would fit into the company's new strategy, according to a 1992 survey of 1,020 directors of human resources[5, p. 101].
8 *Dissatisfaction with the layoff process.* Layoffs that are handled insensitively or in a humiliating fashion create permanent resentment amongst employees.
9 *Lack of strategic direction.* The concentration on short-term cash problems leads employees to suspect the validity of the long-term strategy of the organization. Most companies communicate their long-term plan and, in a few weeks, priorities change dramatically. Management energy is absorbed and all aspects of corporate culture are diversified[11, p. 38].
10 *Lack of management credibility.* Some employees believe management is no longer capable of addressing the core business concerns of the organization.
11 *Short-term profit orientation.* Some survivors fear that management will institute further layoffs if profits do not reach acceptable levels in the near future.
12 *Sense of permanent change.* There is an overall sense that working for the organization will never be as good as it once was.

Managers who remain after downsizing are working in a different environment and they must adapt themselves to this new organization that is not as friendly as before. They are now managing more people and jobs, and have to work longer hours because their job descriptions and the expected outcomes have not changed. They must establish a new network, since some of their contacts are gone or have been moved. Some managers will adapt, many are not willing or able to work under these conditions[5, p. 99]. Furthermore, surviving employees become narrow-minded, self-absorbed and risk-aversive. Morale sinks, productivity drops and survivors distrust management[5, p. 100].

There is also the impact of survivors' guilt. This guilty feeling is experienced by the supervisors who do the laying off, as well as by the surviving workers. These workers contemplate why their colleagues were laid off instead of themselves. Michael Perlman, principal with M&S Employee Assistance Programs, believes this guilty reaction is similar to what happens to people who survive a disaster such as an aeroplane crash[19, p. 23].

During times of job insecurity, employees without job alternatives tend to withdraw from their jobs psychologically. This psychological withdrawal results in decreased commitment to the organization, reduced job performance, reduced job satisfaction, and increased intent to quit[16, p. 12].

To continue with the impact of employees quitting the organization, unfortunately, downsizing is often implemented through across-the-board workforce reductions. Tactics such as voluntary retirements and attractive severance packages typically lead to a loss of the most talented people[11, p. 38]. This is a counter-productive strategy.

Components of a survivor support plan

Some organizations provide programmes to help the employees leaving, but very few have programmes for the ones remaining. A survey presented in an article called "Helping survivors stay on board" indicated that 79 per cent of organizations had such a policy. However, programmes to help those remaining were much less evident, and the emphasis appeared to be on the short term rather the long term. These programmes focused mainly on work-related skills, coaching and counselling skills for managers, but very few focused on counselling the individuals on personal change or, later, career orientation[17, p. 26].

The reasons why organizations tend superficially to address survivor needs, can only be speculated on. It is possible they are so unidimensionally focused on the activities relating to downsizing that they neglect to address issues pertaining to survivors until they present a problem; that is, survivor needs are managed by exception. As Koonce[14] has documented, most organizations address these issues only when they find they have not achieved their corporate objectives and investigate the reasons for it. Another reason may be that management in organizations believes that keeping employees informed about downsizing issues is enough. However, as Isabella[7] and Cameron *et al*.[26] have indicated, survivors also need information about possible future change, new organizational standards and expectations on performance, advancement opportunities, and growth-security issues within the organization.

There are some critical incidents which can help shed more illumination on this issue. Kodak downsized five times at a cost of $2.1 billion and more than 12,000 jobs were eliminated, profit margins were halved, the stock performed poorly, and the bottom line is not much bigger than it was ten years ago. In the last five years, IBM has eliminated 100,000 jobs from its ranks, with another 100,000 voluntary and involuntary casualties likely. IBM still lost $7.8 billion[27, p. 13].

These negative outcomes were called by some researchers the "productivity paradox", because the cost reductions were cancelled by other cost increases[10, p. 62].

Justice must be present during the process of downsizing and employees must perceive that the method used was fair[16, p. 9]. In fact, when the survivors feel that the situation was handled fairly for both those leaving and those remaining, the symptoms of the survivor syndrome are still apparent, but have been alleviated[17, p. 28].

In another survey, completed within the financial services industry, the most communicated subjects were about organizational issues, but very little dealt with how the individual survivors fit into the new organization[17, p. 28]. Thus, while the communication process existed, and employees understood the layoff rationale put forth by the company, they did not feel that the rationale was valid[16, p. 11].

Because employers do change the rules, employees have strong negative responses which affect productivity. Consequently, the reduction does,in these cases, cancel the cost benefits from downsizing, resulting in fact in double failure: the financial strength and the human aspect. Some remedies are required to counteract and manage survivor syndrome.

Remedies to survivor syndrome: managing perceptions and communications

It is inevitable that people are going to feel stressed after downsizing. The question is, how can they become motivated, loyal employees committed to the organization again? There are many barriers to precise perception (perception distortion), each a possible source of misleading or distorted information[21, p. 105]. Employees may distort information or pay attention only to what they want to see in order to avoid the unpleasant reality of downsizing. Their ability to accurately perceive what is going on may be influenced by their own career interests[21, p. 82]. The employee's perceptions are based on the organization's actions and communication[10, p. 70]. The way employers interact with survivors plays a major part in how employees deal with the period immediately after downsizing[28, p. 18]. Noer comments, "People can no longer be perceived as costs to be reduced but instead must be seen as long term assets to be grown and developed"[29, p. 27]. Helping survivors achieve greater productivity is essential for company success and employee job security. Employees cannot support the changes the organization is making if they do not know what is going on. The prevention of survivor syndrome begins before downsizing is implemented. The employer should have as detailed a plan to deal with survivors as he does with the downsized employees. In a study carried out by Cameron[8, p. 201] it was concluded that "the firms that improved their performance were those that prepared for downsizing in advance" and that "gradual reductions were consistently associated with performance increases". Performance increases will be achieved only if the survivors are properly prepared, motivated and communicated with openly. Therefore, communication becomes an underpinning of the survivor syndrome remedy.

If the organizational climate is one of openness and trust, then incomplete or controversial communications are more likely to be interpreted favourably. However, when distrust is the norm, as in many downsizing operations, messages may be harshly scrutinized for "hidden meanings", and even good news may be greeted with suspicion and ridicule[21, p. 580]. Gaining and maintaining the trust of others require continual effort and willingness to engage in honest and frank dialogue[21, p. 583].

Poor communication creates misunderstanding of goals and strategic mission, as well as misconceptions about team relationships and individual responsibilities[21, p. 570]. It spurs anxiety and conflict, a sense of disenfranchisement, poor productivity and increased cost to the company[21, p. 570]. This is the problem and challenge associated with managing the survivor syndrome resulting from downsizing.

Employees cannot support the changes the organization is making if they do not know what is going on. In a survey of 30 companies, 46 per cent of the respondents said that "communication" contributed most to good employee morale during their transition. Conversely, the poll indicted that 50 per cent said "uncertainty and the unknown" had the most negative impact on morale[14, p. 23].

While informal networks serve useful functions by cutting red tape and leading to greater loyalty through positive social relations, they also may give birth to grapevines. Because they are flexible and personal, grapevines may be one of the most rapid communication systems that exist in most organizations[21, p. 581]. The accuracy of grapevines is quite high for non-controversial information, but with controversial information, that is, downsizing decisions, the grapevine can be greatly in error. One of the varieties of information passed through grapevines is the rumour. Rumours are unverified beliefs transmitted from one person to another. Because rumours can harm both individuals and the organization itself, managers must consider how to control and eliminate the rumour mill[21, p. 581]. Keeping the lines of communication open often suppresses the rumour mill[14, p. 23]. Smeltzer in 1991 highlighted the importance of communication and collaboration in his study of change in 43 organizations. The most commonly cited reason for failure of the change effort was the presence of inaccurate and negative rumours, often caused by management neglecting to provide timely and accurate information[30].

Solutions to the survivor syndrome: employee empowerment

We may think that the survivor syndrome may be reduced only by the actions of the employers, but some efforts must be taken by the employees to counterbalance perceptual and communication problems just described.

Noer discusses in his book, *Healing the Wounds: Overcoming the Trauma of Layoffs and Revitalizing Downsized Organizations,* that those who built their lives around their employer will be the most severe cases of survivors[23].

Cascio described the new reality in the workplace and called it the diminishing expectations. Twenty years ago, a manager worked for only one or two companies in his or her entire career. As Cascio reported, "People used to be able to count on the organization and its stability. But the myth that institutions will take care of us has been shattered"[5, p. 101].

Employees need to consider shifting loyalty to employabilities within the organization. For the individual, it offers the chance to take on broad personal career ownership, rather than listening to the rhetoric, and feeling more empowered. For organizations, it offers the chance to achieve more flexible and painless change, and the opportunity to generate more appropriate behaviour. However, it will be more challenging for organizations, since employees become more able to leave, but also more motivated to stay[17, p. 28].

Noer believes employees who "break the chain of co-dependence (with their employer) are immune" to survivor sickness. He adds that layoff survivor sickness is a symptom and that unhealthy dependence on the organization is the disease[19, p. 23].

Noer also mentioned that, under this new contract, no guarantee of employment exits. The focus now is on performance; loyalty (seniority, for example) is no longer rewarded[6, p. 9].

Some prescriptions

The actual separation of downsized employees is very painful for most of those remaining, and the way employers interact with the survivors plays a major part in how employees deal with the period immediately after downsizing. Good communication is the glue that binds an organization together[31, p. 21]. It prepares and helps employees change and buy into the new business reality with trust, loyalty and enthusiasm. Surviving employees must get a sense that they are part of a new organization that is moving ahead. Cameron[8, p. 207] has a few suggestions in his "Prescriptions for best practices" on how to deal with survivors before, during and after downsizing:

- Over-communicate to the employees because they desire and need information about the downsizing process and its progress. Inform them frequently, honestly and consistently as the downsizing process unfolds. Only reporting the decisions and results allows rumours and ambiguity to flourish.
- Implement downsizing beginning with small changes that can be done quickly and easily to achieve the desired results, rather than attacking downsizing as a large, complex, indivisible task.
- Provide equal attention and support for those who stay in the organization and those who leave the organization, rather than focusing only on the benefits for casualties.
- Provide training, cross-training, and retraining in advance of downsizing to help individuals adapt to downsizing, rather than relying merely on *post hoc* on-the-job training.

- Involve employees in identifying what needs to change through downsizing and in implementing those changes, rather than driving downsizing from the top down.
- Hold everyone accountable for downsizing goals, rather than treating it as only top management's responsibility.
- Associate downsizing with a clearly articulated vision of a desired future for the organization, not merely as an escape from the past.
- Project positive energy and initiative from the leader in order to motivate the workforce, instead of adopting a defensive and paranoid perspective.
- Management should talk to the "stars", that is, the people who have the most job options outside the company, to ensure they know they are needed and that they have a future in the surviving organization.
- The reduction must be handled as fairly as possible before, during and after the layoffs. The survivors will be paying close attention to how the layoff is carried out, how fair it is, and how the work environment will be different.

Some additional suggestions[27, p. 18] are as follows.

1 *To improve trust in management:*
  - make senior management more visible;
  - explain reasons for downsizing;
  - explain criteria used to decide who was terminated.

2 *To improve morale:*
  - provide many opportunities for employees to have questions answered;
  - communicate as specifically as possible the future mission of the organization;
  - let survivors know how terminated employees are being supported.

3 *To improve productivity:*
  - train supervisors in how to motivate and manage survivors;
  - help survivors determine how to handle increased workload.

4 *To improve stress levels.* train survivors how to manage change and transition.

Conclusion

Most organizations have neglected the downside of downsizing because they assume that the survivors will simply be pleased and happy about keeping their jobs.

The unspoken assumption is that those remaining (who were lucky enough) will produce more than the entire group did beforehand. This usually does not happen. Rather than being thankful to keep their jobs, employees are demoralized and less loyal, more angry, cynical and distrustful of management, fearful that one round of layoffs promises others – and that they will be next.

Not surprisingly, euphemisms have emerged expressing employees' anger. Those who carry out layoffs are "executioners". Laid-off employees are "victims", while those who remain are "survivors".

The effects on survivors and executioners are relatively visible. Effects on others are not as visible, but they, too, cannot be ignored. We should be especially concerned about effects on teenagers and children, for whom dreaming about a future occupation is critical for occupational development. Yet they are now more likely to question what awaits them. Children learn about work by observing their parents, and the lesson now is that their occupational futures are uncertain and out of their control. Hard work at school may not result in positive job prospects.

Perhaps massive layoffs could be justified if they enhanced organizational functioning. Yet layoffs do not necessarily solve the problems for which they are the proposed solutions. A recent study of *Fortune* 500 organizations engaged in layoffs showed that the more severe the layoffs, the worse the organization's long-term profit margin and return on equity. If the giants are negatively affected, can smaller organizations with fewer resources escape similar negative effects[32]?

By being fair in layoff procedures, by carefully following a strategic plan and using leadership, downsizing may be possible without permanent disability if senior management takes a moment to weigh the human resource factors versus the financial bottom line.

Even if we know that organizations will experience ongoing changes, more companies must focus strategically on the survivors to boost productivity. It is a fact survivors are talented people/resources whose knowledge, experience and skills need to be developed as fully as possible to ensure that the organization's new "lean and mean" management can reach its objectives.

Human capital research and development are the key areas to ensure that organizations will meet the coming challenges.

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