

Downsizing in Christian Organizations: The Need for Good Management

By Kevin Scheid



The challenges of today's economy are forcing many Christian organizations to find ways to be more efficient. As hard as it can be, sometimes budget changes even necessitate a layoff. Although downsizing is often a painful process, it can ultimately be for the good of your organization. We've researched the various implications of downsizing and have created this series to help you navigate the potential pitfalls and make the most of this difficult process.

According to Watson Wyatt Worldwide (2009/2010), 72% of all firms have downsized and laid off people in response to the most recent recession. On average, 7% of the workforce in high performing organizations was laid off while 9% of the workforce was laid off in all others. According to Watson Wyatt Worldwide this downsizing has a more significant impact on the highest performing employees, decreasing their commitment to the organization. Further, results indicate permanent negative effects on employee morale and productivity while 72% of employees believe the quality of their product and customer service has suffered.

Likewise, data comparing employees working in Christian organizations before and during the most recent recession shows increased fear, a decrease in trust in management and a decreased commitment to the organization. The Best Christian Workplaces

Institute (BCWI) surveyed over 16,000 employees in Christian organizations before and after the recent recession and the trend uncovered is very similar to that discovered by research in the corporate world.

The negative experience of surviving employees translates to

Nearly half of all downsizing attempts lead to improved organizational performance.

decreases in productivity, commitment, trust, morale and perception of customer satisfaction (Clawson, 2001, Tichy and Devanna, 1990, Ugboro, (2006), Yukl, 2006). However, all organizations are not affected in the same way. In fact, according to Applebaum, Close and Klasa (1999) nearly half of all downsizing attempts lead to improved organizational performance. This raises the question of what distinguishes between those organizations that experience successful downsizing compared to organizations with unsuccessful downsizing. We will examine this question through comparing the BCWI survey results with current research on the topic to identify how a Christian organization can improve with downsizing and avoid a potential downward spiral.

Research has identified several reasons downsizing improves some organizations while other organizations become worse. The first reason identified is that successful organizations consider downsizing a strategy to gain competitive advantage. Thus, organizations have an overarching strategic plan and the downsizing actions have a logical fit with the plan. Communicating downsizing activities to employees in the context of a strategic plan is much easier to understand. For instance, downsizing is an integral part of the strategy for corporations to become more efficient and thus more globally competitive (Clawson, 2001, Tichy and Devanna, 1990 and Yukl, 2006). This integrated strategy can be seen in the downsizing of General Electric (GE) under Jack Walsh. Over 20% of GE's workforce was laid off in a period of business expansion. These downsizing actions made GE a vital and competitive organization which continued to grow more rapidly than competitors (Tichy and Devanna).

A second common factor in successful organizational downsizing is integrating downsizing with a coordinated change process. The openness of an organization to accept change and execute change is critical to a successful downsizing. Whether downsizing is part of the change integral to an overall strategy or if it is forced on the organization by external factors, the process needs to

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follow the change process. As discussed in previous articles on change, the nature of Christian organizations may create more resistance to change. Anyone who has attempted to make a staffing change at a small to medium sized church would likely experience this difficulty first hand. If an organization is resistant to change or does not go through the necessary steps for change, they will likely be less successful. By understanding downsizing in the context of a

change process, leadership will more likely address all the steps necessary for a successful change. Leaders following the change process in downsizing will create a compelling reason, assemble a committed team, create a vision for the future, communicate the plan and empower employees. When downsizing is viewed in the context of organizational change or an overarching strategy as opposed to a misfortune, it is more understandable and less destructive

to employees.

A third factor determining success in downsizing is the organizational culture. According to Applebaum, Close and Klasa (1999) the foundational elements in a successful downsizing are the elements of organizational context including organizational culture, trust and leadership in the change process. An organizational culture which values discipline, support and trust will be in a position to

BCW Survey Question	Trend from 2009 to 2010
16. There is a high level of trust at my organization between senior leadership and employees.	-0.18
6. My organization provides good job security to employees who perform well.	-0.15
23. There is clear consensus on my organization's goals.	-0.14
37. My organization conducts its activities openly and honestly.	-0.14
33. My organization is well managed.	-0.13
40. My organization has a winning strategy for meeting the needs of those we serve.	-0.13
28. My organization effectively rewards top performers.	-0.13
8. I would recommend my organization to others as a good place to work.	-0.12
1. I would rate my organization as an exceptional place to work.	-0.11
15. At my organization leaders are humble.	-0.11
32. My organization promotes the most qualified employees.	-0.11
48. At my organization, there is generally good teamwork across departments.	-0.11
20. My organization's leaders demonstrate compassion for people at all levels.	-0.10
38. At my organization, people are responsible and held accountable for doing what they say they will do.	-0.10
50. My organization's leaders explain the reasons behind major decisions.	-0.10
5. My organization retains highly qualified employees.	-0.10
19. My organization's leaders behave with fairness and integrity.	-0.09
58. I am satisfied with my retirement plans (pension, 403(b), 401(k), RRSP etc.).	-0.09
13. My organization's leaders keep a focus on putting Christ first in daily decision-making.	-0.09
55. In comparison with people in similar jobs in other Christian organizations, I feel I am paid fairly.	-0.09

Table 1. Decrease in scores from 2009 to 2010.

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successfully complete downsizing change. Applebaum, Close and Klasa believe this organizational culture is so important that they insist the culture should be changed to one of trust, discipline and support before engaging in downsizing if it is not already characterized by these qualities.

Downsizing's Impact on employees in Christian Organizations.

To understand the effect of downsizing on Christian organizations, we look to the largest decrease in scores on specific questions as measured from before the recession and compare those to the scores after the recession. The decreases likely point to areas affected by the downsizing and appear to be consistent with research on secular organizations. Table one displays the Best Christian Workplaces survey questions with the greatest decreases from the 2009 to 2010 survey. (It might be important to note here that the survey for 2009 was actually completed from October to December of 2008, while the 2010 survey was exactly one year later). Under the "Trend" column, the decrease in the average score from 2009 to 2010 is listed. Scores from the survey are derived from a 5 point Likert scale and represent the average of 16,000 respondents.

The issues in the above table were grouped by identifying the questions with the highest intra-correlations among the whole question set. The

grouping was further verified through a qualitative assessment. This process yielded four significant factors which are labeled according to their shared salient features including: trust, fear, management and commitment.

In a layoff, increased demands on leadership coupled with complex and unfamiliar tasks create ample opportunity for leaders to come up short in the expectations of employees.

Management

The BCWI survey data indicates a downtrend in the perception of good management during a recession. Chart 1 shows the decreasing trend of the five questions grouped around the perception of management. Question 33, "My organization is well managed," is a direct proxy of the overall perception of management and as we see from the chart, experienced a significant decrease.

The perception of a decrease in management acumen during downsizing likely stems from an increased demand on leadership along with additional tasks and

amplified complexity. According to Applebaum, Close and Klasa (1999), leadership in the downsizing change process is essential. It must consider the needs of all stakeholders, especially the employees, and have a valid assessment of the impact of the downsizing on all stakeholders. Along with increased tasks demanded of leadership, downsizing also tests the efficacy of the usual management practices. Research by Ugboro (2006), indicates that empowering employees along with incorporating certain aspects of job redesign increases affective commitment and probably reduces the employees' intent to leave after downsizing. Thus, increased demands on leadership coupled with complex and unfamiliar tasks create ample opportunity for leaders to come up short in the expectations of employees.

Of the four other closely related questions grouped under the management category, two of the questions relating to unity of goals and serving customers show a decreasing trend in the perception that leadership is steering the organization in the correct direction:

23. There is clear consensus on my organization's goals.
40. My organization has a winning strategy for meeting the needs of those we serve.

The reason for a decrease in the perception of a clear consensus on organization goals links directly to

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the earlier discussion on the relationship between direction and downsizing. A key element in a successful downsizing is a clear vision for going forward with a sense that the organization is engaged in a change process necessary to improve and facilitate the accomplishment of the mission. Research by Yukl (2006) shows that focus on the process of downsizing rather than what needs to be achieved by the organization, brings poor results. Thus, downsizing, when not in the context of a strategic plan, will cause more problems than it solves.

Chart 2 shows an interesting point in relation to a consensus on goals. While most of the questions relating to management showed a greater

decrease by the general staff than senior management as expected, there was one exception; the decrease in senior management's perception of goal consensus is nearly of the same magnitude as that of all other employees. Possible explanation for the decrease of senior management scores is that they are just as much a victim of downsizing as the rest of the organization. This is a bad omen as strong leadership with a clear sense of direction coming from that leadership is important during downsizing.

It may be surprising that surviving employees' belief in management's ability to meet the needs of customers is decreased when an organization downsizes. However,

according to Watson Wyatt Worldwide (2009/2010) restructuring and downsizing causes employees to believe the quality of their product and customer service has suffered. This may be partially explained by Applebaum, Close and Klasa (1999) who assert that a reason for poor company performance after downsizing is that they have not prepared the "survivors" for the aftermath. This lack of preparation would include training and a clear understanding of each employee's role in a restructured organization.

Two other questions relating to the perception of good management connect directly to how people are led and treated. These questions include:

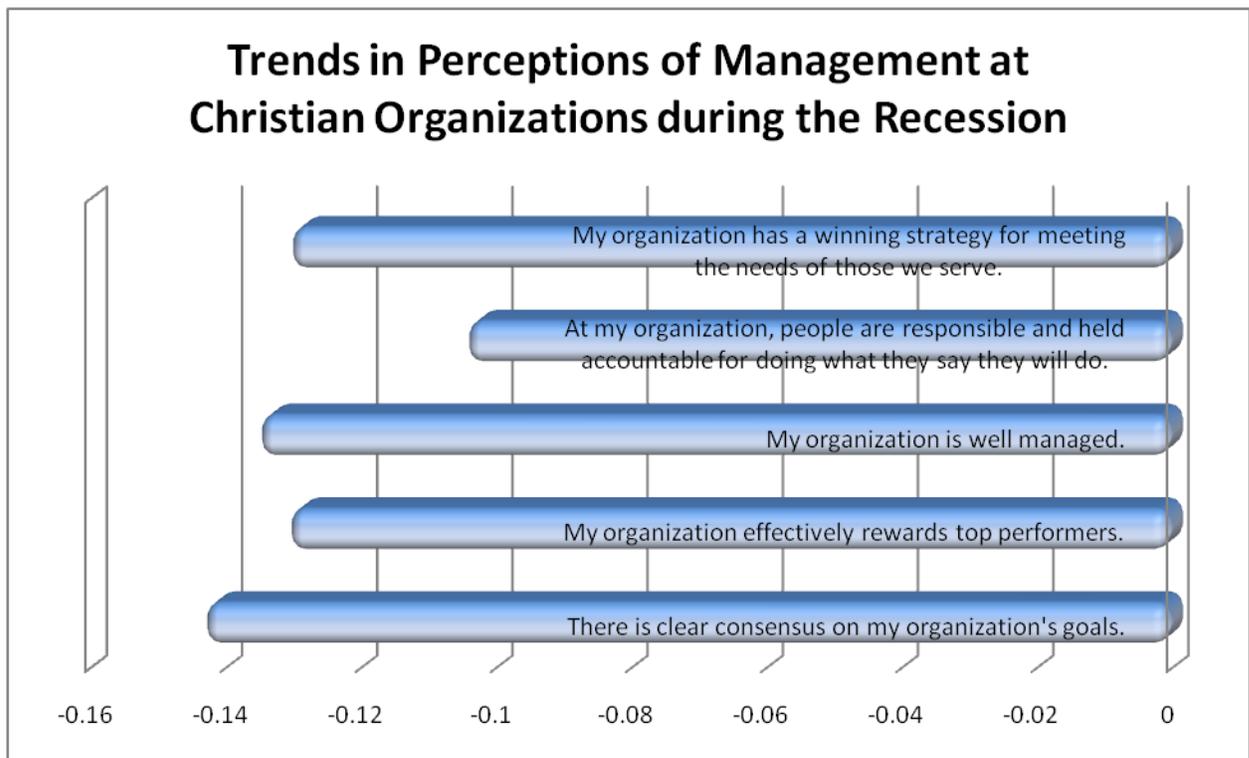


Chart 1. Perceptions of management in Christian organizations during downsizing.

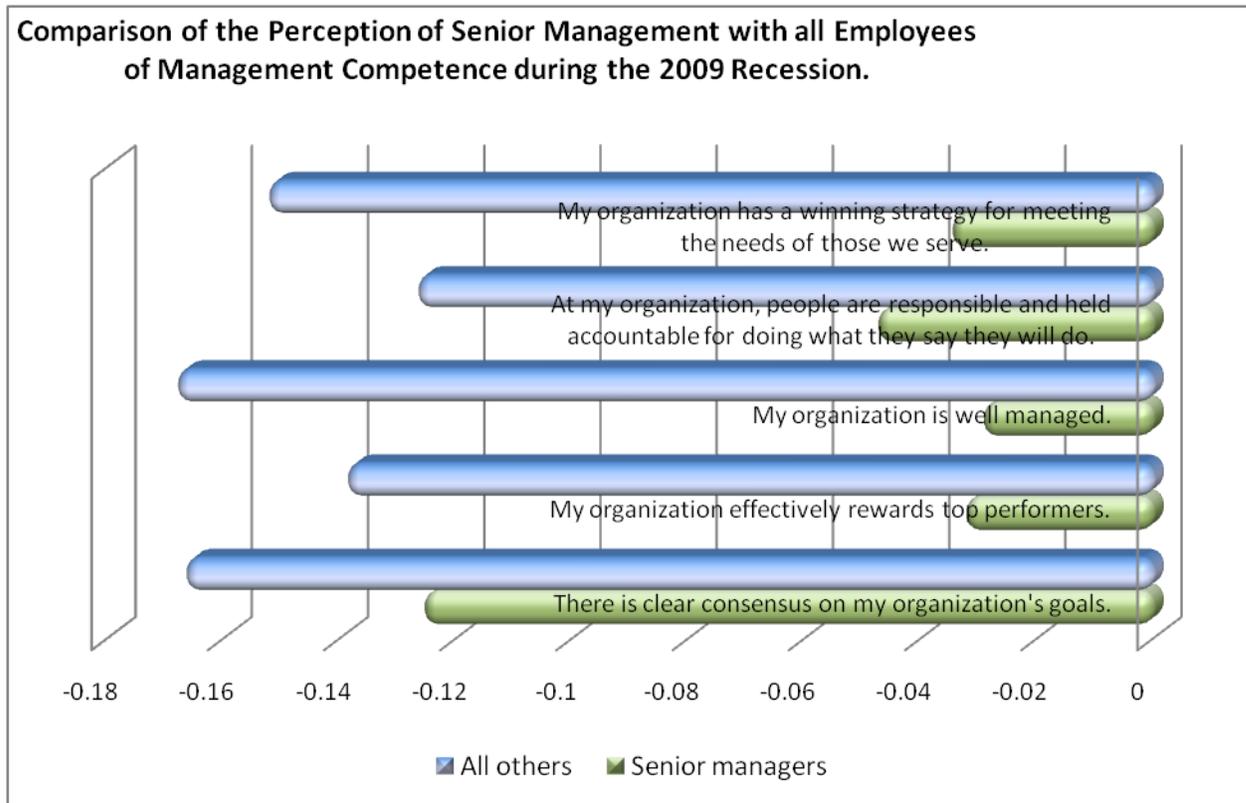


Chart 2. Comparison of the trend of senior management perception of management competence with the perception of

28. My organization effectively rewards top performers.

38. At my organization, people are responsible and held accountable for doing what they say they will do.

High performers in an organization who are survivors of downsizing have a surprisingly strong negative reaction. Watson Wyatt Worldwide (2009/2010) states that restructuring has a more significant impact on the highest performing employees by decreasing their commitment to retention in the organization. The study by Ugboro, (2006) also indicated that competent survivors

have a higher likelihood of leaving after downsizing. Possibly this is due to breaking the implicit employment contract. Or it could be because too much work or responsibility has been placed on the better employees. Also, higher confidence in their own skills as the ones retained even in a layoff may motivate them to look outside the organization for employment opportunities more quickly. As shown by the survey results, recognizing and rewarding the top performers may be a clue in motivating top performers to stay.

Perhaps the issue of accountability indicates an increased concern about

holding others accountable in a recession, or people are concerned about holding senior leadership accountable for the poor performance during downsizing. We do know that according to Watson Wyatt Worldwide (2009/2010), downsizing has a permanent negative effect on employee morale and productivity. So possibly this issue of accountability comes up after downsizing when a perception arises that people are not being held accountable for their reduced productivity. We also know that there is a close correlation between accountability and compassion in organizations. Likely, a

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combination of these factors creates a perception of less accountability.

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