

Franco Gandolfi takes a close look at the effects on staff of restructuring in an Australian bio-pharmaceutical firm.

Modern-day change management practices, including restructuring and downsizing, represent some of the most profound and problematic issues facing global workforces, corporations, non-profit organisations and government agencies.

Downsizing, a corporate reality since the early 1980s, constitutes a particular form of organisational restructuring. Sometimes it is a deliberate strategy designed to reduce the overall size of a workforce through natural attrition, hiring freezes, early retirements and layoffs. But often it is used reactively by firms to avoid bankruptcy, increase productivity or enhance competitiveness and is common after firms make large investments in labour saving technologies.

At its core, downsizing has regenerative purposes, yet empirical evidence suggests that the overall consequences of downsizing are largely negative, producing a

Executive: “Unfortunately, very little formal training was provided during the transition.”

‘survivor syndrome’ in staff that remain. Empirical data suggests that downsizing survivors exhibit a plethora of symptoms, including decreased levels of commitment, loyalty, motivation, morale, trust and security.

Survivors are seen to be ‘the cream of the crop’ and the outcome and success of a downsizing endeavour is largely contingent on their reactions.

This Australian study examined accounts from the survivors of a restructure in the NSW office of a large European bio-pharmaceutical firm. In 2004, management unveiled its new campaign entitled ‘Leaping ahead: from brawns to brain’ which sought to substitute low-value with high-value activities. This refocus was preceded by a thorough strategic assessment which foresaw the re-engineering of the research and development (R&D) processes, the purposeful shift from low to high-value R&D and the off-shoring of about 50 per cent of jobs to low-cost bases in India, China and Malaysia.

Senior management further sought to transform the firm’s focus from execution-centric to a commit-

Downsize

ment to customer-centeredness. The transformed Australian operation is bestowed with all strategic and operational aspects, including centralised R&D, planning, manufacturing, operations management and logistics. During the entire two-year transition

Logistics Manager: “Employee development is the individual’s own responsibility.”

period (2004–2006), various restructuring and downsizing activities were implemented and the workforce decreased overall by approximately 2,000 individuals in Australia.

Ten in-depth interviews were conducted with a targeted sample of managerial, professional, and operative employees over a period of four months in 2007. The interviews focused on three areas: 1. Key drivers driving the change, 2. Skills and learning processes perceived to be helpful in going through the change activities and 3. Enhancement of employability by means of self-directed learning processes.

Downsizing creates major personal challenges for all stakeholders involved. Often only the senior managers and downsizing executioners have a solid understanding of the rationale, approach and possible outcome of the imminent change. Furthermore, in an environment characterised by major change, individuals frequently evaluate their current jobs and career options and tend to take a proactive approach to their career development and employability.

Participants’ accounts demonstrated that most individuals were left to their own devices to develop new skills and competencies in order to be successful and effective survivors. The organisational training focus was on ‘the here and now’ and learning opportunities were generally job-related and firm specific. Clearly,

Non-managerial employee: “We have become a lean and mean firm... The sole focus is the bottom-line.”

SURVIVOR'S syndrome

this kind of training has only limited value in enhancing the employability of an individual employee.

Respondents generally perceived that the firm adequately provided for firm-specific skills in their current roles, yet failed to foster advanced generic skills which had to be sourced by the individuals themselves. In that sense, training was provided for the transition per se, but not for the post-transition phase which included, in most cases, new and increased roles and responsibilities for the individuals. There was also a perception that the firm could not be relied on to provide future opportunities for all individuals and a sub-culture of self-development pursued by individuals emerged.

The study revealed that the utilisation of self-development skills by the entire workforce was imperative to the success of the transition. Individuals were

Finance Executive: “Competitive and cost pressures have had a considerable influence on our strategic re-direction.”

required to engage in strategic thinking and the display of creativity, innovation and problem-solving skills was vital. However, it is recognised that opportunities to develop self-development skills have a tendency to be limited by organisational processes. At the same time, it has also been recognised that placing the onus for training and learning on individuals may polarise the workforce into learners and non-learners. Potentially, this also has an impact on the concepts of lifelong learning and employability as the workplace

frequently represents the sole location to develop job-related skills for most individuals.

The study provided some evidence to suggest that individuals that have previously been engaged in learning are more likely to be current training participants, as opposed to those individuals that have not participated in learning activities. This has been labelled ‘The Matthias Principle’ (i.e., ‘to those that hath shall be given’) in that managers and professionals tend to enjoy a higher level of participation in learning activities compared to their subordinates. This has led to a widening gap between the ‘haves’ and ‘have-nots’ in that there is a skill polarisation developing with the skilled individuals gaining more learning opportunities than the semi-skilled and unskilled employees.

While limited in scope and application – a single case was selected and relatively few individuals participated – this study has shown that reorganisation and downsizing activities are perceived to be tarnished and chaotic. This is despite the fact that a major organisational transition produces both positive and negative outcomes.

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