Evaluating ethical integrity: organizational downsizing in northeast Florida during an economic recession

Julius Demps II
Jacksonville University

Erica Baker
CSX Transportation

ABSTRACT

The purpose of this study is to explore how organizations in Northeast Florida are managing downsizing during an economic recession. This research analyzes the concept of ethical integrity defined by Weber (2001). Ethical integrity addresses six considerations: (a) selection (b) communication; (c) process; (d) transition and transfer; (e) the rebuilding of morale among remaining employees; and (f) pastoral/spiritual reality. Based upon the results of the survey, it appears as though the phenomenon of downsizing and managerial/employee perceptions could be classified as a causal relationship. Though organizations in Northeast Florida are displaying best practices relating to the areas of selection, communication, and transfer processes, they appear to be struggling in the areas of process, rebuilding of morale, and pastoral/spiritual reality.

Keywords: ethical integrity, downsizing, northeast florida, economic, recession

INTRODUCTION

Several definitions have been developed to operationally define the phenomenon of downsizing. Cascio (1993) defined downsizing as the planned elimination of positions or jobs. Another definition of organizational downsizing is described as management's efforts to reduce their organization's use of human and capital resources to correct misalignment and improve performance (DeWitt, 1993). Cameron (1994) stated that downsizing represents a strategy managers implement that affects the size of the firm's workforce, its costs, and the work processes. The underlying similarities of these definitions are that downsizing, in general, enables organizations to save money on wages, retirement benefits, healthcare benefits, and other costs associated with hiring employees. Recent trends indicate this phenomenon to be a necessary part of business, particularly during times of an economic recession. Overall, the intent is to place an organization in a position to increase levels of sustainability and competitiveness.

There are others who view the phenomenon of downsizing to be detrimental. Gross (2001) stated the following regarding downsizing:

> The fact that downsizing is a bad decision for all affected is coupled with a level of responsibility that the corporation has to two key environments – the employees affected and the society in which the corporation operates. People who are productive employees with years of tenure and education lose their jobs, with seemingly little regard for the disruption of their lives by the corporations that employed them. The financial impact is obvious, but what about the psychological and social implications this action caused? (p. 114)

There is a clear and reasonable argument that exists between organizations, the employees who are affected by downsizing, and even those who remain after downsizing has taken place. In many situations, the need to downsize is irrefutable. However, what can be questioned is the procedure by which organizations downsize.

PURPOSE OF STUDY

The purpose of this study will be to evaluate the ethical integrity of organizations in Northeast Florida as they experience a reduction in their workforce during the current economic recession.

STATEMENT OF PROBLEM

There are questionable practices relating to the treatment of individuals who are released from and those who remain with organizations in Northeast Florida while downsizing during an economic recession.

IMPLICATIONS

Downsizing in and of itself has negative implications from the perspective of lost wages and benefits for employees. What is more detrimental is the treatment of those who are released and those who remain within organizations. Organizations that provide little or no rationale as to why downsizing has taken place, those who display poor communication practices in terms of who is released, the poor treatment of those who are dismissed, and the poor treatment of those who remain within the organization has a significant impact on individuals both internally and externally. If not handled properly, those who are released could project a negative opinion of those organizations to society. Those who remain could become intrinsically demotivated and negatively affect productivity.

REVIEW OF LITERATURE

In many cases, organizational downsizing is unavoidable. However, when downsizing occurs, several ethical questions automatically appear to surface. What responsibility does an organization have to its employees to inform them of such an event? What are the perceptions of those employees who are affected and how will they communicate those perceptions to society. How will the morale of those who remain be affected? According to Hopkins & Hopkins (1999), when top management makes the strategic decision to downsize, two ethics-related issues arise: (a) the moral obligation of top management to act in the best interest of the firm and (b) the legal obligation of the firm not to violate the rights of employees. (A Family Duty, 2006) has presented a clear recommendation to address this ethical dilemma. The author states the HR employee's obligation is to the employer and the HR department. If an HR employee cannot keep confidential information, then he or she should not be in the HR department." This philosophy could explain why many leaders within organizations choose not to communicate with their employees about the need for downsizing. It is believed that the primary loyalty is to the shareholder and the organization at large.

Those who are downsized as well as those who remain within organizations after this event have a contrasting viewpoint as it relates to this behavior. Conrad (1985) stated that one of the most consistent findings in research on organizational communications is that employees feel that they receive too little relevant and useful information about events which directly affect them and their jobs. Feldman and Leana, (1989) concluded that there are instances of less reported stress and anger toward the organization when employees are made aware of downsizing prior to the incident. (How Employers Can Ease Pain, 2007) indicates that Anger at what has happened to former colleagues or a "Could we be next?" feeling are not the sort of reactions which should be left to fester and are ones which could indirectly hamper or interfere with future work performance and other organizational activities. The positions of both the employer and employees clearly differ and may also remain consistent as long as the behaviors of the organization remain unchanged.

RESEARCH QUESTION

Are organizations in Northeast Florida exercising best practices regarding ethical integrity while reducing their workforce in the current economic recession?

HYPOTHESIS

In order to investigate the problem statement, the following hypothesis has been developed for testing.

Hypothesis: individuals who are employed in Northeast Florida believe their organizations are utilizing best practices while downsizing during an economic recession.

PARTICIPANTS

The population in this study included employees and managers who serve in various organizations across Northeast Florida.

LIMITATIONS OF STUDY

This study involved organizations that exist in Clay, Duval, Nassau, and St. Johns Counties. These organizations have experienced a reduction within its workforce during the recent economic recession. Additionally, organizations in this study represented a myriad of organizations to include public education, healthcare, corporate, and financial institutions.

RESEARCH DESIGN AND METHODOLOGY

Data Collection Procedures

A five-point Likert survey instrument was utilized to capture data regarding ethical integrity. The foundation of this instrument was outlined by Weber (2001) regarding business ethics in healthcare. Weber believed that ethical integrity must pay attention to six considerations: (a) selection - the decision to downsize; (b) communication - the criteria according to which employees are selected for downsizing; (c) transition and transfer – opportunities for transfer within the organization; (d) process – the way in which employees are "let go"; (e) the rebuilding of morale among remaining employees; and (f) pastoral/spiritual reality – visibility of leadership after downsizing for support purposes.

Methodology

A combination of managers and non-managers were emailed a 17 question survey to measure the degree to which they believed their organizations practiced ethical integrity while downsizing during the current economic recession. This was implemented to obtain a more accurate perception regarding downsizing behaviors. The survey was made available for a period of thirty days.

DESCRIPTION OF VARIABLE

The dependent variable in this study is the perceptions of both managers and employees' views of their organization's practices during downsizing.

ANALYSIS OF RESULTS

The survey addressed the degree to which managers and employees in Northeast Florida believed their organizations displayed best practices regarding ethical integrity while reducing their workforce in the current economic recession. The 17 questions within the survey were grouped together to address the six considerations as outlined by Weber (2001) regarding business ethics. The Likert scale in this research ranged from (1) = strongly agree to (5) = strongly disagree. Of the 125 surveys that were emailed, 107 participants responded, yielding an 86 percent response rate. Thirty eight percent of the participants who responded were management and 62 percent were non-management. Participants in this study were employed within the following industries by percentage: (a) financial services – 51 percent; (b) education – 13 percent; (c) medical – 8 percent; (d) real estate – 1 percent; and (e) other – 26 percent.

The results of the survey as indicated in Table 1 (Appendix), revealed that participants believed that organizations in Northeast Florida displayed positive behaviors relating to the components of selection, communication, and transition and transfer. More specifically, behaviors relating to the decision to downsize, the criteria according to which employees are selected for downsizing, and opportunities for transfer within the organization after downsizing were viewed as favorable. The components of process – "how employees are let go", rebuilding of morale – treatment of employees who are left behind, and pastoral/spiritual reality – visibility of leadership after the downsizing took place for support purposes were viewed unfavorably.

CONCLUSIONS

Based upon the results of the survey, it appears as though the phenomenon of downsizing and managerial/employee perceptions could be classified as a causal relationship. Though organizations in Northeast Florida are displaying best practices relating to the areas of selection, communication, and transfer processes, they appear to be struggling in the areas of process, rebuilding of morale, and pastoral/spiritual reality. The reasons for this are unclear. Several reasons could be cited to explain why these organizations suffer in the latter areas. Reasons such as (a) preventing disgruntled employees from entering the premises due to layoffs (i.e. security); (b) ensuring that the remaining employees

APPENDIX

Table 1

Ethical Integrity Survey Results

Ethical Integrity Components	Mean
1. Selection	2.82
2. Communication	2.94
3. Transition and transfer	2.80
4. Process	3.10
5. Rebuilding of morale	3.20
6. Pastoral/spiritual reality	3.10

REFERENCES

Armstrong-Stassen, M., Reavley, M., & Ghanam, D. (2005). Organizational downsizing and its perceived impact on quality management practices. *The International Journal of Quality & Reliability Management, 22*(8/9), 950-967. Retrieved June 24, 2009, from ABI/INFORM Global database.

Cameron, K.S. (1994). Strategies for successful organizational downsizing. *Human Resource Management, 33(2),* 189-211.

Conrad, C. (1985). Strategic organizational communication: Cultures, situations, and Adaptation. New York: Holt, Rinehart and Winston.

Cascio, W.F. (1993). Downsizing: What do we know? What have we learned? *Academy of Management Executive, 7(1*), 95-104.

DeWitt, R. (1993). The structural consequences of downsizing. *Organizations Science, 4(1), 30-40.*

Gross, L. (2001, July). Downsizing: Are employers reneging on their social promise? *Society of Chartered Property and Casualty Underwriters. CPCU Journal, 54*(2), 112-121. Retrieved June 24, 2009, from ABI/INFORM Global database.

Hopkins, W.E., & Hopkins, S.A. (1999). The ethics of downsizing: Perception of rights and responsibilities. *Journal of Business Ethics, 18*(2), 145-156. Retrieved August 30, 2009, from ABI/INFORM Global.

How employers can ease pain of job losses: Counseling and retraining ways to cushion the shock. (2007, January). *Development and Learning in Organizations, 21(1),* 30. Retrieved August 29, 2009, from ABI/INFORM Global.

Kinicki, A. J. (1985). Personal consequences of plant closings: A model and preliminary test. *Human Relations 38*, 197-212.

A Family Duty? (2006, December). *Workspan,* 80. Retrieved August 30, 2009, from Accounting & Tax Periodicals.

Weber, L. (2001). "Ethics and downsizing," Business ethics in healthcare: Beyond Compliance. Bloomington, IN: Indiana University Press.