



# The Downsizing Announcement: The Cognitive Analysis in the IT Sector

Assistant Professor Dr. Meghna Sharma

Delhi Skill and Entrepreneurship University, (DSEU), Govt. of  
Delhi

---

**Abstract** – This research analyses different types of downsizing announcements in the IT sector. A cognitive analysis has been done to understand various types of downsizing announcements and how IT employees perceive them. A descriptive analysis has been done on the methods adopted by the IT companies to announce downsizing such as media announcements, internal declaration, feedback after declaring the downsizing, and storytelling method. The research concluded that employees prefer the storytelling method in making the downsizing announcement wherein they get the opportunity to understand that they may find better options in their career path.

**Keywords** – Downsizing, Layoffs, The Magical Management Methodology, The Learning Organization Methodology, The Lean and Mean Methodology, The Strategic Flexibility Methodology

---

## I. INTRODUCTION

Downsizing has become a necessary evil. The companies downsize to reduce costs, to compete with new technologies, also mergers, and acquisitions also accelerate the downsizing. It is important to frame the strategy regarding how to announce the downsizing to the employees. Downsizing could be because of mergers and acquisitions or because of any other reason.

Christina Maslach and Michael P. Leiter (2016) examined that burnout are correlated to adverse results for both the worker and firm, such as diverse methods of job withdrawal such as nonattendance, purpose to quit the job, and definite revenue. It also explained the burnout as the response to the personal stressors experienced on the job. Its further lead to the detachment from the job, surge in exhaustion, feeling of lack of activities etc.

Wouter Jager (2013) examined the negative effects on downsizing survivors and mentioned that additional consequence on workforces of curtailment corporations is that they can practice stress. Also found a relationship between employability and burnout of teams of a economizing company. They found that there occurs a adverse affiliation with them and a positive connection with exhaustions of personnel when businesses downscale. The organization's communication of downsizing can be examined in context with the message drafted, who is sending the message, what medium the sender is adopting, and cautiously looking that who is at the receiving end. The organization also takes care of the timing of the announcement of the downsizing. The feedback taken from the employees post-downsizing announcement plays a pivotal role in shaping up a healthy relationship between the employees and the organization. The announcement of the downsizing is a painful process both for the organization and for the employees to whom the announcement is made. Hence the emphasis is laid on the fact that how the message has been drafted, some of the organizations take help of the professional communicators

to frame the message for the announcement of the downsizing. The downsizing message as conveyed by the employer must be clear, self-explanatory, empathetic, and sympathetic. The employees whose jobs are redundant should be communicated with a clear, transparent, and honest message. The management should have clear-cut discussions with the managers regarding the job reduction decisions. With this methodology, communication with the employees shall be done smoothly. Research has shown that employees are dedicated and loyal first and foremost to their immediate supervisor and then to the organization. So, the information regarding the layoffs should directly be given to the employees through their immediate supervisor rather than HR. The employees can get information about the layoffs through media, government, or through internal communication methodology. As per Wayne. F. Cascio (2004) the discussion and the feedback from the employees is always pertinent regarding layoffs and how they can be avoided, and what methods should the organization adapt for cost-cutting. The employer should ensure that the employees should be the first audience to hear the news of job redundancy in their organization. This ensures the trust-building exercise between the employer and the employees (Pfeil, Setterberg, and O'Rourke IV, 2004). The communication of the layoffs plays the important role in its successful execution (Buono and Bowditch, 2003). It is somewhat important to study and understand through which methodology the downsizing has been informed to the employees in the organization. Also, to know how the employees have perceived the changes that are taking place in their organization. This exercise helps the management to understand their human capital. Further, this understanding helps in making a fruitful bond between the managers and the survivors in the long run. The victims may not spread bad word of mouth about the organization from which they are downsized if they are communicated their job loss in an empathetic and sympathetic manner.

In the study, the communication of the downsizing in the organization is divided into four categories namely



media communication and announcement, internal declaration/ announcement, feedback after internal declaration/announcement, and storytelling. These different methods are calculated by asking through the questionnaire. The respondents are requested to provide their response against these statements. The descriptive analysis of the responses is discussed in the next section.

## II. LITERATURE REVIEW

The decision-makers in top management in companies communicated the drafted messages at the most suitable time. The communication is done with the help of media announcements etc. The company's top management planned it well in advance with a detailed communication strategy. Many employees come to know the news of downsizing through media announcements/communication such as through the newsletter issued by the company, through the newspaper, or through mail communication (Pfeil, Setterberg and O'Rourke IV, 2004, The Art of Downsizing: Communicating lay-offs to key stakeholders, Journal of Communication Management). To avoid any rumours and wrong information, most organizations draft their own newsletter and communicate to the employees about the downsizing. As the information was clearly passed on productivity increased post-downsizing. Communicating the downsizing through a newsletter medium could be an inexpensive way of breaking the news to the employee. (Ahmed Hersi Magnus Carlsson, 2010). The past research also examined the reaction to the announcement of the downsizing through the stock market releases announcements (Santiago Velasquez .Juho Kannianen, Saku Makinen, Jaakko Valli, 2016, layoff announcement & intraday market reactions). The Carrier organization declared the layoffs through the video release by the carrier executive. The video was informing the employees about the layoffs and the shifting of the company to Mexico (Bizcom News-2016).

The researchers have conducted numerous studies in context with the internal declaration/ announcement of the downsizing done in the organization. There had been mention in the Swedish Employee Law which clearly stated that termination with a prior notice period should be given. (Umea School of Business (2010) Thesis Writing at Umea School of Business. Accessed May 31, 2010, The research also mentions that IT companies look forward to breaking the news of the downsizing to their employees by openly communicating with them or writing an email mentioning the reason sometimes or giving them a few days' notice with some compensation. This methodology enables the employees to openly converse with the employer and makes them feel good as their questions had been answered by the employer. Dell adopted this methodology of breaking the news of the downsizing to the employees. The seniors delivered a concrete message about downsizing. It had been firmly believed that the seniors should explain the downsizing scenario to the employees, this promoted the feeling of fairness and the

empathetic in the organization. Employees feel that they are been heard by the organization. (Pteil, Setterberg, and O'Rourke IV, 2004, The art of downsizing: Communicating lay-offs to key stakeholders, Journal of Communication Management). As per the SHRM Foundations Effective Practice-Wayne.F.Cascio-, the key pointers were presented when the organization looked out for the outplacement firm, the table is mentioned below in this context:

### Guidelines for the Selecting the Outplacement Firm

- Select a provider based on its track record in placing clients as well as the quality of its services relative to their costs.
- Be sure that the individuals selected are proficient in both counseling and coaching role.
- Choose a provider familiar with the industry, including the types of jobs and their requirements. Ideally, choose someone with contacts within the industry.
- Ask what type of individual attention each employee can expect.
- Commence outplacement services on the day an employee is laid off.

Taking feedback from the employees who are facing downsizing in the organization plays a pivotal role in the successful execution of the downsizing. The managers listen to the employees about their perceptions of the downsizing which they had experienced hence leading to two-way communication in the organization. The feedback mechanism enables the employees to realize that they are connected to the organization. They would deliver with more dedication and hard work. They feel less bad about the management. As per, the guidelines for conducting the layoffs: the manager should manage to maintain communication open and transparent both for the laid-off and the survivors' employees. The manager should be transparent in discussing the pay outs, severance benefits, outplacement offers, and other options as well. ((Pteil, Setterberg and O'Rourke IV, 2004, The art of downsizing: Communicating lay-offs to key stakeholders, Journal of Communication Management).

How to communicate the layoffs with less damage to the employees? This question has become pertinent. The narration of the story has become one of the ways out for breaking the news to the employees: the table given below presents a glimpse of the storytelling mechanism: (Ahmed Hersi Magnus Carlsson, 2010, Umea School of Business(2010) Thesis Writing at Umea School of Business. Accessed May 31, 2010.

### Story Telling Methodology

**The Lean and Mean Methodology-** Privatization, liberalization, and globalization have forced the organization to downsize as per the market demands. So, the employers create the story regarding the new changes that are happening in the market and make these changes responsible for cost cutting and the severance in the job.



**The Strategic Flexibility Methodology-** The employers strongly announce that the technology is changing at a fast pace and so are the products. The updated products with the latest technology are the need of the hour so we need to move ahead with the market demand to earn more profits and for the expansion of the business. Therefore, with great sadness, we announce that your job is no longer beneficial for the company.

**The Learning Organization Methodology-**The employers firmly hold the concept of the learning organization in front of the employees. They announce to the employees about the layoffs by mentioning that the organization is on the road to learning many new and advanced technologies to stand strong in the competitive market. They then declare that job skills demand more qualifications and more knowledge, and you do not have the required qualification for the same. So, we sadly announce the downsizing.

**The Mystical /Magical Management Methodology-** Employer says “it is important to peruse the great team of the manager and the employee but in your scenario, this had not happened, so it shall be beneficial for you to accept the package that we are offering to you and search for the better options for your career growth else your career shall be damaged in this situation.

**The “we’re out of money, the story”-**The employer convinces the employees that there is a shortage of funds, and they are forced to lay off 10 percent of the employees.

**“The eye on the prize theory”-** The employer strongly put forward the organization’s goals in front of the employees and informs them that the goals have not been achieved as they should be by now so to achieve them and to reduce cost, we must reduce our human capital and as you been the least in the seniority, your job has been redundant.

### III. DATA ANALYSIS

**Objective:** To identify the different Procedures and Methods Adopted by the Management for Downsizing in their Organizations

This objective tries to identify the different procedures and methods adopting downsizing activities by the management in their organizations. The objective is fulfilled with the help of analysing the responses received against section C of the questionnaire. The descriptive analysis has been made on the p

#### Media Communication/Announcement

In the study the descriptive analysis is done on the collected responses. The results of the descriptive analysis is shown below in table:

Table1: Media Communication/Announcement- Descriptive Analysis

Media Communication/Announcement	Mean	Std. Deviation	Skewness	Kurtosis
The company issued the newsletter to break the downsizing news	3.69	1.106	-0.625	-0.231
The employees were informed before downsizing was announced from other sources like newspaper	3.48	1.091	-0.428	-0.594
The company announced the downsizing through an interview on the Television /Video Release	3.48	1.055	-0.223	-0.916
The company announced the downsizing through the stock market releases	3.61	1.075	-0.571	-0.317

The table reported that most of the employees agree that the company issued the newsletter to communicate the news related to downsizing plans (mean score = 3.69). The companies found the newsletter as a most effective way to communicate the downsizing plans to the stakeholders of the company.

In addition to the newsletter, the communication is also done internally. The companies also found to communicate the news related to downsizing as compulsory information in stock market releases. (mean score=3.61). The news related to downsizing activity in the organization is relevant for its stakeholders and thus communicated in the stock market releases.

The company intending to downsize also found to communicate in other media platforms namely TV (mean = 3.48) and newspapers (mean score = 3.48) etc. The responses received against the statements related to media announcements are found to be normally distributed as the skewness and kurtosis are less than 1 for all the statements.

#### Internal Declaration/ Announcement

In 2014 Microsoft announced the layoffs by sending emails to the victims. Around 12,500 jobs were eliminated in its phone division. Airbnb, and Uber (2020) announced the reduction in jobs through email to their employees (Lewis Lin, 2020, ViaMahen).



Table 2: Internal Declaration

Internal Declaration/ Announcement	Mean	Std. Deviation	Skewness	Kurtosis
The company communicated openly and explained the reason behind the layoffs.	3.58	1.175	-0.500	-0.623
They approached the employees one on one in a respectful manner and notified affected employees of the decision in private and through email	3.62	1.010	-0.682	0.050
The company gave a few days to the victims to look out for other jobs and gave them half of their salary.	3.50	1.112	-0.452	-0.661
The outplacement program was provided to the victims e.g. the company provided good references for the job, consultants' references for the new job, etc.	3.63	1.067	-0.567	-0.295

The table reported that most of the employees agree that the company offered the outplacement program to the victims such as proposing good and valid references for the job, consultant base, for the new job (mean score = 3.63).

The companies found that the employees agreed that the downsizing announcement along with the mentioning of the outplacement program was the most pertinent way to communicate about the layoff news.

There are other ways also to communicate internally about the job reduction. Such as the companies also found to communicate the news related to downsizing on a one-to-one basis privately through the mail in a respectful

manner was the second most effective way (mean score=3.62). The news related to downsizing activity in the organization in such a manner where is informed openly, and the company also mentions the reasons behind it to the employees (mean = 3.58). Also, the organization informed the employees about the downsizing and give them some time frame to search for a new job and also provide them half of their salary in the current organization from which they are going to be downsized (mean score= 3.50). The responses received against the statements related to internal announcements are found to be normally distributed as the skewness and kurtosis are less than 1 for all the statements.

**Feedback after Internal Declaration/ Announcement**

Table3: Feedback Mechanism

Feedback after Internal Declaration/ Announcement	Mean	Std. Deviation	Skewness	Kurtosis
Post Downsizing, the company informed the benefits of changes to the survivors and gave the picture of the new organization	3.59	1.160	-0.482	-0.619
The company asked the survivors to give feedback regarding the new system post downsizing	3.63	1.038	-0.731	0.076

The table reported that among all other modes of the announcements of the downsizing most of the employees agree that the company should take the feedback after or along the internal declaration of the downsizing from the employees. Post-downsizing the mechanism of asking the survivors to give feedback in context with the downsizing is always welcome (mean score = 3.63).

Followed by the methodology where the organization informs the benefits of the changes to the survivors and make them understand the scenario of the new organization (mean Score= 3.59).

The responses received against the statements related to a feedback post internal announcements are found to be normally distributed as the skewness and kurtosis are less than 1 for all the statements.





**Story Telling**

Table 4: Story Telling Method

Story Telling	Mean	Std. Deviation	Skewness	Kurtosis
The Mystical/Magical Management Methodology- The management put forward the viewpoint that layoff is essential for you to explore better career options as the manager and the subordinate's rapport with each other is not up to the mark. So, to achieve great heights one should move out of the organization to search for better options.	3.64	1.063	-0.227	-0.912
The Learning Organization Methodology- The management says that the organization is moving ahead in the process of new learning and adopting new technologies. The job's skills require more qualifications and knowledge hence layoffs are a must for the organization to achieve its mission and vision.	3.57	1.129	-0.375	-0.809

The table reported that most of the employees also come across the storytelling mechanism as the announcement of the downsizing. The mechanism named the mystical/magical management methodology is the most beneficial way (mean score = 3.64) followed by the learning organization mechanism (mean score = 3.57). The responses received against the statements related to the storytelling mechanism are found to be normally distributed as the skewness and kurtosis are less than 1 for all the statements.

Cases

As updated on November 2018, in the press release, PTI Tokyo, Toshiba cut down 7,000 jobs. The reason that Toshiba mentioned this was that as one of the Engineering Japanese organizations withdraw its foreign investment with Toshiba so they are forecasting the job reduction count as 7,000 in the coming 5 years. As per the CEO Nobuaki Kurumatani the developments, the updated IT system, and the sum of the employees owing to retirement, there is the prediction of a job reduction of nearly 3,000 each year.

NDTV updated the PTI New Delhi on January 09, 2018 that there shall be layoffs upto 25% and the reason mentioned was the internal redesigning and restructuring strategy of the organization.

As a result of the pandemic which we say it as the Covid Impact, the 5 Indian MNCs downsized around 4,400 jobs in the duration of one month. Uber India and South Asia, Ola, Zomato, Swiggy, and Cure Fit had collectively announced the redundancies in the job of about 4,441 in the count in the last month.

To give a breather to the victims of the downsizing, outplacement agencies such as RiseSmart assisted the victims to get some standing in the market by figuring out jobs for them (Chitra Narayanan, 2019).

The surge of downsizing compelled the Tamil Nadu Labour Commissioner to have a detailed meeting with the IT giants such as Cognizant Technology and other IT giants to discuss the downsizing and how to minimize its impact on the employees. This meeting was the outcome of the letter which was framed and given by the Union of IT&ITeS Employees and All India Forum for IT and ITeS Employees to the Commission addressing the mass reduction in the jobs of the employees in the IT and ITeS sector (Chennai, Our Bureau,2019).

Likewise, when the letters from the unions reached Labor Commissioner R. Nanthagopal, on November 15, 2019, forced him to tell Nasscom and other IT giants such as Cognizant, Infosys, Capgemini, HCL, Wipro, and IBM that a meeting is the need of an hour to discuss the mass layoffs.

**IV. CONCLUSION**

**Communicating the Downsizing**

The downsizing related communication within the organization is examined with the message drafted, sender of the message, medium adopted and cautiously looking the receivers and most important, the timing of the announcement of the downsizing. The employee feedback/response after downsizing announcement is important for the healthy relationship between the employees and the organization. The announcement of the downsizing is the painful process both for the organization and for the employees to whom announcement is made.



The focus is on how message has been drafted. Firms uses professional communicators to frame the message for the announcement of the downsizing. Discussion and the feedback from the employees is always pertinent regarding the layoffs and how it can be avoided, what methods should the organization adopt to do cost cutting (Wayne.F.Cascio, 2004). The employer should ensure that the employees should be the first audience to hear the news of the job redundancy in their organization. This ensures the trust building exercise between the employer and the employees (Pfeil, Setterberg and O'Rourke IV, 2004). The communication of the layoffs plays the important role in its successful execution (Buono and Bowditch,2003). In the study the communication of the downsizing in the organization is divided into four categories namely media communication and announcement, internal declaration/ announcement, feedback after internal declaration/announcement and storytelling. These different methods are measured with the help of statements included in the questionnaire.

#### **Media Communication/Announcement**

The firm's management communicated the drafted messages at most suitable time. The communication is done with the help of media announcements etc. The company top management planned it well in advance with detailed communication strategy. Many employees come to know the news of the downsizing through media announcements/ communication such as through the newsletter issued by the company, or through the newspaper, or through the mail communication (Pfeil, Setterberg and O'Rourke IV, 2004, The Art of Downsizing: Communicating lay-offs to key stakeholders, Journal of Communication Management). Organizations draft their own newsletter and communicate to the employees about the downsizing to avoid any rumors and wrong information. The communicating the downsizing through newsletter medium found to be an inexpensive method of breaking the news to the employee (Ahmed Hersi Magnus Carlsson, 2010). Market reaction of the announcement of the downsizing is also analysed through the stock market releases announcements (Santiago Velasquez, Juho Kannianen, Saku Makinen, Jaakko Valli, 2016, Layoff announcement & intraday market reactions).

The study found that in most of the cases, the company issued the newsletter to communicate the information related to downsizing plans. The companies found the newsletter as most effective way to communicate about the downsizing plans to the stakeholders of the company. The companies also found to communicate the news related to downsizing as a compulsory information in stock market releases. The news related to downsizing activity in the organization is relevant for its stakeholders thus communicated in the stock market releases. The company intending to downsizing also found to communicate in other media platforms namely TV and newspapers etc.

#### **Internal Declaration/ Announcement**

Companies look forward to announce the news of the downsizing to their employees by openly communicating with them or writing an email mentioning the reason sometimes or giving them few days' notice with some compensation. This methodology enables the employees to openly converse with the employer and make them feel good as their questions had been answered by the employer. It had been firmly believed that the seniors should explain the downsizing scenario to the employees, this promoted the feeling of the fairness and the empathetic in the organization. Employees feel that they are been heard by the organization.

The study found that most of the employees agree that the company offered the outplacement program to the victims such as proposing the good and valid references for the job, consultant base, for the new job. The companies found that the employees agreed that the downsizing announcement along with the mentioning the outplacement program as the most pertinent way to communicate about the layoff's news. There are other ways also to communicate internally about the job reduction. Such as the companies also found to communicate the news related to downsizing on one-to-one basis privately through mail in a respectful manner was the second most effective way. The news related to downsizing activity in the organization in such a manner where it is informed openly, and the company also mentions the reasons behind it to the employees. Also the organization informed the employees about the downsizing and give them some time frame to search for the new job and also provide them half of their salary in the current organization from which they are going to be downsized.

#### **Feedback after Internal Declaration/ Announcement**

Taking the feedback from the employees who are facing downsized in the organization plays the pivot role in the successful execution of the downsizing. The managers listen to the employees about their perceptions about the downsizing which they had experienced hence leading to the two-way communication in the organization. The feedback mechanism enables the employees to realize that they are connected to the organization. They would deliver with more dedication and hard work. They feel less bad about the management. As per the guidelines of conducting the layoffs: the manager should manage to maintain the communication open and transparent both for the laid-off and the survivors' employees. The manager should be transparent in discussing about the pay outs, severance benefits, outplacement offers and other options as well. It is found that all other modes of the announcements of the downsizing most of the employees agree that the company should take the feedback after or along the internal declaration of the downsizing from the employees. Post downsizing the mechanism of asking the survivors to give the feedback in context with the downsizing is always welcome. Followed by the methodology where the organization inform the benefits of the changes to the



survivors and make them understand the scenario of the new organization.

### Story Telling

The question “How to communicate the layoffs with less damage to the employees?” is a major issue before management. The narration of the story has become one of the ways out for breaking the news to the employees. The different methods of story telling adopted by the management includes “The Lean and Mean Methodology” where privatization, liberalization and globalization have forced the organization to downsize as per the market demands. So, the employers create the story regarding the new changes that are happening in the market and make these changes responsible for the cost cutting and for the severance in the job. The other method is “The Strategic Flexibility Methodology” where the employers strongly announce that the technology is changing at fast pace and so are the products. The updated products with the latest technology are the need of an hour so we need to move ahead with the market demand to earn more profits and for the expansion of the business. Therefore, with great sadness we announce that your job is no longer beneficial for the company. In case of “The Learning Organization Methodology” the employers firmly hold the concept of the learning organization in front of the employees. They announce to the employees about the layoffs by mentioning that the organization is on the road of learning many new and advance technologies to stand strong in the competitive market. They then declare that job skills demand more qualification and more knowledge, and you do not have the required qualification for the same. So, we sadly announce the downsizing. The fourth method of storytelling is “The Mystical /Magical Management Methodology” where the employer says “it is important to persevere the great team of the manager and the employee but in your scenario, this had not happened, so it shall be beneficial for you to accept the package that we are offering to you and search for the better options for your career growth else your career shall be damaged in this situation. In case of fifth method “we’re out of money, story”-The employer convinces the employees that there is the shortage of the funds, and they are forced to lay off the 10 percent of the employees. Finally, in the “the eye on the prize theory” method, the employer strongly put forward the organization goals in front of the employees and inform them that the goals have not been achieved as they should be by now so to achieve them and to reduce cost, we must reduce our human capital and as you been the least in the seniority, your job has been redundant.

The study found that most of the employees also come across the story telling mechanism as the announcement of the downsizing. The mechanism named as the mystical/magical management methodology is the most beneficial way followed by the learning organization mechanism.

### REFERENCES

1. Ahmed Hersi Magnus Carlsson; Breaking up without Breaking Down? - A case study on the communication of withdrawal with a period of notice in an economic downturn, pitfalls and remedies; Umea School of Business, Digitala Vetenskapliga Arkivet, 2010.
2. Buono and Bowditch, The Human Side of Mergers and Acquisitions: Managing Collisions Between People, Cultures, and Organizations, 2003, Beard Books, 2003 - Business & Economics - 317 pages
3. Christina Maslach1, Michael P. Leiter, Understanding the burnout experience: recent research and its implications for psychiatry, (World Psychiatry 2016;15:103–111)
4. Marek P.Pfeil, Alison B.Setterberg,James S.O'Rourke IV; The art of downsizing: Communicating lay-offs to key stakeholders; Journal of Communication Management, 2003.
5. Pfeil, Setterberg and O'Rourke IV, The art of downsizing: Communicating lay-offs to key stakeholders ,April 2004,Journal of Communication Management 8(2):130-141.
6. Santiago Velasquez, Juho Kannianen,Saku Makinen,Jaakko Valli; Layoff Announcements & Intra Day Market Reactions; Rev Manag Sci (2018) 12:203–228 .
7. Wouter Jager, Negative effects on downsizing survivors Reducing the negative effects of downsizing by applying motivational theories, <https://edepot.wur.nl/281713>,2013.
8. Yeong Joon Yoon, Pay Cuts Vs. Downsizing Comparing Their Effects On Work Attitudes of Remaining Employees, ProQuest: 10268408, 2017.