



# *Organizational Retrenchment & Downsizing Strategy: Panacea or Pain*

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## **Abstract**

*The business world is enduring change of myriad forms, almost every minute of the day. As the competition is amplifying at domestic as well as global level, each industry or business is confronting with obstacles and ambiguity at every juncture. Modern organizations are striving hard in deciphering how to manage the change within internal or external environment appropriately. Disruptive strategic changes are being opted and implemented by the organizations as a norm today, to get a compatible internal architecture and gear up their performance. The present study quizzes whether retrenchment and downsizing is a right strategy for achieving organizational goals in Information Technology industry in India? An empirical investigation has been attempted to find out how recurrent lay-offs in IT organizations in India are influencing their financial performance as well as employees' performance. The financial performance has been probed with financial ratios namely ROA and ROS. With the help of Exploratory Factor analysis technique, the factors representing employee citizenship behavior and performance have been recognized and a correlational study has been made amongst these factors.*

**KeyWords:** *Disruptive strategic changes, retrenchment, downsizing, recurrent lay-offs, organizational citizenship behavior*

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## INTRODUCTION

The business world is enduring change of myriad forms, almost every minute of the day with growing competition at domestic as well as global level. Each industry or business is confronting with obstacles and ambiguity at every juncture. Modern organizations are striving hard in deciphering how to manage the change within internal or external environment appropriately. Disruptive strategic changes are being opted and implemented by the organizations as a norm today, to get a compatible internal architecture and gear up their performance. The Information Technology industry of India which heralded practically a virtual monopoly position in global markets for its exclusive proprietary technology, is also being defied by all-encompassing winds of change.

India's information and technology services came into existence in the year 1967 with the establishment of TCS of Tata Groups in Mumbai. In the 1990s, when economic reforms were introduced, this industry was making exports of nearly \$100 million with around 5,000 employees. But its influence and applications have reached beyond the perceptions over the years. Now it is enjoying the stature of one of the largest global IT capitals, booking aggregated revenues of US\$ 160 billion approximately in the year 2017 and around 2.8 million employees working in this sector. According to latest NASSCOM reports, the sector has export revenue standing at US\$99 billion and domestic revenue at US\$48 billion approximately. In fact IT industry, one of the top two industries in India has been instrumental in transforming its image on the global map from a decelerating economy to an innovative global catalyst by representing hotshot technology solutions and services. IT and IT-enabled services have been stimulating economic growth in India affecting multifaceted parameters like increased exports, employment opportunities, urbanization, regional development, diversity and improved standard of living of employees.

Due to greater talent pool, innovative technology and low cost manufacturing, IT sector could mark larger global footprints and relish competitive advantages over rivals. But, off late changing regulatory and legislative norms, state-of-the-art products of new players, new business models and distribution patterns are affecting international as well as domestic demand. The industry is in doldrums and organizations are looking out different ways for sustainability in the changing scenario. The benefit which the IT bigwigs used to cherish to attain geographical proximity to customers as well as substantial capital flow is being pushed to the corners due to increasing stakeholders' expectations. The factors contributing as game Changers can be named as year 2008 Global recession, crisis in Euro Zone, Brexit problem, Chinese economic slowdown as well as the protectionist efforts and policies of Donald Trump in America. These all affected the existing demand patterns. Along with it new entrants in global market offering innovative products and attractive distribution plans threatened Indian organizations and forced them to ponder over reassessment of their business models for a sustainable business.

Downsizing and retrenchment have become common news in India these days and the IT sector has experienced more

layoffs in comparison to employees in any other industry. As per recent news seven of the biggest IT firms are planning to sack at least 56,000 engineers this year, which is a number almost twice the employees laid off by the companies last year. Executive search firm Head Hunters India also predicts that the job cuts in IT sector will be between 1.75 lakh and 2 lakh annually, for next three years. In May last year, the then Union labour minister Bandaru Dattatreya has confirmed fears of the 'jobless growth' by stating that 'the economic growth is not translating into rise in employment opportunities.

RiseSmart, a global talent mobility solutions company, which approves India's IT sector as one of the biggest employment creator globally; has also commented that hiring has "plummeted" recently and the menace of job layoffs is hitting both big and small IT companies.

For the disruptive organizational structures of IT companies, there are ample reasons, namely –

1. Most of the IT companies have observed sluggish growth and dipping profits. NASSCOM's growth forecast for the industry for the year 2017 was 8.6 % at constant prices, but hardly any firm could achieve it. As a result organizations are hard pressed for cost cutting and retrenchment strategy is being adopted.
2. Radical changes in traditional technology that is cloud computing artificial intelligence machine learning and robotics displaced people led models. The need for huge Army of IT professionals is being reduced. This also decreased employee requirement and resulted into layoffs
3. The protectionist policies of American government as per US President Trump's dictate that minimum income requirement for HIB Visa has to be raised from existing limit of dollar 60,000 to dollar 130,000 and the insistence to 'go for more localization' has created havoc to Indian IT companies. It is making HIB visa holder Indians bag-pack to return back home.
4. The upcoming corporate governance issues in various IT companies nowadays and their repercussions are shaking the trust of stakeholders. It is affecting capital flow and is one of the reasons of poor performance and profitability. This is also forcing firms to restructure for cost cutting.
5. Global Economic downturn and sluggish demand is again landing Indian IT companies with fewer big ticket projects. Other emerging Global players with cutting edge technology are giving neck to neck competition. In a situation of lesser work and projects there is more pressure on the margins and balance sheets. Companies are forced to sit back and devise strategies to restructure & recuperate.

As the competition is intensifying in almost every business and industry, the rules of game are changing in IT sector as well. The competitive advantage which organizations initially used to enjoy are vanishing. Firms are exploring 'exclusive' organizational capability' – the way to realize explicit strategic objectives, be it innovation, low-cost

manufacturing, sustainability or market leadership. Organizational structures are dismantling and long-life employer-employee relationships are losing their significance. Cutting edge technologies are not only lowering entry barriers, but widening exit doors as well since IT firms are embracing retrenchment and downsizing as a 'strategy of choice'.



### CONCEPTUALIZATION AND LITERATURE REVIEW

Retrenchment means 'reduction of workforce' which in legal and industrial terms denotes discharge of surplus labour force. As per the

**Industrial Dispute Act, 1947**, a business firm can retrench employees for any reason except a disciplinary action leading to termination. The act of trimming the labor force should be grounded on the LIFO, (Last In First Out) principle wherein low-ranking employees are separated from the business-organization permanently, Tripathi (2014). According to Rama-Rao (2010), in his study on the effects of dismissal and retrenchment on staff, retrenchment is a procedure adopted by the employer to assess the business needs with an intention of limiting losses or increasing profits and thus reducing its employees. It is an unanticipated and involuntary loss of employment, which has bearings on organizations as well as the employees, in opinion of Chandra D. (2015)

According to Freeman and Cameron (1993), downsizing is a plan of action adopted by the management in an organization to achieve desired goals of better productivity and competitiveness. It is a deliberate act of laying off employees while targeting improved organizational efficiency and effectiveness.

Johnson, (1996) also delineated downsizing as a change process to combat various organizational problems and also named it as 'all-purpose panacea'. Generally downsizing is meant as an act of reducing headcount or the size of workforce by the employers when costs are escalating or there is recessionary trend in the market. Firms also have a strategy to chuck out a percentage of low performers every year as a regular practice to maintain efficient, competitive and worthwhile labour force as they think that 'fear is the best motivator'.

Freeman and Cameron, (1993); Tushman and Romanelli, (1985) were of the opinion that downsizing has different nomenclature like rightsizing, layoffs, de-hiring or consolidating but the available literature mentions often two types of changes in the organizations namely - convergence downsizing and reorientation downsizing. Johnson (1996) and Kalimo R., et.all (2003) also termed downsizing an intentionally instituted set of activities focusing more on financial efficiency goals than human effectiveness goals. McKinley, Zhao and Rust,(2000) justified the economic rationale behind layoffs stating that the management actions related to downsizing are appropriate with a perspective to enhance economic performance and increase future productivity of the firm.

Bruton et al., (1996) also shared the similar view that an organization opts for downsizing strategy to improve its

internal dynamics. In fact, it is a reactive response to recuperate the financial health of a firm and its impact depends upon the approach, or the metrics to evaluate the outcome of downsizing. McKinley et al., (1998) also furthered the view that even though convergent downsizing may be instrumental in cost reduction, it still remains unclear whether it is an effective strategy or not, because as per Cameron (1994) the ambiguity and insecurity about losing or keeping their positions intact creates anxiety among employees and it may affect their performance. Along with it, if individuals with critical skills leave organization, it becomes difficult to ascertain what influence this may make on the organizational efficiency. The convergent downsizing may cause decreased levels of motivation, employee trust in the organization and its managers amongst surviving individuals.

For fine-tuning with external environment and internal needs, the strategic step of layoffs and retrenchment taken by any organization, wobbles its internal dynamics especially, citizenship behavior of its employees. Chadwick et al., (2004) made a study on large urban hospitals and found that downsizing does not lead to better organizational performance generally, because employee morale and behavior during layoffs is unswervingly related to the success of downsizing and the financial performance.

Marjorie A. Stassen, Martha Reavley and Denise Ghanam, (2005) tried to pinpoint the perceived impact of organizational downsizing on quality management practices. They found that employees in downsized organizations displayed significantly lower employee-level quality management practices of employee commitment, empowerment and job security, which resulted in poor performance.

Kent V. Rondeau and Terry H. Wagar (2006) in their study on 285 hospitals in Canada tried to find out how organizational restructuring and downsizing have differential impacts on organizational performance. The hospitals undergoing noteworthy organizational restructuring through downsizing were performing better than hospitals that heavily downsized without organizational restructuring. DeMeuse et al. (2004) in a study on Fortune 100 firms concluded slimming the organization size by laying off 10% or more of their workforce affected adversely the financial variables like Profit margin and ROA. Gandolfi, (2008) was also of the similar opinion in his study that firms slashing the number of employees generally under-performed than other firms not engaged in downsizing. On the contrary another longitudinal study of 258 Korean firms made by Yu and Park (2006) found that downsizers outperformed non downsizers on various metrics like Asset turnover and increase in stock price.

The downsizing strategy formulation and implementation captures an explicit tension between the organizational control of decision to downsize & uncertainty about its outcome; as well as an implicit tension between the potential impact of downsizing on retained workforce and impending benefit to the organization (Kurebwa J. 2011). There are behavioral as well as cultural consequences of downsizing on the surviving members of the organization. Certain dysfunctional symptoms in employees' behavior like increasing level of conflict and threat-rigidity reactions; as well as decreasing levels of trust, morale and communication may

prove disadvantageous for the organization. Some other behavioural consequences namely lesser organizational commitment, absenteeism and turnover are also associated with this strategic move of the firms (Allen et al., 2001; Cascio, 1993; Hallier and Lyon, 1996; Lewin and Johnston, 2000). The poor financial performance experienced by some organizations due to downsizing can be linked to such behavioural and cultural issues reflecting the citizenship behavior of its employees.

Bhattacharya & Chatterjee (2005) observed in their research that downsizing segregates relationships and destroys a firm's existing networks. The survivors show negative reactions due to loss of companions; but positive reactions anticipating better opportunities for promotion and career within the organization due to lesser competitors. Despite the fact that there is scarcity of research on the impact of downsizing on organizational economic performance, headcount reduction is regarded as strategic process necessary for long-term organizational improvements.

It is difficult to represent a single, integrated picture of downsizing and organizational performance relationship because performance is the consequence of employees' behavior towards efficient and effective duty performance within and outside the organization (Romle, Talib and Shahuri, 2016). The attitude and behavior of workers at work place, i.e. organizational citizenship behavior reflects their commitment ensuring performance (Paul, Bamel and Garg, 2016). Whereas the relationship between downsizing and performance is uncertain, a relationship between organizational citizenship behaviour and organizational performance can be explored to comprehend the downsizing-performance relationship (Batra, 2017).

Organ (1988) proposed Organizational Citizenship Behavior, proposing its five aspects namely: altruism, courtesy, conscientiousness, civic virtue, and sportsmanship. Three out of these five traits i.e. sportsmanship, civic virtue and conscientiousness describe well the managerial traits. (Bell & Minguk, 2002 & Hui, Lee, & Rousseau, 2004 & Lam, Hui, & Law, 1999). The industrious employees who go beyond the minimum requirements of their job description, exhibit efficiency and decrease inter-group conflicts affect organizational performance, according to Mackenzie et al. (2009). Williams and Anderson (1991) further differentiated behaviors and coined them as OCBI, directed towards individuals and OCBO, behaviors directed towards the organization. Practically Sportsmanship, Conscientiousness and Civic virtue reflect OCBO, which affects organizational performance. Various research studies reveal that convergent downsizing has been used as precursor or antecedent to study the consequences, i.e. organizational performance which again has been studied as financial performance through Return on Assets ratio and Return on sales ratio.

At times a mediator variable is used which represents a mechanism through which an independent variable influences the dependent variable and generally it is an attribute or an intrinsic characteristic of individuals (Holmbeck, 1997; Peyrot, 1996). Such moderating effects are normally introduced when independent and dependent variables have a weak relationship. In this study mediator i.e.

OCB explains how or why a relationship exists between the independent variable, i.e. convergent downsizing and dependent variable, organizational performance.

**Convergent downsizing-** It is an activity related to lay-offs or reducing headcount by the organizations with an objective of curtailment in costs. It is also linked with designation correction of employees, cut in their variable pay, reduction in benefit expenditures and facilities or salary freezes etc. In fact organizations under convergent downsizing aim at working more efficiently by reducing their operating costs and tend to serve the same markets with the same goods or services.

**Reorientation downsizing-** It is the organizational metamorphosis through redesigning in organizational structure, work flows and changes in technology or top management control systems. It recommends a modification in organization's strategic focus with respect to products, processes, technologies and markets. According to McCure convergent downsizing proposes the organization to do the same things, though more proficiently; on the contrary reorientation suggests for renovated direction, novel product lines and markets to be served for achievement of organizational goals of improved productivity and profitability.

Organizational Citizenship Behaviour-O -The elements of Organizational Citizenship Behaviour-O are Sportsmanship, Conscientiousness and Civic virtue.

Sportsmanship designates employees' willingness to tolerate difficulties at the workplace, refraining from unnecessary criticisms and complaints. Conscientiousness can be talked about as adherence of workplace rules, genuine acceptance and compliance to the rules, regulations and procedures of the organization (Moss, 2016). Civic virtue denotes the active participation and constructive involvement in organizational life, such as meetings, events and functions etc. in the organization. These behavioral patterns are instrumental in exceeding minimum required levels of attendance, housekeeping, punctuality and productivity of employees (Paul, Bamel and Garg, 2016).



## OBJECTIVES AND RESEARCH METHODOLOGY

The present study has been attempted with the following objectives.

- To study the effect of convergent downsizing taking place in IT industry on its financial performance.
- To find out the constructs related to organizational citizenship behavior (OCB)
- To ascertain the relationship between identified (OCB) constructs and organizational performance in IT industry

In this exploratory research eight companies of IT sector namely Tata Consultancy Services Ltd (TCS), Wipro Ltd., Accenture, Cognizant, International Business Machines Corp. (IBM), HCL Technologies and Oracle have been taken up to get an overview of IT industry. Every move or strategy of these companies leaves a mark on IT industry, as these are the major

hiring companies of graduates and postgraduates of engineering background in India. Due to changing external environment and internal constraints, large number of employees are being handed over 'pink slips' declaring sudden lay-offs. It is making an effect on organizational citizenship behavior of survivors.

In this research the constructs associated with organizational citizenship behaviour which affect employees' performance as well as organizational performance have been explored and the relationship between identified constructs and employee performance has been analyzed. The study has been made in two parts- the first half contemplates the conceptual framework from literature and articles of various experts/ researchers. The second half investigates research findings based on both primary as well as secondary data. The secondary data has been sorted out from different sources like study books, journals, magazines, newspapers, published and unpublished business reports as well as company's website and annual reports. Similarly, primary data has been collected by structured questionnaires which were distributed amongst employees of above mentioned firms to get an idea about their attitude indicating citizenship behaviour resulting in

performance. Stratified random sampling has been used to deal with the heterogeneity of population and information has been collected mainly from middle level employees & junior level engineers. The researcher could get only 213 complete questionnaire out of 275 distributed to respondents and got 77.45% response rate. Out of them 88.68% were males and 11.31% were female employees. 49.03% employees were in the age group of 25-30 years, 28.47% in the age group of 30-35 years and 22.18% were above 35 years of age.

Performance has been taken as dependent variable and citizenship behavior parameters namely sportsmanship, civic virtue, conscientiousness and altruism along with convergent downsizing have been picked as independent variables. To ascertain the factor constructs and variables factor analysis has been made. The reliability and validity of the constructs has been tested through Cronbach's Alpha, AVE, and the Square Root of AVE. For checking sampling adequacy the Kaiser-Meyer-Olkin principle has been used and .702 KMO value validates the presence of adequate inter-correlation in the data set making it suitable for factor analysis. The factors with eigen value > 1 have been selected.

Table 1 - Factor Analysis

| 1. Convergent DS   | Items | Item Loadings |       |       |       |       |  |
|--|-------|---------------|-------|-------|-------|-------|--|
| There is decrease in employment by retrenchment and lay offs   | DS1   | 0.828         |       |       |       |       |  |
| Employees are getting raise in salary on regularly             | DS2   | 0.813         |       |       |       |       |  |
| There are promotions in departments                            | DS3   | 0.794         |       |       |       |       |  |
| <b>2. Civic Virtue</b>   |       |               |       |       |       |       |  |
| I accept change without any resistance                         | CIV 1 | 0.973         |       |       |       |       |  |
| I do not complain about insignificant things at work place.    | CIV 2 | 0.977         |       |       |       |       |  |
| I try to avoid problems with my team-members.                  | CIV 3 | 0.899         |       |       |       |       |  |
| I undertake additional tasks at work                           | CIV 4 | 0.781         |       |       |       |       |  |
| <b>3. Sportsmanship</b>  |       |               |       |       |       |       |  |
| I am passionate about my work                                  | SPO1  |               | 0.948 |       |       |       |  |
| I cheer my team members when they feel low                     | SPO2  |               | 0.897 |       |       |       |  |
| I try to resolve issues between supervisors and my colleagues. | SPO3  |               | 0.994 |       |       |       |  |
| <b>4. Conscientiousness</b>                                    |       |               |       |       |       |       |  |
| I reach to my work every day on time                           | CON1  |               |       | 0.810 |       |       |  |
| I am eager to perform my duties at job promptly                | CON2  |               |       | 0.768 |       |       |  |
| I take initiative for new assignments                          | CON3  |               |       | 0.513 |       |       |  |
| <b>4. Altruism</b>   |       |               |       |       |       |       |  |
| I am creating healthy and cheerful atmosphere at workplace     | ALT1  |               |       |       | 0.437 |       |  |
| I am concerned about co-workers welfare                        | ALT2  |               |       |       | 0.492 |       |  |
| <b>6. Performance</b>  |       |               |       |       |       |       |  |
| I follow rules of the firm while completing the task assigned  | PER1  |               |       |       |       | 0.602 |  |
| I love to perform my job promptly                              | PER2  |               |       |       |       | 0.882 |  |
| I have received commendation from superiors for my good work   | PER3  |               |       |       |       | 0.715 |  |

Source: Author's Findings

Table 2 - Correlation among Constructs

|  | Conv. DS | Civic Virtue | Sportsman-ship | Conscientio-usness | Altruism | Performance |
|--|----------|--------------|----------------|--------------------|----------|-------------|
| Conv. DS   | 1        |              |                |                    |          |             |
| Civic Virtue   | -0.393   | 1            |                |                    |          |             |
| Sportsmanship  | -0.414   | 0.709        | 1              |                    |          |             |
| Conscientiousness  | -0.302   | 0.645**      | 0.698**        | 1                  |          |             |
| Altruism   | -0.293   | 0.482        | 0.519*         | 0.371              | 1        |             |
| Performance  | -0.271   | 0.831**      | 0.718**        | 0.727**            | 0.437    | 1           |
| ** Correlation is significant at the 0.01 level (2-tailed) |          |              |                |                    |          |             |

Table 3 - Total Variance Explained

|   | Component   |              |             | Extraction Sums of Squared Loadings |              |             | Rotation Sums of Squared Loadings |              |             |
|---|-------------|--------------|-------------|-------------------------------------|--------------|-------------|-----------------------------------|--------------|-------------|
|   | Eigenvalues | %of Variance | Cumulative% | Total                               | %of Variance | Cumulative% | Total                             | %of Variance | Cumulative% |
| 1 | 17.033      | 49.146       | 49.146      | 17.033                              | 49.146       | 49.146      | 14.78                             | 42.227       | 42.227      |
| 2 | 5.406       | 25.447       | 74.113      | 5.406                               | 15.447       | 64.113      | 4.847                             | 13.18 5      | 56.077      |
| 3 | 3.528       | 10.108       | 84.193      | 3.528                               | 10.108       | 74.193      | 4.058                             | 11.594       | 67.671      |
| 4 | 1.856       | 5.372        | 89.675      | 1.856                               | 5.302        | 88.675      | 3.241                             | 9.261        | 87.531      |
| 5 | 151         | 3.61         | 93.2        | 0.913                               | 2.18         | 90.58       |                                   |              |             |
| 6 | 1.806       | 5.161        | 98.836      | 1.806                               |              |             |                                   |              |             |

Rotation Method: Varimax with Kaiser Normalization

Table 4 -Constructs' Cronbach Alpha and AVEs

| Construct         | Cronbach's Alpha | AVE  | Square Root of AVE |
|-------------------|------------------|------|--------------------|
| Convergent DS     | .815             | .727 | .854               |
| Civic virtue      | .865             | .783 | .886               |
| Sportsmanship     | .714             | .684 | .827               |
| Conscientiousness | .702             | .633 | .741               |
| Altruism          | .691             | .587 | .501               |
| Performance       | .726             | .673 | .819               |

Source: Author's Findings

To check the reliability of constructs factor loading for each variable has been made and then Cronbach's alpha has been applied. The Cronbach's alpha coefficient for almost all the items is either above .7 or around .7, the reliability is acceptable. Two inter-locking propositions convergent validity and discriminant validity both are considered as subcategories of construct validity. Convergent validity shows a correspondence or convergence between similar constructs, whereas discriminant validity measures the constructs that

theoretically should not be related to each other. The correlation coefficient is used to estimate the degree to which any two measures are related. In general, the convergent correlations should be as high as possible and discriminant ones should be as low as possible. Average variance explained, and square root of AVE points out adequacy of convergent and discriminate validity in the data set. It has been observed AVE for all the constructs is greater than 0.5, which is the threshold limit. Hence, there is acceptable validity between the constructs.

Table 5- Descriptive Statistics

|                      | No. of Items | N   | Mean | Std. Deviation | Skewness | Kurtosis |
|----------------------|--------------|-----|------|----------------|----------|----------|
| Convergent DS        | 3            | 213 | 2.94 | 0.74           | 0.58     | -0.634   |
| Civic virtue         | 4            | 213 | 3.13 | 0.95           | 0.62     | -0.742   |
| Sportsmanship        | 3            | 213 | 3.75 | 0.91           | 0.85     | -1.441   |
| Conscientiousness    | 3            | 213 | 1.52 | 0.63           | 0.49     | -0.301   |
| Altruism             | 2            | 213 | 1.39 | 0.51           | 0.62     | -0.191   |
| Employee performance | 3            | 213 | 2.68 | 0.85           | 0.57     | -0.453   |

Source: Author's Findings

The research methodology in this paper also includes the multiple regression analysis which labels the relationship between a dependent variable and several independent variables.

The necessary data for analysis has been presented and regression equation has been obtained. Then R2 coefficient, which indicates the percent of how much of the total variance is explained by the independent variables, has been calculated. F test and Student's t test corresponding with n-

(k+1) degrees of freedom have been deliberated to explore that which hypothesis can be accepted in the study.

Based on the nonstandard coefficients the regression equation has been derived:

$$y = 1444.434 + 0.982x_1 + 39.806x_2 + 2.032x_3 + 5.991x_4 + 0.910x_5$$

Here  $x_1$  = convergent downsizing,  $x_2$  = sportsmanship,  $x_3$  = civic virtue,  $x_4$  = conscientiousness,  $x_5$  = altruism.

Table 6 - Estimation of standard deviation

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1     | .999a | .998     | .996              | 2168.975                   |

a. Predictors: (Constant), convergent downsizing, sportsmanship, civic virtue, conscientiousness and altruism.

R<sup>2</sup> coefficient indicates that total variance is explained by the

independent variable is 99.80%.

Table 7 reflects the analysis of variance for multiple regression.

Table 7- Variation analysis - ANOVA<sub>b</sub>

| Model |            | Sum of Squares | DF | Mean Square | F       | Sig.  |
|-------|------------|----------------|----|-------------|---------|-------|
| 1     | Regression | 1.087E10       | 5  | 2.174E9     | 462.098 | .000a |
|       | Residual   | 18817814.997   | 4  | 4704453.749 |         |       |
|       | Total      | 1.089E10       | 9  |             |         |       |

- a. Predictors: (Constant), convergent downsizing, sportsmanship, civic virtue, conscientiousness and altruism.
- b. Dependent Variable: performance

For testing the validity of multiple regression model hypothesis testing is required which examines, if all of the independent variables have regression coefficients equal with zero or not, i.e. explained variance is not occurring randomly. So, null and alternate hypotheses have been formulated.

Null Hypothesis:

HO<sub>1</sub>: There is no significant effect of convergent downsizing on organizational citizenship behavior. i.e.  $\beta_1 = 0$

HO<sub>2</sub>: There is no significant effect of sportsmanship on

organizational citizenship behavior, i.e.  $\beta_2 = 0$

HO<sub>3</sub>: There is no significant effect of civic virtue on organizational citizenship behavior, i.e.  $\beta_3 = 0$

HO<sub>4</sub>: There is no significant effect of conscientiousness on organizational citizenship behavior, i.e.  $\beta_4 = 0$

HO<sub>5</sub>: There is no significant effect of altruism on organizational citizenship behavior, i.e.  $\beta_5 = 0$

Alternate Hypothesis: H1 = All  $\beta$  coefficients are not equal to 0

H1<sub>1</sub>: There is significant effect of convergent downsizing on organizational citizenship behavior.

H1<sub>2</sub>: There is significant effect of sportsmanship on organizational citizenship behavior.

H1<sub>3</sub>: There is significant effect of civic virtue on organizational citizenship behavior.

H1<sub>4</sub>: There is significant effect of conscientiousness on organizational citizenship behavior.

H1<sub>5</sub>: There is significant effect of altruism on organizational citizenship behavior.

To test the null hypothesis, F test analysis is required for variance identified in the ANOVA table. The calculated F value is 462.098 at the significance level of 0.05. The critical F value with 5 degrees of freedom at numerator and 4 at denominator is 6.256. The comparison of F values concludes that all

regression coefficients are not equal to zero and alternate hypothesis is required to be studied.

The regression model depicts the substantial effect of three factors namely sportsmanship, conscientiousness and civic virtue. It has been observed that two of the variables, convergent downsizing and altruism are not significant predictors for the dependent variable and excluding these, further error deviation regression model has to be devised for analyzing performance, i.e. OCB.

Since financial report card of the organizations is another measure to scrutinize their performance; the Return on assets ratio and Return on sales ratio have been studied right from year 2008 to 2017 to assess the financial performance of the IT industry. From financial data available on the websites of IT companies under study, the industry average has been calculated. It has been observed that there is no significant rising trend in both ROA as well as ROS since 2018 to 2017, rather these are wavering marginally.

**Table 8 - Financial Ratios: ROA**

| Year    | TCS    | Accenture | Cognizant | IBM    | HCL    | Intel  | Oracle | Wipro  | Industry Average |
|---------|--------|-----------|-----------|--------|--------|--------|--------|--------|------------------|
| 2008-09 | 40.51% | 21.57%    | 13.51%    | 12.07% | 18.10% | 7.51%  | 22.14% | 22.92% | 19.78%           |
| 2009-10 | 42.28% | 22.71%    | 18.52%    | 12.90% | 13.58% | 19.72% | 19.18% | 25.67% | 21.82%           |
| 2010-11 | 40.10% | 22.06%    | 17.51%    | 13.46% | 14.23% | 19.27% | 20.25% | 29.91% | 20.09%           |
| 2011-12 | 39.46% | 23.23%    | 17.48%    | 13.53% | 21.70% | 14.16% | 18.62% | 27.40% | 20.16%           |
| 2012-13 | 32.51% | 25.72%    | 16.68%    | 13.52% | 28.48% | 11.05% | 18.07% | 30.07% | 21.09%           |
| 2013-14 | 35.45% | 23.99%    | 14.62%    | 10.54% | 33.91% | 13.02% | 17.72% | 29.53% | 21.29%           |
| 2014-15 | 31.09% | 24.37%    | 13.24%    | 11.57% | 30.90% | 11.93% | 27.81% | 29.40% | 22.30%           |
| 2015-16 | 28.50% | 23.34%    | 11.37%    | 10.11% | 21.68% | 9.61%  | 29.74% | 13.45% | 19.58%           |
| 2016-17 | 29.37% | 24.79%    | 13.86%    | 11.63% | 25.57% | 10.32% | 29.18% | 11.89% | 20.03%           |

Source: Company's Annual Reports

**Table 9- Financial Ratios: ROS**

| Year    | TCS    | Accenture | Cognizant | IBM    | HCL    | Intel  | Oracle | Wipro  | Industry Average |
|---------|--------|-----------|-----------|--------|--------|--------|--------|--------|------------------|
| 2008-09 | 24.28% | 11.41%    | 18.86%    | 14.02% | 25.05% | 12.44% | 27.61% | 18.40% | 19.01%           |
| 2009-10 | 26.75% | 12.62%    | 18.77%    | 14.85% | 22.20% | 26.28% | 36.36% | 20.43% | 22.28%           |
| 2010-11 | 27.98% | 12.69%    | 18.57%    | 14.83% | 18.53% | 23.97% | 36.08% | 20.24% | 21.61%           |
| 2011-12 | 27.65% | 14.15%    | 18.53%    | 15.89% | 25.64% | 20.38% | 40.82% | 18.92% | 22.74%           |
| 2012-13 | 26.93% | 14.57%    | 18.97%    | 16.52% | 35.24% | 18.03% | 51.22% | 18.78% | 25.03%           |
| 2013-14 | 29.10% | 14.33%    | 18.37%    | 12.96% | 43.12% | 20.95% | 54.78% | 20.68% | 25.78%           |
| 2014-15 | 23.97% | 14.29%    | 17.25%    | 16.14% | 41.95% | 20.63% | 48.30% | 20.67% | 24.66%           |
| 2015-16 | 23.37% | 14.63%    | 16.97%    | 14.86% | 40.05% | 17.37% | 43.05% | 18.76% | 23.63%           |
| 2016-17 | 25.71% | 15.73%    | 17.89%    | 14.97% | 40.82% | 19.01% | 39.69% | 16.94% | 23.30%           |

Source: Company's Annual Reports





**CONCLUSION:**

Most of the IT companies, especially eight companies namely Tata Consultancy Services Ltd (TCS), Wipro Ltd., Accenture, Cognizant, International Business Machines Corp. (IBM), HCL Technologies and Oracle tried to combat with internal inefficiencies of productivity and profitability through retrenchment and downsizing, but this strategy could not help much in recuperating their financial health. The objective of attaining operational efficiency through cost cutting for a thriving business in IT industry is far below the expectations as industry has witnessed a very sluggish growth. ROA as well as ROS both have nose-dived, whenever sizable layoffs have been made. The observation is analogous with the study made by DeMeuse et al., (2004) and McClure, (2009).

The organizational performance is aftermath of employees' productivity which again is an outcome of their attitude and behaviour. Employee retrenchment from 2008 till 2017 in selected companies has affected value added per employee, as a slowly rising trend has been noticed in the industry. This reflection is dissimilar to various studies made by Hallier and Lyon, (1996), Lewin and Johnston, (2000) and Allen et al., (2001), but falls in line with the observations made by Bhattacharya & Chatterjee, (2005) and Batra (2017) indicating that downsizing stimulates employees to work harder, to avail better career opportunities within the organization due to

lesser competition; or perhaps 'fear of losing job is the best motivator'.

The transformation in employees' behaviour in response to implementation of convergence downsizing strategy in the organizations significantly affect the organizational citizenship behaviour (OCB) parameters namely sportsmanship, conscientiousness and civic virtue, are similar to opinions of MacKenzie et al., (2009) and (Moss, 2016). These variables are prominent constructs which predict organizational performance, exhibiting strong positive correlation with performance of organizations. These deductions made in this study are backed by the observation made by Coleman & Borman, (2000) & Hoffman, Blair, Meriac, & Woehr, (2007).

In fact, the consequences of behavioral changes in employees in terms of OCB count a lot, whenever organizations opt and implement a strategic change. It impacts the employee productivity as well as determines the organizational performance. Even the most efficient employee in the organization may get demotivated due to situational changes caused by retrenchment. On the contrary an average performing worker may excel, out of fear of job loss and uncertainty for future. The retrenchment and downsizing strategy is a double-edged sword and organizations should be meticulous and extra cautious while opting for this.

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