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TITLE: IMPACT OF DOWNSIZING ON MOTIVATION OF EMPLOYEES IN THE I.T. SECTOR

AARTI SHARMA*; POOJA GUPTA**

*S.D.College of Management Israna Panipat
**S.D.College of Management Israna Panipat

ABSTRACT

This paper examines the impact of change on motivation of employees. Companies often downsize in an effort to cut costs, but estimating the organizational impact of downsizing accurately can be difficult. If downsizing can lead to increased voluntary turnover, the company may unintentionally leave themselves understaffed. It is important that downsizing trigger organizational renewal strategies immediately. Companies that engage in more employee career development practices experience about four times more turnover following downsizing than companies that engage in fewer of these practices. Organizational downsizing constitutes a set of activities, undertaken on the part of management of an organization, designed to improve organizational efficiency, productivity and/or competitiveness. Companies looking to improve profitability by reducing their headcount should strongly consider the long term consequences before acting and account for subsequent turnover to ensure the company is not left shorthanded. Additionally, company practices that ensure procedural justice and job embeddedness should be in place well before the announcement of downsizing to minimize subsequent turnover. The interaction of employee career development practices is much more difficult to account for. It represents a strategy implemented by managers that affects the size of the firm's workforce and the work processes used.

***KEYWORDS**: strategy, motivation, productivity, organization.*