

Context

A Study on Behavioral Changes among Employees

Post Recession and its Effect on Leadership Skills

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Abstract

Every single change in the economic conditions has smaller or bigger consequences on every company. Some loses business, some shuts down, some play low and many withdraw benefits. Compromises have to be done and majorly it is the people who bear this ruthlessness. To sail the organizations on safer shores amidst the mounting insecurities paved by globalization, fluctuating economic conditions etc is considered to be the responsibility of the management but off late the fact that this task can better be achieved with a dedicated team of Leader & follower is receiving attention of everyone . Even during recession it has been found that those

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organizations that nurtured this bond between manager and subordinates have come out safely. The leader is therefore like a savior not only to the employees but also for the organization who as to adjust the leadership strategies and update skills to meet the challenging situations arising now and then.

Key Words: *Employee behavior, Manager's challenges, recession, leadership skills, habits, change*

Introduction

Human Resource is an ever evolving discipline of management surprising the business community every now and then with their behavioral dynamics. Every year the business world learns newer dimensions of management and possible solutions & techniques to handle them.

The years in the recent past has widened the learning possibilities due to some extremely challenging situations. Management across the globe has faced problems related to human resource management as their workforce had become highly fragile and unpredictable. Moreover, senior management having the responsibility of leading was bounded by issues related to their own stability as well as motivating the subordinates. During these circumstances they had to take many difficult decisions viz., layoffs, cut in salary & benefits,

signing the rude warning letters etc which have a direct effect on the psychology of the employees.

The employees were found to be in a state of dilemma with regard to their roles, responsibility and above all their stability in the organization. These organizational uncertainties led to some major changes in employee behavior at work that widened the gap between management and employees.

The role of a manager in such circumstances become more challenging as they are required to fulfill the expectations of management and simultaneously check the falling morale of his subordinates.

During recession, almost all the companies reviewed their HR strategies to remain unharmed by global developments that included setting high performance targets, cut in unnecessary expenditures on HR activities, layoffs and above all retrenchments. Such policies reviews generated negative feelings amongst the available talent in the companies that led to problems like attrition, low morale, stress, health problems, etc.

This study has therefore been undertaken to establish a relation between management policies, employee behavior and leadership skills. The study is more related to behavior analysis of employees and analyzing the leadership challenges in leading the workforce specifically during difficulties.

For this HR managers of reputed companies from IT/Telecom/Real Estate/Bank/Automobile sectors were surveyed through structured questionnaires and thereafter the collected data was analyzed to find out the expectation from future leaders.

Literature Review

Talent management is the key to these challenging economic times and ensuring employee engagement is crucial for growth of the company. Talent has to be nurtured and rewarded appropriately to ensure that employees don't jump ship and join a competitor. In such turbulent times it is no surprise to hear some unfavorable comments from the employees.

Across countries cases of increased stress levels, medical ailments etc have been found that signifies the mental turmoil

that an employee goes through. According to Beehr(1995) job stress is defined as a situation in which some characteristics of the work situation are thought to cause poor psychological or physical health , or to cause risk factors making poor health more likely. Some significant behavioral changes can well be understood by the following categories of employees that depicts the intensity of effect of organizational changes: the 7 Habits of Employees in a recession era have been gathered from across the globe through various studies. These are termed as follows:

1. **The Terminated**
2. **The Fearful**
3. **The Indifferent**
4. **The Delighted.**
5. **The Apocalyptic**
6. **The Longer**
7. **The Engaged**

Such stressful conditions are no more a novel phenomenon. Defense mechanisms are automatic psychological processes that protect an individual from anxiety and the awareness of internal or external threats or stressors. Defense mechanism

can be classified into groups or levels that indicate how they affect an individual's functioning. DSM-1V has identified 4 such mechanisms of which 2 are Mental Inhibition Level and Disavowal level that includes behaviours like; Dissociation, Displacement, Denial Passive aggression, Repression .

To cope with such stressful situations, employees resort to negative paths that include:

- Compulsive Behaviour
- Blaming Behaviour
- Worrying
- Anger
- Withdrawn Behaviour
- Depressed Behaviour
- Illness

When it comes to new employment practices, employees generally react in exactly the same way as managers: they will tend to resist change, wishing to know what is the planning done for us waiting to know, ' what's in it for us?' They also want to know the hidden agenda-why does the company really want to introduce a performance management process? Will it

simply be used as a means of gaining evidence for disciplinary proceedings? Or it is even going to provide the information required to select people for redundancy? As far as possible this kind of question needs to be answered correctly by the managers as it can lead to misconceptions about ones roles and future in the organization. Role ambiguity is another factor that has lead to negative behavioral changes among employees during recession that exists when an individual lacks information about his/her role according to Beehr et.al.(1976), Cordes & Dougherty(1993), Cooper(1991), Dyer & Quine (1998) and Ursprung(1986).

Jackson & Schuler (1985) and Muchinsky (1997) studies found that role ambiguity will lead to negative outcomes such as reduced confidence, a sense of hopelessness, anxiety, and depression.

The commitment of manager's at this level therefore is to learn, plan and act jointly that may constitute a fundamentally new and better approach to understanding risk and fostering resilience among employees. With a concerted effort to provide the right mix of information, incentives and

counseling there are better chances of seeing their behaviours evolve.

Employee commitment is also more likely if they are kept well informed of what is proposed, why it has been proposed and how it will effect them. It will be further enhanced if they participate in the development of the new employment practice and if they know that their contributions have been welcomed and acted upon.

The word "ethics" is often in the news these days. Ethics is a philosophical term derived from the Greek word "ethos" meaning character or custom. This definition is germane to effective leadership in organizations in that it connotes an organization code conveying moral integrity and consistent values in service to the public. HR specialists are concerned with ethical standards in three ways: Their conduct as professionals, the values that govern their behavior, and the ethical standards of their firms. Research over a period of more than twenty-five years clearly support the conclusion that the ethical philosophies of management have a major impact on the ethical behavior of their followers employees (Arlow and Ulrich, 1980; Baumhart, 1961; Brenner and

Molander, 1977; Carroll, 1978; Hegarty and Sims, 1978, 1979; Posner and Schmidt, 1984; Touche Ross, 1988; Vitell and Festervand, 1987; Worrell et al., 1985). Nielsen (1989) has stressed the importance of managerial behavior in contributing to ethical or unethical behavior. One of the most basic of management principles states that if you desire a certain behavior, reinforce it.

The recession has brought more than just layoffs and losses; it is increasing employee fraud and misconduct. As senior management teams have focused on reevaluating 2009 by restructuring departments and business units, and in many cases dramatically reducing the size of the company, employees have increasingly become cynical about the ethical culture of the typical corporation. That cynicism has translated directly into a lack of respect for the company and its rules and a rise in fraud and misconduct. Based on a survey of more than 125,000 employees in 75 countries over the past five quarters, the Corporate Executive Board has seen startling trends in this area, including a 20% increase in observations of misconduct from the first to the second half of 2008; a 5% decline in frontline employee perceptions of

senior management's commitment to integrity; and an increase in the number of disengaged employees, from one in ten to one in five, causing declines in companywide productivity of up to 5%.

Greenleaf says that true leadership "emerges from those whose primary motivation is a deep desire to help others". Servant leadership is a very moral position, putting the well-being of the followers before other goals. A good leader is one who is prepared to strive and to extend himself for the sake of the spiritual development of himself or the people he manages.

One may well ponder whether there could be a better job for a manager than to effectively manage the constantly changing , turmoil orientd and crisis ridden organizations of the future. According to Indian thought , the most important element of leadership has been values. Knowledge and skills do have their place but subject to character. Therefore, a leader must have he following values:

1. Self-Restraint
2. Humility

3. As a mentor an a guide
4. Being ethical
5. Atonement &Confession
6. Honesty
7. Advice of group members
8. Respect

Research Methodology

The leadership dilemmas concerning HR issues that originated during recession prompted us to conduct a research so as to find some proactive measures for future leadership. Since withdrawal of benefits and layoffs was the buzzword all around it was felt to explore the underlying feelings and fears of employees and the leadership challenges thereon. For this an exploratory research was conducted through structured questionnaires in various industries. Both primary and secondary data was analyzed to get deeper insights. Managers of top 10 companies from various sectors were surveyed to get an overall understanding.

The study circumference around exploring the following 3 issues:

- 1. Impact of recession on organizations**
- 2. Change in employee's behavior**
- 3. Change in leader's role.**

Therefore, we aim at helping the HR fraternity in understanding employee's behavior during tough times and what are the expected roles of leaders of organization

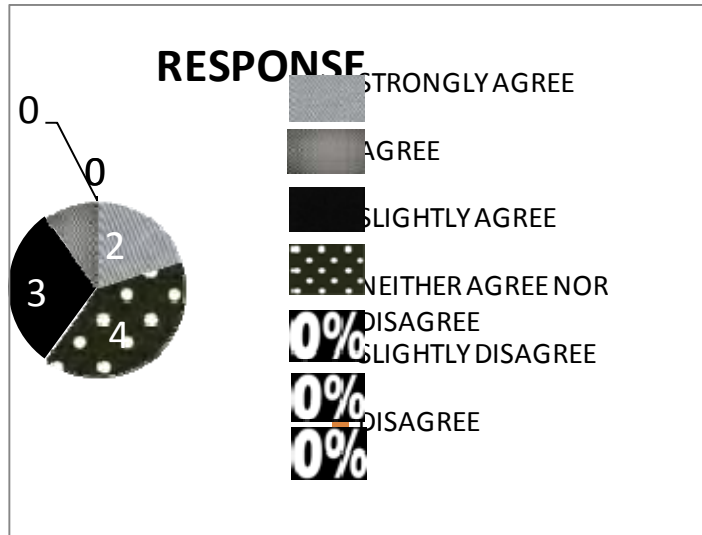
For this it is necessary to understand what is meant by employee behavior. The term refers to a set of behaviors, expected of an individual who plays the part. As per the American Heritage College Dictionary a role is linked to a function or position. Role theory has of course enjoyed a long history in the social sciences and is useful in characterizing how people behave, how they think they are expected by others to behave and how others do expect them to behave. In today's context, it is the role and not the job that makes a difference and when the context is about leading human resource it's very essential to understand the difference. A role is a part played. Not to be confused with a job title or job level.

Analysis and Findings

Impact of Recession on Organisations

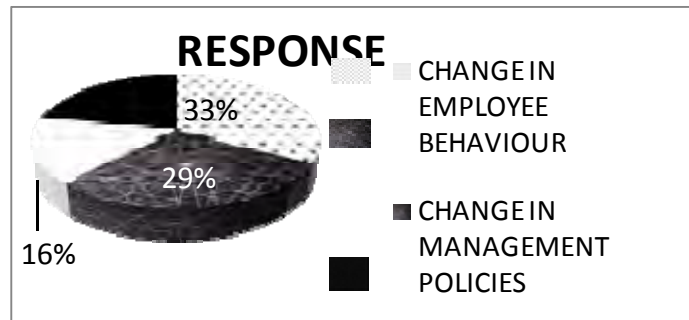
High or low, the affect of recession was felt by all the organizations across industries. It was found that due to recession the general task of hr department were shifted to; Salary administration, Managing employee leaves & daily attendance, Proper documentation & updated HRIS. This signifies that due to the continuous pressure from the management the human resource department has become more autocratic thereby reducing the work flexibility usually provided to the employees. There are now increased checks on sanction of leaves, timely arrival and working hours.

Figure 1: Should the company cut costs on other activities instead of employees



Tremendous change in HR policies have affected the organizations as a series of cost cuttings has lead to change in employee's behavior towards work / management that has further challenged the role of a leader in handling organizational issues.

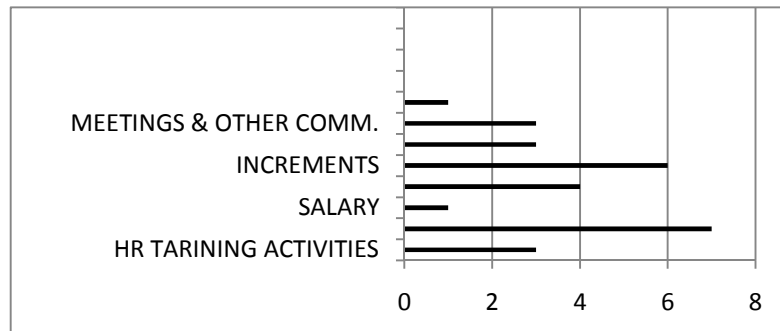
Figure 2: Effect of Recession on organisation



It was found that all the companies withdrew many employee programs irrespective of whether there was any recession or not. Moreover, perks, benefits and increments were among the major setbacks for the employee. Employee had to suffer huge losses as most of the variable pay heads were withdrawn. Most of the management policies were reviewed keeping in tune with the uncertainties. Here it was also found that appraisals were withdrawn from 60% of the companies surveyed. Although there are other areas of business also like outsourcing, packaging, etc from where the finances could be

adjusted as per the tradition the employees had to face most of the cost cutting.

Figure.3: Employees benefits which were withdrawn during Recession



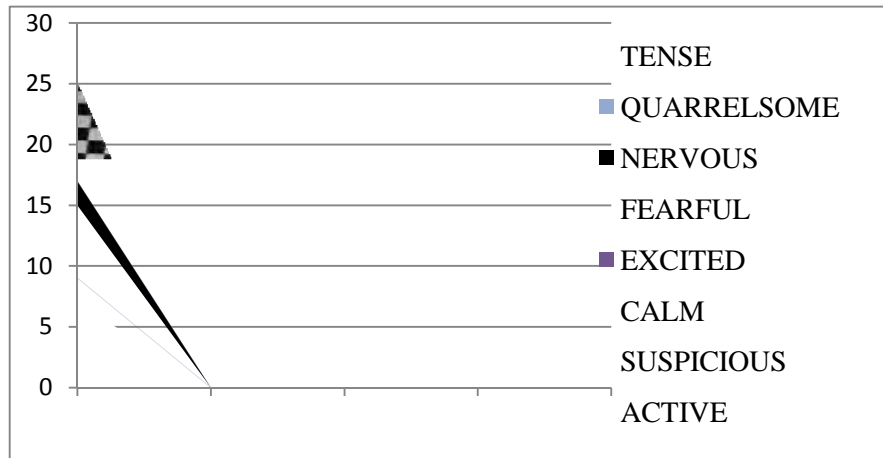
Almost all the managers surveyed agreed to the fact that people are valuable assets for an organization and in tough times and instead of cutting costs on this factor of production, it would be better if some other areas could be planned for cost cutting. These organization wide changes results in-

Change in Employee Behavior

Next we assessed the degree of change in the behavior of the employees under chaotic conditions like recession, wars, etc.

As depicted in Fig 1.4 the employees were found in highly disturbed conditions owing to their unforeseen futures and a terror of facing layoffs, salary cuts etc. The continuously changing organizational policies had deteriorated the relations between Employees and management resulting in loss of trust. The employees no more regarded management as people friendly which further increased their stress levels. The organizational climate echoed of tense atmosphere that due to insecurity of jobs had led to a lot of internal politics where every employee tried to pull out each other. The employees in order to restore their zeal, warmth for the organization need continuous motivation through rewards which were inadequately given during such times.

Figure 4: Changes observed in employee's behavior due to Recession



Stress, suspicion, fear, low productivity etc had invaded the minds of the employees due to the management's policies. In such circumstances it was found that the employees in order to be effective need continuous motivation through effective leadership. Their fears need to be addressed with utmost compassion, empathy and understanding.

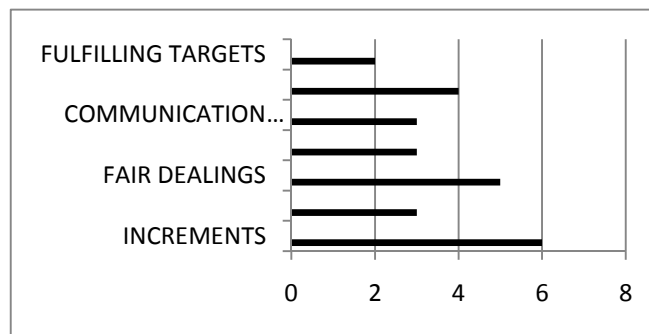
The above two issues made us understand as to what are the expectations of employees in such situations thereby

exploring the leadership challenges and expected behaviors from leaders.

Change in Leader's Role

After analyzing the above 2 actors it was attempted to analyze a managers role and their challenges. Due to recession, managers were restricted from giving increments and to safeguard organizational interest many times they found themselves in a dilemma regarding what is ethical, right and wrong. Thus there was lack of fair dealings that lowered employee involvement. Employees in such circumstances expect their leaders to be more than just bosses.

Figure 5: Most Difficult to Manage in Present Situation



Most Difficult to Manage in Present Situation to be very effective in carrying out their roles and responsibilities in tumultuous situation managers adopted various skills like-- Being optimistic and showing patience while dealing with employee's concern. Here it was also found that managers adopted helpful behavior towards employees along with truthfulness in communication. This largely helped in keeping the employees committed. Although it was found that monetary benefit are the biggest motivator but in times when it is not possible, (Fig 6) boss's support in fulfilling targets, providing authority to possible extent helped in balancing the benefits.

Figure 6 : Greatest Motivators in Jobs



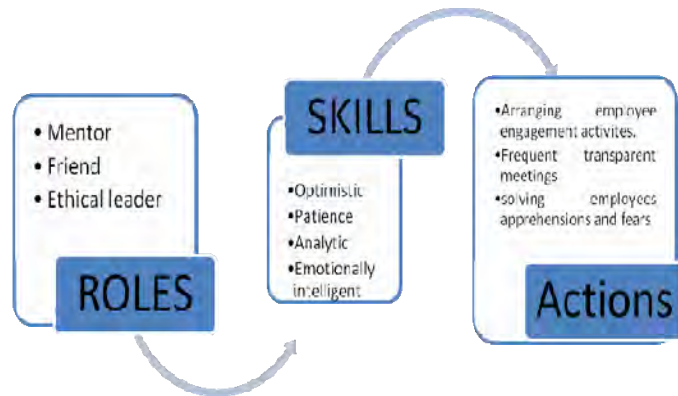
Desired Roles

Inferences from the above analyzed dimensions suggest that the role of HR manager demands a lot of patience and emotional intelligence while dealing with the employees in difficult and challenging times. Not only they have to be visionary but also have to reflect selfless helping behavior towards anchoring employees out of tumultuous times.

Acting as a guide and a mentor, managers have to shed off their usual serious and aloof characters and display a warm

and affectionate behavior so that the employees can develop trust in them and give their best performance.

Figure 7: Behavioral role profile of leaders during tumultuous times



Recommendations

On the basis of finding of the study and the inferences made above, it is believed that the following recommendations if adopted by managers can largely help in handling the

changing behavior of employees especially during tough situations.

1. A review of priorities should be made by managers where more emphasis should be given on employee motivation than on reducing benefits
2. It is essential to train the HR on soft skills so that the employees can feel safe and secure in their jobs. Continuous mentoring and frequent communications is a manager's responsibility to curb any negativity in employees.
3. The general strategy of cutting costs through reduced salary and benefits should be reviewed as it de-motivates the employees and leads to difficulty in managing talent. In difficult times, HR should be the prime focus of the management and this should be strengthened by being emotionally smart and receptive for others.
4. Policies like adherence to standards and continuous cross checking of performances is essential to build ethically oriented employees. Obviously this has to be initiated by the managers through their own practices and actions.

Overview of the Study through various dimensions

TASKS	PRIORITY ACTIONS	CHALLENGES
<p>Generally, the major responsibilities of HR are:</p> <ul style="list-style-type: none"> • Managing performance of employees. • Building healthy employee relations along with keeping HRIS intact. <p>But, due to recession they are more concerned about salaries, leaves and documentation of employees aiming at cost</p>	<ul style="list-style-type: none"> • Since it is essential to keep the talent intact HR has to create a balance between the management decisions and its implication on employees. • Avoiding any harsh and ruthless decisions should be their prime responsibility. • For this managers need to create healthy relations by personalized behaviors and 	<ul style="list-style-type: none"> • The greatest challenges for HR are to deal fairly with employees in terms of salary/benefits cuts etc and not to create distrust among them. • Due to the seriousness of sustaining in these turbulent times, the employees have gone quite far from the management due to restriction in their participation in different decision

<p>minimization and optimum Utilization of HR.</p>	<p>showing concern towards employee's problems.</p> <ul style="list-style-type: none"> • Customized Communication with employees is required. 	<p>making activities.</p> <ul style="list-style-type: none"> • This has led to an insecurity aiming employee about their value and need in the company.
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Conclusion

It is therefore essential for the leaders of the organizations to keep a check on the attitudinal and behavioral developments among employees especially during tough as it will ensure clearer understanding of their roles and responsibilities and thus acquiring requisite skills for successful implementation of strategies. The study was successful in finding new leadership skills for today's managers which they can incorporate in times of need. Along with analyzing employee's behavior this study has also tried to pave a way for researches for further exploration on behavioral studies and novice

leadership styles originating from in today's ever changing business organization.

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