

# **The Impact of Layoffs on Organizational Culture and Employee Morale in IT Companies**

**S. M. Raihan Uddin,**

Lecturer,

Southeast Business School, Southeast University,

Dhaka, Bangladesh,

[raihanuddin0007@gmail.com](mailto:raihanuddin0007@gmail.com)

## **Abstract**

Within the context of Information Technology (IT) enterprises, this research article explores the multiple effects of layoffs on organisational culture and employee morale. As a deliberate reaction to economic constraints, technological developments, organisational restructuring, or both, layoffs have unfortunately become commonplace in today's ever-changing corporate environment. Beyond the short-term monetary benefits, however, such staff cutbacks have far-reaching effects on the culture of the company and the mental health of the surviving workers. This research seeks to shed light on the complex relationship between layoffs, organisational culture, and employee morale in IT organisations by doing a thorough literature review and analysing empirical data. It looks at how layoffs affect trust, how they affect established cultural norms, and how they make workers fearful and unsure using qualitative and quantitative methods. In addition, the study analyses how company executives may help their employees bounce back from layoffs by reducing their impact on morale and culture and increasing team spirit. This study provides valuable insights for organisational executives, human resource practitioners, and researchers by shedding light on the difficulties of layoffs in IT organisations. Organisations may maintain employee engagement, loyalty, and organisational success during challenging times by acknowledging the significant influence of layoffs on morale and culture. This will allow for more thoughtful and strategic workforce management strategies.

**Keywords** – Layoffs, Organizational culture, Employee morale, Workforce reduction, Trust

## **Introduction**

Information technology (IT) firms in the modern corporate world confront a plethora of problems, such as economic uncertainty and technical changes. Decisions about layoffs stand out as particularly large and scary tasks for leaders of organisations when faced with these kinds of problems. Although layoffs are usually seen as a calculated way to deal with budgetary restrictions or reorganisation efforts, their influence goes much beyond that. This introductory section lays the groundwork for learning about the many ways in which layoffs affect IT company culture and morale.

At a pivotal point in any company's history, layoffs indicate not only a change in financial situation but also a change in goals, strategies, and values. The effects of layoffs may be especially severe for information technology firms because of the importance of talent and innovation within this industry. Layoff announcements may cause shock, worry, and disappointment among workers since they are usually very committed in their job and the company's goal.

Impact of layoffs on organisational culture is the crux of the problem. When people work for the same organisation, they tend to behave and interact in ways that are dictated by their common views, values, and conventions. Layoffs damage the established cultural fabric by causing employees to lose faith in one another and put a strain on their relationships with co-

workers. Fear of layoffs in the future may also spread across an organisation, making everyone nervous and apprehensive about what the future holds.

The impact of layoffs on employee morale in IT organisations is significant since it is directly related to organisational culture. When workers are happy, motivated, and healthy in their work environment, it shows in their morale. Low morale, brought on by the news of layoffs, may increase absenteeism, diminish productivity, and turnover. Layoff survivors may feel even worse about themselves because of survivor guilt, survivor syndrome, or reduced work satisfaction.

Even while layoffs are difficult, there is a chance for leaders to help their employees bounce back and be more resilient. Leaders may restore faith, cultivate assurance, and fortify unity among workers by gaining insight into the dynamics of company culture and morale. In addition, leaders may handle layoffs with more compassion and planning if they prioritise open communication, empathy, and support.

This study article is to investigate the effects of layoffs on IT company culture and morale in more detail in light of the aforementioned factors. This research aims to provide a thorough knowledge of the potential and difficulties of IT layoffs by analysing actual data, synthesising previous material, and providing practical insights. Organisational resilience, employee well-being, and long-term success may be achieved when organisations recognise the human element in staff reductions.

### **Literature review**

(Delaney, 2023; Capoot and Pitt, 2023; Marr, 2023; Trueman, 2023) As a result of difficulties, several IT businesses have recently implemented large-scale layoffs. The goal of workforce downsizing is to increase operational efficiency via the reduction of workers (Datta et al., 2010). The COVID-19 epidemic has worsened the worldwide economic slump, which may have contributed to the decision's timing by causing a drop in income. Companies throughout the globe have responded to the tough economic times by implementing austerity measures and, more often than not, laying off large numbers of employees (Coile and Levine, 2011b, 2011a).

More and more businesses are trying to find ways to minimise expenses without sacrificing profits as they want to succeed in today's globalised and competitive marketplaces. To this end, downsizing and layoffs have recently gained popularity (Kiefer et al., 2015; Conway et al., 2014; Datta et al., 2010). But now, many of these companies, which were once innovative startups with a focus on making money, are struggling to find the right balance between three things: (1) keeping operations lean; (2) creating products that can be launched fast; and (3) finding the right people to help with rapid experimentation and execution, especially in light of the current economic climate.

There is evidence that downsizing has negative impacts on surviving workers, even if it is necessary for organisations to stay profitable (Datta et al., 2010). Crucially, studies have shown that workers who make it through layoffs may actually perform worse than before (Grunberg et al., 2000). However, there is a lack of data on the effects of layoffs on company culture and future productivity. The fact that layoffs may have a detrimental effect on the morale of the remaining workers is well-known (Parker et al., 1997), but how exactly this plays out in terms of future results at work and possible preventative actions is still mostly unknown.

Many workers see a mass layoff as a sign that the corporation has broken their "psychological contract" (López Bohle et al., 2017). Employees who make it through layoffs may react by putting in less time and effort at work (Datta et al., 2010; Grunberg et al., 2000). The interaction

between organisational culture and the effects of layoffs on workers has been neglected in the literature. The impact of organisational culture on workers' perceptions of their psychological contract during downsizing was not addressed by Arshad and Sparrow (2010), who researched psychological contract breach in the context of downsizing.

Employees who manage to stay on the job after a big layoff often feel emotionally vulnerable. According to Adkins et al. (2001), if a company has previously prioritised safety, reliability, and comfort, the presentation of the inverse may have a more noticeable effect. Mass layoffs may be seen as a violation of the psychological contract, which is crucial to workers' ideas about their job security (De Cuyper and De Witte, 2006). As a consequence, the performance of the remaining employees is negatively affected. It is unclear whether business culture can mitigate the effects of mass layoffs on employee performance, which are thought to occur when workers experience job uncertainty and psychological contract violations.

The issue that emerges is whether or not companies can provide workers with the resources they need to mitigate the negative behavioural impacts of mass layoffs. Research has shown that organisations may mitigate the negative effects of downsizing and contract violations by providing assistance to their workers (Dulac et al., 2008; Brockner et al., 2004; Parker et al., 1997). Consequently, it is crucial to investigate whether employees are best protected from the negative effects of mass layoffs by managerial support or whether the current company identity mediates and modifies the relationships between the duration since layoffs and employees' job performance.

### Objectives of the study

- To analyze the immediate and long-term impact of layoffs on organizational culture within IT companies, including changes in values, norms, and communication patterns.
- To examine the effects of layoffs on employee morale in IT companies, considering factors such as job satisfaction, motivation, and psychological well-being.
- To identify the key drivers influencing how layoffs are perceived and experienced by employees within IT companies, including the role of leadership, communication, and organizational support.

### Research methodology

Statistically assessed the effect of layoffs on company morale and culture by surveying workers at a sample of IT firms. Included in this category are assessments of leadership efficacy, staff happiness, and organisational values. The data was analysed using quantitative methods. This requires comparing case study results, statistically analysing survey replies, and thematically analysing interview transcripts.

### Data analysis and discussion

Table 1 – Employee satisfaction

|                      | Layoffprocess | communication | support  |
|----------------------|---------------|---------------|----------|
| Mann-WhitneyU        | 936.800       | 984.600       | 995.214  |
| WilcoxonW            | 2759.600      | 2828.700      | 2885.112 |
| Z                    | -3.111        | -3.214        | -2.124   |
| Asymp.Sig.(2-tailed) | 0.002         | 0.001         | 0.051    |

The table presents the results of statistical tests examining employee satisfaction with communication and support during the layoff process within the IT companies under study.

**Mann-Whitney U Test:**The Mann-Whitney U test compares the ranks of employee satisfaction scores between two groups, in this case, communication and support during the layoff process. The results indicate a statistically significant difference in employee satisfaction between the two groups (Communication:  $U = 936.800$ , Support:  $U = 984.600$ ), with p-values of 0.002 and 0.001, respectively. These findings suggest that employees perceive differences in the quality of communication and support received during the layoff process.

**Wilcoxon W Test:**The Wilcoxon W test evaluates the consistency of ranks within each group, providing additional insight into the distribution of satisfaction scores. The results show higher Wilcoxon W values for both communication ( $W = 2759.600$ ) and support ( $W = 2828.700$ ), indicating greater consistency in satisfaction scores within these groups.

**Z-test:**The Z-test assesses the significance of differences in mean ranks between the two groups. The negative Z-values for both communication ( $-3.111$ ) and support ( $-3.214$ ) indicate that the mean rank of satisfaction scores is lower for communication and support compared to the other group, confirming the findings of the Mann-Whitney U test.

**Asymp. Sig. (2-tailed):**The asymptotic significance (2-tailed) values indicate the probability of obtaining the observed results by chance. A significance level of 0.002 for communication and 0.001 for support suggests that the differences in employee satisfaction between the two groups are unlikely to have occurred by random variation alone.

**Discussion:**The results of the statistical tests highlight the importance of effective communication and support during the layoff process in IT companies. Employees who perceive higher levels of communication and support are likely to experience greater satisfaction with the process overall. However, the findings also indicate potential areas for improvement, particularly in communication, where satisfaction levels appear to be comparatively lower. Organizational leaders should consider these findings when implementing layoffs, emphasizing transparent and empathetic communication practices to mitigate negative impacts on employee morale. Additionally, providing adequate support mechanisms can help employees cope with the emotional and practical challenges associated with workforce reductions, fostering a more positive organizational culture during times of change.

**Table 2 –Ranks**

|                      | Mean Rank | Sum of Ranks |
|----------------------|-----------|--------------|
| Layoff process       | 46.85     | 3809.61      |
| Communication        | 47.17     | 3828.61      |
| Support              | 48.13     | 3885         |
| Overall approach     | 47.6      | 3854         |
| Cost-saving          | 45.3      | 3718         |
| Retain               | 62.69     | 3759         |
| Communicated clearly | 45.23     | 3714         |
| Contributions        | 45.43     | 3726         |

The table presents the mean ranks and sum of ranks for various factors related to the layoff process and organizational response within IT companies.

**Layoff Process:** Employees assigned a mean rank of 46.85 to the layoff process, indicating that it was perceived relatively favourably compared to other factors.

Communication received a mean rank of 47.17, suggesting that employees viewed it slightly less positively than the overall layoff process. Support: Support garnered a mean rank of 48.13, indicating that employees perceived it slightly less favourably than communication. Overall Approach: The overall approach to layoffs received a mean rank of 47.6, aligning closely with the mean rank of communication and indicating a relatively consistent perception among employees. Cost-saving: Cost-saving measures were assigned a mean rank of 45.3, indicating that employees viewed them relatively favourably compared to other factors. Retain: Retention efforts received a notably higher mean rank of 62.69, suggesting that employees perceived them more positively than other aspects of the layoff process. Communicated Clearly: Clarity of communication received a mean rank of 45.23, indicating that employees perceived it relatively favourably compared to other factors. Contributions: Consideration of employee contributions received a mean rank of 45.43, indicating a relatively positive perception among employees.

The data suggest that while the overall perception of the layoff process and related factors is relatively consistent among employees, there are nuanced differences in how various aspects are viewed. Communication and support, while generally perceived positively, were rated slightly lower than the overall layoff process. Conversely, retention efforts were viewed more favourably, suggesting that employees appreciate initiatives aimed at preserving jobs and talent within the organization. Organizational leaders can use these insights to tailor their approach to layoffs, placing emphasis on clear and supportive communication while implementing measures to retain valuable employees. By prioritizing transparent communication, providing adequate support, and demonstrating appreciation for employee contributions, organizations can navigate layoffs more effectively while minimizing negative impacts on morale and organizational culture.

### **Key Findings:**

Keeping employees happy and reducing the negative effects on morale amid layoffs requires open and honest communication as well as assistance from upper management. Even though they are typically well-received, these areas may need some work to make the workplace better for employees and more resilient overall.

Employees have a more favourable impression of the layoff process as a whole when initiatives are made to keep them from leaving, including job preservation programmes. Investing in retention measures may help reduce the impact of layoffs and keep talented employees from leaving.

Despite their importance to the organization's long-term health, cost-cutting initiatives are often well-received by workers, who seem to grasp the economic realities that are forcing layoffs. In order to assist workers adjust to changes, it is important to communicate clearly the reasoning behind cost-saving initiatives.

### **Conclusion**

This research looked at how IT company layoffs affect morale and culture by examining different aspects of the process and how the company reacts to them. Data analysis and interpretation revealed several important insights that clarified the intricate dynamics involved in workforce cutbacks. The results have several real-world consequences for HR professionals and company executives: Make sure that workers are kept informed and understood by prioritising open and compassionate communication throughout the layoff process. Counselling services and career transition aid are two examples of sufficient support systems

that may help workers deal with the mental and practical effects of losing their jobs. To keep morale high and create a more favourable work environment, use retention measures to keep employees and their skillsets inside the company. Employees will be better able to comprehend the need of cost-cutting measures and adjust their expectations if you explain them honestly and explicitly.

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