

Change Management Overcoming Downsizing Resistance: Ledzworld Technology Company (Malaysia)

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ABSTRACT: *The case study here gives guidance on overcoming the resistance when dealing with the change which occurs in an organization. The main aim of this study is about downsizing which happens in a company, and the steps are taken to reduce the resistance and embrace acceptance to the reduction. The procedure applied in this case study is by conducting interview sessions with the Human Resource Manager of Ledzworld to gather primary data. The data has also been collected using research journals for secondary information. Organizational Development (OD) actuator must perform an efficient and useful communication with the employees influenced by the reduction of numbers. Moreover, negotiation with workers may also minimize the aftershock caused by this process. OD practitioner must acquire the employees' confidence by rewarding those who have contributed more to the success of the company. Furthermore, the managers' leadership is vital in giving morale to the workers to be more favourable towards the company by also reducing resistance to the proposed change. The OD techniques have been applied by Ledzworld and are valid and appropriate in overcoming resistance to change.*

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I. INTRODUCTION

Downsizing refers to the processing of removing employees from a company and business which consistently affects the organizations and society. Companies have applied the cost reduction methods such as restructuring, termination, resource alignment, layoffs, and downsizing. The main factor responsible for downsizing is the issue of cost. The cost of operation of a business is relatively high. This is exceptionally real for labour and equipment cost. Resources need to be sacrificed therefore for the sake of profit. Costs happen at the operational stage and not at the investment stage. Assets generate profit and expenses are attached to operation. Ledzworld Technology is an international company and owns various branches in different nations. The company has its headquarters in the Netherlands with several sales offices all over Europe and the United States and Malaysia being one of the operational headquarters.

The primary function of the company is Research and Development in which every engineer specializes in his or her job. Each staff and engineer has functional job analysis and perform specific duties in the team especially engineers who major in electronics, electrical, optics, and many other courses. Ledzworld is a leading designer, developer, and manufacturer of high quality LED lighting. They focus on providing improved and innovative LED lighting that will fulfil and exceed the expectations in the market. In recent years, the unpredictable and rapidly changing world causes Ledzworld to face micro and macro pressures, and they have to alter their way of operation which is accepted and resisted at the same time. In the end, the company adopted the Voluntary Separation Scheme (VSS) a package opened to confirmed employees for a given period. This was the solution to forces of change.

Change of Communication Strategies

The idea of change in organization and leadership skills needed to the effect that change has been a significant issue of researchers and organizational leaders in the field of management (Gilley, McMillan & Gilley, 2009). The change initiatives are classified into types namely; further developing, organizational learning, transforming and radical new positioning. Ledzworld Technology embraced the downsizing by employing the Organizational Development (OD) techniques.

The Resource manager planned several internal OD techniques and strategies to enhance change, reduction to resistance and pressure of employees. The possibility of OD programs to succeed depends on how much the resistance to change is minimized. However, the leadership in creating a positive environment, effectiveness in communication, interpersonal skills, and appropriate reward are linked to successful change. Several techniques were applied by Ledzworld company to enhance employee motivation to change namely;

negotiation, effective communication, managers' leadership, and reward system. The first two strategies were used on targeted employees in VSS program while the latter techniques were used on survivors. Firstly, workers require extensive information on the process, nature, and outcomes of change in an organization (Bateh, et al., 2013). The Ledzworld adopted open-book management in the workplace. Thus all personnel recognized their own company's financial record, expenses and sources of profit. This allows employees to analyze and understand the problem themselves. In this strategy, employees are informed about the rationale and reasons for the change. For example, through an open door policy, employees can understand why he or she was chosen for the VSS program and therefore established a sense of legitimacy and urgency for downsizing.

Secondly, management and employees negotiate to reach a consensus when employees hesitate or unwilling to accept the offer. Generally, VSS is a non-negotiable matter (Hendrickson & Gray, 2012). Note that however, VSS compensation package depends on the type of organization. Some affected employees are reluctant to resign demanding higher compensation. To achieve a win-win situation and promote goodwill relations, Ledzworld managers used this technique to reduce their resistance.

Thirdly, management arranges an appropriate monetary reward system to the survivor. Noted that the economy recovered after CEO resigned and Ledzworld had chosen two of the performance-based pay systems, which are profit-sharing and skill-based pay, reducing the survivors' interest and security ambiguity such as promotional potential, wages, and benefits. The incentive plan also provides essential recognition to enhance their commitment, productivity, motivation, and loyalty.

However, the leadership of the new CEO and human resource manager plays an important role to reduce the fear and uncertainty of employees. Leadership efficiency has direct effects on the capabilities of organizations' change (Gilley et al., 2009). Not only new CEO communicated the vision and target they wished to achieve to the employees, but the top management also consistently engaged in performance review and company planning every month. The objective is to involve members' participation as well as provide constructive feedback to every remaining employee.

Model of Change Management

Kurt Lewin emphasizes that an issue balances when two opposing forces interact. The two opposite forces are those trying to resist change and those pushing for change. The case study applies the three-phase model for change developed by Lewin in 1947. The model portrays the sequence of steps involved in the change initiative. The three steps are unfreezing, changing or moving and refreezing. The model can be applied in developing an effective transformation process which includes planning, implementation and finally stabilization of the company.

A change is considered successful by either weakening the restraining momentum or strengthening the driving forces. In Ledzworld Technology, reducing the restraining forces is vital. The three steps of this model include unfreezing, movement and refreezing. One of the potent conventional approaches to the behaviour of freezing applied is by involving the concerned themselves in collecting data on analyzing the data, the situation and most significantly deciding on what must be done. An unfreezing step involves the process of finding out the need for change, diagnosing the forces and issues (both driving and restraining), planning the change strategy, and eventually, creating commitment necessary for the change. The next step is the change or movement where implements the action of downsizing. This entailed using the OD techniques used above. The refreezing zone refers to the overall process of change. This is the difference in knowing what to be done and doing it as an implementation. Change for posterity does not only depend on a freezing but also on. Structural alterations can also refreeze behaviour.

Change Management Competencies

Change Management refers to keeping informed on the present situation of competence; identifying future skill requires relations to goals, scenarios, visions and continuous work on bridging the competence gap. Besides, CM encourages consistent development of expertise. The aim of the organizational standard for change is to enhance the employees' competencies and so elevate the success rate for the task done. The Competence Management process in Ledzworld Technology is has been put in place as part of the process strategy for change in the organization.

The excellent company must be able to alter the way they function and be aware of the resistance of change. However, not everyone accepts change, and not everyone resists change, the resistance of change varies across the size and type of the organization. Remus & Wiener (2009) suggested that the values, skills, demographics of employees and external situational factors influence the degree of organizational readiness for change. The success of reforms dramatically depends on the understanding of the organization to its current situation. By knowing which factors hinder or impede the initiatives of development for change management, companies will have more chances to eliminate the main pitfalls coming with the change (Bateh et al., 2013).

Furthermore, managing upwards is about developing and sustaining a good relationship with upper-level employees who support to maintain OD practices and Organizational Commitment. While, managing downwards is about teamwork that is supervised and guided by organizational leadership (Bourne, 2011). It is noted that Organizations must first determine the number of options available for change, analyze the feasibility of each option, anticipate the possible consequences and choose the most suitable choice for adjustment. It requires a massive amount of energy and time in the decision-making process. There is no one best way for the resolution. Management recognized that decision making is always a complicated process and every single option carries some advantages and disadvantages, enablers as well as hindrances. The Ledzworld internal composition and external situation is highly differentiated from other firms. For instance, the undersized number of human resources, high pay for specialized and knowledgeable employees, intensive competitive and economic downturn have limited the options of the management team to choose better organization development practices. Going through the tough management discussion and analysis, the management team considered several alternatives: reengineering, reduce the salary payment to cut off high operating cost and retrenchment or downsizing.

II. CONCLUSION

In today's competitive market, especially in this LED industry, the company has to be well-equipped themselves to adapt to this ever-changing market conditions. In this case study, the authors put on the focus on how Ledzworld managed the changes they encountered, which was downsizing their employees. As of the current market condition, the elimination of employees has been a common practice in that, when the organization is in pressure, then downsizing is done to the workforce. However, the consequences and aftermath of downsizing can cause a huge impact on the company's reputation. Therefore, it is incredibly crucial for OD practitioner to have a strategic downsizing plan, to escape mistakes which may take years to return to normality. Also, downsizing can be useful when it is implemented effectively. Upon researching for this case study, it is clear that Ledzworld performs downsizing for the sake of cutting cost and to boost profitability.

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