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Subject: An evidence-based approach to WSU's turnaround

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To: Fac-L <fac-l@wright.edu>

1.) Where can we, as a community of scholars, have a discussion of the empirical evidence and best practices in the field of organization science pertaining to the best way forward for WSU?

2.) Will you please participate in the discussion?

I will start the conversation here by offering my perspective, but we will probably need to have our discussion in another venue.

A.) The best way forward starts with development and implementation of an organizational turnaround strategy. An article providing an extensive review of empirical research on organizational decline and turnaround reports, "While the findings show a more consistent and positive effect of strategic actions, the effect of retrenchment actions is far from settled" (Trahms, Ndofor, & Sirmon, 2013, p. 1296). "Retrenchment actions" in this context referred to a broad category of organizational reductions and not exclusively involuntary terminations. Nevertheless, the preponderance of empirical evidence on organizational turnarounds shows that organizations in decline should take strategic actions in order to achieve a turnaround.

B.) Empirical research demonstrates that involuntary terminations should not be expected to have a net positive effect on an organization's long-term financial viability. Researchers who studied 4,710 organizations state, "We found that downsizing firms were twice as likely to declare bankruptcy as firms that did not downsize. While downsizing may be capable of producing positive outcomes, such as saving money in the short term, it puts firms on a negative path that makes bankruptcy more likely" (Zorn et al., 2017a, p. 3). The relationship that the researchers found between downsizing and future bankruptcy was observed despite controlling for each organization's financial health prior to downsizing. In the study, "downsizing" was defined as an involuntary termination of at least 3% of an organization's workforce. The full study has been peer reviewed and can be replicated (see Zorn et al., 2017b).

C.) Empirical research has documented the harm done to an organization's remaining employees following involuntary terminations in the form of layoffs. A comprehensive review of the research on "survivors" of downsizing in their organizations finds negative effects on the creativity, quality, and productivity of their work (Datta et al., 2010). There are also negative effects on survivors' job satisfaction and self-esteem. Finally, research

shows that some of the people most needed during a turnaround quit to take jobs elsewhere following layoffs of their coworkers.

D.) Involuntary terminations negatively affect an organization's reputation. A study of organizational character finds "downsizing exerted a strong, negative effect on reputation" (Love & Kraatz, 2009, p. 314). The finding supported the hypothesis that organizations that downsize are perceived as opportunistic and less trustworthy. In this study, "downsizing" refers to an involuntary termination of at least 1% of an organization's workforce.

E.) You might have noticed that the points I have made above are heavily based on the experiences of for-profit organizations and their employees. Large-scale terminations of university faculty are rare. Consequently, there is not much research available on what happens to the universities if they terminate faculty. Perhaps the best we can do to produce an evidence-based approach is make inferences from organizations where such terminations are more common.

F.) Anecdotally--but importantly--we can learn from the involuntary terminations of staff at WSU that have already been implemented. As could be expected, the terminations have coincided with further organizational declines rather than a turnaround.

G.) Regarding best practices for strategic management of organizational turnaround, some of the essential elements of the strategic planning process include the following:

- an evaluation of all the causes of declining performance
- benchmarking against rival organizations that have performed better
- a detailed examination of demand patterns
- a strategic plan that repositions the organization to make it viable

H.) An organization's strategic plan is the description of how the organization's resources will be deployed to accomplish its mission in its environment, with special attention given to market demand and competition (Ohmae, 1982; Watkins, 2007). The strategic planning that gives a declining organization its best chance at a turnaround involves far more than a forecast, and it also should not be confused with organizational restructuring.

I.) With regard to forecasting, the proper way to determine the number and type of employees that an organization will need is to develop a staffing plan that implements the organization's strategic plan (Bechet, 2000). Unless an improved and viable organizational strategic plan has been developed, a viable staffing plan cannot be developed. Unless a staffing plan based on a viable turnaround plan can be reviewed, it is not possible to determine the number and type of employees WSU will need in the coming years.

J.) Good forecasting is useful, but it is not a substitute for strategic planning. Some forecasts simply use historical patterns to predict the future. It must be noted that an organization pursuing a turnaround will create new patterns in its market. For instance, a recent study showed a university exceeded its demand forecast by 12.9% through an initiative to increase new freshmen enrollment (Gandy et al., 2019).

K.) With regard to restructuring, a turnaround strategy for an organization must not be confused with an organizational structure. An organizational structure is a system task and authority relationships that needs to be compatible with the organization's strategic plan (Miles et al., 1978). Thus, a turnaround strategy should be formulated first, then the appropriate structure for implementing the strategy should be determined.

Summary:

- Involuntary terminations should not be expected to have net positive effects on an organization's long-term financial viability.
- Involuntary terminations harm an organization's remaining employees.
- Involuntary terminations negatively affect an organization's reputation.
- A new and viable strategic plan is needed in order to turnaround an organization in decline.
- Unless a staffing plan based on a viable turnaround plan can be reviewed, it is not possible to determine the number and type of employees that will be needed.

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Again, will you please join in the discussion of an evidence-based approach to WSU's turnaround?

Thanks,
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