

Employee Morale During Times of Economic Downturn

By Jonathan Yumol, April 2016

The current economic downturn brings with it much uncertainty and instability and yet it is not the first time we have experienced such 'bust' in the economy, especially after a significant 'boom'. As entire industries fall to the economic recession there appears to be significant emphasis placed on ensuring that organizations make good choices to not only manage the current condition but to look forward to what will be needed when the predicted 'bounce' in the economy occurs. This is where people management becomes critical as organizations make the difficult choice of downsizing or making other cuts to fit the current demands and to stay profitable. They must ensure, however, that they retain the talent they require to not only sustain the business but also to be able to rebuild when the time comes.

By understanding how employees perceive morale, organizations may be able to assess the return on investment of the different tools and techniques that are implemented to improve morale within the organization. Subsequently, organizations can also assess whether or not morale is a factor that they must attend to as a way to ensure other benefits such as loyalty, retention and productivity. Thus, by gaining understanding into morale, organizations can not only ascertain their current employee level of morale but also determine its relationship to other potentially beneficial organizational concepts.

Today, morale is defined in Webster's online dictionary as:

1. A state of individual psychological well-being based upon a sense of confidence and usefulness and purpose.
2. The spirit of a group that makes the members want the group to succeed.

Further, organizations must understand employee morale as it is intricately linked to their employees' individual needs and that there cannot be a simple n-step program that can be implemented that will comprehensively capture all of these needs. Since the concept of morale and its understanding is tied so strongly to an individual's capacity to articulate their perception of morale, it is important to know whether employees can authentically articulate the current level of morale and if a common understanding of morale exists within the organization.

Morale is often linked to issues such as motivation, trust, leadership, fairness, commitment, empowerment and more often than not it is implied that morale is something that organizations must pay significant attention to. Morale happens when you create a trusting environment where supervisors communicate with agents in an honest, direct and inspiring way. By assuming that there is a common, taken for granted understanding of morale, organizations are taking steps to improve and maintain something which is at best ambiguous. Although there is not a consistent definition of the concept of morale, people make grand claims that they can measure, affect and change it.

The desire to measure, maintain, and affect morale is attributed to an increase in profits, commitment, productivity, performance, and individual and group happiness suggested to accompany a higher level of morale within an organization. Recent studies have shown that the stock price of organizations with high morale may increase faster than organizations where morale is less positive. It has been suggested that employee ownership leads to higher levels of morale and employee commitment, while other studies suggest that there is a link between productivity and morale.

Organizations can maintain and improve employee morale through:

1. Open and direct communication
2. Perception of success
3. Compensations and benefits
4. Perception of fairness
5. Recognition
6. Career development and opportunity for promotion
7. Importance of the relationship to the leaders and leadership style

Organizations can prevent negative morale through:

1. Avoiding stifling bureaucracy
2. Excessive monitoring and surveillance
3. Unethical behavior and practices

Organizations and leaders within those organizations must actively begin to understand how their employees conceptualize and perceive the concept of morale, how they understand the collective purpose or goal of the organization and how this all translates into their day-to-day behavior. Further, leaders must themselves be aware of how their actions, relationships and communications directly influence and impact employees. Subsequently, managers must develop social competence to be able to create relationships that are built on trust and honesty as well as be able to pick up on the non-verbal nuances that are ever present in any type of human interaction.

In addition to the necessity of social competence, managers must also be able to determine the links morale has to productivity, efficiency and profitability. Research has shown that employees believe morale could be associated with increased efficiency, creativity and meeting deadlines which supports link between morale and productivity. We do not suggest that there is an absolute relationship between morale and profitability however, how employees perceive the success of their organization and how they have contributed to that success is important. Fundamentally, if an organization's goal is to increase its market share and maintain its competitive advantage, it must harness the talent it currently possesses and also attract new individuals who can fulfill the necessary roles. Thus, organizations and leaders must acknowledge the critical role that morale has in influencing the business potential of an organization and as such, must not lose sight of how morale can be a tool they can utilize to secure the future of the organization.