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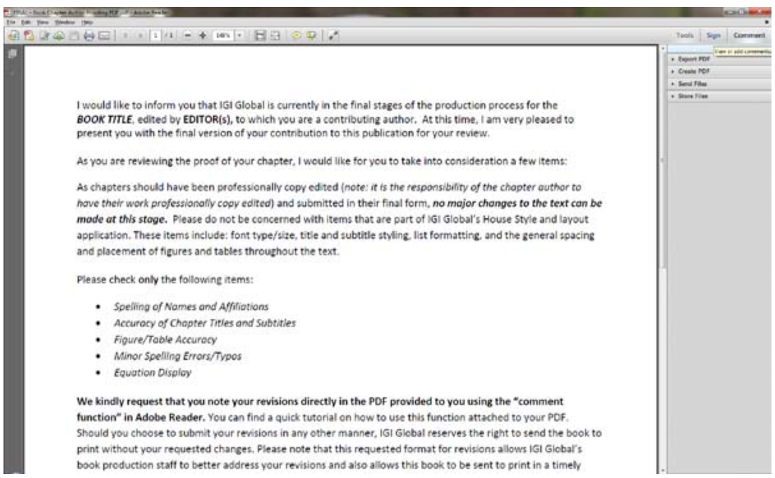

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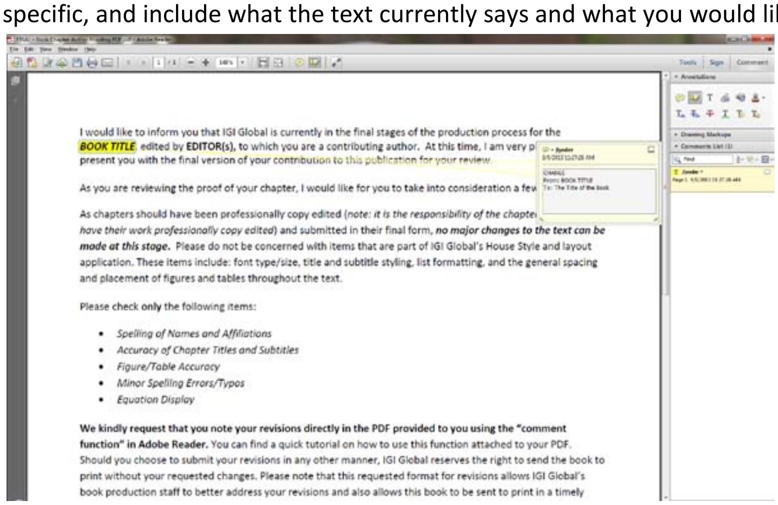

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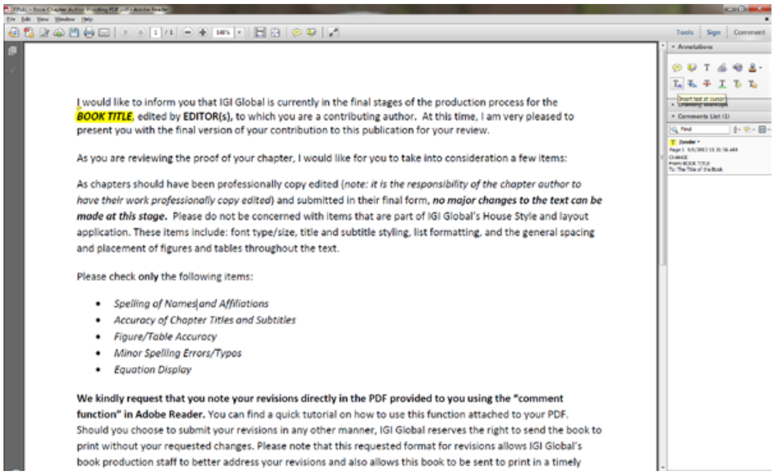

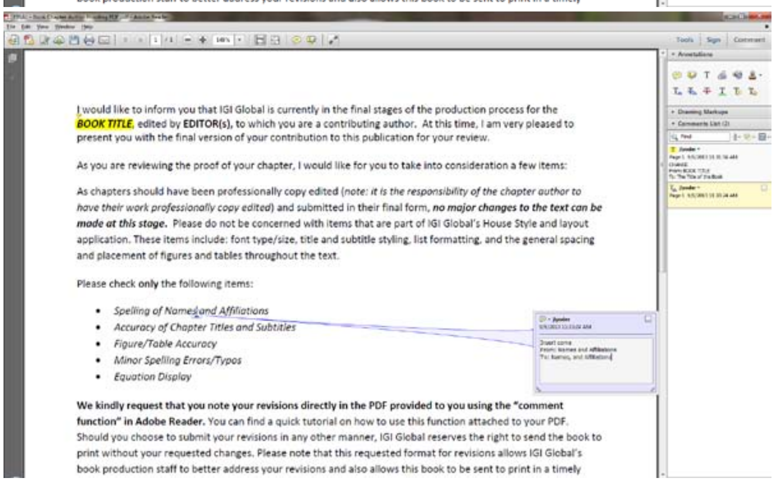

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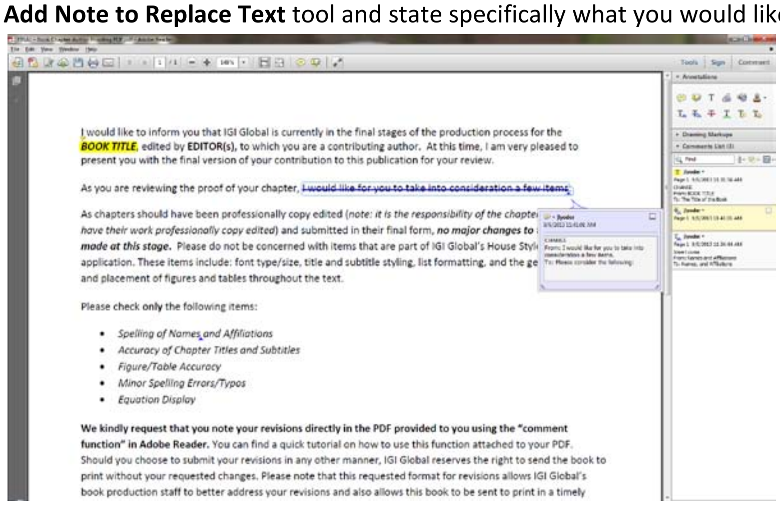

Cases on Management and Organizational Behavior in an Arab Context

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A volume in the Advances in Logistics, Operations, and Management Science (ALOMS) Book Series

BUSINESS SCIENCE Reference
An Imprint of IGI Global

Detailed Table of Contents

This case examines the need for effective talent management systems. The issues surrounding employees' voluntary turnover at a leading Palestinian ICT company are explored. In general, the firm's culture, leadership, and HR practices were appreciated by the majority of the staff. However, the structure of the organization, talent development, and succession management that are relevant to all employees should be firmly embedded within the company's talent management system.

This case study examines strategic management issues related to corporate governance and CEO-Chair duality, which have led to family control of a very profitable public holding company that dominated the insurance industry in Palestine. Being unable to cope with external threats, such as the rising competition, government interventions, and the developing regulations, HIC was liquidated to meet the various stakeholders' interests.

This case demonstrates the pioneering role of the private sector in forming partnerships with universities and not-for-profit organizations to deal with the persisting and widening skill-employability gap and lack of business competitiveness. The case explores a CSR pilot program initiated by PADICO to address unemployment among Palestinian youth and the undersupply of relevant skills to the job market that is handicapping Palestinian businesses.

This case aims to discuss the leadership role in reinforcing Corporate Social Responsibility (CSR) and thus contributing to a company's competitiveness, performance, and reputation. Royal Industrial Trading Company managed to include CSR into its long-term strategy and is enjoying the rewards of improved competitive position while doing good to its shareholders and the society at large.

This case presents the managerial techniques and new programs which have been in effect to improve the quality of engineering education at the Lebanese International University (LIU). A team was put together to identify cultural factors affecting quality of education, students' achievement, assess their impact and propose a plan of action. There are already some tangible indicators that suggest successful outcomes.

Section 2
Individual and Group Dynamics in the Organization

The five cases of section two demonstrate various organizational behavior issues at individual and group levels related to sexual harassment at the workplace and its effect on employee motivation, interpersonal conflict, and workplace bullying, workplace stress, cross-cultural communication, team dynamics, and development and decision making.

This case presents a sexual harassment case at Delta Food Company. One of the female employees was forced to resign from her job after reporting complaints against her manager (the harasser). Management claimed that her performance was below average. She believed that organizational actions were a direct result of her courageous behavior and Delta had the legal responsibility to reimburse her for damages.

The case explores the role of external context on the development of human resource policies and practices, the consequence of differing leadership and management styles, and the resultant interpersonal conflict that occurs. The implementation of a cultural change program, employee support programs, alternative mediation, and dispute resolution processes are recommended.

The case highlights issues of conflict management, cross-cultural communication, and organizational leadership in a Non-Governmental Organization (NGO) that has been staffed by European and Palestinian employees. It illustrates how avoidable conflict can arise in international NGOs; however, timely and effective leadership interventions might prevent conflict from becoming worse and jeopardizing the achievement of the organizational mission.

Chapter 15
Downsizing at Paltel:
Take It and Leave It

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EXECUTIVE SUMMARY

This case demonstrates not only the technical but also the human aspect of the downsizing process. Paltel was faced with a situation where downsizing was its only option. This case explores the planning and implementation of the downsizing process at Paltel. The degree to which Paltel considered the impact of this decision on employees exemplifies how employee-oriented the company was. This consideration played a central role in how the downsizing process was executed. Also demonstrated in this case are the manner in which the circumstances were communicated to Paltel's stakeholders, namely employees and the labor union and how this impacted their reaction to the situation. Paltel showed how managing stakeholder relationships and bringing key stakeholders on board with management contributed to the success of this process.

ORGANIZATION BACKGROUND

The year 1995 marked the founding of Paltel; Palestine's sole provider of telecommunication services at the time. Presently, Paltel Group is home to six subsidiaries, all operating in the same realm: Paltel (landline);Jawwal (mobile communication);Hadara (internet services provider);Palmedia (media services);Reach (information / contact center) and Hulul (IT support).

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Paltel played a major role in the self reliance of Palestine; at least in the communication services arena. In 1995, the Palestinian National Authority (PNA) assumed control over the telecommunications infrastructure from Bezeq (the Israeli owned-company which was Palestine's only source of landline service at the time) under several conditions, one of which was to keep the 550 employees working with Bezeq at the time. So with the outdated switchboard machinery came 550 employees accustomed to working with it. This measure eliminated the Israeli middleman, at least for the Palestinian consumer. Soon after, Paltel bought the service from the PNA, making it the first privately owned Palestinian telecommunication service provider.

How would this transition of ownership impact the Palestinian consumer? A study by Auriol (2005) focusing on strategies used in the communication industry, particularly in developing countries, indicated that competition, rather than privatization, is what benefited consumers. However, the Palestinian consumer saw major changes in the quality of their communication based services as a result of privatization, initially when Paltel bought the technology from the Palestinian Authority. For years after, Paltel had been the sole telecommunication service provider in Palestine at the time. Not until 2009 did Wataniya Mobile, a direct rival to Jawwal, (Paltel's mobile service branch) enter the Palestinian market, which lead to even more value delivered to the Palestinian consumer, naturally as a result of the presence of competition.

Soon after its establishment, Paltel began its plans for expansion on various levels; to update the obsolete technology it inherited from Bezeq, to serve more areas of Palestine, and to provide communication services other than that of the landline. The company invested millions of dollars to facilitate this initiative. Figuring it would probably be more convenient to recruit people with the right skills rather than training the switchboard technology - familiar employees, the expansion scheme entailed hiring as well. By 1998, Paltel successfully managed to update its technology, and to hire employees technically capable of working with it, as well as managers with the expertise to supervise their progress.

Not only did Paltel update its landline technology in 1998, but it also explored new territory in communication; GSM (Global System for Mobile) technology, to provide mobile communication services to its customers. Paltel also began introducing payphone services in the same year. This was accompanied by investment in more equipment and recruitment of even more employees. The success of mobile telecommunication service was so great in Palestine, that by 2001, a whole new division was established to manage the operation of this service, Jawwal.

SETTING THE STAGE

Once Jawwal was established as a new division, Paltel had reached the height of its success thus far. Sure enough, with expansion and success, came growing pains. Paltel's structure was composed of a large hierarchy, complete with bureaucracy, and plenty of red tape to cut through to make even minor, routine decisions.

In addition to this, soaring demand for Jawwal's service was accompanied by dwindling popularity of Paltel's landline. It reached a point where registrations for installations of new landlines were equivalent to registration for terminations. It seemed that getting the landline division to break even was far-fetched at that stage. Jawwal put Paltel's payphones out of business completely. The company found itself spiraling out of control; overstaffed and greatly underutilized. This circumstance, paired with a substantial reduction in earnings (per their annual reports) in 2008-2009, managers found themselves in a predicament that needed to be addressed immediately. How could they proceed? Realizing that the payphones were no longer viable, Paltel divested that aspect of their business. But how were they to deal with the employees? There were also the employees that worked in the demand-challenged landline division. It was no longer feasible to keep employees who now posed a great financial burden on the company. Getting rid of payphones was one thing, but handling termination of employees would not be that simple. Little did Paltel know that, what could be described as a short sighted-hiring frenzy, would be a major source of their financial and managerial woes in the coming years. To make things even more complicated, firing was not an option for the 550 employees inherited from the days of the switchboard.

How would Paltel proceed? What were its options? Who would be affected?

CASE DESCRIPTION

While technology was advancing, Paltel was overstaffed with an underskilled workforce. A technology based communication business would need a flatter, more flexible structure in order to respond to changes in technology, let alone changes in the environment, and Palestine is definitely a country where environmental change occurs frequently. This inference is supported by the work of Pepenel and Voicu (2010). According to their study, it is important that companies operating in the telecommunications sector have a flexible structure. Those employed at the time were not skilled to handle the new technologies, nor were they prepared to really learn anything new. Obsolescence of their competency was not only technical, but they also lacked interpersonal skills. For instance, they did not understand or appreciate the importance of concepts such as 'customer care.' This would be a problem for

Paltel, as its business is communication. In fact, according to Berry and Parasuraman (1997) simply listening to a customer constitutes superior service. Therefore, it would be absurd to have employees that misunderstand or fail to appreciate the importance of managing customer relations.

What was Paltel to do? How would Paltel face this situation? What are the alternatives? What options would do the most good while at the same time, bring forth, relatively speaking, minimal damage for Paltel and its stakeholders?

Paltel worked tremendously hard to find just the right solution. Paltel wanted to find a solution that was culturally acceptable. It had to find a smart way out that would do the least damage to the employees involved and ultimately, to Paltel's image. This meant that Paltel couldn't just tell employees that they had to leave the company and move on with their lives. That would make Paltel look like a monster to society. Paltel was concerned with their image; they cared how their employees, and how all Palestinians viewed the company.

That is where the 'attractive' way out came into consideration. A solution that would make top managers look good in the eyes of the board of directors, Paltel's employees, the labor union, and ultimately, society. The solution reached was that of cost cutting, via downsizing, particularly through layoffs. Yet the terminology and methods used, paired with management's handling of the situation turned a would-be catastrophe (that could very well have lead to the demise of the company) to a relatively well-contained situation. Paltel thought of a way to make their layoff scheme look like an 'investment' in the company to the board; and an 'investment' in the well being of their people to the employees, the labor union, and of course, Palestinians at large. They believed that they had the smart, attractive solution that would please all concerned parties, as well as create goodwill for Paltel. The solution: Early Retirement Program (ERP).

Although Paltel prepared and planned meticulously for the ERP, getting through the process was by no means easy. The tense relationship Paltel had with the labor union, who was always more than ready to point out any move Paltel made regarding the downsizing process in a less than positive light, weighed heavily on the company. The labor union was quite the influential stakeholder, who greatly impacted the reactions of Paltel's stakeholders, namely its employees, and the public. Tensions ran quite high during the process. Eventually, some of Paltel's employees began disrupting the normal work routine, a product of the turmoil going on between the union and Paltel. Yet, while some employees were totally on board, others had no intent to do so. This lack of consensus among employees strengthened Paltel's case. Paltel reached a conclusion that this counterproductive behavior was a strategy used by the labor union to achieve their own personal agenda; that they were using Paltel's employees to accomplish their own goals.

Eventually, both parties, Patel and the union, cleared the air and opened the lines of communication. Not until then did the relationship produce fruitful results. No longer were they taking shots at each other. In fact, they worked together in conveying the need for the implementation of the downsizing process to employees and the public.

Reaching an agreement with the labor union didn't happen overnight, though. For instance, the labor union claimed that Paltel's management had a hidden agenda to fire the employees and destroy the company. Paltel was convinced that the labor union had their own agenda. Dueling claims, made predominantly through companywide emails, were exchanged between the labor union and Paltel's administration. Clearly, the intentions of both the labor union, as well as Paltel's management, were not clear to each other. This raised many questions to several stakeholders. Was Paltel's management trying to look heroic in pursuit of its own hidden agendas or was that the case with the labor union? Was the labor union just looking to get reelected for another term? This resulted in both parties wanting to show their strength. The labor union continued with their claims against Paltel's management, so in return, Paltel's management began issuing warnings to employees who rebelliously worked intermittently in protest of the downsizing process. Paltel's managers found it increasingly difficult to convince various stakeholders that they were looking out for the well being of both the company and its employees. Differences between the parties reached a point where it became an issue of 'an eye for an eye.'

Where was the government in all this? The security situation in general throughout Palestine wasn't doing much for Paltel. Law enforcement was not in full effect at the time; had Paltel decided to take the union to court on claims of libel and defamation of character, their efforts would have gone in vain. The situation actually gave the union and employees at odds with management greater strength and more room to 'push the envelope' with Paltel's management further. The government, particularly the Ministry of Communication could not take sides. Had they done so, the situation would have become a personal one, which would have made things that much worse, and brought forth even more resentment among the parties involved. Their neutral stance had a somewhat indirect impact, which was actually in Paltel's favor.

Deliberations carried on between Paltel and the labor union to reach what was termed as, "fair" and even "more than fair" by many of the employees that left Paltel as a result of the 2010 Early Retirement Program. Employees and managers who qualified for the package would receive up to forty-two months pay, pension, and any form of compensation they are owed from Paltel. Many of the recipients of the Early Retirement Plan actually did quite well after leaving Paltel. Their compensation package was enough to allow them to invest and/or start new businesses, while some even found jobs elsewhere. Some claimed to even be happier than they were at Paltel. However, not all had a happy ending, of course. Some spent the money they received and have nothing to show for it. As one former Palter employee (who left as a result of the 2010 ERP) put it, "The Early Retirement Program can be viewed from two perspectives. You have the good employee and the bad employee. The good employee that was laid off would not face much difficulty finding a job. If that didn't work, the amount of money they were given would allow them to make some form of investment(s). As for the bad employees, the 2010 ERP did nothing more than materialize the inevitable."

Cascio (2010) argued that downsizing, while potentially successful, should be used as a last resort, in the case where alternatives were not applicable. Such alternatives include reducing hours to cut payroll costs, pay cuts and pay cuts with incentives, work sharing, and the use of smaller office space, allowing for telework. Redeployment was reported as a popular alternative, where employers shift underused staff to customer-related positions such as sales in hopes of increasing revenues. Another interesting option mentioned is using 'rings of defense', meaning the company freeze hiring and then shifting certain employees to four day workweeks. Afterwards, temporary and contract workers would be eliminated. Then, if needed, jobs would be cut.

However, downsizing alone without complementary action rarely leads to success. In order for downsizing to produce fruitful results, business processes must be reassessed, workers should be involved (management by objectives), impact of downsizing on other stakeholders should be considered and monitored, impact on culture should be considered and results must be evaluated objectively so lessons are learned.

Paltel chose the downsizing option because, as technology advanced, especially in an ever-evolving industry as that of telecommunication, under-skilled employees presented excess baggage. Paltel was spending more on them than they were getting from them; resources were not being efficiently used towards progression and expansion. Yet downsizing alone, without improving work processes presents a recipe for failure. Paltel restructured, considering critical functions and positions. It also invested in a better, more cost friendly work environment.

Paltel had what they called a "full solution." complete with succession planning, which involved internal promotions and transfers. Internal promotions would play a crucial role in an especially sensitive situation. Had Paltel used a strategy of external hiring, particularly during a time where downsizing was taking place, it is highly likely that employees would have reacted in a hostile manner. Yet, promoting from within may have somewhat neutralized, if not facilitated, this otherwise awkward and difficult process. This rationale is in agreement with Grobler and Warnich (2010) who claim that one of the most important advantages of internal recruitment is the positive impact on employee morale. They also suggest that lack of internal recruitment could actually lead to employee dissatisfaction and turnover.

In regard to downsizing strategies, Cascio (2009) discussed four: Attrition, voluntary termination, early retirement incentives, and compulsory termination. What took place at Paltel can be described as attrition, mixed with voluntary termination and early retirement incentives, all applied to avoid compulsory termination. Attrition, in the sense that the employees who were targeted for termination, voluntary of course, were not all to be replaced; much of the downsizing was a sort of streamlining to cut costs, redundancies, and most importantly, obsolescence.

Based on the different approaches to downsizing identified by Cascio (2009) it seems that the process at Paltel could be best described as the funnel approach, where employees were chosen in stages. First, critical functions were identified, and then critical employees were identified to assure that they are retained.

The manner in which the downsizing was implemented turned an involuntary process to one that was actually voluntary. Paltel found itself in a situation where things needed to change, people needed to go, but not by force; or at least that's what it seemed like.

The downsizing process consisted of two phases. There was Phase I, which targeted employees, and Phase II in which managers were to bear the brunt of downsizing. The process brought forth tremendous results. After Phase I of the layoff process, 90% of employees who were targeted actually 'applied for' and were 'granted early retirement.' As for Phase II, nearly half of Paltel's targeted directors 'opted' to leave. In addition to that, the company had 34% less managers post-downsizing, which is approximately what Paltel wanted.

According to Cascio (2009) it is important that managers have an open line of communication with their employees about the situation. Consideration of the impact of the downsizing process on their employees and treating them with respect and sensitivity are also important. Paltel was aware of such guidelines and handled the situation accordingly. It strived to make sure that the process was seen as fair by employees, hence the transparency about the situation with employees. Paltel also gave hope to survivors in terms of the sustainability of the company and encouraged new skilled candidates to work at the company by improving the work environment.

Besides promotion from within, how else would Paltel salvage the loyalty and trust of the survivors of the downsizing process? Paltel decided that a reward, such as profit sharing would give these employees a sense of entitlement, which would increase loyalty, and would also serve as a motivator for better performance. A study by Blasi, Freeman, Mackin, and Kruse (2008) concludes that monetary incentives, such as profit sharing, can have a strong beneficial impact on employee loyalty. The question here is, how would Paltel, which was already having financial trouble, follow through with this pledge? One tactic that Paltel considered would help them in keeping their word would be through cost efficiency. But, how is cost efficiency a tactic for increasing employee loyalty, while many companies feel that they have to spend money in order to please their employees? As you shall see, it's all about how you look at things.

Cost efficiency started with slashing unnecessary perquisites. For example, they cut back on who had company cars and the purpose of their use; monitoring devices were installed on company cars to assure that they were not used for lavish purposes. They no longer had 'chauffeurs' (drivers) for the cars; if you had a company car, you drove yourself around on company business. Another issue was that Paltel had functions for just about everything, causing costly in-house performance of activities and unnecessary duplicity. For instance, they had a Quality Assurance Department as well as a department to audit the work of the Quality Assurance Department. To resolve this issue, functions that proved to be more costly when done in-house were outsourced. This would save time and money, and would allow Paltel to focus more on the core functions of its business, making it better at what it does best. Also, rather than having routine decisions made by top managers, authority in day-to-day decision making was delegated to lower level employees, who are closer to the matter at hand and would probably know how to handle such issues better than top managers. This would give employees a sense of empowerment, which is good for employee morale, and ultimately performance. This approach is in agreement with a study by Ugboro (2006) which statistically proves that employee empowerment actually produces constructive and positive responses to restructuring and downsizing. Decisions that required top managers approval were no longer handled personally, unless required. In other words, paperwork was virtually eliminated. Emails took the place of face to face conversations and signature requirements; fast, less expensive and documented. These are some of the more obvious things you would expect in terms of cost efficiency.

To Paltel, investing in the improvement of the work environment would be instrumental to the cost efficiency process, so renovations took place. Instead of closed offices, employees worked in open spaces within cubicles that gave them just enough privacy without being cut off from everyone else. This served multiple purposes. For instance, it saved on heating and air conditioning costs; such services with an office-by-office basis would be much more expensive. Also, it gave employees a sense of belonging, encouraging open communication, creating a friendly, team-oriented atmosphere. Paltel also provided employees with better office furniture. This was all done without being requested by employees. Such an environment would be good for employee morale. "They [employers] have to create a working environment where people enjoy what they do, feel like they have a purpose, have pride in what they do and can reach their potential." (KorkorTetteh, Asiedu, AduOdei, Bright-Afful, & Akwaboah, 2012, p. 11). When employees feel comfortable in their work environment, and respected by their managers, it is likely that they would be more loyal and productive. This logic is in line with work of Chaudhary (2012), which states that when employees are motivated, they tend to do their best. Chaudhary goes on to say that respect is a motivating factor. Therefore, it would be safe to say that cost efficiency and increased productivity would make a good combination.

Unlike most other companies, which are steadfast on comparing themselves to others in the market, Paltel's benchmark was Paltel. Each of Paltel's divisions were encouraged to look at their own performance and look to improve on that basis. For example, Paltel (fixed line division) tried to improve profits based on Paltel's (fixed line) own previous profits, not compared to Jawwal (Paltel's mobile services division). Jawwal was encouraged to compete with itself, not with other mobile communication service providers in the area. As Paltel management put it, it was a policy of being aware of "who we are, where we were, and where we need to be." Divisions had KPIs, (key performance indicators) a concept, that, while considered a cornerstone in strategic management, is relatively new to Palestinian companies. This philosophy encouraged cooperation among employees, competing with their division's own past and trying to create a better future for it.

Accountability is another important issue that played a major role in the evolution of Paltel's organizational culture. Previously, employees, particularly managers, were not held accountable for their actions. It was as if managers were above the law. Such a mentality is chaotic and counterproductive to any organization's performance and image. How did top management deal with this issue? Leading by example. Rules were rules. For example, smoking was not allowed in the building; employees had to adhere to a specific dress code, etc. Employees were held accountable for claims made against other employees. No more management support for under-the-table coalitions. If you were caught smoking in the building, you would face consequences. If you made a claim about another employee, that employee would be confronted and both sides would be heard. No more blind trust just because you had a good relationship with management. This would definitely get employees to think twice before lighting up a cigarette indoors or making a claim against another employee. It was more about respect and honesty than it was about fear. With such accountability, the chances of corruption become much smaller. Anyone caught breaking a rule had to answer to authority. It was necessary that rules were enforced, no matter who broke them. Otherwise, not having rules would be better than having them and not enforcing. Without enforcement, management wouldn't be taken seriously and rules would not be adhered to. Without organizational rules, counterproductive employees would rule, fostering a chaotic atmosphere.

In the spirit of accountability, adherence to the fundamental managerial principle of unity of command was stressed in order to decrease the level of chaos going on at the company. Each employee was to understand that they were responsible for reporting to only one boss. Who that boss was had to be clear to the employees. When organizational members clearly understood their role in the organization, what they were responsible for, and towards who, this created accountability of the employee in terms of their work related tasks. For example, if an employee was delegated two different tasks from two different managers, the employee would be held accountable for fulfilling the task by his/her designated manager, not that of the other manager.

The first six months of the downsizing process were the most difficult. The company faced many problems, and management had to prove its strength in the face of the board of directors, the labor union and its employees. In order to initiate and successfully execute their decision, Paltel had to do their homework and calculate possible stakeholder responses to the process. Although management had the support of the board of directors, they had another stakeholder to worry about; a strong, influential labor union, which was definitely a force to be reckoned with. In addition to the labor union, Paltel's powerful opposition in this situation, Paltel also had another important stakeholder to consider; Paltel employees.

By implementing change and stressing values throughout the company, Paltel was able to streamline their structure from one that was tall and bureaucratic (definitely inappropriate for a technology based organization) to one that was more organic. Functions that needed more specialization were independently established, those that could be were merged into one department, and in house functions that proved to be more cost efficient when outsourced were outsourced. These changes would allow Paltel to be a better company. A relatively flatter structure would enable the company to respond swiftly to changes in the environment and technological advances. Less layers of management would give rise to open communication, of which the benefits are virtually endless. There is quicker decision making; employees can make routine decisions at a faster pace, giving them a sense of empowerment, which is ultimately in the best interest of the organization. This is in agreement with a study by Fulford and Enz (1995) which infers that empowered employees are essential in the delivery of quality service, and ultimately, an organization's profitability. Open communication would allow for a more proactive stance on issues that arise, stopping problems before they occur, or at least handling them at earlier stages with greater damage control.

The 2010 structure (pre-downsizing) had a separate function, "Procurements" whereas 2013 (post-downsizing) portrayed a more comprehensive vision of the task, with "Supply Chain Directorate" having "Procurement" and "Warehousing and Logistics" departments working under that function. Also in 2010 "Customer Care," "Sales" and "Marketing" were all under the same function, "CCO" or Chief Customer Officer, while in 2013, the same three departments ("Customer Care," "Sales" and "Marketing") were established as independent departments; giving each the attention and resources that they deserve. The increased specialization in these arenas indicates Paltel's increased awareness of the importance of greater focus in these fields. When more attention is given where needed, greater efficiency can be achieved.

CURRENT CHALLENGES FACING THE ORGANIZATION

There are challenges faced by Palestinian businesses which have basically the same impact on all. Some of the greatest challenges mentioned by Paltel's managers, generally speaking, were the political, social, and legal environment.

At the forefront of the challenges faced by Paltel, and virtually all of Palestine, is the political environment, complete with checkpoints, which can either make or break the business. Equipment and personnel would have to get past checkpoints to get the job done, and on time. In many cases, either they are late or are not able to get past the checkpoints at all. There is also added danger from settlers potentially attacking employees. These are just some political issues that factor into Paltel's selection and execution strategies. For instance, foreign policy has a great impact on Paltel's revenues. If a certain policy clashes the least bit with the interest of a donor country, any foreign funded projects in Palestine could be stopped in an instant. So when a project goes, the customers (and the revenues they would provide) go with it.

In terms of Palestine's social environment, there are several issues of interest. First of all, there is the topic of women in business, particularly in managerial positions. The pattern observed over the years is that women tend to limit themselves to middle management positions, subconsciously fearing to bear the demands of higher positions due to the increased responsibilities that come with work, marriage and motherhood. In addition to this, there are also social obligations, mainly visits to family and friends for various occasions. The company realized this critical cultural element, although considered a diversion from work, had to be accommodated in order to remain employee-friendly.

The legal environment is another prominent challenge facing Paltel. Both employees and employers alike feel that Palestinian law doesn't really protect them. Paltel's managers felt that Palestinian legislation was not particularly helping their case, as laws were perceived to sometimes marginalize companies, making things increasingly difficult for Paltel. During the ERP in particular, managers felt that employees had an upper hand in the equation, to the extent that they were under the impression that their superiors didn't have any legal right to hold them accountable for their actions. For that reason, employers urge policymakers to work harder at establishing a balance in the laws protecting employees, businesses, and other organizations. The bottom line here, employers see Palestinian laws as relatively weak regarding businesses and are in need of amendment.

However, despite management's insecurities regarding the extent to which the law protected them, Paltel's main concern was not whether or not it was legal to lay these employees off. Paltel's downsizing strategy was no means illegal. In fact, the law says that an organization could lay off an employee as it sees fit, under the condition that the employee gets an additional month's pay (or a month's pay for each year they worked at the organization.) Paltel went above and beyond that law, giving early retirees up to forty-two months pay, pension, vacation benefits, and all other forms of compensation the employee was eligible to have.

Their concern was aftermath. Paltel was well aware that there was a lot at stake by making such a decision. How would their employees react? What would those who are laid off do after leaving Paltel? How would those remaining view Paltel? Would they work harder out of fear? Would they be more loyal as survivors of a layoff process? Would they lose their trust in Paltel and behave counterproductively? How would the labor union react to this decision? What would society think of Paltel? These questions, and many more lurked over the heads of Paltel's executives.

Aside from the general environmental factors that could impact all businesses equally, there is a strong environmental element that impacts Paltel greatly, and it proved so throughout the downsizing process. Managers identify this tenacious force as the labor union. During the ERP, managers, had to deal with preconceived notions regarding their ability to succeed in administrative positions. Many of the employees thought that managers were on a mission to change the workforce, and that they would fire whoever they felt like firing. It is a well known fact that human nature tends to resist change. The company faced a period of ongoing dispute because changes were taking place, and employees were not pleasantly surprised.

Paltel's concern with society's opinion of and response to the layoff situation was a major reason why they handled the situation as they did. Paltel had 'targets'; not only numbers of people who needed to be laid off, but also specific employees were in mind. The company studied the best practices implemented globally in handling such a situation. According to Cameron, Freeman & Mishra, (1991) downsizing involves reducing staff and functions, as well as initiating new processes and policies with the goal of controlling costs. These practices were evaluated and customized to the needs of Paltel, as well as to the culture of the society within which it operates. Although it wasn't easy, the situation was treated with the utmost sensitivity in order to preserve employee dignity. UCI (2004) stresses the importance of dealing with the employee in a dignified manner during a downsizing process. The terminology used played a central role in the success of the program. The provisos of the layoff program actually coerced the targeted employees to 'apply' for 'early retirement,' rather than be asked to leave. For instance, despite the fact that there were targeted employees, the layoff process (known to Paltel's employees as 'the program') was termed 'optional.' This rationale is supported by Cascio (2009), who said that if a downturn was viewed as temporary, as was the case at Paltel, offering voluntary retirement was a viable option. It was called an 'Early Retirement Program', making it sound like some sort of opportunity that they should take advantage of while they could. It also showed employees that it was not necessarily geared towards older employees. It made it out to be something in which 'interested employees' had to 'apply for.' In order to be 'accepted' or to 'qualify' there was certain criteria which applied. The criteria considered was respectful of employees, because of the choice of words used and how terms were presented. For example, instead of saying that employees had to be of a certain age, the focus was on years of service (essentially the same.).

SOLUTIONS AND RECOMMENDATIONS

In light of the benefits of open communication, what proved to be successful in getting through to the labor union, Paltel's arch rival throughout this process, was by communicating with them, honestly. This view is supported by UCI (2004) where open communication is viewed as essential to the success of a downsizing process. Paltel showed members of the labor union their business plan for five years into the future, indicating less demand, more expenses (given the current structure), which would inevitably lead to decline and loss. This was proof of the lose-lose situation that Paltel, its employees, and the union were all facing, had Paltel continued as it was. Paltel made it clear that they had one goal that was essential to accomplish at the time; a win-win solution for investors and employees, which would of course, ultimately benefit the company and its managers. This open communication built a sense of trust among the union with Paltel. The company was successfully able to persuade the union that they were all on the same team; that Paltel, by looking out for its own good, was in effect, looking out for the well being of employees, investors, and ultimately, society.

In addition to the perspectives of Paltel's management, former Paltel employees weighed in on the matter. It was understood that, at the period of time that led to the 2010 ERP, for that particular situation, downsizing was basically the only option, due to the overstaffing. However, they also offered astute suggestions as to alternative methods for handling similar situations in the future. Former employees proposed that Paltel could have looked for opportunities such as improvement of the services they offer and expansion of the business, where "excess" employees could have been distributed throughout and transferred to different divisions. Yet it is a well known fact that Paltel's opportunities for improvement and growth were severely marginalized by the Israeli occupation. In addition to obstacles beyond Paltel's control in obtaining the necessary resources, human and other, the technology Paltel had access to was limited, which created challenges for Paltel in delivering services.

After seeing what Paltel did in the face of financial and technological turmoil, it is time to evaluate their actions. Paltel chose to downsize in a seemingly dignified manner, which, after much chaos, proved to be successful and in the benefit of the majority of its stakeholders. We also heard what former Paltel employees who left the company as a result of the 2010 ERP thought of the situation. What other alternatives could Paltel have resorted to other than downsizing, and what impact would these alternatives have had on Paltel and its stakeholders? What factors need to be considered for these alternatives? In other words, if you were a top manager at Paltel, what would you have done differently?

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KEY TERMS AND DEFINITIONS

Attrition: A passive method of staff reduction by freezing hiring and waiting for employees to leave on their own through either retirement or resignation, in order to preserve employee morale.

Compulsory Termination: Dismissal of an employee on the employer's terms for reasons such as organizational restructuring, downsizing, poor job performance or misconduct.

Downsizing: Reduction in a company's size by terminating employees or divisions within an organization, most often with the intent of improving organizational efficiency and profitability.

Early Retirement Program: A retirement plan that gives employees the option to retire before expected (mainly the official retirement age), where beneficiaries normally would receive fewer benefits relative to official retirement.

Employee Empowerment: A form of employee motivation believed to increase competence and satisfaction, where managers share information and power with employees, allowing them to contribute to organizational performance by making decisions and solving problems.

Funnel Approach to Downsizing: An approach to downsizing where managers identify skills critical to the organization and the employees who have those skills to make sure they are retained throughout the downsizing process.

Restructuring: Modifications made to the structure and operations of an organization, usually resorted to in times of problems and/or environmental change with the intent of improving its performance.

Voluntary Termination: The decision of an employee to leave a job on their own terms, without being fired or coerced by management.