

# Forced Entrepreneurship : A Recessionary Career Call

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## ABSTRACT

*One of the most universal phenomenons that can transform the fate of an enterprise, entrepreneur and employee, is the Business or Economic Cycles. They are famous for their unpredictability in terms of their longevity as well as their levels of intensity. This is pertinent even to the most challenging economic phase, 'Recession'. Recession brings with it a lot of uncertainties and anxieties. With the manifestation of pay cuts and job losses the employees become quite ostensible. These looming large degree of job insecurities prompt the employees to opt for entrepreneurial careers. This paper, based on qualitative research, provides an insight to the reasons behind the rising preference towards what can be called as "Forced Entrepreneurship".*

*Keywords. Recession, Inflation, Layoffs, Entrepreneurship*

### Recession and Its Antecedents

Recession is generally a phase where the economic conditions are in a declining state. This phase is generally characterized by a persistent decrease in GDP, employment and trade for an extended time period. The recession flavor, for most of the economies, can be said to have started since the last quarter of 2007 and its endurance still persists. The start is signified with the recordings of negative quarterly growths for most of the companies, which affected the general public consequently. If we have to go back and analyze the origins for this recession, we can primarily bank on three major factors. The first factor is rising oil and food prices which led to Demand Pull Inflation, thus taking away a greater share of the consumers' disposable incomes. The second recessionary antecedent was the Cost Push Inflation, thus subsequently affecting the transport, courier and airline industries. The other major contributor was the Sub-Prime Crisis. Sub Prime crisis is basically a devastation caused due to giving loans to the NINJA community (No Income, No Job and No Assets) who had bad credit history. This sparked off a chain reaction and led to the collapse of major investment banks and institutions and affected the worldwide money market. On the other hand, for India, since its economy is not decoupled yet and there being a large dependency on the extensive funding from

Foreign Institutional Investors (FIIs), the triggering of recession was straightforward.

### Recessionary Repercussions

Recession is the reigning catchphrase amongst corporate circles and every company inclined towards cost-minimization measures. The first and most preferred gear towards decreasing the corporate spending is through the employee layoffs. During the boom period, Pink slips were archaic and Job Hopping was in vogue. But now things have been seemingly taken a topsy-turvy.

According to US Department of Labor, in January 2009 alone close to 524,000 jobs have vanished and this figure is projected to increase to 700,000 in the near future. In order to assess its impact, the Indian Ministry of Labor and Employment conducted a first of its kind survey across eight major sectors like textile and garment industry, metals and metal products, Information Technology and BPO, automobiles, gems & jewellery, transportation, construction and mining industries. The survey indicated that five lakh jobs were lost during October to December 2008 alone. The layoffs were forced upon by decreased capacity utilizations and decreased earnings across all sectors.

The layoffs are not the only hallmarks of the

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current recession. It is also featured by decreased consumer spending patterns. Consumer expenditure being one of the significant drivers of a country's economy is a direct indication of the existing levels of consumer confidence and the current & future economic situation of a country. According to a survey conducted by Boston Analytics, the Consumer Sentiment Index for India recorded a sharp fall from 100% in Jan 08 to 84% in Sept 08. The sentiments with regard to the current economic situation and the future expectations also witnessed declines. The Employment Sentiment Index also took a severe beating because of the mounting unemployment level in India coupled with the shortfall in job security endorsements from the employers.

### Research Methodology

This research paper considers a sample of 40 employees who are working in the IT & ITES Industry at various levels. The sample consisted of all graduate employees of Indian origin who were in the age groups of 22-55 years. The sample included all those employees who have either been victims of massive layoffs at their respective organizations or have experienced a cut in their salaries on account of recession. Principally, the sample respondents were those who were, by and large, filled with feelings of job insecurity. To clear any ambiguity with regard to job insecurity, this study limits the understanding of Job Insecurity to the absence of a motivating factor, a reward, or a promise which is viewed as part of the organizational strategy (Vurren et. al., 1999).

The study is based on qualitative research. Case Study is adopted as the methodology of this paper which looked at eliciting responses through telephonic interviews, emails and personalized interactions. The findings are also based on observations on the employees' behavior and their group interactions. The data collected from respondents is given at the end and the sample questionnaire is given in the Annexure.

### Results & Discussion

The study reveals that the biggest workplace indentations created by recession are with regard to the levels of employee productivity and morale. This is because of the familiar but significant and

indispensable issues like lack of "appreciation" and "reward for hard labor".

With recognition and rewards missing from the organizational front coupled with layoffs on account of recession, a make over of most of the companies from employee-engagement to employee-estrangement was noticed. This is clearly evidenced with the inflictions of cost cutting measures and tight controls by even some of the good employer brands. According to a report in Business Today (March, 2009) Tata is looking at drastically reducing their operational expenditure and is for an aggressive restructuring of its internal cost framework. Wipro talks of thrift spending and declares that both hard work and smart work are the need of the hour. TVS also talks of frugality while Future Group seeks to tackle wastages and pilferage with a pledge "Garv Se Kaho Hum Kanjoos Hai".

The respondents have also disclosed that their level of unhappiness and discontentment are directed more towards their organizations in general rather than at their own jobs. Also, the inevitability of a layoff escape is not forthcoming, employees are coming to terms with reality. They are looking for much safer job options as opposed to highly paid risky jobs. Even at the IIMs placements, the students have opted out of international job offers in favor of more secured domestic jobs on account of the probable capping on the number of H1B visas to be issued.

Personalized interactions have also divulged the realities that recession, rising job insecurity and the related maladies have heavily taxed the mental health of both the survivors as well as the layoff victims. The survivors concede that they are experiencing an increase in their workloads, responsibilities and working hours, apart from the fear that their due is yet to arrive. According to Tiong (2005) when change occurs, the related stresses can affect human resource potential. Despite surviving, the survivors experience a whole range of physiological, psychological and emotional pressures. This is popularly trademarked as "Layoff Survivor Syndrome".

With such drastic effects on both the "Victims" and the "Refugees", close to 65% (26) of the sample respondents assert their preferences for being

independent, to be guided by their own fate and to be in control of their own future rather than to be precariously placed under the aegis of conjecture. The rest 35% (14) are still undecided on their future career prospects and are more on the lookout for another job. Around 40% (16) of the sample respondents who have asserted their preference for independence, in the wake of deteriorating economic conditions, are even toying with the idea of going back to their home towns and starting their own businesses or nourishing their existing family businesses. This makeover of employees to entrepreneurs can provide them with the much needed optimism and reassurance to boost their slouching confidence levels. This trend christened as "Forced Entrepreneurship" is causing an external unleash of human potential. Entrepreneurship has become one of the seemingly ideal options because layoff victims are realizing the fact that unemployment and the associated expectations of remaining unemployed are rising high. As per the statistics released by the U.S. Department of Labor, the average time it took an unemployed person to find a job (full time, part time or otherwise) in December, 2008 was 19.7 weeks, which shot up sharply from 18.9 weeks in November, 2008. Even under an extreme optimistic scenario, where recession will see a closure within the next six months, the world economy is still expected to be unsteady and fluctuating. This would compel the companies to go slow on their investment and hiring strategies. For this reason, entrepreneurship emerges to be one of the best opportunities at hand.

**Conclusion**

Though the results need further confirmation and provide greater scope for research, we can conclude that the choice for such independence and career resolutions are fundamentally due to the lack of safeguards built into the organizations and the work arrangements so as to protect workers from hasty dismissals in times of economic recession. According to Benkhoff (1996), for beneficial social exchange to develop between the employer and the employee and to guarantee trust and a long-term relationship between the two, endowment of job security can prove to be a vital tool, under

changing business conditions and can contribute towards both individual and organizational development.

**Tabular Data**

**Table 1. Respondents and Their Company**

Company	Members
BOSCH(Coimbatore)	10
MICROSOFT(Hyderabad)	10
INFOSYS (Bangalore)	10
WIPRO (Bangalore)	10

**Table 2 . Age Wise Segregation of Respondents**

Age	Members
< 25	5
26-30	10
31-40	15
> 40	10

**Table 3 . Gender Wise Segregation of Respondents**

Gender	Members
Male	25
Female	15

**Table 4 . Education Qualification Wise Segregation of Respondents**

Educational qualifications	Members
Diploma	5
Degree	5
Post Graduation( Non- Professional)	10
Professional Education	20

**Table 5. Marital Status Wise Segregation of Respondents**

Marital status	Members
Married	20
Unmarried	20

**Table 6. Department Wise Segregation of Respondents**

Department	Members
Software development	15
Software testing	10
Short term project team	5
Long term project team	10

**Table 7. Classification of Respondents based on Salary Package**

Monthly Income (in INR)	Members
20,000	5
20,001-50,000	15
50,001-1,00,000	15
>1,00,000	5

**Table 8 . Segregation of Respondents based on Their Life And Career Decision Making Patterns**

Decision Making Patterns	Members
Independent	26
Dependent	0
Depends on the situation	14

**Table 9 . Classification of Respondents Based on Monthly Savings**

Monthly Savings	Members
10,000	25
10,000-20,000	10
>20,000	5
NO SAVINGS	0

**Table 10 . Segregation of Respondents based on the Workplace (Companies) they have Changed Till Date**

Change in Companies Till Date	Members
< 2 companies	25
2-5 companies	10
> 5 companies	0
No change in company	5

**Table 11 . Segregation of Respondents based on the Intention about Job Security**

Job Security	Members
Yes	5
No	35

**Table 12. Segregation of Respondents based on Their Plan about Future after their Layoff**

Will you take up the challenge to start a new business if lay off takes place?	Members
Definitely yes	16
No	0
Start after considering the financial & other circumstances	15
Don't know	9

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