



Workforce Strategy in a Manufacturing Company to Improve PIMS Value

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Abstract

The workforce is a critical asset for a manufacturing company to remain competitive. However, the company faces significant challenges in managing its substantial workforce efficiently, such as rising expenditures driven by inflation, minimum wage legislation, and economic growth, which affect the PIMS (Profit Impact of Market Strategy) value. PIMS, a metric used to measure competitiveness by evaluating total blending volume per total expenditure, underscores the importance of controlling annual costs. With salaries, wages, and benefits constituting over half of these costs, a focused study on workforce and labor cost trends is essential. This study evaluates strategies to enhance the PIMS value by utilizing a mixed-method approach comprising both quantitative and qualitative data. The quantitative approach involves analyzing internal reports on workforce numbers, expenditures, and potential operational efficiencies. The qualitative approach involves studying events and phenomena within the company and analyzing them using scientific logic and descriptive methods through semi-structured interviews with managerial staff. This analysis employs the Business Model Canvas and SWOT analysis to obtain comprehensive insights. Finally, the study results will provide detailed analysis of workforce composition and costs, linking them to PIMS metric and offering strategic insights for workforce optimization. It contributes to the scientific understanding of workforce management, emphasizing data-driven decision-making and economic factor impacts, serving as a model for continuous improvement in workforce strategies.

Introduction

Downsizing emerged in the 1980s as a strategy to boost the competitiveness of U.S. companies (Jones, 1998) and has since evolved into a radical global management approach. It involves a deliberate series of actions aimed at enhancing efficiency and productivity by modifying work processes, often through personnel reductions. These reductions can include eliminating positions, reducing hierarchical levels, or employing cost-containment strategies to streamline operations. Common downsizing methods include regular attrition, voluntary severance programs, early retirement, buyouts, outplacements, and layoffs (Freeman & Cameron, 1993). Conceptually, downsizing fits into a broader framework of organizational restructuring, which also encompasses strategies such as delayering, business process reengineering, and outsourcing. Restructuring includes various changes affecting the entire enterprise, such as downsizing, closures, mergers, and privatization, with downsizing often being a primary focus.

Downsizing has become a widely adopted strategy among organizations aiming to enhance performance, effectiveness, and efficiency (Cascio, 1993). While its impact on performance has been extensively studied with mixed results, one perspective is that downsizing can positively influence performance by reducing costs, increasing productivity, and improving profitability, thus helping organizations adapt to environmental changes and remain competitive globally (Wayhan, 2000). Greenhalgh (1988) developed a model to analyze downsizing strategies, identifying factors that influence decision-making and outlining

approaches such as natural attrition, induced redeployment, involuntary redeployment, and various types of layoffs. Freeman & Cameron (1993) cautioned against viewing downsizing solely as a negative response to organizational challenges, emphasizing the importance of effective downsizing processes. They proposed two strategies: convergence and reorientation, which Cameron (1994) further categorized into three types based on the extent of change: workforce reduction strategy, work redesign strategy, and systematic strategy. Firms may use a single strategy or a combination of strategies, and Tsai et al. (2005) confirmed that multiple strategies are often employed. For example, a company might first reduce its workforce and then redesign work processes, or vice versa, or implement all changes simultaneously.

Studies have also categorized downsizing strategies within the broader context of organizational change, including structural or process modifications and more narrowly focused strategies involving exclusively layoffs (Chalos & Chen, 2002). Common classification systems include various combinations of workforce reductions and adjustments in asset scale (Cascio, 2002), aligning with a comprehensive downsizing strategy that involves reductions in physical, financial, personnel, and organizational resources (Morrow, 2003). For this study, the term "workforce reductions" is used instead of "downsizing" within the context of a manufacturing company (Greenhalgh et al., 1988). Originally, workforce reductions were a reaction to financial issues or performance declines (Greenhalgh et al., 1988). However, even profitable companies now use workforce reductions proactively to prevent future downturns (de Vries & Balazs, 1997; Hitt et al., 1994). The company is currently facing challenges with rising labor costs due to economic growth and needs to sustain its competitiveness. Consequently, it must assess its workforce size and explore strategies for optimization. This study will focus on identifying workforce reduction strategies in a manufacturing company through the workforce stewardship process, incorporating management perspectives.

Downsizing

Organizational downsizing involves a series of actions taken by management to enhance the efficiency, productivity, and competitiveness of the organization (Cameron, 1994). This strategy affects the firm's workforce size, operational costs, and work processes. While downsizing may seem like just a reduction in organizational size, it encompasses four key attributes: intent, personnel, efficiency, and work processes.

Downsizing is a deliberate process, not a situation that simply occurs to an organization. It involves a purposeful series of activities and actions undertaken by the organization. Downsizing often involves reducing the number of employees, but it is not limited to personnel reductions alone. It encompasses various strategies such as transfers, outplacement, retirement incentives, buyout packages, layoffs, attrition, and more. Personnel reductions may be applied to certain parts of an organization while leaving others unaffected. However, downsizing does not always entail reducing the workforce; in some cases, it may involve adding new products, opening new revenue streams, or increasing work without proportionately increasing the number of employees. As a result, the number of workers per unit of output may decrease compared to previous levels.

Downsizing aims to enhance organizational efficiency and can be done either proactively or reactively. It is used to control costs, increase revenue, or strengthen competitiveness. Downsizing can serve as a defensive measure in response to a decline or as a proactive strategy to boost organizational performance. In both cases, it involves a series of activities designed to improve the organization. Finally, downsizing inevitably impacts work processes, either intentionally or unintentionally. When the workforce is reduced, fewer employees must handle the same workload, affecting how work is performed and managed. Downsizing activities may

involve restructuring and eliminating tasks, such as discontinuing functions, removing hierarchical levels, merging departments, or redesigning roles, which results in changes to work design. Consequently, work processes are always affected by downsizing.

Workforce Reduction and Financial Performance

Workforce reduction is commonly believed to reduce expenses and streamline processes, thereby enhancing competitiveness and profitability (Cascio et al., 1997; Rigby, 2002). This belief is based on the premise that eliminating redundant organizational layers allows a company to focus on core capabilities and boost output (Hitt et al., 1994). Researchers like Bowman et al., (1999) make a distinction between organizational performance and economic outcomes. Economic results, such as cost reduction, competitive advantage, profitability, and improved share value, are key objectives of workforce reduction. On the other hand, organizational performance improvements include reducing structural redundancies, speeding up decision-making, enhancing communication, and increasing employee initiative (Bruton et al., 1996). Streamlining processes and reducing hierarchical layers are intended to cut unnecessary costs (Fisher & White, 2000) and rejuvenate employees (Appelbaum et al., 1999). According to contingency theorists (Fremont & Rosenzweig, 1988), a leaner structure and reduced bureaucracy increase organizational flexibility and alignment with external conditions, leading to stronger economic performance.

From an economic perspective, the primary aim of workforce reduction is to lower costs as executives seek to enhance efficiency (Cascio et al., 1997). By reducing the workforce, companies can often achieve business goals more effectively. Relevant strategies include adopting a cost leadership approach, which can improve return on sales or expand market share through aggressive cost management. After downsizing, firms can use their leaner cost structure to gain a competitive edge (Mentzer, 1996) by boosting profitability or lowering prices, which can result in increased market share. Thus, workforce reduction not only aims to improve organizational performance but also to convert a more efficient cost structure into a strategic advantage in the marketplace (Ifeoma, 2021).

Share value is a crucial measure of a company's performance based on shareholder perspective (Cascio et al., 1997; Hillier et al., 2007). Companies that pursue workforce reduction have a goal of enhancing shareholder value, primarily through cost reduction or revenue growth. Executives often perceive cost savings as more predictable compared to revenue increases, given that wage expenses are considered fixed costs. As a result, reducing costs via layoffs is viewed as a dependable strategy to boost profitability and, consequently, share value (Cascio, 2005). However, while research by Capelle-Blancard & Couderc, 2006, indicates that layoffs announcements might negatively affect stock prices, workforce reduction is generally seen as an indication of streamlining and potential future profit improvements (Chalos & Chen, 2002; Rigby, 2002). Such actions are expected to elicit positive reactions from shareholders, potentially increasing returns and making the company more attractive to investors (Cascio et al., 1997; De Meuse et al., 1994).

Studies reveal a strong connection between cost-cutting measures and improved financial performance, as well as positive market responses. Burke & Nelson, (n.d.) found that 85% of firms reported cost reductions, 63% saw increased profits, and 58% experienced enhanced output. Wayhan, 2000, noted that cutbacks significantly enhance financial performance in the short term, with revenues rising compared to competitors that did not reduce the workforce. Additionally, the market value of the companies with workforce reduction showed consistent improvement over six years, with the most significant gains occurring in the initial three years. Scott & Ueng (1999) observed higher share returns in firms that performed workforce reduction

compared to those that did not. Despite the potential for negative market reactions to layoffs, workforce reduction remains an effective strategy for boosting firm and workforce efficiency (Chalos & Chen, 2002; Elayan et al., 1998) reported that workforce reduction increased return on equity and net income per employee, even amidst unfavorable market reactions. Similarly, (Bruton et al., 1996) found that workforce reduction positively impacts profitability for both growing and declining companies.

Strategies for Workforce Reduction

The workforce reduction strategy, also known as the layoff strategy (Ryan & Macky, 1998), focuses primarily on reducing headcount and the overall number of employees. This strategy includes activities such as layoffs, retrenchments, natural attrition, early retirements, recruitment discontinuation, golden parachutes, and buyout packages. This strategy is typically implemented reactively as a cost-cutting measure, and it serves as a short-term response to declining profits. Workforce reduction is considered the most common downsizing strategy. The most well-known tactics for workforce reduction are push and pull strategies (Appelbaum et al., 1987). Budros (1999) referred to these tactics with different terms: voluntary turnover for the pull strategy and involuntary turnover for the push strategy. Voluntary turnover, or pull strategy, occurs when employees voluntarily leave their jobs, often through early retirement programs and attrition opportunities, as these do not carry the negative connotations associated with involuntary layoffs. Conversely, involuntary turnover, or push strategy, involves directly laying off employees due to poor performance or economic pressures, with the aim of maintaining competitiveness or reducing costs. While workforce reduction strategies offer some benefits such as increased flexibility and open communication, these are short-term advantages related to daily operations that may result in cost savings.

Work redesign strategies involve restructuring roles, hours, and organizational structures. This approach includes eliminating functions, hierarchical levels, divisions, and products, as well as consolidating and merging units, and reducing working hours. Specific activities encompass abolishing functions, de-layering hierarchies, and reducing the number of groups, divisions, and products, redesigning tasks, consolidating units, and cutting down overall work hours. According to Cameron (1994), implementing organizational redesign can be challenging due to the necessity for extensive analysis of the relevant areas. Companies modify their processes and procedures to create flatter hierarchies by coordinating departments and eliminating unnecessary divisions, thereby enhancing operational efficiency and effectiveness. These changes aim to boost the organization's efficiency and effectiveness by improving its competitiveness and productivity.

Strategic Workforce Planning

Strategic workforce planning is the strategic alignment of an organization's human capital with its business goals. It is a continual process that identifies workforce gaps and develops a systematic plan to ensure the organization has the necessary employees, skills, and knowledge to meet current and future missions and objectives. It is based on the organization's long-term strategy and is designed to adapt to unexpected events or changes. Overall, strategic workforce planning aims to achieve the organization's transformational goals by ensuring the right number of personnel with the appropriate skills are allocated to the right tasks at the right time (Jaillet et al., 2018; Ulrich & Dulebohn, 2015; Willis et al., 2018)

The implementation of a strategic workforce planning strategy involves the following steps (Mohamed Berrada, 2020): (1) Forecast business activity for the next 3 to 5 years. (2) Develop an organizational strategy for that period. (3) Determine the Human Resources implications. (4) Identify critical roles. (5) Define functions and job positions. (6) Set skill benchmarks. (7)

Analyze skill gaps. (8) Create internal mobility networks. (9) Conduct simulations. (10) Develop plans for mobility, recruitment, and skill development. In general, the strategic workforce planning process consists of the following steps: (1) Strategic Thinking: Analyze the environment and determine organizational goals. (2) Forecasting Human Resources Needs: Determine how strategic objectives will be operationalized. This involves clearly identifying the required skills, resources, and the optimal timing for hiring staff to achieve the desired situation within the established timeline. (3) Human Resources Availability Forecast: Before hiring new resources, assess the availability of the current workforce. Evaluate the existing skills and mobility of staff to identify employees who can meet new needs or who can do so after appropriate development. (4) Gap Analysis: Analyze the gaps in quantitative and qualitative terms. (5) Planning Human Resources Actions: Address any quantitative differences in the workforce through hiring, internal recruitment, or reduction. For qualitative differences, implement Human Resources restructuring, reconversion, redeployment, training, and development.

Methods

The background of this research is to determine strategic workforce planning for improving PIMS value. Operational expenditure in a manufacturing company consists of salaries, wages, and benefits, services, maintenance and repair, other direct opex, utilities, goods, and travel and entertainment costs. Based on the opex composition, salaries, wages, and benefits contributed 50% to 60% of the annual spending in 2022 and 2023, due to inflation and economic growth. The total number of employees in 2022 and 2023 was 118 and 113, respectively. This research aims to recommend a workforce strategy by evaluating the current workforce stewardship process and observing the phenomena around the company to identify ideas for efficiencies. It addresses research questions such as the methodology to evaluate headcount numbers in a manufacturing company and the workforce strategy to be implemented to improve PIMS value.

The study is conducted within an internal company that produces and sells finished products as its main revenue source. To determine a workforce strategy, the researcher refers to workforce reduction strategies and strategic workforce planning elements such as market, products, and competition analysis, organizational strategy, workforce quality and quantity, and HR strategy. This study employs a quantitative analysis method by utilizing company data, which provides an overview of the current workforce, employee classification, workforce planning, labor cost, and opportunities for efficiencies. Meanwhile, the qualitative analysis method involves data presentation from stakeholders regarding workforce strategy through an open-ended questionnaire that allows respondents to freely express their opinions. The gathered data will be analyzed using the BMC tool and SWOT analysis by assessing the nine elements of the BMC: Customer Segment, Value Proposition, Information Channel, Customer Relationship, Revenue Stream, Key Resources, Key Activities, Key Partnerships, and Cost Structure. The study's results will help the company implement workforce reduction and improve PIMS to remain competitive. The research's limitations include maintaining anonymity, using company internal data, conducting direct interviews with employees from different departments to obtain qualitative data, and focusing on workforce planning.

Sampling

Target population: Employees, Management and Stakeholders. Units of Analysis: 1) Department: Size; 2) Opex: Labor cost breakdown, expenditure trends; 3) Workforce strategy: Headcount number and target, workforce reduction initiatives; 4) Quantitative and qualitative data: employee classification, labor cost, efficiency opportunities, insights from stakeholders

focusing on workforce strategy opinions and suggestions. Sampling method: 1) Stratified sampling for quantitative data; 2) Purposive sampling for qualitative data Respondent profile: Managerial positions from each department (production, engineering and maintenance, quality assurance, SSHE, and warehouse).

Data collection methods and processes

This study uses a combination of quantitative and qualitative data collection methods. For quantitative data, internal company databases and records are utilized, including workforce numbers, labor costs, salaries, wages, and benefits. This data is gathered by accessing relevant company records, extracting the necessary information, classifying it by year, and compiling it in a structured format for analysis. Qualitative data is collected through semi-structured interviews with management across different departments. This approach aims to gain insights into workforce strategy, operational challenges, and opportunities for efficiency improvements. Key respondents with company experience are identified and selected. An interview guide with open-ended questions is developed to explore detailed insights. Face-to-face interviews are conducted in a comfortable and open environment for respondents, with interviews recorded and transcribed for further analysis.

Measures

Quantitative Measures: 1) Workforce Numbers: Total headcount per year and per department; 2) Labor Costs: Breakdown of costs including salaries, wages, benefits and overtime; 3) Operational Expenditure (Opex): Annual spending trends for 2022 and 2023, categorized by: a) Salaries, wages, and benefits; b) Services; c) Maintenance and repair; d) Other direct operational expenditures; e) Utilities; f) Goods; g) Travel and entertainment costs. Qualitative Measures: 1) Workforce Strategy Insights: Gathered from interviews, focusing on: a) Business Model Canvas for determining workforce strategy; 2) Operational challenges and priorities; 3) Opportunities for improvement. Stakeholder Opinions: Perspectives and suggestions from key respondents regarding workforce reduction initiatives and efficiency improvements. Headcount and Target Analysis: Evaluation of current headcount against target numbers, including any workforce reduction initiatives

Results and Discussion

Total headcount in the company has been decreasing every year from 2019 to June 2024, dropping from 140 employees to 113 employees. This reduction is due to contract completions, voluntary turnover, retirements, and organizational restructuring. The company aims to reduce headcount by a minimum of 4% each year, as outlined in the headcount planning for three years starting from the current year. The headcount targets for 2024 OL, 2025 PL, and 2026 FC are 111, 92, and 87, respectively. The company's headcount is categorized into two types: white-collar and blue-collar. White-collar jobs such as administrative, clerical, and managerial tasks, ranging from officer to manager levels. Blue-collar jobs, typically physically demanding manual work such as operators and technicians. The total white-collar headcount remained stable at 29 employees from 2019 to 2021. In 2022, the white-collar headcount increased to 32 employees due to new recruitment. However, it decreased to 24 in 2023 due to organizational restructuring, which excluded supply and logistics from manufacturing operations. As of June 2024, the white-collar headcount has been further reduced by 2 employees due to voluntary turnover and is expected to reach 21 by the end of the year with one retirement.

The blue-collar headcount decreased from 111 employees in 2019 to 91 employees in June 2024 due to contract completions and retirements. According to the workforce plan, the blue-collar headcount should significantly decrease in 2025 by 19, from 91 to 72 employees. In 2026, the blue-collar headcount is expected to further decrease by 4 from the 2025 number.

Therefore, workforce reduction should primarily focus on blue-collar positions. A breakdown of blue collars per department shows that production and warehouse have the highest blue-collar headcounts. As of June 2024, production has 49 blue collars, and the warehouse has 23 blue-collar. Production activities include bulk loading/unloading (3), blending (9), line small pack 1 (4), line small pack 2 (4), line small pack 3 (4), line small pack 4 (8), line small pack 5 (6), line large pack (3), supporting and back-up (8). The warehouse blue-collar headcount consists of large pack support (3), material supply (3), finished goods inbound (6), admin (4), packaging inbound (3), and outbound finished goods (4).

Labor costs in a company comprise salaries, wages and benefits, overtime, performance-based pay (incentives), training (mandatory training per local regulations), and other expenses (joy and sorrow donations, employee activities, internal employee meetings, recruitment, and uniforms). Salaries, wages, and benefits are the highest contributors to labor costs, accounting for 50-60% of the total. From 2020 to June 2024, salaries and wages increased by 12% due to inflation, district/city minimum wage increments, and internal company adjustments. Benefit costs fluctuated, starting at 28% in 2020 and decreasing to 16% in year-to-date June 2024. The primary causes of this fluctuation are cost allocations for pensions and bonuses. Pension costs are accrued early in the year if they meet the company's threshold to prevent a year-end spike, while bonuses are given to employees (blue collars) at the end of the year. Benefits in 2022 decreased by 9% compared to 2021, and in YTD June 2024, benefits are at 16%, expected to increase by the year's end. Overtime costs increased by 5% from 2020 (3%) to 2022 (8%) due to an increment in overtime hours from 30,076 to 43,214. In 2023, overtime costs decreased by 4% by reducing overtime hours by 50% (from 43,214 to 17,928 hours) and monitoring overtime cost realization on weekly basis through an internal overtime dashboard. The reduction in overtime hours from 2022 to 2023 was 25,286 hours. Overtime costs in YTD June 2024 are at 4%, with total hours at 9,440.

Operation expenditure composition and trends in 2022 and 2023 were dominated by labor costs, which contributed 55% in 2022 and 61% in 2023. The second-largest contributor was maintenance and repair costs, which decreased from 14% in 2022 to 10% in 2023. The third-largest contributor was services costs, which also decreased from 14% in 2022 to 10% in 2023. Other costs, such as utilities, other direct opex, goods, travel, and entertainment, fluctuated insignificantly from 2022 to 2023. Business model for workforce strategy determination in a company is assessed by using nine elements of business model canvas: customer segment, value proposition, information channel, customer relationship, revenue stream, key resources, key activities, key partnerships, and cost structure. Key Partners, Activities, Resources, and Value Propositions. Company collaborates with various partners, including raw material suppliers, transporters, local communities, technology vendors (e.g., machine makers and technology solution providers), outsourcing partners, industry associations, HR and legal advisors, financial advisors, auditors, regulators, and third-party laboratories. Key activities include comprehensive labor cost assessments to identify cost reduction opportunities, process analyses to improve labor cost efficiencies, and strategy implementation to align with organizational goals. This involves outsourcing non-core activities, utilizing RDC for finished goods storage and delivery, and subcontracting laboratory testing to third parties. Essential resources encompass detailed employee information (numbers, compensation structures, performance metrics, skill profiles, and compliance data), technological tools (Human resources management systems, employee self-service portals, business intelligence tools, automation tools, and laboratory tools), and financial resources for competitive compensation packages, legal compliance, technology investments, and contingency funds. Value propositions focus on lean manufacturing with a minimum 4% headcount reduction and 4% opex cost efficiencies, data-driven decision-making ensuring data integrity and compliance

with labor laws, and an accountable decision-making process for transparent, fair, and clear actions.

Customer Relationships and Information Channels. The company maintains collaborative engagement with stakeholders through regular meetings and open communication channels to ensure smooth workflows and resolve issues quickly. Advisory and training services are provided through consultancy sessions with HR, law, and operations experts, as well as online courses to enhance skills and compliance. The company conducts PIMS assessments to evaluate market strategies and support strategic decision-making. Information is disseminated through personal consultations (e.g., LKS Bipartite meetings), digital communication (email, company portals, web-based applications), and networking opportunities (industry associations, events, seminars, and conferences) to gain insights, establish connections, and discover new tools and methodologies.

Customer Segments and Cost Structure. Customer segments include executive management responsible for labor cost efficiency strategies, human resources involved in workforce planning and performance management, and general employees who work efficiently and adapt to changes. The cost structure involves salaries, wages, benefits, performance-based pay, overtime, technology investments, and training programs.

Revenue Streams. Revenue is generated from product sales, increasing profitability through labor cost assessments, workforce optimization, process efficiency improvements, and exploring new revenue opportunities by developing new products and entering new markets.

Workforce Strategy. The company aims to become an industry leader in labor cost efficiency through lean manufacturing and data-driven decision-making. The company will engage in activities such as adopting lean practices, conducting continuous labor cost analysis, improving process efficiencies, and utilizing data analytics. Resources include investing in training, advanced technologies, financial resources, and strategic partnerships. The company will position itself as a cost-efficient, high-performance company by achieving industry-leading labor cost efficiency, continuously improving processes, implementing innovative practices, and delivering high-quality products at competitive costs. The workforce strategy involves analyzing labor market trends for talent acquisition, offering competitive compensation, investing in operational and data analytics technology, and aligning with the corporate strategy to improve PIMS value. HR strategy supports this through workforce planning, training programs, performance management, and optimized compensation packages. Workforce segmentation prioritizes critical roles and skills essential to labor cost efficiency. The total cost of workforce (TCOW) will be monitored and managed through cost categories management and cost-benefit analysis to ensure alignment with labor cost efficiency goals and overall business outcomes.

The company workforce strategy is developed based on comprehensive strategic workforce planning encompassing market, product, and competition analysis; organizational strategy; workforce quality and quantity; HR strategy; and measurable outcomes. The strategy involves understanding market trends, evaluating product performance, and monitoring competitors to enhance labor cost efficiency and competitiveness. This includes regular market analysis, PIMS benchmarking, and setting targets for innovation and efficiency improvements. Organizational strategy focuses on aligning workforce initiatives with long-term business goals, setting performance indicators, and ensuring all planning supports labor cost optimization. The company will conduct workforce assessments, provide targeted training, and adjust workforce size based on demand, aiming for high retention and reduced costs. HR strategy includes developing detailed plans, launching initiatives for cost efficiency, and maintaining competitive compensation. By addressing challenges such as data accuracy, market agility, effective communication, and continuous R&D investment, the company aims

to achieve a 5% annual PIMS value improvement, increase product innovation, and systematically reduce labor costs for enhanced competitiveness and profitability.

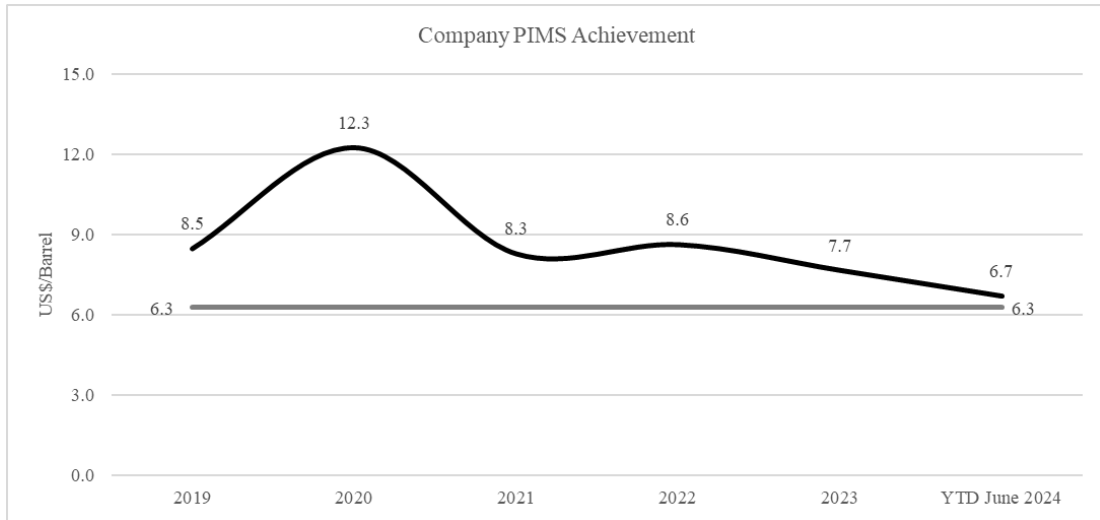


Figure 1. Company PIMS Achievement

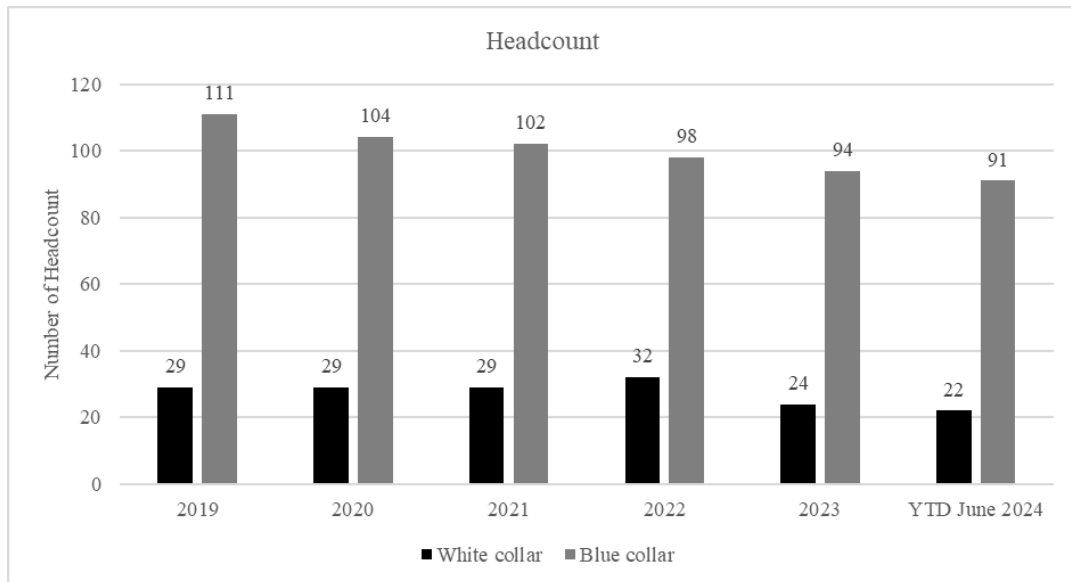


Figure 2. Company Headcount and Classification

Table 1. Blue-collar Breakdown per Department

Description	2019	2020	2021	2022	2023	YTD June 2024
Production	44	43	42	50	50	49
Warehouse	23	22	23	24	24	23
Engineering	12	12	14	7	6	6
PQA	22	20	17	12	14	7
SSHE	1	1	1	1	0	6
Supply	3	3	2	1	0	0
Logistics	6	3	3	3	0	0
Total	111	104	102	98	94	91

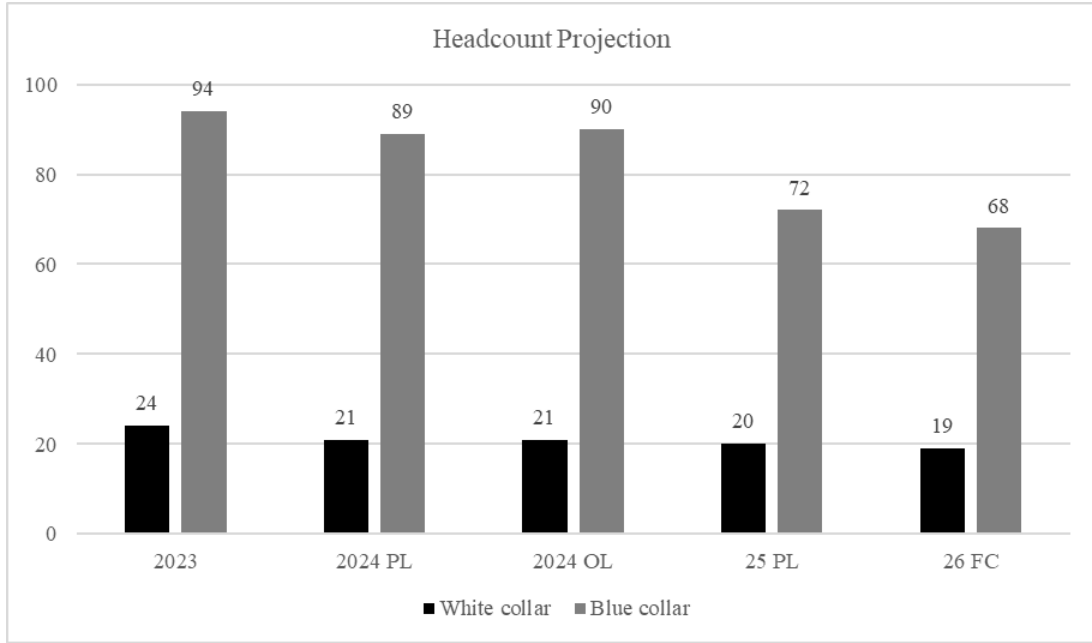


Figure 3. Company Headcount Projection

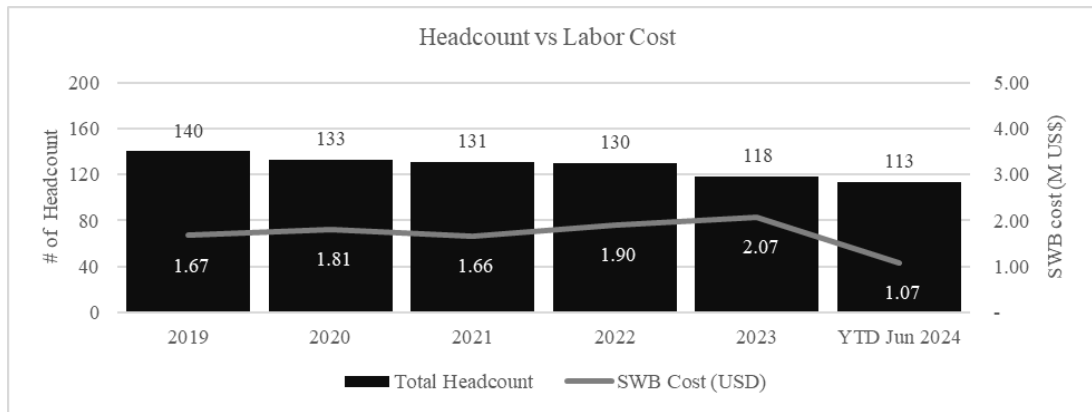


Figure 4. Number of Headcount vs Labor Cost

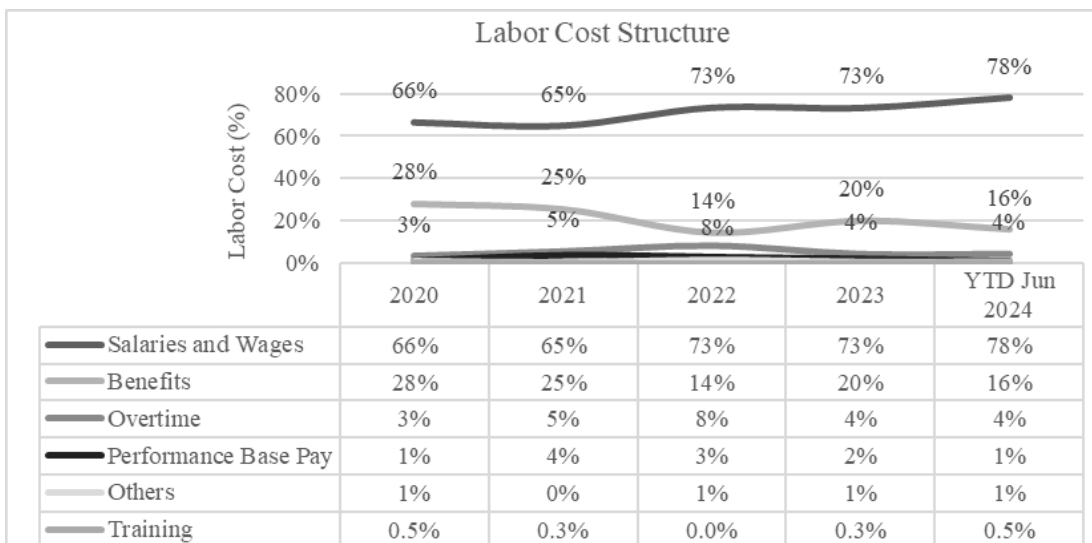


Figure 5. Labor Cost Structure in %

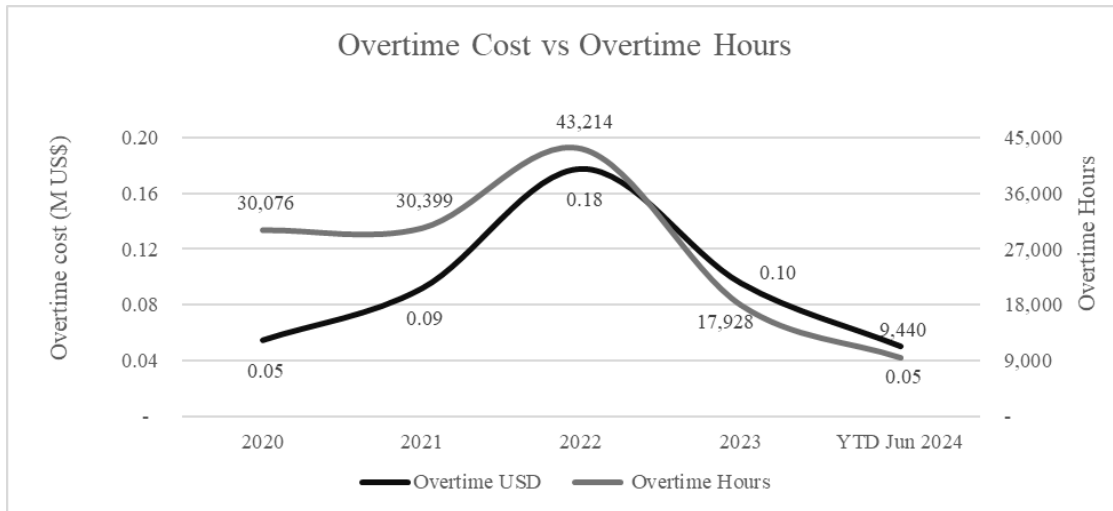


Figure 6. Overtime Cost vs Overtime Hours



Figure 7. Operation Expenditure and Trends 2022 and 2023

Business Model Canvas		Designed for:	Designed by:	Date:	Version:
		PT Merah Putih	Rossy	2024	0
Key Partners <ul style="list-style-type: none"> Raw Material Suppliers Transporters Local Communities Technology Vendors: Machine makers, technology solution providers, Service equipment provider Outsourcing Partners Industry Associations and Networks HR and Legal Advisors Financial Advisors and Auditors Regulators Third party laboratories 	Key Activities <ul style="list-style-type: none"> Labor cost assessment: opportunities to reduce labor cost, overtime reduction Process analysis: workforce optimization, process streamline, utilizing third parties for non-value-added activities; material inspections by suppliers and third parties Strategy implementation: outsourcing non-core activities, utilize RDCs as central place to store FG., subcontracting laboratory testing to third parties. Key Resources <ul style="list-style-type: none"> Employee information: employee numbers, compensation structures, performance metrics, skill profiles, compliance and legal information (labor laws) Technological tools: Human Resources Management System software, Employee Self-Service Portals, Business Intelligence tools, Automation tools, LIMS Financial resources: budget for competitive compensation packages, legal fees, technology investment, contingency funds 	Value Propositions <ul style="list-style-type: none"> Lean manufacturing: opex and head count reduction by 4%, minimize downtime by preventive maintenance. Data-driven decision making 	Customer Relationships <ul style="list-style-type: none"> Collaborative engagement through regular meetings and open communication channels to work together towards common objectives, resolve issues, and ensure smooth workflow Advisory and Training Services: Consultancy sessions with HR advisor, law and operation SME, and online courses Assessment: PIMS assessment Information Channels <ul style="list-style-type: none"> Personal consultation: In-person meetings, LKS Bipartite, discussion Digital communication: Email, company portals Networking opportunities 	Customer Segments <ul style="list-style-type: none"> Executive Management: Management, Business Owners Human Resources General Employees 	
Cost Structure <ul style="list-style-type: none"> Compensation and Benefits: Salaries, Wages and Benefits Technology Investments: CAPEX for purchase equipment Training Programs 		Revenue Streams <ul style="list-style-type: none"> Product sales: revenue from selling finished goods (FG) to the customers Increased profitability: <ul style="list-style-type: none"> Labor cost assessment Workforce optimization: outsource non-core activities Process efficiency improvement: reducing shifts, streamline production and WH process, modify WH loading area, clean up staging areas Leveraging strategic partnerships and alliances New revenue opportunities: product development and enter new markets 			

Figure 8. Company Business Model

The analysis provides insights into the workforce composition and labor costs within the company, revealing that 80% of the employees are blue-collar workers, while 20% are white-collar employees. For the year-to-date period ending in June, labor costs are estimated at 1.07 million US dollars, accounting for 64% of the total expenditure over the six months. The primary cost components include salaries, wages, benefits (SWB), and overtime. This analysis aligns with downsizing literature, which underscores the importance of evaluating workforce composition and labor costs to pinpoint areas for cost reduction and efficiency improvements. The company's assessment of its workforce and labor costs is consistent with this theoretical framework, emphasizing the need to understand internal cost structures to make informed decisions regarding downsizing or workforce reductions. As Cameron (1994) argue, analyzing workforce demographics and costs is vital for strategic downsizing, ensuring that an organization can maintain operational efficiency while reducing expenses.

Managerial Implications

SWOT Analysis and Strategic Implementation

Workforce reduction strategies often include conducting a SWOT analysis to identify strengths, weaknesses, opportunities, and threats, which can guide workforce optimization strategies. The study's application of the Business Model Canvas (BMC) framework to evaluate the company's strengths (e.g., lean manufacturing, data-driven decision making) and weaknesses (e.g., high compensation benefits, technology investments) offers a structured approach to understanding the internal and external factors that affect labor costs and workforce management. Mishra & Spreitzer (1998) discuss how organizations use SWOT analysis to develop targeted downsizing strategies that align with their business goals, similar to how the company aligns its workforce strategies with its business plan for the next three to five years.

Opportunities and Threats in Workforce Strategy

The study identifies opportunities that arise from revenue streams, channels, and customer segments, highlighting how workforce optimization can lead to cost savings and increased efficiency. Downsizing literature emphasizes the need to leverage market opportunities to enhance competitiveness during workforce reductions. Cascio (1993) notes that identifying market opportunities and aligning workforce strategies accordingly can help organizations remain competitive during downsizing efforts.

Managerial Challenges and Strategic Alignment

Workforce reduction presents significant managerial challenges, such as maintaining employee morale, ensuring productivity, and effectively managing change. The study's findings on the importance of targeted training programs and labor cost reduction initiatives address these challenges, underscoring the necessity of aligning workforce strategies with broader business goals. Brockner et al. (1992) highlights the psychological and operational challenges associated with downsizing, suggesting that effective communication and support systems are critical for successful implementation.

Limitations and Directions for Future Research

The study acknowledges limitations, including the anonymity of respondents and reliance on internal data, which are common constraints in workforce reduction research. Proposed directions for future research include expanding the sample size, incorporating external data sources for a more comprehensive analysis, and exploring the impact of technological advancements on workforce management. Additional studies could investigate the effectiveness of various workforce strategies in other manufacturing companies to provide comparative insights and broader applicability.

Conclusion

The company employs a comprehensive method for evaluating the optimal number of employees, which involves regular assessments to determine the current workforce situation, identify skill gaps, and pinpoint areas for cost optimization. Through PIMS, the company conducts detailed market, product, and competition analyses to align workforce size with business needs and market conditions. This approach helps the company stay competitive by adjusting its workforce according to identified demands and opportunities. To further enhance workforce efficiency, the company implements targeted training and development programs, ensuring that employees are well-equipped to meet evolving business demands. Additionally, workforce size and competencies are strategically aligned with long-term objectives, including the setting of annual performance indicators for workforce efficiency and labor cost reduction. This strategic planning is essential for achieving the company's budgeting and operational goals.

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