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RELATIONSHIPS BETWEEN FASHION ENTERPRISES RESILIENCE UNDER MARKET DISRUPTION AND EMPLOYEES' CREATIVE INVOLVEMENT AND WELLBEING DEGREE

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Relationships between Fashion Enterprises Resilience under Market Disruption and Employees' Creative Involvement and Wellbeing Degree

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Stejarel BREZULEANU³, Nicolae BOBITAN⁴

Abstract

Resilience became an important term in the language of many disciplines, although there is no commonly accepted definition that is used across all disciplines. There exist a lot of factors studied for their involvement in the economic resilience of companies under market disruption (in crisis). But the employees' creative involvement and wellbeing degree were paid less attention. Our study targeted the relationships between such social dimensions and firm resilience for 18 clothing-related small and medium-sized enterprises (SMEs) from Romania (Moldova region). Case selection was via theoretical sampling. To be specific to our choice of the variable to denote 'health' of business systems the Altman's Z-score was taken into consideration. We aimed to find the eventual correlations between the Z-score transition profiles and employees' creative involvement and wellbeing score for selected firms, having a predominantly or final 'health' status, during 2009-2013. The most important finding of our study is represented by the strong correlation between the 'healthy' Z-score transition profiles of the companies and the real employees' creative involvement in company's production management and their wellbeing degree. The employees' involvement in companies' governance might represent the basis for building up the organizational resilience.

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Keywords: resilience, employees, creative involvement, wellbeing degree, governance.

Introduction

Resilience (derived from the Latin *resalire*, to spring back) has become an important term in the language of many disciplines ranging from psychology to ecology. Unfortunately, there is no commonly accepted definition of resilience that is used across all disciplines. The concept of resilience is widely used in many fields as a frame of reference. It is generally understood to be a capacity which a person, group, subject or system can develop when facing a situation affecting integrity, enabling them to hold up, recover and come out of it stronger. Resilience is considered as a cross-sectional study in which more and more areas of knowledge find a positive way to address and raise new studies (Vaquero, Urrea & Mundet, 2014).

The rapid expansion of the use of the resilience concept is not without generating many questions. Is this extension risky? Does it contribute to the trivialization, to the dilution of the concept of resilience? Or does it testify of its development, its richness, and heuristic value? What are the consequences on the theory of resilience? What are the implications for practice? Though initial studies focused on individual resilience and on facilitating personal characteristics, it very quickly became clear that many factors pertaining to the family and to the general environment are involved in the process underlying the development of resilience. Thus have been established the fields of family, community and, more recently, societal (Ionescu, 2014), organizational, institutional and economic resilience. Resilience factors are those that lead to the diminishing of the potential of individuals to become involved in certain behaviors, those that create a buffer against risk factors (Tomita, 2014).

Organizations are a fundamental part of societies and economic systems whether they are private, public or not for profits. There are very few aspects of the societies and economies that don't rely wholly or in part on the performance of organizations. They can range in size from several people through to thousands. An organization is any entity with objectives. The dictionary definitions include "a body of persons organized for some end or work." The challenge is how do entities continue to meet their objectives when they are under acute stress or shock? The societies and economies are almost completely dependent on incredibly complex networks or webs of organizations. These networks and webs are both physical and relational and are continually evolving and are increasingly interdependent. How shocks play out in these systems is not well understood and traditional analytical approaches seem to have limited value. Successful outcomes will depend on interplay between organizations from the private, public and not

for profit sectors. How then can the effectiveness and efficiency with which organizations deal with the risk of a severe shock be developed and enhanced? (Tarrant, 2010). Resilience - a firm's ability to adapt, endure, quickly bounce back, and then thrive despite a catastrophic event - addresses diverse managerial constructs including performance (Carmeli & Markman, 2011).

Role of employee accountability and sense of ownership, along with continuous improvement through knowledge sharing, learning and right mind-set might be essential for organizations to build resilience and, hence, long-term performance (Keller & Price, 2011; Pal, Torstensson & Mattila, 2014). Working together effectively across the company leads to a sense of cognitive wellbeing through alignment of the organizational values, corporate culture, shared vision and responsibilities (ideational foundation) for promoting adaptive learning capabilities (Boisot & Child, 1999; Pal *et al.*, 2014). Sustainability and resilience in SMEs will be enhanced by (1) ability to embrace organizational and people dimensions as well as operational aspects of change management, and (2) paying attention to long-term planning and external communication to drive change proactively (Ates and Bititci, 2011). Despite the above mentioned findings, the employee creative involvement and wellbeing degree were paid less attention. Our study targeted the relationships between such social dimensions and firm resilience for a number of clothing-related small and medium-sized enterprises (SMEs) from Romania (Moldova region).

Methodology

Case selection was via theoretical sampling (Flick, 2009; Pal, Torstensson & Mattila, 2011). Data collection, in this study, was done in two phases. Initially, the annual reports (mainly income statements and balance sheets) of 30 Romanian (Moldavian) clothing firms (convenience-based non-probabilistic sampling technique) were studied for the last nine years (2005-2013) to make their Z-score profiles and characterize economic resilience in terms of business 'health' (Pal *et al.*, 2011; Pal *et al.*, 2014). Such initial data and contacts were obtained from Romanian Chamber of Commerce (CCR), National Agency for Fiscal Administration (ANAF) and by searching through Romanian firm directories.

Among the 30 selected entities, 18 accepted to enter the next phase of interview to get more in-depth knowledge on the issue. All the firms were Romanian (Moldova region) clothing-relating SMEs and family-owned through most of the time in their history. They accepted to deliver the following information from 2005 to 2013: current assets, total assets, current liabilities, total liabilities, retained earnings, earnings before interest and tax, net worth (total share holder's equity), sales and number of employees. All the companies were private limited ones, registered before 2005, non-listed (meaning that they are not listed in the

share market and do not have a public undertaking). The 18 included firms in our study were named in alphabetical order as A to R.

The Z-score (Altman, 1968; Altman, 2000; Pal *et al.*, 2011) discriminant functions are as follows:

$Z' = 0.717T_1 + 0.847T_2 + 3.107T_3 + 0.420T_4 + 0.998T_5$ (for private manufacturing firms) and

$T_1 = (\text{Current assets} - \text{Current liabilities}) / \text{Total assets}$,

$T_2 = \text{Retained earnings} / \text{Total assets}$,

$T_3 = \text{Earnings before interest and tax (EBIT)} / \text{Total assets}$,

$T_4 = \text{Net worth (Total share holder's equity)} / \text{Total liabilities}$,

$T_5 = \text{Sales} / \text{Total assets}$.

The zones of discrimination:

$Z' > 2.9$ (for private firms) – “healthy=H” zone,

1.23 (for private firms) $< Z' < 2.9$ (for private firms) – “unhealthy=U” zone,

$Z' < 1.23$ (for private firms) – “catastrophic=C” zone.

The second step, the stable employees for the last 5 years were asked to complete a survey questionnaire concerning their perception on “creative involvement” and “wellbeing degree” related to their jobs. The closed nature of the survey allowed the respondents to answer either ‘poor’, ‘fair’, ‘good’, ‘very good’ and ‘excellent’ to each question. The answers were further coded as follows: ‘poor’=1, ‘fair’=2, ‘good’=3, ‘very good’=4 and ‘excellent’=5, being established a deductive methodology for data analysis.

Thus, the survey results were firstly analyzed using descriptive statistical techniques appropriate to the subject research. After that, we used Spearman Rank Order Correlation test to find the eventual correlations between the Z-score transition profiles and employees creative involvement and wellbeing score for selected firms, having a predominantly or final ‘health’ status, during 2009-2013. The p value below 0.050 was considered absolutely necessary for significant results.

Results

Might be evident that achievement of organizational business goals contribute to better business system ‘health’ and a transition to an ‘unhealthy’ or ‘catastrophic’ state is associated with the lack of achieving these goals. But now exists a definite index for measuring business ‘health’ and studied over a time-period is highlighting the transitions (Pal *et al.*, 2011).

To be specific to our choice of the variable to denote ‘health’ of business systems the Altman’s Z-score was taken into consideration. This multivariate discriminant model has been a popular method to predict corporate bankruptcy since the end of 1960s. and has been modified for utilization in case of private as well as non-manufacturing firms and in a broader sense being used to analyze business ‘health’ in terms of five standard ratio categories viz. profitability, liquidity, leverage, solvency and activity for indicating both long-term and short-term financial performances (Altman, 1968; Altman, 2000; Pal *et al.*, 2011). Figure 1 shows the “Z-score transition profiles” of all the 18 companies over the studied period (2005-2013). The Z-score transition profile of each company is obtained by plotting its Z-score values over the years 2005 to 2013, and classifying them as either ‘healthy’, ‘unhealthy’ or ‘catastrophic’. Figure 2 presents the number of employees for the studied period (2005-2013) for the 18 companies. Table 1 includes the employees’ creative involvement and wellbeing score for selected firms, having a predominantly or final ‘health’ status, during 2009-2013.

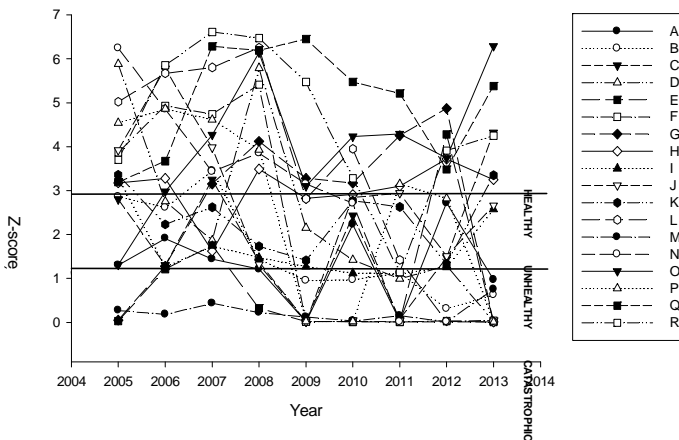


Figure 1: Z-score transition profiles for the 18 clothing companies (2005-2013).

As already known, for Spearman Rank Order Correlation test, the pairs of variables with positive correlation coefficients and p values below 0.050 tend to increase together (Q, O, R, K and C companies). For the pairs with negative correlation coefficients and p values below 0.050, one variable tends to decrease while the other increases (H and G companies). For pairs with p values greater than 0.050, there is no significant relationship between the two variables.

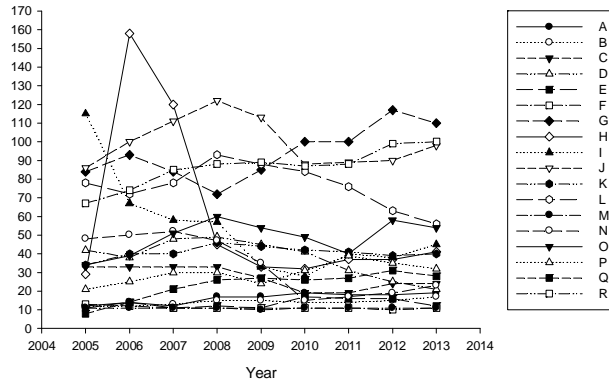


Figure 2: Number of employees for the 18 clothing companies (2005-2013).

Table 1: Employees' creative involvement and wellbeing score for selected firms

Company	Economic status					Employees creative involvement and wellbeing degree
	2009	2010	2011	2012	2013	
Q	↗H	↘H	→H	↘H	↗H	4.462±0.582
O	↘H	↗H	→H	↘H	↗H	4.265±0.605
H	↘U	↗H	→H	↗H	↘H	4.050±0.803
R	↘H	↘H	↘C	↗H	↗H	3.962±0.942
G	↘H	↘H	↗H	→H	↘C	3.235±0.981
K	↘C	↗U	→U	↘C	↗H	4.256±0.938
C	↘C	↗U	↘C	↗U	↗H	4.105±1.100

H=healthy; U=unhealthy; C=catastrophic; ↗= High; →= Moderate; ↘=Low

Spearman Rank Order Correlation: Correlation coefficient for Q=0.671 and p=0.0428; Correlation coefficient for O=0.323 and p=0.0381; Correlation coefficient for H=-0.207 and p=0.0480; Correlation coefficient for R=0.414 and p=0.0243; Correlation coefficient for G=0.365 and p=0.0308; Correlation coefficient for K=0.548 and p=0.0111; Correlation coefficient for C=0.146 and p=0.0476.

The most important finding of our study is represented by the strong correlation between the 'healthy' transition profiles of the companies and the real employees' creative involvement in company's production management and their wellbeing degree. This case is exemplified by Q, O, H and R companies with almost entirely 'healthy' status between 2009 and 2013.

In the case of the company G, 2013 brought a change of the CEO and, thus, a reduced creative involvement of the employees. Their wellbeing degree, also reduced, is mirrored in the 'catastrophic' transition profile of the company for 2013.

The reverse situation is found in the case of K and C companies, the increased employees' creative involvement and wellbeing degree for 2012 and 2013 were reflected in the transition profile from 'catastrophic' (2012) to 'healthy' (2013) for company K and, respectively, from 'unhealthy' (2012) to 'healthy' (2013) for company C.

Discussions

Sustainability (resilience) is becoming more and more the key challenge for organizations. Sustainability depends on internal and external characteristics of the organization that should or must be preserved within the time and depends on the definition of what is a suitable state of the system (organization and its environment) within medium and long terms as safety can be seen as feature of sustainability. Although there are some elements of unpredictability in complex systems, sustainability for an organization is based at least on its ability to learn and adapt (Merad, Dechy & Marcel, 2014).

Although the importance of positive feelings has been recognized through the years in the academic organizational behavior and popular literature, both management scholars and practitioners have arguably too often taken a negative perspective-trying to fix what is wrong with managers and employees and concentrating on weaknesses. Positive organizational behavior follows the lead of recently emerging positive psychology, which is driven by theory and research focusing on people's strengths and psychological capabilities. Instead of just retreading and putting a positive spin on traditional organizational behavior concepts, this unveiling of positive organizational behavior sets forth specific criteria for inclusion. Not only does positivity have to be associated with the concept, but it must also be relatively unique to the organizational behavior field, have valid measures, be adaptable to leader/management and human resource training and development, and, most important, capable of contributing to performance improvement in today's workplace. The criteria-meeting concepts of confidence/self-efficacy, hope, optimism, subjective well-being/happiness, and

emotional intelligence (or the acronym CHOSE) are identified and analyzed as most representative of the proposed positive organizational behavior approach. The implications of these positive organizational behavior concepts for the workplace are given more and more particular attention (Luthans, 2002).

A positive psychology intervention might be characterized as any intentional activity or method that is based on (a) the cultivation of positive subjective experiences, (b) the building of positive individual traits, or (c) the building of civic virtue and positive institutions. Positive psychology interventions seem to be a promising tool for enhancing employee well-being and performance. As a side-effect, positive psychology interventions also tend to diminish stress and burnout and to a lesser extent depression and anxiety (Meyers, van Woerkom & Bakker, 2013).

The construct of Psychological Capital (PsyCap) focuses on the positive psychological capacities of self-efficacy, hope, optimism and resilience and their relationship with a range of desirable work attitudes, behaviors and organizational outcomes. There is now almost a decade of accumulated PsyCap research. However, a critical and synthesized analysis of the construct in terms of its theoretical conceptualization and psychometric properties is yet to appear in the literature (Dawkins, Martin, Scott & Sanderson, 2013).

Given turbulent economic times, the concept of employee resilience is receiving increasing attention in many organizations. A first key finding is that the concept of resilience can be developed from strong theoretical foundations. Second, a coherent set of resilience-enhancing human resources practices have the potential to contribute to employees' psychological capital, attitudes and behavior and to organizational performance not only in turbulent circumstances but also during periods of relative calm. Given the theoretical framing, formal resilience training should be viewed as a single component of a broader, coherent set of resilience-enhancing human resources practices (Bardoel, Pettit, De Cieri & Mc-Millan, 2014).

Recent economic crisis has highlighted the importance of an organization's ability to withstand economic shocks. This has rekindled interest in organization resilience on the one hand, and the relationship between alternative governance forms such as employee owned businesses (EOBs) on the other. This relationship was explored using performance data on 204 publicly traded non-employee owned businesses and 49 EOBs prior to the economic downturn (2004-2008), and during the economic downturn (2008-2009). This data was complemented with a survey of resilience related governance and organizational practices in 41 EOBs and 22 non-EOBs. The results show that: (a) employee ownership that is combined with employee involvement in firm governance is associated with greater stability in business performance over a business cycle; (b) EOBs have longer investment payback horizon when compared to non-EOBs across a number of activities; (c)

top management in EOBs are more likely to seek employee input in strategic decision making; (d) EOBs are more likely to use employee involvement to achieve tighter coupling between feedback from operations and the setting of strategic direction for the firm. These results suggest that employee stock ownership programs alone are not sufficient to develop higher levels of organizational resilience. Managers must combine employee stock ownership with employee involvement in governance if they wish to build up resilience in advance of adverse economic conditions (Lampel, Bhalla and Jha, 2014).

Conclusions

Resilience for an organization is based at least on its ability to learn and adapt. The most important finding of our study is represented by the strong correlation between the “healthy” Z-score transition profiles of the companies and the real employees’ creative involvement in company’s production management and their wellbeing degree. The employees’ involvement in companies’ governance might represent the basis for building up the organizational resilience.

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