Overstaffing: Cost to be reduced, or slack to be encouraged?

By Stéphane DESCHAINTRE
Assistant Professor at ISG International Business School

& Salomon BERNIER-KHEDACHE
Lecturer at the Management Research Institute (IRG), Gustave Eiffel University, Paris-Est Créteil University

Overstaffing is commonly seen as a cost that should be reduced. However, our research, based on two industrial cases, presents company managers who advocate it. To analyze this counterintuitive result, we use the concept of organizational slack. The arguments of the managers are then structured around functions of organizational slack: overstaffing allows them to prepare for the future and to preserve their employees. Showing overstaffing as a slack to be favored is unusual in the present context, and questions more broadly the widespread representations of a workforce that must necessarily be reduced. Our research also sheds light on the concept of organizational slack by showing that it can be consciously rationalized by managers, and therefore be part of a reasoned managerial logic.

Introduction

"Cut costs", "slash budgets", "scrutinize expenses", "achieve cost excellence" – there is no dearth of expressions describing the need to eliminate all costs considered unnecessary. Such expressions, fueling the myth of the lean enterprise (Beaujolin, 1997, p. 265), are grounded in a logic of rationalization. The term "overstaffing" – insofar as it is defined as retaining "excess staff" (Dubouloy and Fabre, 2002, p. 45) – follows the same logic. This excess, when compared to a reference value considered normal, represents a cost and is therefore typically seen in a negative light (Bourguignon, 2005). The literature has repeatedly highlighted company managers' preoccupation with personnel costs and personnel cost reduction (Beaujolin, 1999; Kuhn and Moulin, 2012). Yet, contrary to this observation, this paper presents two industrial case studies in which managers support and encourage overstaffing, despite a context of macroeconomic crisis.

The concept of "organizational slack" (Cyert and March, 1963) can be understood as latitude, superfluous capacity (David, 2012, p. 59), surplus resources or leeway for organizational actors. Overstaffing is widely acknowledged as a type of slack[1] called "excess labor" (Nohria and Gulati, 1997, p. 604) or "human slack" (Demirkan, 2018, p. 675). Previous research has shown that slack enables companies to adjust to their environment and to innovate (Cyert and March, 1963; Bourgeois, 1981; Nohria and Gulati, 1997; Leuridan and Demil, 2021). Departing from the traditional approach to optimizing resources, this paper draws on the functions of slack to formalize the positive impact of overstaffing in two case studies. The following analysis offers two original insights into organizational slack – the first about an unexpected adjustment of overstaffing in times of crisis and the second about the conscious rationalization of slack. Making both empirical and conceptual contributions, this interdisciplinary study calls into question the myth that managers should always aim to reduce staffing levels. This myth is further challenged by the context of crisis which surrounds our case studies, putting standard management practices to the test.

After providing an overview of the literature on overstaffing and on the functions of organizational slack, we will present our methods and give a detailed description of our two industrial case studies. Finally, we will focus on contextualizing our findings and discussing their impact.

Overstaffing as a cost to reduce *vs* overstaffing as organizational slack

Overstaffing as a cost to reduce

The term "overstaffing" has been discussed by a number of researchers, but the Larousse dictionary seems to provide the clearest definition. It defines overstaffing as the provision of a number of employees deemed excessive, which is interesting for two reasons. Firstly, the use of "deemed" refers to organizational

[1] In this article, we will use the expression 'organizational slack' or 'slack' interchangeably.

actors' mental representation of optimal staffing levels. Secondly, in line with Dubouloy and Fabre's (2002, p. 45) academic definition, the word "excessive" highlights the idea of a surplus compared to a reference value considered normal.

Previous studies have attempted to formalize methods for determining this reference value, which represents optimal staffing needs. These methods, from the standard one (Bassett, 1973) to more sophisticated iterations (Ernst *et al*., 2004), mainly rely on task timing and Taylorism (1903). Taylor, at the time, already advocated labor cost minimization – an approach which lived on through Toyotism, according to Coriat's (1994) work, with its ideals of "lean manufacturing", "flexible manufacturing" and, therefore, of "minimum staffing levels" (p. 22).

Aside from the usual criticisms levied against Taylor, multiple researchers (Mallet, 1989; Baraldi and Troussier, 1998) argue that the methods used to determine staffing needs (and therefore overstaffing) tend to build in the idea that needs should be kept to the strict minimum. This criticism is consistent with the literature on job cuts, which casts doubt on the theory that layoffs necessarily have a positive impact (Boyer, 2002) and points out the accounting-driven approach that is prevalent in workforce management. The financialized representation of labor, which records labor as a loss on the P&L statement and does not include it as an asset on the balance sheet (Beaujolin 1997, p. 67), seems to point to staff reduction as a way to increase company profits. Indeed, all costs have a negative connotation (Bourguignon, 2005) and staffing levels often pay a heavy price (Chevalier and Dure, 1994, p. 8). Managers are driven by management theories often focused on overstaffing (Kuhn and Moulin, 2012), a phenomenon Beaujolin (1999) calls the weakest link of cost rationalization (p. 121). Bernier-Khedache's (2019) recent study shows that this drive towards downsizing continues to exist at all levels of workforce management.

Overstaffing as organizational slack

Cyert and March (1963) aimed to build a behavioral theory of the firm explaining specific decision-making processes, including as regards the internal allocation of resources such as time, budget and staff. In this context, they introduced the concept of organizational slack, defined as "the difference between total resources and total necessary payments" (p. 40). Slack is then often seen as an excess of resources (Bourgeois, 1981; Nohria and Gulati, 1997; David, 2012; Scilien and Rozin, 2015; Demirkan, 2018; Leuridan and Demil, 2021). Some researchers (Nohria and Gulati, 1997) refer directly to overstaffing as a type of slack, as it is, by definition, excess labor. Demirkan (2018, p. 675) uses the concept of "human slack", which is "the investment in capabilities and skills in human resources above the level required for task completion".

Challenging the idea that slack is entirely wasteful, research has found that it serves various organizational functions. The first function of slack is to enable firms to adjust to their environment by accumulating slack during periods of growth, which then becomes a buffer during economic downturns (Cyert and March, 1963, pp. 40-41) – as later supported by Bourgeois (1981), Nohria and Gulati (1997), and Demirkan (2018). This buffer can take different forms, such as opportunities for cost reduction (Cyert and March, 1963), cash or capital reserves (Nohria and Gulati, 1997), or "excess labor" (Nohria and Gulati, 1997, p. 604). The latter reflects the conception of overstaffing as something to be reduced.

Cyert and March (1963) identified a second, now widely accepted function of slack: it fosters the adoption of innovations by firms (p. 238). More broadly, slack seems to be a driver of organizational change (Leuridan and Demil, 2021), especially regarding strategic changes (Bourgeois, 1981). Overall, slack helps organizations prepare for the future by enabling innovation and change.

Some researchers point to a third, less common function pertaining more directly to human resources. Nohria and Gulati (1997) argue that slack fosters cooperation and prevents conflicts. In this role, slack reduces the risk of workforce burnout (Scilien and Rozin, 2015, p. 16) and helps employees stay healthier.

According to Cyert and March (1963, p. 41), though slack may serve these three functions, it is not necessarily rationalized by organizational actors. They explain that "we have seen no significant evidence for the conscious rationalization of slack in business firms". Bourgeois (1981), who echoes and supports this claim, laments the dearth of information and calls for more research to be conducted on the conscious rationalization of slack. Though Symeou *et al.* (2019) claim to contribute to this knowledge, their study leverages databases instead of discussions with organizational actors. Their point of view on the companies they study therefore remains external. Leuridan and Demil (2021), presenting several situations in which a hospital's critical care unit staff intentionally draws on slack resources, provide a glimpse into managers' attitudes towards slack resources. They do not, however, focus on its conscious rationalization. Knowledge on the topic therefore remains rudimentary to date.

Methods

Finding atypical opinions among managers requires a close examination of the decision-making process, which is why this study is based on two in-depth case studies centered on companies that we will call WheelsCo and WeldingCo. The data was collected through semi-structured interviews (12 and 18, respectively), non-participant observation (over one and two months, respectively) and secondary data. We gathered the data in 2012-2013 at WheelsCo and in 2013-2014 at WeldingCo. This work gave us a thorough understanding of the actors' organizational and decision-making contexts, which then enabled us to determine, as precisely as possible, the extent of the actors' knowledge when they take action (Dumez and Jeunemaître, 2005, p. 996).

We decided to present these two case studies together because they share characteristics going beyond the methods used for data collection. We found, in both case studies, positive conceptions of overstaffing. Moreover, both companies belong to the industrial sector, amid a macroeconomic crisis. They are also both under economic or financial pressure – WheelsCo incurred debt from a leveraged buyout (LBO) and WeldingCo expects all of its construction projects to be profitable, as projected. Finally, though this study focuses on the industrial sector, it can be compared to other research conducted during the same time period, such as that of Perez *et al*. (2015) which looks at companies with a similar size profile and a comparable economic context.

Driven by an abductive-based approach, we alternated between coding and reviewing the literature. We first conducted a thematic coding of the literature on overstaffing, from which the concept of slack emerged as relevant to our research. We then carried out a more theoretical coding to deepen our analysis.

Given the richness of information in each case study, we interviewed a limited number of managers with a positive view of overstaffing. As our goal is to highlight this counterintuitive approach to overstaffing, our findings particularly emphasize conversations with these actors. At the time of data collection, they each had nearly 30 years of professional experience, including at least ten years in leadership positions. Both also hold MBA degrees from reputed and prestigious institutions.

In the following section, case study overviews will highlight, on the one hand, how overstaffing is determined and, on the other, how managers perceive this overstaffing.

Overstaffing in two industrial case studies

Overstaffing at WheelsCo

Case study overview

WheelsCo is an industrial SME that has been based in western France since the 1990s. It specializes in the manufacture of steel wheels using a process in which a disc is stamped, machined and then welded to a bare rim. Once assembled, the wheels are then painted according to the customer's request. WheelsCo specifically serves business customers in the transport, civil engineering and agricultural equipment sectors.

In 2010, the company was acquired by its CEO (a graduate of the prestigious École Polytechnique, École des Ponts ParisTech, and of the HEC MBA programme) through an LBO-type financial arrangement. The company's turnover for 2011 stood at €4.6m, with 18 permanent employees as of 31 December 2011. At the time of data collection, WheelsCo's economic situation had taken a turn for the worse. The company, which was still reeling from the impact of the 2008 financial crisis, needed to repay the debt incurred from the LBO. The CEO, who was particularly concerned about this issue, said: "The thing that would keep me up at night is if I wasn't able to pay off my debts. That could happen, you know! But for now, that's not the case". WheelsCo's

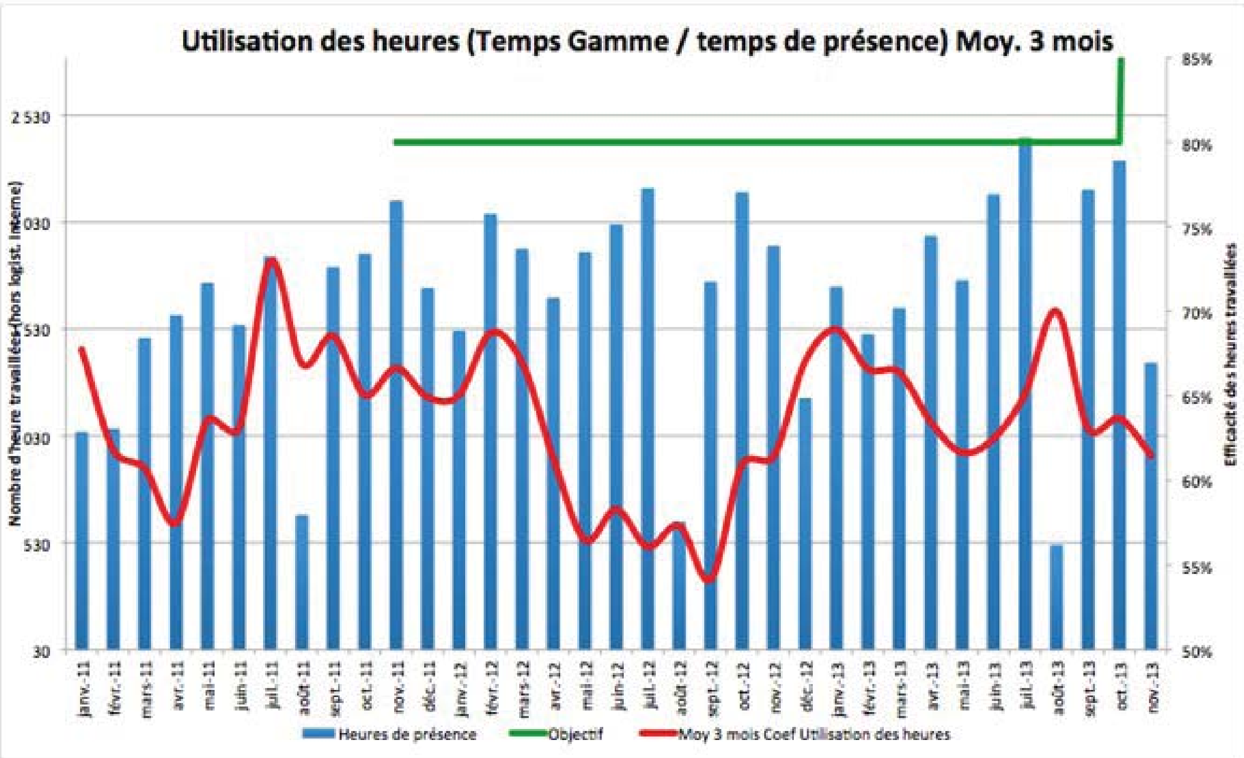

Figure 1: Time utilization rate at WheelsCo (source: WheelsCo dashboard at end-November 2013).

Français	English
Utilisation des heures (Temps Gamme / temps de présence) Moy. 3 mois	Three-month average of the time utilization rate (allocated task time/on-site time)
Nombres d'heures travaillées (hors logist. Interne)	Number of hours worked (excluding internal logistics tasks)
Efficacité des heures travaillées	Efficiency of hours worked
Heures de présence	On-site time
Objectif	Target
Moy 3 mois Coef Utilisation des heures	Three-month average coef. of the time utilization rate
janv.	Jan
fév.	Feb
mars	Mar
avr.	Apr
mai	May
juin	Jun
juil.	Jul
août	Aug
sept.	Sep
oct.	Oct
nov.	Nov
déc.	Dec

pressing financial situation created an incentive for resource optimization.

Identifying overstaffing

The CEO developed the indicators he needed and tracked them closely. During our conversations, he also analyzed the data himself. Aside from indicators on the company's commercial situation (*i.e.* number of orders and order amounts) and on the service offered (*i.e.* deadline monitoring), the CEO tracked an indicator called the "time utilization rate", represented below as a chart:

This chart, which covers the entire time of contact with WheelsCo (from February 2012 to November 2013), displays data on a monthly basis (as shown on the x-axis). The left-hand y-axis shows the hours worked using bars. The curve represents the three-month rolling average of the on-site hours utilization coefficient (allocated task time[2] divided by on-site time), which can be read on the right-hand y-axis as a percentage. Finally, the chart shows the target time utilization rate (80%, as read on the right-hand y-axis) as a horizontal line.[3]

Periods of overstaffing in the manufacturing unit can be identified by looking at the curve, which is how the CEO detected overstaffing in 2011 and 2012:

> "During these two years, there were two employees who were not absolutely necessary".

Given WheelsCo's staffing levels, this two-person surplus is significant – it represents about 10% of the total workforce.

In the next sections, we will examine WheelsCo's analyses and thought process on staffing levels. Following on from presenting the company's indicators, we will first discuss direct labor (DL) before turning to a situation involving indirect labor (IL).

Explanations from the CEO about overstaffing in the manufacturing unit

Firstly, the CEO explains overstaffing using "technical" factors:

> "In a way, it's because our staffing levels are incremental. Hiring one additional employee increases employee contributions by 5 or even 7%. So, we can't do everything all at once… If there were 150 employees and everything, I'd say… You wouldn't even notice it! We wouldn't be talking about it".

Here, two technical factors seem to be at play. The first is the significant proportion overstaffing represents compared to the company's size. The second is about what the CEO calls "incremental" staffing levels, when he alludes to hiring an additional worker though his business needs might only be quantified at 0.72, for example. The option of hiring part-time workers was never discussed. Additionally, overstaffing at WheelsCo

[2] We are using WheelsCo's terminology. Allocated task time actually refers to employees' work hours as recorded by the timekeeping system, and not to task time estimations (allocated task time).

[3] We do not have an explanation as to why the "Target" line becomes vertical starting in October 2013. This does not cause any issue for our analysis of the case study.

does not stem from one specific job, but is dispersed throughout the company:

> "The problem is that it's bits of people, so it's kind of tough" (CEO).

Aside from technical factors, overstaffing at WheelsCo is weighed against other aspects, such as the company's responsiveness:

> "These past two years, we had two workers who were not absolutely necessary. But if things pick back up… We are a services company; we need to guarantee the same level of service all the time" (CEO).

Overstaffing is also balanced with employee health:

> "We could have one fewer worker if everyone had the right level of efficiency. But it would be tight! We would be asking too much from people. It wouldn't be healthy in the long run" (CEO).

In this excerpt, the CEO worries about staff members' physical and mental health. He acknowledges the fact that, even with the "right level of efficiency", firing an employee would lead to unsustainable work conditions in the long term.

As a result, staffing levels are not "automatically" adjusted. More precisely, the CEO wants to delay adjusting staffing levels down based on order levels:

> "… right now, work is scarce because of the crisis, I don't want to change anything right now but if the situation lasts three or four months, we'll reduce temp work, then… We have a hard time – I mean, at least I have a hard time making decisions on the spot, just because I saw an indicator change a certain way. There needs to be a few indicators going in the same direction before I go 'ok, well, that's enough now'" (CEO).

The CEO remains preoccupied with adjusting staffing levels and, in later conversations, he mentions the different adjustments he has made:

> [On adjusting resources]
>
> "Well, we reduced them, we adjusted them and now, we're sort of hiring more temps because we're right at the limit. But we have work for the next two weeks, but in three weeks there shouldn't be any more work" (CEO).

In this excerpt, the CEO explains that temporary work has fluctuated over the period – first dropping, then increasing slightly, though customer demand is relatively low.

Explanations from the CEO about hiring a quality manager

In early 2012, the CEO starts recruiting for a quality manager. He acknowledges that this hire will "make the organization heavier" but also that "hiring a quality manager was necessary to gain access to new markets with stricter requirements regarding longevity and precision". Given WheelsCo's financial context, the CEO adds that "the hiring cost was logically covered by a customer order; though it won't cover all of it because the requirements are more demanding and we'll be less productive". However, his reasoning is not limited to financial factors:

> "The cost will be borne by all our customers, though it will benefit only some. And it increases the team's skills and enables us to consider internal replacement opportunities".

This hire is justified by new customers' requirements and is based on calculations ("covered by a customer order") which are, however, unfavorable and might bring the hiring process to a stop ("though it won't cover all of it because the requirements are more demanding and we'll be less productive"). Yet, this imbalance does not prevent the CEO from making a hire. On the contrary, the hire is maintained, confirmed and even justified with other arguments which, according to the CEO, balance out potential negative impacts (*e.g.* increasing team skills and being able to replace workers internally).

WheelsCo's case illustrates multiple aspects of overstaffing and its representations. After presenting the WeldingCo case study in the next section, we will then analyze both cases together.

Overstaffing at WeldingCo

Case study overview

WeldingCo is a company located in north-eastern France with about 1,000 full-time equivalent (FTE) workers. The company specializes in pipeline maintenance and large-scale construction projects, mainly in the nuclear industry. After being impacted by decades of fluctuations in the nuclear market, the company's outlook is now extremely favorable. Indeed, the Fukushima accident of 11 March 2011 called attention to the issue of nuclear security. As a result, the company expects to grow "until 2020"[4], aiming to hire an additional 200 FTE workers:

> "The strategic committee established this+200 goal. It's based on the business forecast for 2015, with growth driven by nuclear maintenance contracts. To be ready in early 2015, we need to start hiring in 2014, so new employees can be fully integrated into the company and trained" (Chief Human Resources Officer).
>
> "[WeldingCo], which already generates 70% of its turnover in the nuclear industry, is guaranteed to be fully booked for at least 15 years, provided they can find the staff they need". From "[WeldingCo]. Des hommes et de la croissance", published in *Le Journal des entreprises* (a French business news magazine) on 1 October 2013.

As highlighted in these excerpts, hiring 200 FTE workers is a significant challenge because WeldingCo jobs require highly technical skillsets that take time to acquire. The Chief Human Resources Officer supports overstaffing, as opposed to a workforce optimization approach.

Identifying overstaffing

Increasing the volume of jobs goes against the traditional workforce optimization approach, which is particularly prevalent among site managers because of price competitiveness in the tender process, but also because of site manager assessment criteria:

> "Operations managers fear work underload. On a five-week project, a week of underload can jeopardize profitability and

[4] Quote from an interview with a regional HR Manager.

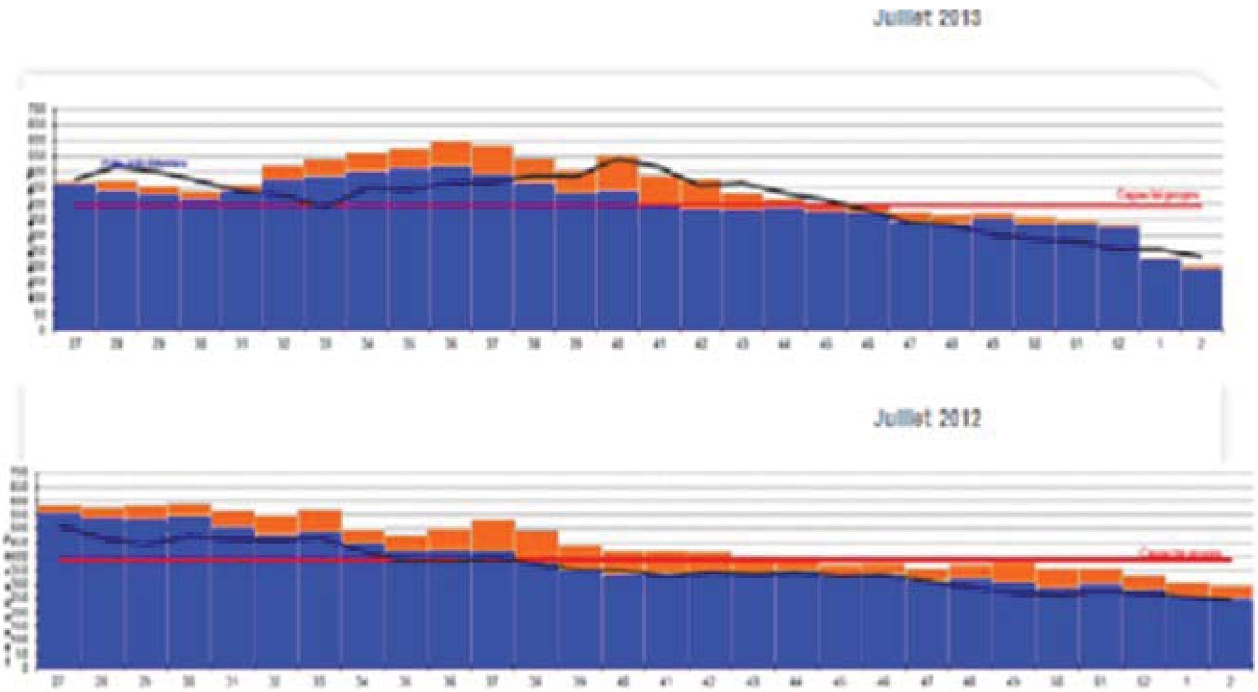

Figure 2: Projected workload capacity for all WeldingCo regions (source: Operations Department presentation to the WeldingCo Management Committee on 10 July 2013).

Français	English
Juillet 2013	July 2013
Juillet 2012	July 2012

operations managers worry about being judged for that” (Human Resources Manager).

Concerns about work underload are often mentioned by site managers, who are mostly assessed based on financial indicators that consider staff as a short-term expense. Recruiting, then, represents an expenditure instead of a means of securing future contracts. Monitoring methods also follow this logic. Business managers use a management software package that allows them to precisely track hours and spending, and to determine the profitability of each project. At national level, the head office Financial Controller participates in project monitoring and “notifies relevant managers when an unusual overrun occurs”[5].

Workload capacity tools allow managers to assess whether staffing levels are sufficient to meet company needs, as summarized in the chart (Figure 2).

This chart compares the number of planned hours to the number of hours that are theoretically available. The blue histogram bars indicate the planned hours for confirmed orders, while the orange histogram bars chart orders that the company is highly likely to obtain. Quotation specialists determine the number of hours when responding to calls for tenders – using ratios to match customer needs to company capabilities – and try to limit them to what is “strictly necessary”[6]. Workforce needs are therefore kept to a minimum. The straight line represents the theoretical capacity of available workers (*i.e.* the number of available work hours). A coefficient representing efficiency, and particularly mobilization and demobilization, was applied to the curve, taking into account regional staff transfers, temporary work and subcontracting. The level of workload can be analyzed by examining the chart:

“In the end, I have these curves which give me information about whether I’m in line with what I need to do, or whether I’m under or over-staffed” (Director of the Methodology and Strategic Planning Department).

Most weeks, available hours generally seem to fall short of the actual workload by a small margin. This confirms that ideal staffing levels at WeldingCo enable all workers to be busy without fully covering the workload. Due to dynamic markets, the company even relies on "recurring temporary employees" – an expression used in the budget procedure for 2014. Moreover, being able to deal with uncertainty is important for workforce management. Tools only track confirmed workload at a certain point in time. Beyond 16 weeks, workload tends to decrease because orders are not yet confirmed. This

[5] Quote from an interview with the Financial Controller.

[6] Quote from an interview with a Quotation Specialist.

apparent work underload explains why hiring is often postponed and fuels a logic of downsizing.

The previous chart therefore illustrates the idea of a minimum standard in terms of staffing levels, with each pocket of overstaffing being an anomaly. Nevertheless, members of HR are in favor of overstaffing, putting forward several arguments. It is important to note that the Chief Human Resources Officer, who holds an MBA, has worked in many corporate groups and takes part in the company's strategic decisions.

Explanations from the Chief Human Resources Officer about overstaffing

The Chief Human Resources Officer makes several arguments on various levels. Firstly, from a strategic point of view, he highlights the time needed to train new hires:

> "The point of the HR process here is that HR is forward-looking. Hiring temps and subcontractors is fine, but you can't learn our profession in 48 hours. And so, to replace Maurice, who is retiring, a temp won't do. Because the temp doesn't have the experience, the dexterity, the skills. And so, to replace Maurice, I need someone with ten years of experience and I don't know how to find that someone on the market, so I have to create them. That's why we use a forward-looking workforce planning system, which allows us to think differently".

> "But senior management should also have a long-term vision over two or three years, a bit further into the future. They should tell themselves, 'What does my age pyramid look like? If I have 100 employees this year, I won't have 100 next year because a few people will quit and others will retire…' So thinking about increasing and decreasing staffing levels also needs to be done with a medium-term view, and then we're not proportional to the business activity levels, we're taking risks".

For the Chief Human Resources Officer, then, the specific nature of the profession and WeldingCo's growth prospects require "taking risks", meaning maintaining staffing levels above what is strictly necessary on the short term.

On another level, the Chief Human Resources Officer questions the company's business model. He highlights the limits of workforce optimization, which leads to turnover losses and overspending. With this criticism, he advocates hiring more people:

> "[WeldingCo] doesn't accept no-margin projects even though this could allow us to train younger workers on simpler projects. I try to push for this in Management Committee meetings. In reality, [WeldingCo] refuses orders because of a lack of workforce!"

> "In terms of staffing levels, operations managers thinks that if the available workforce isn't sufficient, we need to use subcontractors. This causes multiple issues: subcontracting is expensive and, on top of that, subcontractors develop skills that [WeldingCo] doesn't collect".

> "At a company like [WeldingCo], the value we add is what we sell, it's the hours and the skills that we sell to customers. And if we think only in the short term, we won't hire anyone, and then we won't have anything to sell anymore".

Finally, the Chief Human Resources Officer mentions an operational issue:

> "Managers say, 'Be careful, underload is coming', but we realized during Management Committee meetings that we can't give people time off".

Here, the Chief Human Resources Officer highlights the contradiction between a supposed work underload and an actual work overload of the staff, which supports the hiring of additional workers.

Organizational slack as a foundation for positive representations of overstaffing

In this section, we will first explain the counterintuitive nature of overstaffing in our two case studies. We will then build arguments in favor of overstaffing based on the functions of slack identified in the literature. Finally, we will examine how our research adds to the existing knowledge on organizational slack.

A counterintuitive approach to overstaffing

The issue of overstaffing is present at WheelsCo and WeldingCo as there are, in both companies, workers not deemed essential at a given time. Overstaffing is not identified specifically through research methods, instead it is detected directly by organizational actors[7]. In both case studies, it mostly affects manufacturing staff categorized as direct labor. At WheelsCo, it only marginally affects corporate employees, with the hire of a quality manager.

Given the context of macroeconomic crisis and the internal financial pressure these companies face, their approach to overstaffing is counterintuitive – they are both overstaffed or plan to be overstaffed in production and manufacturing. Workforce, then, is not adjusted according to the companies' activity levels, unlike in Perez *et al.*'s (2015) case studies during the same period[8]. Our case studies are also counterintuitive in the light of the literature on managers' preference for job cuts (Beaujolin, 1999; Kuhn and Moulin, 2012). We could, of course, claim that managers are strategically retaining rare resources (in welding, for example), or that the workforce has not yet been adjusted according to business activity levels. However, these arguments do not apply to our case studies. As we will demonstrate in the next section, managers use other reasons, based on organizational slack, to defend overstaffing.

Arguments for overstaffing based on the functions of slack

The concept of slack helps shed light on overstaffing by providing an explanation for its benefits using the functions of slack as introduced in the literature, going beyond solely technical explanations which are not exhaustive (*e.g.* WheelsCo's issue with "bits of people").

[7] Note that the process of identifying overstaffing in our case studies is less formal than that used in past studies (Bassett, 1973; Ernst *et al.*, 2004).

[8] Except for one company, which decreased staffing levels as business activity grew.

Firstly, the managers we interviewed advocate overstaffing as a way to prepare for the future. This function is illustrated in two ways: overstaffing enables the company to meet future customer demand and allows for employees to be trained for projects in the near or distant future. In the first aspect, organizational actors anticipate an increase in the companies' activity levels, and tolerate overstaffing in the meantime, going against the traditional approach of keeping staffing levels to a minimum standard. This is all the more significant for WheelsCo, whose prospects of recovery are uncertain. In the second aspect, overstaffing facilitates staff training – especially at WeldingCo where training requires more resources and time due to the specific nature of the skills needed. WheelsCo's CEO also puts forward this argument, claiming that overstaffing "increases the team's skills and enables us to consider internal replacement opportunities". The managers also argue that, once acquired, these skills remain within the company, avoiding a situation where "subcontractors develop skills that [WeldingCo] can't build on".[9] Having leeway enables companies to undertake additional projects on top of their daily tasks. This is ultimately what WeldingCo's manager wants when he advocates overstaffing, which supports the company's current activity level but also enables employee training for future projects.

A second function of slack can be also identified in our interviews with managers – helping employees stay healthier. Though increasing employee workload could have boosted company output, HR considerations seem to take precedence. For example, WheelsCo's CEO claims that "We would be asking too much from people. It wouldn't be healthy in the long run", which is directly related to this function of slack. Overstaffing, then, enables employees to stay healthier.

Our analysis shows that managers' arguments are based on the functions of slack. Understanding overstaffing as a cause of slack and demonstrating the link between these two concepts, as this paper does, adds to the existing knowledge of overstaffing by some of its benefits. This finding provides two novel insights into organizational slack.

Novel insights into organizational slack

The two case studies initially show that slack does not always help companies adjust to their environment. They subsequently demonstrate that managers are aware of and accept the existence of slack in their companies, adding to the research that exists so far.

Adjusting to the environment

The literature shows that organizational slack acts as a buffer during economic downturns, allowing companies to generate savings (Cyert and March, 1963; Bourgeois, 1981; Nohria and Gulati, 1997; Demirkan, 2018). During recessions, overstaffing represents "excess labor" that should be reduced or even eliminated. However, this is not the case in our data – WheelsCo remains overstaffed in a period of economic crisis. Following this logic, overstaffing therefore does not act as a "buffer", as has often been posited. Our research offers a novel conceptual approach to the phenomenon. Overstaffing, then, does not act only as a buffer but also has two additional functions, as shown in the previous section. Moreover, the fact that WheelsCo remains overstaffed, therefore holding onto slack, worsens the company's financial situation. In this case, slack does not help the company adjust to the environment, as it increases certain difficulties instead of limiting them. To our knowledge, this is the first time that organizational slack is found not to play an adjustment role. This finding highlights the fact that, even in times of crisis, reducing all types of slack does not seem to be an absolute necessity.

Consciously rationalizing slack

Though initial theories found no evidence for the conscious rationalization of slack by organizational actors (Cyert and March, 1963; Bourgeois, 1981), recent research suggests otherwise. Symeou *et al.* (2019) claim to observe conscious rationalization of slack, but do have the adequate research methods. Leuridan and Demil (2021) also imply a conscious rationalization of slack based on manager interviews. Our research goes a step further. The managers we met clearly mention the benefits of slack and advocate overstaffing, contrary to traditional perceptions on the topic. Our findings, which are based on direct interviews with organizational actors, therefore mark a significant step forward on the issue of the conscious rationalization of slack. Adding to initial theories of slack, they provide insight into the way slack can manifest itself in organizations through organizational actors' arguments. In addition to previous research which has mainly analyzed it from an overarching organizational perspective, this finding calls for new research to be conducted at a more granular level. Indeed, if organizational actors are aware of slack, they can anticipate and use it as a resource in various ways. More research can then be conducted to better understand how it is used, in line with Leuridan and Demil's (2021) study on slack and frontline healthcare workers.

While organizational actors may be aware of slack and its benefits, they may not share their reasoning with all stakeholders. In some cases, the extensive literature on the benefits of slack can collide with the negative perceptions of overstaffing. In our case studies, actors who defend overstaffing have to contend with more traditional points of view. They use two different strategies. At WheelsCo, the CEO does not tell his financial stakeholders that the company is overstaffed. At WeldingCo, the issue of overstaffing creates conflicts between members of HR, who express and uphold their position, and operations managers. Though we have not observed overt defiance from operations managers, their practices are aimed at reducing overstaffing. For instance, they do not ask for additional hires, and are

[9] Quote from an interview with WeldingCo's Chief Human Resources Officer.

reticent to integrate new hires in construction teams[10]. For WeldingCo, we do not have any information on disclosures specifically made to shareholders and banks. However, the desire to increase staffing levels is shared publicly, for example in the local press and in Le Journal des enterprises. These articles allude to the benefits of overstaffing, insistently mentioning the need to "anticipate", which reflects the necessity to start recruiting in 2013 in order to be ready for construction projects in 2015. Though WeldingCo managers do not explicitly advocate overstaffing in the press, organizational slack is still somewhat present when they talk about planning for the future. In the end, though we might have expected slack to be dealt with in an almost clandestine way, our findings paint a more complex picture.

Conclusion

This study, which focuses on managers' understanding of overstaffing in companies, makes conceptual and managerial contributions.

Firstly, though the literature has shown managers' inclination towards making job cuts (Beaujolin, 1999; Kuhn and Moulin, 2012) and considering slack as "waste" (Nohria and Gulati, 1997, p. 609), the managers we interviewed hold a positive view of what is usually considered as a cost. Far from being negligent, they deliberately accept and support overstaffing, linking their arguments to the functions of organizational slack (*i.e.* being able to meet future customer demand, to train workers or to ensure good labour relations).

Secondly, our research builds on Nohria and Gulati's (1997) work, which looks at the optimal level of slack from a quantitative and structural point of view. We show how slack can emerge, persist and be justified in two organizations, despite a context of economic crisis. Moreover, our immersive study provides insight into the concept of organizational slack on two levels: we have not observed the use of slack as a buffer during a time of crisis and we show that slack can be consciously rationalized by managers.

In an environment where overstaffing is viewed as something to avoid at all costs, our case studies legitimize and encourage the practice in other organizations through arguments advanced by managers. Despite interviewing a limited number of actors, we have brought these practices to light by spreading awareness on alternative approaches to overstaffing and slack, and encouraging managers to adopt a different point of view on overstaffing, even during times of economic crisis. It indeed seems reasonable to imagine that our research will have an impact on all sorts of decision-makers and industries – for example, on managers wondering how to allocate resources after an important slowdown in business activity (*e.g.* due to the Covid-19 pandemic), on public authorities dealing with hospital staffing levels, or on consultants helping with company reorganizations. This study ultimately challenges the myth that the volume of jobs should always be reduced.

[10] At the time of data collection, senior management (except for the Chief Human Resources Officer) had not identified these practices as problematic, which is why potential adjustments, such as changing indicators or offsetting overstaffing costs for operations managers, had not yet been made. Such changes in management practices would not eliminate the tension generated by overstaffing, but only shift it elsewhere. For more details on the tensions between HR and operations managers, see Bernier-Khedache (2019).

References

BARALDI L. & TROUSSIER J.-F. (1998), « Le calcul des effectifs : Quelques exemples dans l'industrie », *Travail et emploi*, n°77, pp. 53-65.

BASSETT G. A. (1973), "Elements of Manpower Forecasting and Scheduling", *Human Resource Management*, 12(3), pp. 35-43.

BEAUJOLIN R. (1997), *De la détermination du sureffectif à la quête infinie de flexibilité : où mènent les processus de réduction des effectifs ?,* thèse de doctorat, École polytechnique, 366 p.

BEAUJOLIN R. (1999), *Les vertiges de l'emploi : l'entreprise face aux réductions d'effectifs,* Paris, Grasset / Le Monde.

BERNIER-KHEDACHE S. (2019), « Le pilotage des effectifs : une lecture conventionnaliste de la coordination entre fonctions Contrôle de Gestion et RH », *Revue française de gestion*, n°283, pp. 31-49.

BOURGEOIS L. J. III (1981), "On the measurement of organizational slack", *Academy of Management Review,* 6(1), pp. 29-39.

BOURGUIGNON A. (2005), "Management Accounting and Value Creation: the Profit and Loss of Reification", *Critical Perspectives on Accounting*, 16(4), pp. 353-389.

BOYER T. (2002), « Corporate Governance et emploi : les attentes des marchés financiers », *Annales des Mines - Gérer & Comprendre*, n°69, pp. 29-35.

CHEVALIER P. & DURE D. (1994), « Quelques effets pervers des mécanismes de gestion », *Annales des Mines - Gérer & Comprendre*, n°36, pp. 4-14.

CORIAT B. (1994), *L'atelier et le chronomètre : essai sur le taylorisme, le fordisme et la production de masse*, Paris, C. Bourgeois Éditeur.

CYERT R. M. & MARCH J. G. (1963), *A Behavioral Theory of the Firm*, Barakaldo Books, édition numérique 2020.

DAVID G. (2012), « Contribution à l'étude du slack organisationnel : le cas des dépenses d'investissements dans une grande entreprise industrielle », *La Revue des Sciences de Gestion*, n°254, pp. 59-98.

DUBOULOY M. & FABRE C. (2002), « Les restructurations d'entreprises. De la rationalité économique à la souffrance des hommes », *Annales des Mines - Gérer & Comprendre*, n°67, pp. 43-55.

DEMIRKAN I. (2018), "The impact of firm resources on innovation", *European Journal of Innovation Management*, 21(4), pp. 672-694.

DUMEZ H. & JEUNEMAÎTRE A. (2005), « La démarche narrative en économie », *Revue économique*, 56(4), pp. 983-1005.

ERNST A. T., JIANG H., KRISHNAMOOTHY M. & SIER, D. (2004), "Staff scheduling and rostering: A review of applications, methods and models", *European Journal of Operational Research*, 153(1), pp. 3-27.

KUHN A. & MOULIN Y. (2012), « Influence des représentations des dirigeants d'entreprises sur la réduction des effectifs », *Revue de gestion des ressources humaines*, n°60, pp. 19-34.

LEURIDAN G. & DEMIL B. (2021), "Exploring the dynamics of slack in extreme contexts: A practice-based view", Human Relations, sous presse.

MALLET L. (1989), « La détermination du sureffectif dans l'entreprise : démarche gestionnaire et construction sociale », *Travail et Emploi*, n°40, pp. 22-32.

NOHRIA N. & GULATI R. (1997), "What is the optimum amount of organizational slack? A study of the relationship between slack and innovation in multinational firms", *European Management Journal*, 15(6), pp. 603-611.

PEREZ C., THEVENOT N., BERTA N., BROCHARD D., DELAHAIE N., JALLAIS S., PERRAUDIN C., SAUVIAT C. & VALENTIN J. (2015), « Modes d'ajustement par le travail en temps de crise : des relations professionnelles sous tension », *La Revue de l'IRES*, n°84, pp. 59-90.

SCILIEN J.-C. & ROZIN P. (2015), « Les plans sociaux successifs comme vecteur de démotivation sociale des salariés survivants : la perception des efforts mutuels peut-elle éviter l'émergence d'un coût caché "ancré" ? », *Management & Avenir*, 75(1), pp. 13-33.

SYMEOU P. C, ZYGLIDOPOULOUS S. & GARDBERG N. A. (2019), "Corporate environmental performance: Revisiting the role of organizational slack", *Journal of Business Research*, 96, p. 169-182.

TAYLOR F. W. (1903), *Shop Management*, Westport, Greenwood Press, édition 1974.