

# **Survivor Responses to Downsizing: The Mitigating Effects of Trust and Empowerment**

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## ABSTRACT

Since 1989, more than 3 million workers have been laid off annually from major corporations. Downsizing efforts are expected to continue, particularly in industries undergoing significant consolidation, such as aerospace, banking, and communications. While providing short-term returns to shareholders, companies are undermining the loyalty that they have built with their employees – the loyalty that will allow them to emerge from downsizing as a leaner, more profitable company. We argue that if the implementation of the downsizing is not focused on mitigating the decay of survivors' trust and empowerment typically incurred during downsizing, then downsizing activities are likely to impair competitive advantage rather than enhance it. This paper draws from the literature as well as from survey data of survivors collected shortly after a downsizing to demonstrate the key roles of survivor trust and empowerment in mitigating negative survivor responses to downsizing.

*"The real question is **how** downsizing is done, rather than **whether** to downsize. Companies that downsize through buyouts and attrition, that help their workers get new jobs, and that sometimes provide outplacement services, end up much better positioned than companies which simply wield the ax. (They have) a better chance of retaining the loyalty of the surviving workers. Trust is one of the most valuable yet brittle assets in any enterprise. So over the long term it's far better for companies to downsize in a humane way." –Robert Reich (1996)*

Downsizing has become the strategy favored by many companies attempting to cope with fundamental, structural changes in economies and markets. The push for downsizing started in the late 1970s as a way to cut costs and improve the bottom line for companies in decline. Today, companies with record profits carry on the quest to become "lean and mean," anxious to "trim the fat" out of their organizations. The number of employees who have been downsized reflects the promises of higher productivity, better stock performance and more flexibility. More than 3 million jobs have been eliminated each year since 1989, for a total of 43 million jobs eliminated since 1979 (Cascio, 1995). Downsizing has become almost a way of life for American companies. Sixty-seven percent of firms that cut jobs in a given year do so again the following year (Cascio, 1995). Government budget cuts alone have resulted in more than 1.1 million lost jobs in the defense industry since 1987, with another 700,000 cuts expected through 1998. Wholesale outsourcing of work to another company has also become commonplace.

Southern California has been particularly hard hit by large scale downsizings given the prominence of its aerospace and defense industries. More recently, banking and high technology firms in Southern California have also begun to downsize as they struggle to remain competitive amidst an environment of mergers and global competition (Zachary, 1995). For example, last year Wells Fargo bought-out First Interstate bank headquartered in Los Angeles and plans to lay off 85% of First Interstate's 9,000 employees in the state. Clearly, Southern Californian is no stranger to the corporate rush to downsize. Unfortunately, the payoffs from downsizing have been sparse (Cascio, 1995; Cole, 1995; New York Times, 1996). There are several reasons why organizations do not achieve the hoped for results from downsizing, including financial costs, loss of key talent, and survivor angst.

**Financial Costs** – Downsizing costs money. Resources are often directed at the implementation of the downsizing

process and at potential lawsuits for discrimination in administering the layoffs. Separated employees receive an average severance check that includes one week of pay for every year of service, their accrued vacation and sick pay, supplemental unemployment benefits, and outplacement benefits which can be as high as 15% of their salaries (Cascio, 1995). In some cases, companies may decide to refill positions with less expensive or temporary employees, but such replacement hiring has costs as well. One study estimated the cost to replace an employee with a salary of \$70,000 at \$25,000 while Hewlett-Packard has estimated the cost to replace an engineer is \$150,000 with a 25 month learning curve (DeMarco, 1996; Labich, 1996). Clearly, downsizing is not a cost-free exercise.

**Loss of Key Talent** - Indiscriminate downsizing can result in the loss of an organization's "best and brightest" employees who choose to leave the organization. This is often the case because the high-performing employees have the most attractive external options available to them. In addition, many of those employees have specialized knowledge about the organization and its processes which acts as lubricant to smooth the functioning of the organization. One study estimates that companies can lose 10-20% of that knowledge and experience every year (Reichheld, 1996). More than half of the firms who downsized cut too much of their workforce and actually have had to re-hire their employees back as consultants to continue projects that they had worked on before the layoff (Cascio, 1995). In addition to the direct hiring costs, there are the indirect but significant costs of foregone opportunities while searching to replace lost talent. Thus, companies may be losing the employees most able to contribute to the organization's competitive advantage.

**Survivor Angst** - Studies have shown that survivors often go through several different stages: grief, resistance to change, fear, distrust, denial, lack of loyalty, and distrust. They also exhibit physical reactions to the stress of the downsizing including depression, insomnia, and high blood pressure. Survivors may exhibit denial or anger over the cuts that have been made and may feel guilt in remaining behind. They return to work with an ever-present fear that downsizing will be repeated and that they may be next. They also may experience cynicism or burnout when their workload doubles or triples as their department is shrunk by half to two-thirds (Kozlowski et al., 1993). Employee loyalty and commitment also suffer. A survey by Right Associates found that only 31% of survivors agreed that employees' trust in the organization was intact after downsizing (HR Focus, 1993). As a result, survivors often exhibit less enthusiasm and dedication to the firm. They leave "on time" and spend what used to be "unofficial overtime" with their family. They may just "go through the motions" at work. Companies often see an increase in voluntary turnover as well. Some survivors may decide to leave the company rather than remain with a fear of future layoffs. At the extreme, survivors may be prone to acts of sabotage, vandalism, or even violence. In the end, corporate America has lost the muscle it needs to sustain itself.

Because of the devastating effects survivor angst can have on organizational downsizing, in this paper, we focus on factors which may mitigate survivor angst. First, we present a typology of possible survivor responses to downsizing which indicates that in addition to the fearful and cynical survivor responses commonly documented in the literature, survivors can also respond obligingly or even hopefully to a downsizing mandate. This typology suggests that depending on the implementation of the downsizing, survivors can have a range of responses - from very negative and destructive to quite positive and constructive. Second, we explore how trust and empowerment can mitigate more negative survivor responses and increase the probability of positive survivor responses. These ideas are then tested on data collected from survivors in a large aerospace firm.

## A Typology Of Possible Survivor Responses

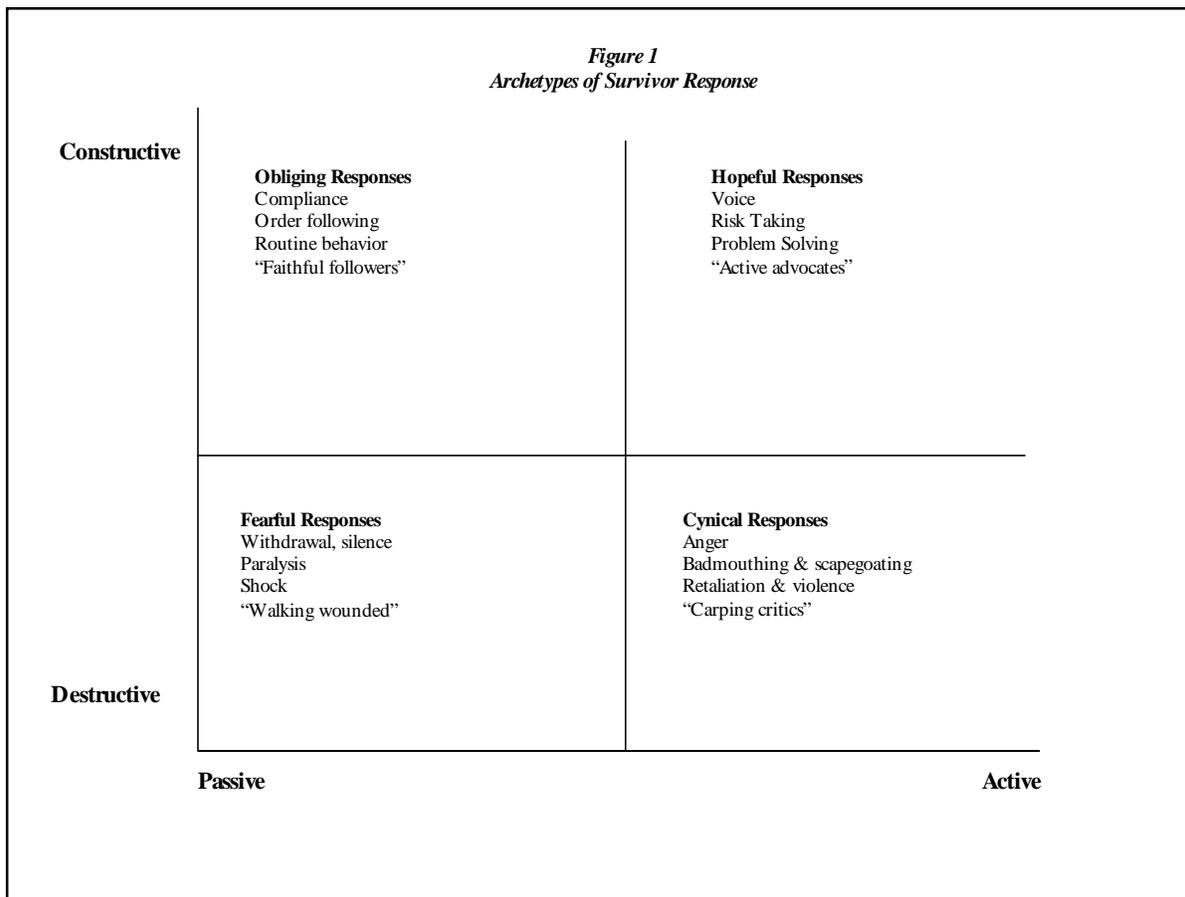
Clearly, there is evidence that downsizing can have devastating effects on survivors. But is this always the case? In our review of the downsizing literature, we found evidence of a range of survivor responses – some documenting the negative responses identified above, but others indicating more neutral or even positive survivor responses. In fact, our reading of the literature suggests that survivor responses can be arrayed along two dimensions: constructive/destructive and active/passive (see Figure 1) (Mishra & Spreitzer, 1997). A constructive response reflects a willingness to cooperate with top management in implementing the downsizing (e.g., survivors may work more hours without compensation to help the organization through the transition). In contrast, a destructive response reflects an unwillingness to cooperate in implementing the downsizing (e.g., survivors may hoard resources within their own department that could be better used elsewhere in the organization). An active response reflects an assertive role in responding to the downsizing effort (e.g., survivors may initiate efforts to identify redundancies in their unit or could offer informal or formal protests to the downsizing). In contrast, a passive response reflects little personal initiative on the part of the survivor (e.g., survivors may simply wait for their superiors to identify ways to reduce costs or eliminate unnecessary tasks). An active response deals with the problem, whereas a passive response is used to avoid or neglect the problem (Rusbult, Farrell, Rogers, & Mainous, 1988). The juxtaposition of these two dimensions results in four possible archetypes of survivor responses to downsizing: *fearful*, *obliging*, *cynical*, and *hopeful*. These survivor archetypes capture both the emotions and behaviors that survivors use to cope with the stress of downsizing (Kets de Vries & Balazs, 1997).

### **The Fearful Response: “Walking Wounded”**

Fearful survivors tend to withdraw psychologically and behaviorally from work (Brockner, 1988), even to the point of paralysis (Cameron, Freeman, & Mishra, 1993). Such withdrawal or paralysis may stem from worry and anxiety (Astrachan, 1995). Fearful survivors also may consider the implementation of the downsizing as out of their control (cf. Folkman, 1984; Lazarus & Folkman, 1984). Those manifesting a *fearful* response might be labeled the “walking wounded” of the organization. These survivors exhibit helplessness and alienation (Seligman, 1975) or silence and inaction (Hirschman, 1970). These survivors tend to allow conditions to deteriorate through reduced personal interest or effort. They physically distance themselves from the source of their dissatisfaction, or they “escape” through absenteeism and lateness, because these actions help them to feel more in control (Robinson, 1992). Others “escape” by focusing on nonwork interests and activities which are within their domain of control (Withey & Cooper, 1989). These survivors may psychologically distance themselves, reducing their level of commitment to the organization, because they identify with the loss of respected coworkers and friends (Brockner et al., 1987).

### **The Obliging Response: “Faithful Followers”**

Similar to *fearful* survivors, *obliging* survivors are passive. However, *obliging* survivors are constructive, not destructive. Instead of withdrawing from the organization or becoming paralyzed, *obliging* survivors respond to downsizing by obediently following orders. *Fearful* survivors believe that a downsizing effort is inimical to their interests but that nothing can be done about it. In contrast, *obliging* survivors believe that downsizing is basically benign, and they are willing to go along with the directives given to them. Like *fearful* survivors, *obliging* survivors are passive; however, they go along with what is expected of them because doing so is not expected to lead to harm. Whereas



*fearful* survivors might be labeled the "walking wounded," *obliging* survivors could be called the "faithful followers." These survivors willingly wait for conditions to improve and stick with the job through good times and bad (Robinson, 1992; Rusbult et al., 1988). Though they cooperate in the implementation of the downsizing, *obliging* survivors take no initiatives on their own. These survivors respond largely in compliant and accommodating ways, accepting the goals and objectives given to them by management (Rusbult et al., 1988).

#### **The Cynical Response: "Carping Critics"**

*Cynical* survivors take an active role in the downsizing process, but they are also destructive. Thus, the *cynical* response is the opposite of the *obliging* response. An appropriate label for these survivors might be the "carping critics." Survivors may respond cynically to downsizing because they perceive a blatant violation of their psychological contract (Rousseau, 1995) or feel moral outrage (Bies, 1987). They may challenge or "badmouth" management during the downsizing (Cameron et al., 1993), and at the extreme, they may engage in acts of vandalism, retaliation, or sabotage (Kets de Vries & Balazs, 1997; Robinson, 1992). In sum, the *cynical* response involves survivors questioning or even interfering with the downsizing process rather than cooperating with it.

#### **The Hopeful Response: "Active Advocates"**

The *hopeful* response is the opposite of the *fearful* response; survivors in this quadrant are both active and constructive. These individuals actively support organizational goals and objectives. An appropriate label for these survivors might be the "active advocates." This quadrant reflects active and constructive efforts of survivors to improve

conditions by discussing problems or taking actions to solve problems (Rusbult et al., 1988). *Hopeful* survivors are both active and constructive because they consider themselves as partners in helping to enhance the organization (O'Neill & Lenn, 1995; Robinson, 1992). Rather than responding obediently to the downsizing mandate as do *obliging* survivors, *hopeful* survivors are not afraid to take risks or develop novel ways to improve the organization's competitiveness. Such *hopeful* responses have been documented in the downsizing literature as good citizenship behavior (Bies, Martin, & Brockner, 1993) and job involvement (Brockner, Grover, & Blonder, 1988). In contrast to the *cynical* survivors who fight against the downsizing, *hopeful* survivors support the organization and find ways to fulfill the objectives of the downsizing effort.

Thus, our reading of the literature suggests that survivors can respond to an organizational downsizing in a variety of different ways. While each of these responses have been documented in the literature, we have little idea of their relative distribution during a downsizing. Are some archetypes more prominent than others? Are some relatively rare or non-existent? Thus, our first research question is to understand to what extent each of these archetypes are reflected in actual survivor responses.

**Research Question #1: To what extent are the four archetypes reflected in survivor responses to downsizing?**

**The Mitigating Effects of Trust and Empowerment**

Our hunch is that the distribution of survivor responses will depend on the extent of survivor trust in management and empowerment. Trust is an individual's willingness to be vulnerable to another based on the belief that another party is competent, honest, reliable, and concerned about the individual's own interests (Mishra, 1996; Gabarro, 1987). Trust between managers and employees is critical for effective work relationships, and has become an increasingly central topic in social science research (Mayer, Davis, & Schoorman, 1995; Sitkin & Roth, 1993). While proxies for trust have been examined in recent empirical research on survivor reactions to downsizing (Brockner et al., 1994), explicit operationalizations of trust in the downsizing literature on downsizing have been sparse (Brockner et al., in press is an exception). Empowerment reflects a proactive orientation to one's work. Empowered employees experience a sense of meaning, competence, self-determination, and impact. Empowerment becomes critical because it is a prerequisite for employee risk taking and proactivity (Bowen & Lawler, 1995; Spreitzer, 1995). Lower-level employees may possess critical information not available elsewhere in the organization about how to perform their jobs optimally (Bowen & Lawler, 1992). Moreover, during downsizing, empowerment becomes even more critical because there are fewer employees to complete the work of the organization. Our logic relating trust in management and employee empowerment to specific survivor responses is discussed below.

**Trust in Management** - We argue that survivor trust in management will be positively associated with more *hopeful* and *obliging* responses and negatively related to more *cynical* and *fearful* responses. "Trust reduces social complexity by going beyond available information and generalizing expectations of behavior in that it replaces missing information with an internally guaranteed security" (Luhmann, 1979). Trust in others also reduces defensiveness towards threatening or ambiguous situations and enhances information-seeking (Golembiewski & McConkie, 1975; Luhmann, 1979; Mayer et al., 1995). Through these mechanisms, we argue that individuals who trust management prior to a downsizing will respond in more *obliging* and *hopeful* ways.

Trusting management to be honest allows a survivor to seek out information rather than avoiding or with-

drawing from management (cf. Gabarro, 1987). In contrast, O'Neill & Lenn (1995) have argued that survivors' lack of trust leads them to discount the information that they are given by management because they believe that it has been manipulated. Trusting management to be competent and reliable allows a survivor to seek out guidance and assistance in dealing with additional work demands necessitated by a work force reduction. Trusting that management is concerned about employees' welfare, a survivor might be less fearful about the downsizing's collateral effects on his or her own livelihood and career prospects. Indeed, at sufficiently high levels of trust, downsizings can be viewed as an opportunity rather than as a threat because the survivor may believe that career-enhancing outcomes are possible from the downsizing. In response to a downsizing, higher trust in superiors would also lessen fear of reprisal for making mistakes associated with trying a new approach. Indeed, trust is expected to mitigate the typical tendency toward risk-minimization during downsizing (Cameron et al., 1993). Thus, in response to a downsizing initiative, higher levels of trust in others then should allow an individual to assess the downsizing in less threatening terms, and respond in more constructive ways (i.e., *hopeful* and *obliging* responses).

**Research Question #2: Are survivors with higher levels of trust in management during the implementation of the downsizing more likely to exhibit *hopeful* or *obliging* responses?**

**Empowerment** - Empowered individuals believe that they can control their own destiny, that they can shape the system of which they are part. One of the most common survivor responses to organizational downsizing is a feeling of helplessness, a sense that one has lost control over one's own destiny (Byrne, 1994). But a sense of empowerment can provide a buffer against the helplessness-inducing effects of a downsizing announcement. When empowered, employees do not feel as though they are mere "cogs" in a machine but instead feel as though they are more active shapers of the organization (Bell & Staw, 1989). Thus, empowered survivors are more likely to see themselves as active participants in implementing the downsizing rather than passive recipients of a top management mandate. In this vein, Robinson (1992) found that disempowered employees (those subject to high degrees of management surveillance) were likely to respond to dissatisfaction in passive ways. Thus, empowerment enhances survivor initiative in several ways during a downsizing.

Empowerment can bring certainty to a context of ambiguity or threat (Sutton & Kahn, 1987) and facilitate more proactive survivor responses. Greenhalgh and Rosenblatt (1984) argue that employees' well-being in response to a downsizing event depends on the amount of control they have over their personal experience during the downsizing. Individuals who perceive events as out of their control experience those events as more threatening (Billings et al., 1980; Dutton, 1986; Rothbaum, Weisz, & Snyder, 1982). A threatening situation will cause fewer negative reactions if people can influence its onset, duration, and magnitude (Seligman, 1975; Sutton & Kahn, 1987). Negative consequences of a lack of personal control found in prior research include withdrawal and depression (Seligman, 1975), stress (Averill, 1973), sabotage (Allen & Greenberger, 1980), and lack of innovation (Kanter, 1983). Robinson (1992) found that the lack of channels available to voice ideas and concerns led to destructive responses. Thus, a greater level of overall empowerment prior to the downsizing is likely to lead to more assertive or active responses (i.e., more *hopeful* or *cynical* responses).

**Research Question #3: Are survivors with higher levels of empowerment during the implementation of the downsizing more likely to exhibit *hopeful* or *cynical* responses?**

## Research Design

### *Sample and Data Collection*

This research focuses on the effects of downsizing on survivors in the aerospace industry, an industry of particular importance to Southern California. In 1987, California was home to one in four U.S. aerospace jobs; Los Angeles County alone accounted for 10% of the national total. Since then, the aerospace industry in California has become a shadow of its former self. The state's aerospace employment roles are down 33% compared with 1987, while in Los Angeles County, the industry's job base is only 50% of its size eight years ago (Schoeni, et al., 1996). For these reasons, the Southern California aerospace industry provides a rich environment in which to conduct this research.

As part of a larger study of survivor responses to downsizing, employees from an organization in the aerospace industry head-quartered in Southern California were surveyed in the fall of 1996, approximately two weeks after a major downsizing initiative was announced. A total of 350 surveys were returned, a response rate of about 48%. This response rate is considered quite good given that an ID number was included on each survey identifying respondents so that their responses could be matched to archival demographic data. While it was possible to identify specific respondents, each was assured confidentiality of response. All surveys were mailed directly to the researchers. Analysis of the demographic data suggests that the characteristics of those responding to the survey are virtually identical to those who did not return the survey; thus, there is little evidence of response bias.

### *Measures*

To the extent possible, already validated scales of the variables were used. We used Mishra and Mishra's (1994) measure of trust and Spreitzer's (1995) measure of empowerment. Because previously validated measures on the archetypes were not available, we created our own measures of *cynical*, *hopeful*, *fearful*, and *obliging* survivor responses. All survey measures achieved acceptable levels of reliability (i.e.,  $\alpha > .70$ ). Objective data on employees' educational level, age, number of dependents, length of service, and whether they were the primary breadwinners in their family were also collected from archival sources.

## Results

To answer research question #1, we examined the means of each of the four survivor archetypes (see Figure 2). The means suggest that the survivors rate themselves fairly high on the cooperative dimension of the typology (the highest scores are on the *hopeful* and *obliging* archetypes). The means also suggest that the survivors rate themselves somewhat high on the active dimension of the typology (they rate high on the *hopeful* archetype and moderate on the *cynical* archetype). Thus, the survivors at this aerospace company seem to be responding somewhat positively to the downsizing announcement. While these initial responses (approximately two weeks after the downsizing

Figure 2

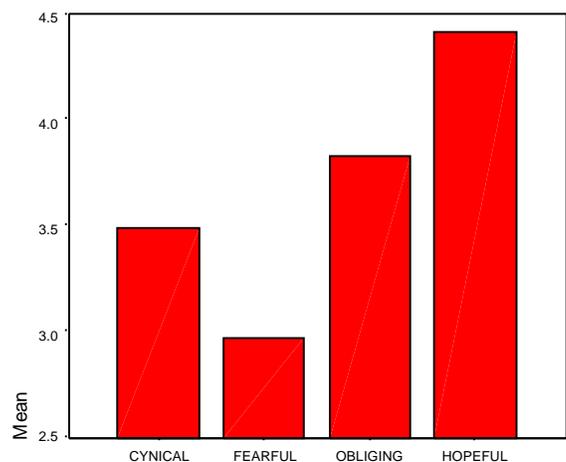


Figure 3

<i>Independent Variables</i>	<i>Cynical</i>	<i>Hopeful</i>	<i>Fearful</i>	<i>Obliging</i>
<i>Empowerment</i>	-.12+	.24***	-.11+	.07
<i>Trust</i>	-.28***	.17**	-.10+	.18**
<i>Age</i>	-.07	-.14*	.10	.09
<i>Education</i>	-.03	.08	-.18**	-.07
<i>Years of Service</i>	.13+	.10	.00	.03
<i>Number of Dependents</i>	-.02	-.04	.11+	-.02
<i>Primary Breadwinner</i>	-.04	.10	.01	.07
<i>F-value</i>	4.64***	5.01***	3.40**	3.14**
<i>R2</i>	.13	.13	.08	.07

announcement) indicate a positive response, it will be important to track survivor responses over time in future research to see if they remain as optimistic as the downsizing is actually implemented over time.

To answer research questions #2 and #3, regression analyses were used to examine whether trust in management and empowerment help to predict the different survivor responses as hypothesized. Several demographic variables, including age, education, years of service, number of children, and whether the respondent is the primary breadwinner in their family, were included in the analyses as control variables. Older survivors are likely to have fewer employment options outside of the organization and may respond more passively (i.e., *fearfully* or *obligingly*). In contrast, workers with more education are likely to have more employment options outside of the organization and may respond more actively to the downsizing (i.e., *hopefully* or *cynically*). Those with more years of service to the organization are likely to be more committed and loyal to the organization and thus may respond more cooperatively (i.e., *hopefully* or *obligingly*). Finally, those who are the primary breadwinners for their families and/or who have children are likely to feel more vulnerable to potential job insecurity and are likely to respond more fearfully.

The results (see Figure 3) suggest that, as expected, survivor trust in management is positively related to more constructive survivor responses (*hopeful*:  $b = .17^{***}$ ; *obliging*:  $b = .18^{***}$ ) and negatively related to more destructive responses (*cynical*:  $b = -.28^{***}$ ; *fearful*:  $b = -.10+$ ). In this way, trust in management does serve as a lubricant to social relations during a downsizing. The results suggest partial support for the research question focusing on empowerment. We had hypothesized the empowerment would be positively related to active survivor responses and negatively related to passive survivor responses. As expected, empowerment is positively related to one of the more active responses, a *hopeful* survivor response ( $b = .24^{***}$ ) and negatively related to one of the more negative responses, the *fearful* survivor response ( $b = -.11+$ ). However, empowerment was found to be negatively related to the *cynical* survivor response ( $b = -.12+$ ) and not related to the *obliging* response ( $b = .07$ ). These results indicate that empowered survivors do respond more actively but also more cooperatively to a downsizing announcement. Perhaps because of their strong connection to the organization, empowered survivors are not likely to react in spite to a downsizing as would be consistent with a *cynical* response. Thus, moderately strong support for our hypotheses relating trust and empowerment to the survivor responses is found. Survivor trust in management and empowerment both increase the probability of positive responses and decrease the probability of negative responses.

In general, the demographic control variables are not significantly related to the survivor responses. Yet, some interesting relationships do emerge as significant. As expected, those survivors with more education are less

likely to respond *fearfully* because they may perceive more employment options for themselves if they themselves should be laid off in the future. In addition, those with more children are also found to respond more *fearfully* to a downsizing, most likely because they see themselves as more vulnerable to a job loss given the added mouths to feed. Older survivors are found to respond less *hopefully*, perhaps because they see fewer employment options available to them if they should lose their jobs in the future. Finally, contrary to expectations, those with more years of service are found to be respond more *cynically*. Perhaps because of their longevity with the organization, they are the most wounded emotionally by the downsizing announcement. Thus, these findings suggest that the demographic variables do serve as good proxies for the extent of vulnerability experienced by survivors.

## Discussion

The findings suggest that survivor trust in management and empowerment do tend to mitigate negative survivor responses (i.e., *fearful* and *cynical* responses) and increase the likelihood of positive survivor responses (i.e., *hopeful* and *obliging* responses). The irony is that companies obsessed with being thin may be unwittingly destroying the very qualities they need for competitive advantage, namely *employee trust* and *empowerment*. Downsized organizations in particular depend on empowerment and trust as hierarchies are dismantled and fewer managers remain to monitor and control the actions of employees. This is especially true in the 1990s when white-collar rather than blue-collar work force reductions are the norm. With weakening hierarchies, individuals are increasingly faced with situations in which formal controls and sanctions do not exist and where trust is essential to coordinated action. Empowerment, with its concomitant self-control and self-direction, may also become an essential means by which concerted action takes place in organizations. Indeed some scholars have argued that trust and empowerment are replacing hierarchy and transactional contracts as central control mechanisms in organizations (Sheppard & Tuchinsky, 1996).

While employee trust and empowerment are critical for effectiveness in today's environment, the reality is that they are likely to decline considerably during downsizing efforts. Trust suffers during downsizing for a variety of reasons. Trust suffers because survivors do not believe that top management communication is credible or that information is being withheld. As a result, survivors may distort information provided to them, bolstering favorable data and discounting unfavorable data. Survivors' trust may also deteriorate if they feel that management is not acting in the best interests of the entire organization, or that survivor welfare has been sacrificed. Trust may also suffer to the extent that survivors blame the downsizing on past managerial mistakes, or because repeated downsizings have left them sensing that management has run out of new ideas for turning the organization around (Labich, 1996; Noer, 1995; O'Neill & Lenn, 1995).

Survivors' sense of empowerment can also decrease during organizational downsizing. As survivors become increasingly suspicious of management, they may come to see themselves as independent contractors, viewing the organization in purely instrumental terms, and refusing to integrate themselves into the work culture. Empowerment may also languish as survivors' sense of meaning is lost due to inauthentic or insufficient communication by top management. Survivors' sense of control may also suffer in response to unclear or constantly changing job responsibilities or frequent layoffs that leave survivors wondering if they will be next. Not surprisingly, their willingness to take risks may decline, and survivors may become more resistant to change and less innovative. Thus,

downsizing may be devastating the very qualities, trust in management and empowerment, necessary for revitalizing the organization.

### **Directions for Future Research**

Our research suggests that trust and empowerment are critical for mitigating the negative effects of downsizing. A key question thus becomes what sorts of implementation tactics can help to solidify trust and empowerment during the downsizing process. Prior research indicates that perceptions of justice or fairness can help to sustain trust in management in a downsizing context (Brockner et al., in press). In a fair implementation, one constituency's needs (e.g., top management) do not dominate the needs of other constituencies (e.g., survivors and victims). We argue that a just implementation is likely to result in more trusting survivor reactions because survivors are more likely to believe that the implementation reflects their own interests and needs, rather than just those of top management. Research on organizational justice has articulated three different elements of fairness, each influential on survivor responses to downsizing: (1) the outcomes rendered (i.e., distributive justice), (2) the perceived fairness of the downsizing in terms of the processes used (i.e., procedural justice), and (3) the credibility of the rationale for initiating the downsizing efforts (i.e., interactional justice).

Distributive justice reflects the fairness of the outcomes that result from the downsizing process (Brockner & Greenberg, 1990; Deutsch, 1985). Prior research has focused on how survivors perceive the outcomes received by *victims* (i.e., the adequacy of outplacement assistance and severance pay provided to victims) (Brockner DeWitt, Grover, & Reed, 1990; Brockner et al., 1994). Because survivors identify with victims or see themselves as potential future victims (Brockner, DeWitt, Grover, & Reed, 1990; Brockner et al., 1994), perceptions of distributive justice will influence survivors' own reactions to the downsizing. Thus, to the extent that survivors believe that the victims of the downsizing are fairly treated, we argue that survivors will respond in more trusting ways. Distributive justice also reflects perceptions that the burden of the downsizing is being shouldered by employees at all levels of the organizational hierarchy, not just those at lower levels. For example, in some organizations, executives have received significant performance bonuses or golden parachutes at the same time that lower-level employees have been laid off with minimal severance packages (Dial & Murphy, 1995). In one organization, the same week that massive layoffs were announced, record levels of executive pay were announced, resulting in reported strong feelings of injustice by survivors and victims alike (New York Times, 1996). Such inequitable distributions of rewards are expected to contribute to perceptions of distributive injustice and result in less trusting responses.

Procedural justice reflects the fairness of the processes used to implement the downsizing (Brockner & Greenberg, 1990). Procedural justice has typically been operationalized in terms of the decision rule used to determine who is laid off and in terms of the amount of advance notice that is provided to victims. A decision rule based on equity rather than victim need or equality is seen to be most fair in determining who will remain employed and who will be laid off (Brockner et al., 1994). When survivors perceive the decision rule to be equitable and merit-based, we argue that they will respond in a more trusting way to the downsizing mandate (Brockner et al., 1995). In contrast, when survivors perceive the decision rule to be politically-based or random, we argue that they will respond in a less trusting way. Advance notice is another important, though relatively under-researched, element of procedural justice (Brockner et al., 1994; Kozlowski et al., 1993). Survivors are likely to perceive the

downsizing process as more fair when victims are provided with adequate advance notice regarding an upcoming downsizing. Because survivors tend to identify with victims or see themselves as potential future victims, we expect that they will respond in a more trusting way when the downsizing announcement is made with adequate advance notice for victims. Advance notice will also enhance survivors' empowerment by increasing the degree to which they feel self-determination over their work, rather than remaining uncertain over how their work will be affected by others' departures.

Interactional justice (Brockner & Greenberg, 1990) focuses on how fair the rationale for the downsizing is perceived by survivors. Prior research has found that survivors judged a layoff to be more fair if they felt that the reasons were clearly and adequately explained to them (Rousseau & Anton, 1988). Survivors may see the rationale as more credible when it addresses organizational survival imperatives rather than the enrichment of shareholders or top management (Brockner & Greenberg, 1990; Kleinfeld, 1996) and when the reasons underlying the decision to downsize are credible (Brockner et al., 1994). We argue that survivors will respond in a more trusting way when they perceive the downsizing mandate to be interactionally fair because they see the mandate as credible and enhancing the health of the organization rather than merely enhancing the short-term wealth of shareholders or top management.

While perceptions of justice are expected to increase survivors' trust in management, work redesign is expected to increase survivors' empowerment. Survivors' responses to downsizing have been found to be influenced by their perceptions of how tasks and work have changed relative to before the downsizing (Brockner & Wiesenfeld, 1993). As survivors take on more varied tasks of greater breadth following a downsizing, they may perceive their jobs to be enriched. Sutton and D'Aunno (1989) posit that job enrichment in the form of greater skill variety, task identity, and job autonomy may take place as survivors assume victims' tasks. Greater job autonomy may also result from a planned effort to reduce the number of levels in the hierarchy (i.e., a delayering process). When redundant layers are taken out of an organization, survivors will be likely to experience fewer obstacles to gaining permission to take action and less bureaucracy. Some research on job enrichment during downsizing supports a link between job content and reactions to a downsizing activity. Intrinsic job quality during downsizing has been found to be related to high levels of work effort (Brockner, Grover, Reed & DeWitt, 1992), greater commitment, and lower turnover (Brockner et al., 1993). If the downsizing is associated with feelings of control, job autonomy, variety, and significance, it is likely to lead to fewer feelings of helplessness and thus more empowerment.

The downsizing is likely to be perceived more positively to the extent that survivors are involved in its implementation. The involvement of employees in the re-engineering of work processes is likely to lead to more empowerment as employees are likely to feel in greater control of their work environment, especially if more autonomy, feedback, task identity, and task significance result (Hackman & Oldham, 1980). Survivors' participation on downsizing task forces, quality circles, and self-managing teams as well as the use of suggestion systems are all likely to enhance survivors' feelings of control during the downsizing. To the extent that the design of work following a downsizing helps survivors maintain a sense of personal control, we expect that they will feel more empowered. Because fewer people are available to do the same amount of work, "work-out" procedures to remove redundant work processes may minimize work overload and minimize ambiguity and create more intrinsic job quality. Some limited research suggests that if efforts to downsize go beyond mere layoffs to include modifying structures, streamlining procedures and redesigning jobs, then survivors are more likely to feel in control and respond more proactively (Cameron et al., 1993). Thus, downsizing processes will be experienced as less harmful to the extent that the

employees feel a sense of control over how the downsizing is being implemented (Greenhalgh, Lawrence, & Sutton, 1988).

Thus, an examination of justice and work redesign on survivor trust and empowerment will be important directions for future research to take on survivor responses to downsizing.

### **Conclusion**

This paper indicates that survivors can respond to an organizational downsizing in an array of different ways, from the more negative fearful or cynical responses typically documented in the literature, to the more positive hopeful and obliging responses necessary to help revitalize the organization. What seems to differentiate the specific response survivors demonstrate is the extent to which they have trust in management and the extent to which they are empowerment. Ironically, trust and empowerment are often devastated during the process of implementing a downsizing. These results confirm the importance of implementing an organizational downsizing which preserves the essence of trust and empowerment.

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