

# Negative effects on downsizing survivors

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Reducing the negative effects of downsizing by  
applying motivational theories

By Wouter Jager

Faculty: Social Science  
Major: Management, Economics and Consumer studies  
Thesis specialization: Management Studies  
City: Wageningen  
Coordinators: Renate Wesselink (ECS) & Vincent Blok (MST)  
Student number: 910209387100

## Abstract

In unstable economic times like the current crisis, plenty of organizations decide to downsize as a mean to survive. Downsizing can have several negative effects on its survivors, which can be detrimental for the organization. The treatment of these survivors is a determinant of the success of the downsizing process. The employees' motivation affects their productivity (Grant, 2008), and thus it is important to know how to handle these survivors in such a way that they are motivated the most. Researchers state that plenty of downsizing companies have programs to help the leaving employees, but very few have programs for the ones remaining (Appelbaum, Delage, Labib & Gault, 1997). The general objective of this paper is to provide knowledge on surviving employees, and to give guidelines on how the handle with the survivors during the downsize process by means of motivational theories. The first part of the literature study is on the negative effects and different forms of downsizing and provides a general model of the relationship between these effects. The second part is on the motivational theories that can be applied. In the end, these motivational theories are applied on the negative effects to explain how they occur and how to reduce them. Effects such as injustice perceptions, reduced commitment and job insecurity can be reduced by applying the Cognitive Dissonance theory. Effects as decreased health, increased probability to retaliate and lowered trust in management can be reduced by using the Balance Theory. The Expectancy Theory can be used to increase commitment and productivity, and to decrease job insecurity. As it seems, the motivational theories can indeed provide insights in the negative effects and provide organizations and managers guidance.

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# 1 Introduction

## 1.1 Research background

### Times are changing

Times are changing. After the bursting of the housing bubble in the USA, the financial crisis of 2007-2008 has started and also contributed to the Eurozone crisis (Williams, 2012 & Elliot, 2012). This crisis did not only affect the consumers of today's society, also companies saw large problems arise (Florian, 2009). They saw large decreases in their profit or they even saw losses, some of them felt the pressure to close down or to reorganize and fire employees. In for instance France, the Netherlands, Spain and the United Kingdom an increasing unemployment rate could be found which probably is the result of downsizing and bankrupt companies, according to the CIA World Factbook (2012).

Those reorganizations include the reallocation of employees and downsizing on the amount of employees. One of the organizations that has downsized is for example the Dutch ING bank (ANP, 2012) which has plans to fire 2350 employees this time after already firing 2700 employees last year (ANP, 2011). This downsizing in a company like the ING bank can influence the way of working for its employees before and survivors after the plan of downsizing has been implemented, since they might fear losing their jobs this or the next reorganization. They can experience feelings of uncertainty about how the company will continue its operations. Chances of getting a new job in both the short and long run after being fired in these difficult times is decreasing. Being fired due to a reorganization or downsizing might be less of a problem during economical stable times than during an economic crisis like the current one, since the unemployment rates are increasing and less vacant jobs become available. Being assured of a (new) job and (steady) income might be less the case.

Reorganizations like downsizing will affect each employee in a different way. Research has shown that the downsizing strategy used also seem to be related to the kind of negative effect on employees (Parker, Chmiel & Wall, 1997; Sverke et al., 2008; Maertz et al., 2010). This implies that organizations should take into consideration these differences in effects can occur when choosing their downsize strategy. Plenty of research has been done on both the physical and mental changes employees experience before and after a reorganization (e.g. Brockner et al, 1987, 1990, 1992, 1997, 2004; Callan, 1993, Campbell & Pepper, 2006; Campion et al., 2010; De Cuyper et al., 2012). To conduct a more demarcated research on employee behavior during downsizing, this research will only focus on the mental effects rather than the physical effects. Nevertheless, some of the physical and mental effects are interrelated and some of these relationships will be mentioned throughout the paper as well.

Considering the impact of downsizing and its negative effects on companies, many researchers studied these effects (e.g. Pollard, 2001; Kammeyer-Mueller, Liao & Arvey (2001); Buch, 1992; Brockner, 1988; Campbell & Pepper, 2006), especially in past decades. In those decades, already many companies have been downsizing on their amount of employees even before the current crisis began; more than 85

percent of the Fortune 500 companies have downsized between 1989-1994 (Bennett, 1991; Buch, 1992). Already in those years plenty of downsizing happened and negative effects occurred, but during these rapidly changing times in which economical problems emerged even more company downsize. The fact that even more and more companies downsize in these times, might result in that the negative effects of downsizing happen more frequently and fiercely than in the decades without economical issues.

Both the increase in frequency and intensity of these downsizing effects is the reason that not only the labor unions but the whole society pay more attention and will have more sympathy for those employees who get fired (Belga, 2012) than for the survivors (Campbell, 2006). The fact is, that despite these survivors can keep their jobs, their attitudes and motivation can decrease after the downsizing took place, has been shown by Kammeyer-Mueller, Liao & Arvey (2001) and many more. Despite the decrease of these negative downsizing effects on the long term which was found by Pollard (2001), these effects can exist longer than solely during the implementation phase of the downsizing (Hanges & Kernan, 2002). Since those and other effects like burnouts and experiencing job insecurity, loss of cohesion and loss of sense of justice can harm productivity, efforts should be made to reduce such effects (Grant, 2008; Grant et. al, 2007; deCharms, 1957; Campion, LeRouge, Maertz & Wiley, 2010; De Cuyper, Raeder, Van der Heijden & Wittekind, 2012). The remaining employees are important intangible assets of the company and it will be favorable to retain them as productive as possible (Eskildsen, Westlund & Kristensen, 2004). Not adequately and effectively addressing the, by Appelbaum et al. (1997) so-called, "people factor" with regard to survivors throughout the downsizing phase, is a major factor that contributes to the failure of most organizations to achieve their objectives after downsizing. While endeavoring to achieve cost benefits, it is important to consider that when the productivity decrease caused by the negative effects on surviving employees is too much, it might cancel out or even outweigh the cost benefits (Appelbaum et al., 1997). That is why this study will focus on these so-called survivors.

### **Motivation during reorganization**

Some examples of researchers and their findings with regard to the negative effects will be now discussed to give an impression of what already has been researched on downsizing and its effects. By assessing the existing literature, possible gaps can be found and explored. Pollard (2001), for instance, conducted research on the effects of downsizing on employees of the downsizing companies. He found that both before and after the reorganization effects of job insecurity could be found. Hertting and Theorell (2002) state that job insecurity after the reorganization is one of the reasons that the period after the reorganization will be a long lasting adaption process. Since in these economical difficult times plenty of companies have to downsize, job insecurity will be higher than before due to the large amount of unemployed people. The frequency and intensity of job insecurity experienced by survivors can be expected to be higher in times like these (Kalimo, Taris, & Schaufeli, 2003; Ferrie, Shipley, Stansfeld & Marmot, 2002; Heaney, Isreal and House, 1994). This stresses the importance of conducting research on the downsize effects on its survivors, since job insecurity seem to have a negative relationship with multiple outcomes (Sverke, Hellgren & Näswall, 2002) such as job performance (Cheng & Chan, 2007). Efforts to reduce this uncertainty during periods of repeated downsizing can thus be even more useful and from great importance than in economically stable times and will be therefore have an important role in this paper.

Another effect on employees of downsizing companies is that they can experience burnout. De Cuyper, Raeder, Van der Heijden & Wittekind, (2012) found a relationship between employability and burnout of employees of a downsizing company. They found that there exists a negative relationship with employability and a positive relationship with burnouts of employees when companies downsize. Research has proven that burnouts are related to negative outcomes for both the employee and the company, such as different forms of job withdrawal such as absenteeism, intention to leave the job, and actual turnover (Maslach, Schaufeli & Leiter, 2001). Moreover, for the employees that remain at the company, burnouts seem to have the effect to lower their productivity and effectiveness at work, which is also associated with reduced job satisfaction and organizational commitment. Since survivor motivation seems to have a positive relationship with commitment (Chipunza & Berry, 2010), it can be assumed that motivational theories will be useful to investigate employees' motivation, by investigating how to influence employee commitment. These theories will be useful to investigate how to increase motivation, and how to reduce the negative effects of downsizing with regard to both (organizational) commitment and burnout.

Other researchers found other implications of having employees experiencing burnouts. According to Maslach et al. (2001), burnouts do not only affect the ones that experience the burnout themselves. Also colleagues of the employees experiencing burnout can be affected by the negative "spillover effect" burnout seem to have on others on the job. This implies that both before and after the downsizing is implemented burnout can have a negative effect on all employees (both the ones experiencing an burnout and the ones that do not). It might be expected that the remaining employees at the company after the downsizing took place will be satisfied with the result of retaining work, however these results show that the opposite is true. Surviving downsizing doesn't mean there will not be any negative effects.

It seems that plenty of research has been done on the negative effects of downsizing on its survivors, and how organizations can try to reduce these effects. This paper will combine many findings of researchers on these effects together, to come up with a clear overview on the implications a certain effect have on other aspects that are related to the behavior of employees such as downsizing survivors. The aspect of employee behavior this research will focus on, is the changing level of motivation of survivors of downsizing companies motivation of employees. It will also try to add more guidance on how organizations and (HR)managers should act to motivate their employees during times of downsizing. By the use of motivational theories, the process of motivation will be examined and related to the negative effects that can emerge. The application of such theories on the negative effects of downsizing to provide guidance in times of downsizing is the main aspect this paper will add to the existing knowledge on survivors.

The reasons for narrowing down to only motivation as an influencing factor of behavior, rather than focussing on for instance the social norms or cultural values at the company and the environment, is that motivation (Grant, 2008) affects the productivity of the employees and teams. When they are motivated to perform well in the company, they will have a high productivity and will add value to the company (Grant, 2008; Grant et al., 2007). When they are not motivated, companies will see lower productivity. An important aspect of the motivation of employees is that motivation factors change constantly (Bowen & Radhakrishna, 1991). After a while working as an employee, other motivating factors than money

might become more important (Kovach, 1987). As employees get older, having an interesting or challenging job becomes a stronger motivator. Due to an ageing workforce (Armstrong-Stassen & Templer, 2012), it might become more important to look at these motivators. Major conclusions drawn from a research about motivation as a tool for enhancing productivity in Nigeria revealed that job security is a major factor that can motivate employees to enhance productivity (Anka, Jamali, Shaikh & Syed, 2012). Even though this example is taken from a country with a different culture, this might as well hold for Western countries. Having motivated people is thus important.

## Motivation theories

Jalajas & Bommer (1999) state that for human resource managers to be effective they must thoroughly understand the effects downsizing has on employees. Because it describes the reasons that drive people's actions, a good understanding of motivation is important to explain employees' behavior (Mitchell & Daniels, 2003). In existing literature, literature on the usage of motivational models to investigate the negative effects of downsizing, namely the *Equity Theory* (Brockner, Greenberg, Brockner, Bortz, Davy & Carter, 1986; Brockner, Davy & Carter, 1985; Brockner, Grover, Reed, & Dewitt, 1992; Brockner, DeWitt, Grover & Reed, 1990) can be found. However, not much other theories seem yet to be applied on the negative effects of downsizing on its survivors. Just as the *Equity Theory*, other theories that can be relevant considering the negative downsizing effects on survivors, can and will be applied on these effects. This application which is the added value of this paper.

There are multiple theories that try to explain how motivation works, both in general as in workplaces. A few of them could be relevant when trying to reduce the negative effects survivors experience caused by downsizing, such as the *Equity Theory* (Adams, 1965), *Control Theory* (Klein, 1989), *Organizational Justice Theory* (Greenberg, 1987), *Two-factor Theory* (Herzberg et al, 1959), *Self-efficacy Theory* (Bandura, 1982) and the *Expectancy Theory* (Vroom, 1964). In this thesis, these will be related to each other and discussed. The selection of these theories for the purpose of this thesis, is based both on whether were already (often) used in the downsizing context, and whether they seemed applicable on the downsize and survival context. Another requirement was that they were or could be related to each other to give a more elaborated explanation of survivor motivation.

Besides such theories, there are also other factors that influence (the kind of) motivation, such as extrinsic motivators like bonuses (deCharms, 1968) and intrinsic motivators, which is the motivation that is driven by an interest of the person himself (White, 1959). Theories such as the *Balance Theory* (Heider, 1958) and the *Cognitive Dissonance Theory* (Festinger, 1957) are in this thesis used to elaborate on the motivational theories, but also to touch upon the other factors that influence motivation.

Understanding those theories and their applicability in the downsizing context can contribute to useful insights and advise, since these (combined) theories together try to give an explanation of how driving factors of motivation work in the downsizing. The research questions that will lead to this knowledge and analyses will be discussed in the following Research Design.



## **1.2 Research design**

The Research Objective of this thesis will be discussed in section 1.2.1.1. In section 1.2.1.2 the Research Framework will be shown to indicate how the research questions will contribute to answering the main question. In section 1.3 the Research issue will be discussed and in 1.4 the Key Definitions will be explained.

### **1.2.1 Conceptual research design**

#### *1.2.1.1 Research objective*

The organizational treatment of surviving employees is a main determinant of the success or failure of the downsizing process (Bennett, 1991; Lalli, 1992). The way top-managers, a part of a company's HRM, handle downsizing has a significant impact on the degree of dysfunctionality of survivors, which makes it important that managers know how to handle the downsizing in such a way that the employees will be motivated the most (Brockner, 1988). It will thus be useful for downsizing organizations to analyse the motivation of survivors. This is done by focussing on relating to and applying motivational theories on the negative effects of downsizing, to prevent them to emerge. The theoretical value of paper is that it will provide some new insights on the negative effects of downsizing on its surviving employees, by the application of the motivational theories on the negative effects. Appelbaum, Delage, Labib and Gault (1997) state that plenty of downsizing companies have programs to help employees leaving, but very few have programs for the ones remaining. Especially in times of crisis in which downsizing is often implemented, such programs will be valuable. The practical added value of this study is to fill this gap by providing a suggestion for such programs to the Human Resource Management department of downsizing companies with regard to motivating their surviving employees.

### *1.2.1.2 Research issue*

This research focuses on survivors of downsizing in companies, since up till now less attention has been paid to this group of employees compared to the leaving employees (Campbell, 2006). These survivors are important for the existence of a company. Literature combining the negative effects of downsizing to motivational theories was hard to find. This paper endeavours to contribute to provide some insights regarding this integration.

There are several kinds of reorganizing companies, but for this research the focus will only be on downsizing companies and companies having lay-offs. Since nowadays many, and in the future perhaps more companies consider to downsize and lay-off to cut their costs or to reduce the amount of redundant employees, doing research on only this group will be useful.

The main research question of this thesis is;

*To what extent can negative effects of downsizing on its survivors be reduced by means of applying motivation theories?*

*The sub questions which will provide insights needed to answer the main question are;*

*1 What negative effects has downsizing on its survivors?*

*2 With which downsize strategy do negative effects on survivors occur?*

*3 What are measures to reduce or prevent negative effects on survivors?*

*4 What motivation theories are relevant considering the negative effects on survivors?*

*5 How can the negative effects of downsizing be reduced by means of applying these motivational theories?*

### 1.2.1.3 Research framework

A research framework is a schematic representation of the research objective and describes the steps that need to be taken in order to achieve the objective (Verschuren and Doorewaard, 2010). Figure 1 shows the Research Framework, which will be used as a guidance when conducting the research. Then, the setup of the research will be discussed more precisely.

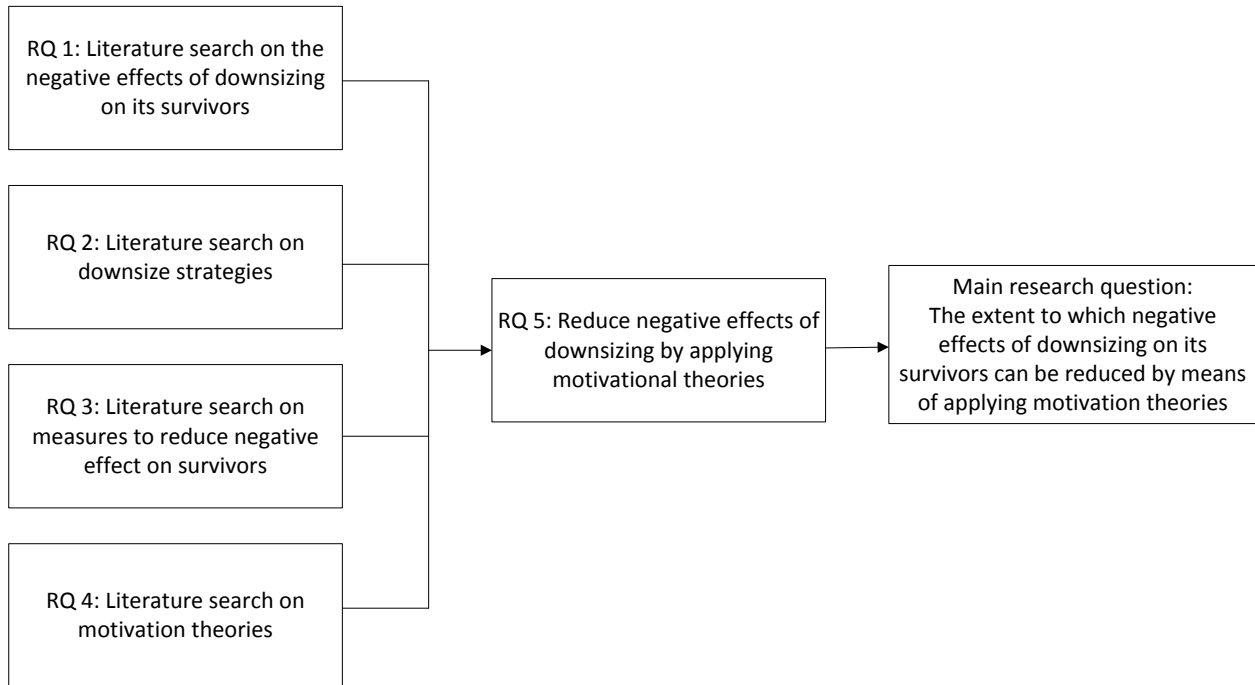


Figure 1: Research framework

### 1.2.1.4 Key component definitions

For the purpose of this research, the major concepts are defined. They should, by this, make clear what is meant when used such definitions throughout the paper. The key components are;

- Downsizing; “reductions in jobs driven by the desire for operating efficiencies” (Cappelli, 2000)
- Lay-off; reductions in jobs associated with shortfalls in demand (Cappelli, 2000)
- Motivation; The direction, intensity and persistence of the behavior over time. (Latham & Pinder, 2005)
- Survivors; The people that survive organizational downsizing and restructuring. (Chipunza & Berry, 2009)

In this paper, both the terms *downsizing* and *lay-offs* will be used to refer to reducing the amount of employees in a company due to both a decreased demand for employees and the desire for operating efficient. These terms will be both used interchangeably since the essence of this paper will be in reducing the overall negative effects of lay-offs and downsizing, and not so much on the relation between the reason for a reducing amount for employees and the negative effects.

## 1.2.2 Technical Research Design

In this part of the proposal the Technical Research Design will be provided. Paragraph 2.2.1 will discuss both the Research Material which will be used and the Research Strategy.

### 1.2.2.1 Research Strategy and Research material

First the background on the effects of downsizing on survivors will be studied, to analyse the behaviour of the survivors of downsizing activities in companies. These effects will be studied by doing literature research on the driving forces of employees' motivations, since it is expected that motivation is a major factor of the driving forces that guide employees' behaviour. Those models could be dated from decades but also from just a few years ago. By this, insights and reformulations of the existing models will also be discussed.

Besides presenting these findings together, literature research has to be done about the many studies that already have been done about the downsizing effects on its survivors. This literature should be on either small, medium or large companies from Western countries like America, Canada and European countries since it is expected that these hold the certain same characteristics with regard to the HRM during downsizing. Although in all the cultures in those countries downsizing means that some employees will be dismissed, the effect downsizing can have on for instance the survivors might differ. It can be expected that the effects on and responses of employees in those countries can differ from for instance Asian countries, since they hold a different culture than Western countries like The Netherlands, in some aspects. In cultures in which for instance a proper financial settlement has been arranged by the government, being fired will still result in having a certain income while in cultures in which a proper settlement is lacking might result in having no income at all. This can have an impact on their fear for future downsizings as well, since in the culture with the proper settlement the impact of being fired is less detrimental. The employees might still fear a future downsizing, or they might still become less committed to the company when they see their beloved co-workers leave the company. Another example is that it is argued that the influence of face on organizational behaviour is bigger in Asia than it is in Western organizations, in which not face but more psychological factors such as employee's cognition and motivation play the more central role on organizational behaviour (Kim & Nam, 1998). This implies that employees might still behave differently in situations as downsizing. It can be assumed that while dismissed employees in the Western society mainly experience stress with regard to the loss of income, that dismissed employees in Asian countries might experience stress with regard to the loss of face. Due to the focus of this thesis and the clearance of literature on the contextual factors of the downsizing companies, such differences will not be further investigated to only include research on certain countries and cultures. However, literature on Asian countries will be excluded since for instance the mentioned cultural differences, when the countries are clearly mentioned in the literature.

The endeavour to obtain the most accurate data, the most current literature will be used, when possible. The effect downsizing had on its survivors will, for instance, probably not be used when dating from before 1985; preferably even 1995 or 2008 (when the current economic crisis began, since this will be the most appropriate data). However, when insufficient amount of data can be found at more recent years, older data has to be used.

After integrating these findings, forecasts about employees' changing behavior can be made. With these findings, the negative effects of downsizing are becoming clear. The integration of previous studies, (motivation) theories and knowledge about today's society should provide useful advice for companies.

When a proper understanding of the motivational factors affecting employees' behavior has been gained, recommendations will be given to those companies who will downsize in their organization. These recommendations will attempt to give the best advice about the way to deal with survivors, so that they will experience as least negative effects as possible. Motivation will be the key aspect in this advice.

## 2 Negative effects of downsizing on survivors

Before the effects of downsizing will be discussed, the definition of downsizing will be explained. A variety of definitions are commonly used for the same process, such as “declining”, “rebuilding”, “derecruiting” and “slimming” (Cameron, 1994). What is important, is the meaning of the definition organizational downsizing. Downsizing has been described as the reduction in jobs driven by the desire for operating efficiencies (Capelli, 2000); the permanent and involuntary letting go of employees by management (Dierendonck & Jacobs, 2010); and the planned elimination of jobs (Cascio, 1993 as stated in Maertz et al., 2010). In the purpose of this paper, Cameron’s description will be used which states that organizational downsizing refers to “a set of activities, undertaken on the part of the management of an organization and designed to improve organizational efficiency, productivity, and/or competitiveness”(1994, p. 192). This definition has been chosen since it includes different drivers to downsize, namely both efficiency and productivity reasons, which can exist of cutting costs to avoid losses, and competitiveness reasons. The importance of different drives to downsizing on the negative effects on survivors, will be discussed in chapter 3.

There are many negative effects that occur at downsizing companies. One of the most obvious effects that arise in times that many companies downsize is job insecurity, since the increased probability of downsizings creates job insecurity. This will be discussed in chapter 2.1, Another influencer of motivation that is negatively affected by downsizing, is the perceived justice, which will be discussed in chapter 2.2. The reason to include the perceived justice as one of the main negative effects, is that it has been considered to be a detrimental aspect of motivation in the downsizing context by many researchers (e.g. Grant, 2008; Grant et. al, 2007; deCharms, 1957; Campion, LeRouge, Maertz & Wiley, 2010; De Cuyper, Raeder, Van der Heijden & Wittekind, 2012). The third set of main negative downsizing effects on survivors is the decreased level of commitment and trust, which will be discussed in chapter 2.3. As mentioned in the introduction, Chipunza and Berry (2010) found a positive relationship between commitment and motivation. Investigating how to increase commitment, might result in finding measures to promote survivors’ motivation. Plenty of other effects of downsizing can be related to, or placed under one or several of these effects. For instance, as the result of job insecurity, survivors can experience both before and after the downsizing process decreased mental well-being and might have a bigger change experiencing burnout (Parker, Chmiel & Wall, 1997; Brockner et al., 2004; Chipunza & Berry, 2010). Burnout also seems to have a negative relationship with trust (Harvey et al., 2003), which is a reason to investigate survivors’ level of trust. Therefore, the negative effect of burnout is mentioned in both chapters. At the end of each chapter, a model is created to provide a good overview of the relations between the different aspects of the negative effect. In chapter 2.4, the relationships between the main negative effects are shown in a single basic model, to provide the answer on the first sub question. However, these relations do not imply there is always a certain causality; it might be the case that these negative effects affect each other in both ways.

## 2.1 Job insecurity

During times of downsizing, companies lower the amount of employees working in their company. This implies that less jobs are available. Remaining employees are aware of the shrinking workforce size and might become frightened that even more employees like themselves have to be fired in the future. This threat is called *job insecurity*, which Greenhalgh and Rosenblatt (1984, p. 438) define as the “perceived powerlessness to maintain desired continuity in a threatened job situation”. A meta-analytic study on job insecurity showed a negative association between job insecurity and job performance (Cheng & Chan, 2007), which in turn influences the organization’s results. Job insecurity also seems to have a positive relationship with distrust (Ashford et al., 1993), and later on in this chapter it will be explained that trust is important to overcome resistance to change (Mishra & Spreitzer, 1998).

Sverke, Hellgren and Näswall (2002) argued that their results confirmed the theoretical assumptions of other researchers that job insecurity negatively effects aspects such as job attitudes, organizational attitudes, satisfaction, involvement, employee health, work-related behaviour, performance and turnover intentions. Ashford et al (1989) also found a positive relationship between job insecurity and intentions to quit. Therefore job insecurity can negatively affect survivors’ organizational commitment and trust, and by this organizational performance (Hartley, 1998) which are factors influenced by downsizing, that will be discussed in the coming chapters. That is why organizations should attempt to reduce this uncertainty.

Research has shown that after experiencing job insecurity for a while, during and after the downsizing period, survivors began to feel reasonably secure about their jobs again, and that they became willing to remain working for the company (Allan et al., 2001). The decrease of this negative downsizing effect on the long term was also found by Pollard (2001). However, until that time employees feel insecure about their jobs since it seems that these effects exist longer than only during the implementation phase (Hanges & Kernan, 2002; Hertting & Theorell, 2002). So also on the long term, job insecurity is an aspect which should be covered.

Ashford et al. (1989) indicated that there was a stronger relationship between job insecurity and both performance and turnover intentions for manual workers than for non-manual workers (Sverke et al., 2002). Job insecurity can negatively affect an organization thus more when the share of lower educated workers is high compared to one with higher educated employees. This might imply that the kind of work of the employees who will experience downsizing can affect the intensity of the effects on both employees and the organization. Managers should thus pay more attention to job insecurity when the share of lower educated workers is high than when this is low.

### 2.1.1 Stress and burnout

Callan found evidence in 1993 that uncertainty about how change would affect survivors’ nature of the job, career paths and relationships with co-workers, creates concern and anxiety for these survivors. This concern and anxiety is a well-established job stressor (Callan, 1993). This job stressor is an important cause of reduced employee mental well-being (Pollard, 2001). In turn, decreased mental well-being can result in burnout (Parker, Chmiel & Wall, 1997). De Cuyper et. al. found a positive relationship between downsizing and burnout of survivors of downsizing companies (2012). As research has shown, burnout

seems to be related to negative outcomes as decreased levels of job satisfaction, organizational commitment, efficiency, productivity and seem to have “spillover” effects on colleagues at the job (Maslach et al., 2001). Besides these negative aspects, it seems that not only job insecurity (Sverke, Hellgren & Näswall, 2002; Ashford et al., 1989) but also burnout is related to different forms of job withdrawal such as absenteeism, intention to leave the job, and actual turnover (Maslach et al., 2001).

### 2.1.2 Job insecurity model

This model provides an overview of how *Job Insecurity* is related to distrust, some other main personal outcomes, and to job stressors. One of these job stressors is the overall insecurity an survivor can have. In turn, these job stressors negatively affect employees’ mental well-being, which can cause burnout. This burnout has negative effect on several personal outcomes. Some of these outcomes are also mentioned as a direct effect of job insecurity. This means that when certain employee outcomes promote a decreased mental well-being, this in turn negatively effects other or even the same outcomes. These relationships are shown in the following figure. When a minus is used in front of the outcome it means that it is negatively affected, and a plus means that the outcome is positively affected.

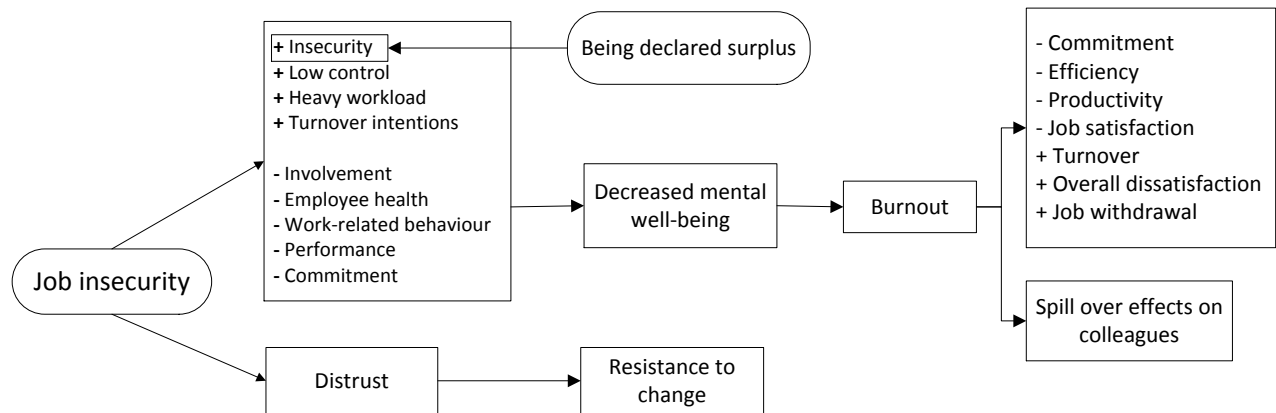


Figure 2: Job insecurity model

## 2.2 Justice

Justice refers to the idea that an action or decision is morally right (Greenberg, 1987). The definition of what is morally right is, according to Greenberg defined according to ethics, religion, fairness, equity or law. The term *organizational justice*, consisting of multiple forms of justice, was first used in 1987 by Greenberg to refer to people’s perception of fairness in organizations. Justice perceptions of survivors can be seen as one of the most important factors that can be influenced by downsizing, since these perceptions affect plenty of other factors as for instance the ones mentioned in this paper. For instance, numerous studies have shown that survivors’ commitment depends upon the perceived fairness of the layoff (e.g. Brockner et al., 1994). As in the next chapter will be explained, committed workers contribute to the organization in a more positive way than less committed employees (Metcalf & Dick, 2001). Survivors’ perception of organizational justice has an influence on their ability to put effort in their new work roles (Chipunza & Berry, 2010). The commitment of survivors and their ability to put effort into their work and the organization, will have a positive effect on the organization. Since research point out



that there exists a positive relationship between justice perceptions and motivation (Brockner, 1992; Chipunza & Berry, 2010), it will be interesting to try to relate this aspect of downsizing with motivational theories.

### 2.2.1 Justice categorization

Organizational justice has been part of plenty of literature on the downsizing effects on survivors (e.g. Brockner, 1990; Brockner & Greenberg, 1990; Bruning et al., 1996; Colquitt et al., 2001). The majority is on procedural fairness. But recent studies suggest that organizational justice can be broken down into four distinctive dimensions: *procedural*, *interpersonal*, *informational* and *distributive* (Colquitt, 2001; Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Greenberg, 1993, as cited in Hanges & Kernan, 2002). There also exist other distinctions between different justice types. Some researchers have focused on only one type (distributive justice as the overall perception of fairness)(Adams, 1965) while others have focused on either two types (distributive justice and procedural justice)(Leventhal, 1980) or three types (adding interactional justice) (Skarlicki & Folger, 1997). Since for the purpose of this research, the fourth type of justice, *informational* justice, will be of great importance to survivors' behavior seen it is related to their perceptions of fairness or justice, it will also be discussed. Hanges and Kernan (2002) developed and tested a comprehensive model of survivors reactions, including antecedents, fairness and consequences to identify how several antecedent factors might relate to *procedural*, *interpersonal* and *informational justice*. *Distributive fairness* was not measured since the survivors received the same outcome; continued employment at the downsized company.

Hanges and Kernan (2002) came up with thirteen hypothesized which they tested. Their hypothesized tested how employee input, support for victims, communication and implementation was related to the three justice forms, and how these forms were related to organizational commitment, job satisfaction, turnover intentions and trust in management. Since they found that the three justice dimensions have different correlations with employee outcomes, it means that when a certain justice dimension has been secured, it does not necessarily mean that organizational justice has been secured. Other measures have to be used to cover the other justice dimensions as well.

#### 2.2.1.1 Procedural justice

*Procedural justice* is referred to as the fairness of the process used to implement the downsizing, which is often operationalized by the decision rule used to choose who is laid off and in terms of the amount of advance notice provided to victims of downsizing (Mishra & Spritzer, 1998). Hanges and Kernan's (2002) results also provide empirical evidence for the assumptions many scholars found, who did research on that voice or involvement can increase survivors perceptions of *procedural justice* (Brockner & Greenberg, 1990; Howard & Frink, 1996; Novelli et al., 1995, as cited in Hanges & Kernan, 2002). Not only *procedural justice*, but also fair treatment was significantly associated with survivors' input. Also researchers as Davy et al. (1991) and Bruning et al. (1996) found that the level of input was positively related to *procedural justice* perceptions, or significantly predicted procedural fairness.

This type of fairness is also related to job satisfaction, trust in management, organizational commitment and turnover intentions ((Brockner & Wiesenfeld, 1993; Brockner et al., 1993; Davy et al.,1991; Mansour-Cole & Scott, 1998) according to Hanges & Kernan, 2002) and to continuance commitment (Cohen-Charash & Spector, 2001). An important finding of Hanges & Kernan' (2002) research was that it

showed that *procedural justice* played the most important role in predicting employees' attitudes. It also appeared that the four aspects employee input, victim support, implementation, and communication quality was the most strongly related with *procedural justice*, which means that it predicts procedural fairness the most. Given these strong relationships, it is clear that managers should carefully attend issues that might arise during the downsizing process.

#### **2.2.1.2 Interpersonal justice**

*Interpersonal justice* is referred to as the quality of interpersonal treatment individuals receive as procedures like layoffs are enacted (Colquitt et al., 2001). Hanges & Kernan's (2002) research has shown results which confirmed their expectations on that *interpersonal justice* was related to all four antecedent factors, consisting of input, support for victims, implementation perceptions and communication quality. With regard to the effect of *interpersonal justice* on the outcome variables, the research showed the most strong relationship with trust in management, rather than with organizational commitment, job satisfaction and turnover intentions (Hanges & Kernan, 2002).

This implies that to ensure trust in the management of the downsizing process, survivors' perceptions of *interpersonal justice* have to be generated by having and communicating support for victims. The importance of trust in management will be discussed in the chapter about trust.

#### **2.2.1.3 Informational justice**

Both communication and implementation seem to be predictors of *informational justice*. *Informational justice* is the type of justice that is present when the organization or its managers offer complete explanations for decisions while providing adequate notice (Skarlicki et al., 2008).. Giving employees the feeling that they were given a fair and full explanation of why and how people were fired, tend to keep them more positive about the organization and make them more likely to accept the layoff process or the decisions made during the layoff process (Hanges & Kernan, 2002; Saunders & Thornhill, 2003). Saunders and Thornhill (2003) state that even unfavourable outcomes are likely to be accepted by survivors, when given an adequate and genuine reason for the downsize process. When direct supervisors personally inform survivors, these survivors tend to perceive layoff procedures as fairer (Dierendonck & Jacobs, 2010). Overall, transparent communication to both survivors and the people that are laid off, seem to give less problems than might be expected by organizations, according to Brockner (1994, according to Dierendonck & Jacobs, 2010).

*Informational justice* can reduce employee' tendency to retaliate for perceived fairness. Research found evidence that perceptions of the employer's integrity can play a moderating role on the relationship between informational justice and a victims' retaliatory responses (Skarlicki et al., 2008). An employer or manager has low integrity it means that his or her actions are seen to be different from words.

### **2.2.2 Justice model**

The following model shows the factors that are found to affect the perceived justice. All three justice types seem to be affected by different factors. In turn, these types of justice seem to have an effect on several outcomes which are seen to be important for a downsizing. For instance, the probability that employees accept the layoff instead of that retaliation takes place. The trust in management also seem to be affected by the perceived justice. This trust will affect the way employees interpreted the

downsizing process which has several implications for multiple personal outcomes, such as health and commitment. This will be discussed in the following *Trust and Commitment* model.

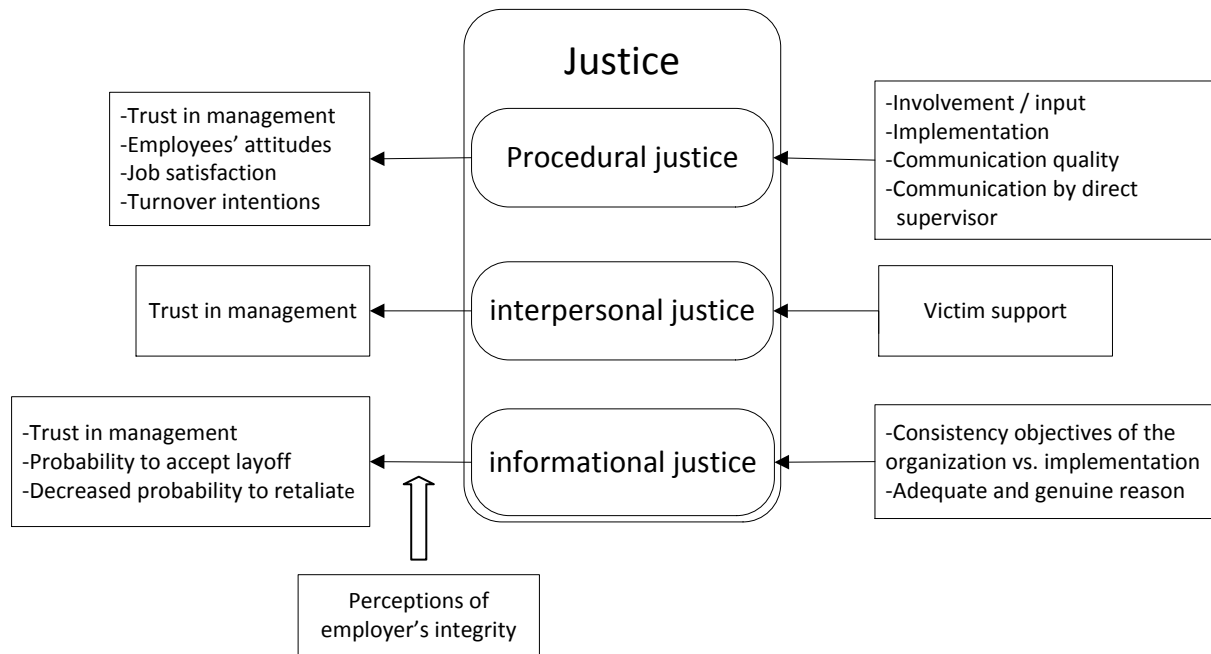


Figure 3: Justice model

## 2.3 Commitment & trust

Chipunza and Berry (2010) use the following definition of commitment when describing the relationship between commitment and organizational justice; “the acceptance of organizational goals and values, a willingness to exert effort on behalf of the organization, and desire to maintain membership in the organization”.

Several studies have shown that the organizational commitment of survivors is positively related to their trust in management (e.g., Brockner et al., 1997). Having trust in management is important to overcome resistance to change, considering it shapes the way survivors interpret the downsizing process (Mishra & Spreitzer, 1998).

When survivors experience lack of trust, they are likely to feel threatened by downsizing, which can lead to resistance to organizational change rather than it leads to comfortable feelings with regard to the organization that facilitates the change. Research has shown that the trust in management can act as a moderating factor on personal strain like burnout (Harvey et al., 2003). Trusting managers to act in favour of the survivors’ and the company’s interest, will lower the likelihood that employees break the psychological contract with the company (Mishra & Spreitzer, 1998). A lack of trust is likely to create cynical feelings (Mishra & Spreitzer, 1998), and the presence of these feelings has the potential to negatively influence change success since it for instance discourages employee commitment. However, this depends on the way employees are prepared. When survivors are well prepared by management, the high level of cynical thoughts will not lead to a decrease in commitment, and when they are not properly prepared, they show lower levels of commitment (Walker, Armenakis & Bernerth, 2007). Communication prior to a reorganization promotes feelings of trust in the company, as well as it reduces unfavourable outcomes such as feelings of uncertainty (Schweiger & DeNisi, 1991) and as it seems, it also can also counteract the negative consequences of employee cynicism (Walker, Armenakis & Bernerth, 2007).

Employees’ beliefs about the reorganization such as downsizing, will influence their commitment (Walker, Armenakis & Bernerth, 2007). Their commitment will be likely to be higher when they are informed and when they understand the circumstances surrounding the proposed change. They will have more information about the reasons for downsizing and the way the company plans the change process and its future which makes them realize the personal benefits of contributing to a successful change. For this to happen, good information communication is needed.

When organizational commitment has been affected by for instance job insecurity, this has a certain impact on the use of knowledge in the company. Employees might become less willing to exert innovative effort (Marques, Suárez-González, Pinheiro da Cruz, & Portugal Ferreira, 2011). Not only do their decreased innovative efforts affect the company’s innovative level, also both the loss of technical knowledge, experience in the company and knowledge on the social structure will have an effect on the company’s innovative behavior.

Three types of commitment are distinguished in the literature which Chipunza and Berry (2010) use

when describing the possible effect downsizing could have on certain behavior; *normative, continuance* and *affective commitment*.

*Normative commitment* is the feeling of responsibility an employee has in helping to sustain the organization and its activities. *Continuance commitment* is the employee's commitment to the organization based on investment already made in the company, that make it too costly for the employee to leave the organization. This type of commitment seemed to have a positive relationship with survivors' justice perceptions (Chipunza & Berry, 2010; Cohen-Charash & Spector, 2001). *Affective commitment* refers to the degree of emotionally attached a person is to a certain object, for instance to the organization. Levels of *affective commitment* were related to survivors' perceptions on how fair they were treated during the downsizing process or even related to the overall justice perception (Chipunza & Berry, 2010). This type of commitment has also been proven to significantly predict employees' intention to leave (Chipunza & Berry, 2010). It is assumable that *affective commitment* after downsizing can be favorable for outcomes as lower turnover, job satisfaction and high productivity. Research on managers who had greater downsizing exposure, reported that the managers had higher *continuance commitment*. These managers with higher downsizing exposure were more likely to remain at the organization because they had to (*continuance commitment*), compared with managers with less exposure who wanted to (*affective commitment*) (Armstrong-Stassen, 2007).

### 2.3.1 Trust and Commitment model

This section gives an overview of the factors that seem to influences employees' commitment and trust level. One of the factors that influences employees' trust in the management is communication prior to the downsizing process. The trust will be promoted by this communication. This trust shapes the way employees will interpret this downsizing proces, which affects certain personal outcomes such as strain and cynical feelings. How these cynical feeling influence employees' commitment depends on the level of preparation by managers. When these managers prepare employees well (+), the cynical feelings increase employee commitment (+) while less preparation (-) negatively affects employee commitment (-). In turn, this employee commitment is important in overcoming resistance to change.

Adequate and genuine communication about the reason and planning for the downsize process positively affects employees' commitment which exists out of three different types. Some of the types have relationships with specific outcomes such as justice perceptions and productivity.

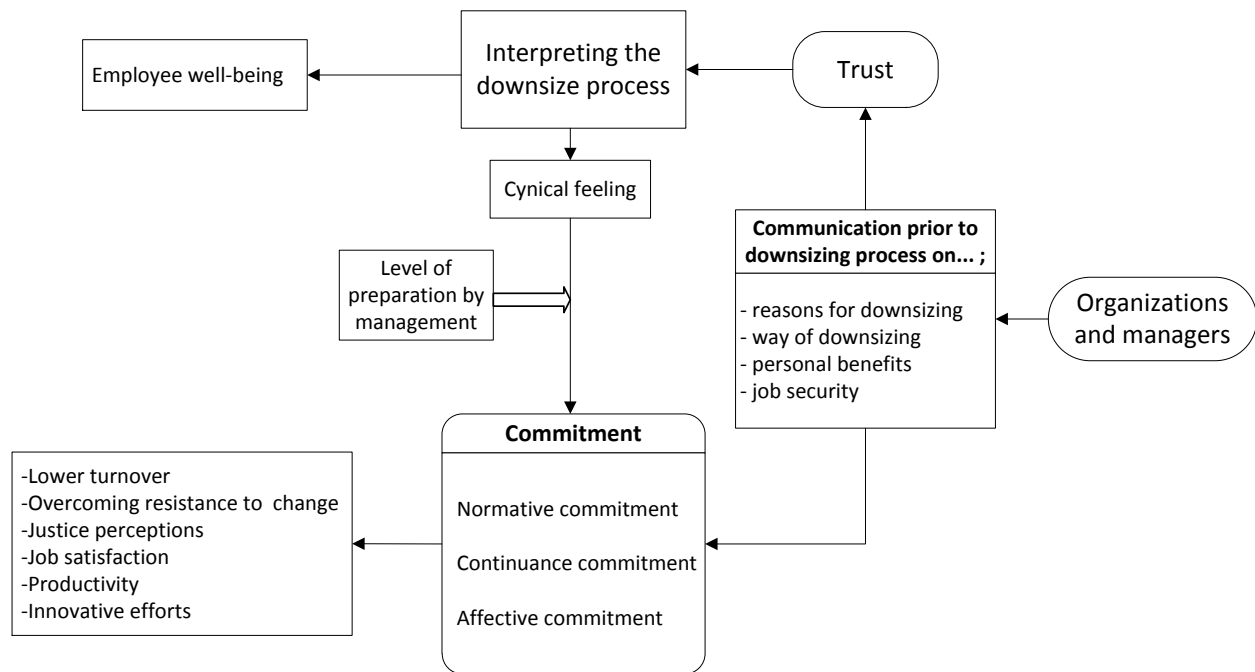


Figure 4: Trust and Commitment model

## 2.4 General model of the negative effects

In the previous chapter all the effects that can occur when downsizing will be put next to each other, or when possible even related to each other. All these effects have already been discussed in the previous chapters, and by creating these models a clearer overview can be given to promote a better understanding of the relationships. By providing both such specific models on mainly on *Job Insecurity*, *Justice*, and *Trust and Commitment*, and a single more general model on the relationships between the different effects (figure 5), a more coherent answer is given on the first research question;

*What effects has downsizing on its survivors?*

However, it is important to mention that relationships between certain aspects and/or effects do not necessarily imply an one-way causal relationship. As literature stated, some of these aspects and/or effect seem to have a certain relationship, not always a causal relationship. Despite this issue the models can still be used to give a better overview of how changing one aspect or effect can change multiple other aspects and effects. In model 5, the relationships between the different aspects are shown. Since mentioned in the text it has been stated whether it is a positive or negative relationship, the model only shows the fact that there is a certain relationship.

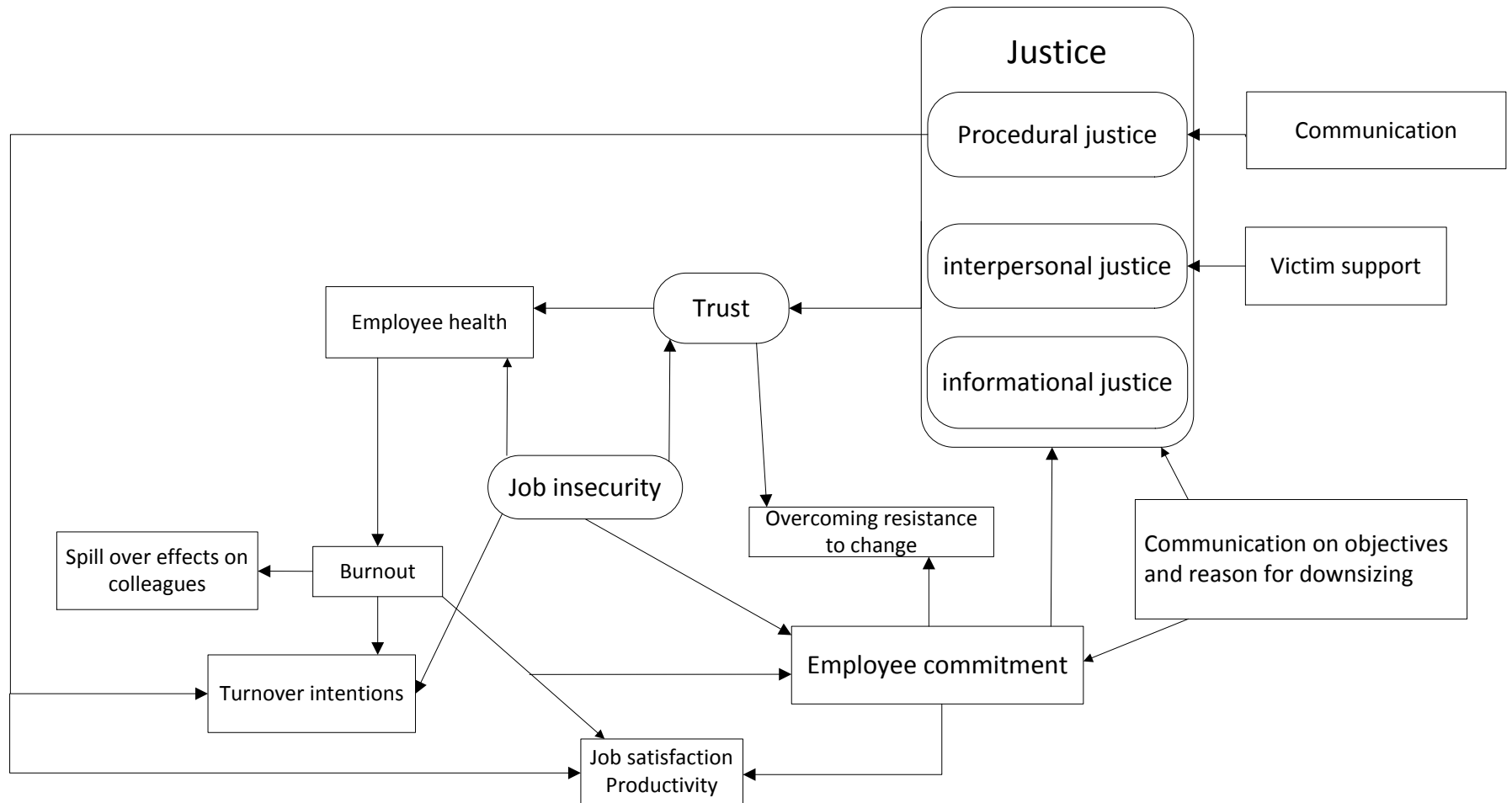


Figure 5: General model on the negative effects of downsizing

## 3 Downsizing strategies

When companies downsize their amount of employees they might hold different reasons to do so. These reasons may also be one of the decision variables to decide upon the way the downsizing will take place, since there exist various downsizing strategies. A clear explanation of the reasons for downsizing to the survivors and taking the time to do so, is important for survivors to judge a downsizing as justified, which is one of the main issues that might occur the downsizing process (Jiang & Klein, 2000). Discussing the relationship between the reasons to downsize and the downsizing strategies might provide a clearer background when analyzing the negative effects that arise with downsizing. Maertz et al. (2010) stated that according to Belcourt plenty of research seem to assume that employees react negatively in the same way after downsizing in the form of outsourcing and offshoring. However, since managers may be able to choose between different ways of downsizing such as *offshoring*, *outsourcing* and *layoff* (Shao & David, 2007 according to Maertz et al., 2010), a comparison of the negative effects of the different downsizing strategies could contribute to the model that can assist the decision making of organizations when choosing the appropriate way of downsizing. Both the downsizing strategies and the reasons for downsizing will follow in the following chapters. First, the different downsize strategies will be discussed. After this, the reasons to downsize and its effects it will have on survivors will be discussed. Chapters 3.6, 3.7.3 and 3.7.4 compare the effects that occur when holding different downsize strategies and when downsizing for different reasons. These comparisons make up to answer of the second sub question which is;

*With which downsize strategy do negative effects on survivors occur?*

### 3.1 Outsourcing

One of the different downsizing strategies is outsourcing. Outsourcing is referred to as the reallocation of jobs and processes to external (Olsen, 2006) or independent (Marin, 2006) providers regardless of the provider's location. Benefits of outsourcing are making use of specialized skills, cost efficiency and labour flexibility. Possible risks include the misalignment of interest, increase reliance on reliance on third parties, lack of in-house knowledge on critical business operations (Olsen, 2006). Employees of outsourcing companies can be divided into three groups; the ones that are fired, the ones that stay with the company (survivors) and the ones that get transferred to the outsourcing vendor (Tinselboer, 2005). Even though taking care of both the survivors and transferees is of great importance for outsourcing to work, only at the survivors at the remaining, or the same company the effects will be studied due to the scope and focus of this research.

### 3.2 Offshoring

Offshoring is downsizing strategy which is referred to as the relocation of jobs and processes to any foreign country without distinguishing whether the provider is external or affiliated with the firm (Olsen, 2006). One of the benefits of organizing activities inside instead of outside the firm is that then headquarters have more control over these activities (Marin, 2006). When outsourcing such activities,



the control is in the hands of the external party. On the contrary, when using offshoring the control of activities remains in the hands of the headquarters who have then stronger incentives to provide headquarter services. With offshoring a firm can reallocate its relatively inefficient production processes to external providers with cheaper and perhaps more efficient production capacities (Olsen, 2006). By this, they can expand output or engage in new business activities. Other benefits of offshoring are lower costs of production, better availability of skilled people, and getting work done faster through a global talent pool (Olsen, 2006)

### **3.3 Offshore outsourcing**

Another phenomenon, the so-called offshore outsourcing, is the relocation of processes from in-house to an external party in a foreign country (Wagner, 2011). This implies that work is moved outside the company within the same country (onshore), but outside the country in which previously processes where undertaken (offshore).

### **3.4 Layoff**

Layoff is often defined the same way as downsizing by plenty of researchers, who do not seem to make a distinction in the way of downsizing. They seem to use the words interchangeably, which will also be the case in this research. However, for instance Maertz et al. (2010) make a distinction between the different downsizing strategies (outsourcing, offshoring and layoffs). Whenever researchers made a distinction between different reasons for downsizing and layoff strategy, it will be emphasized on. However, in the case no distinction was made, it will not be emphasized on this absence.

### **3.5 Multiple more downsizing strategies**

Besides the mentioned downsizing strategies of layoffs, outsourcing, offshoring and offshore outsourcing, there are many more which will not be used in this paper. These consist of strategies and techniques such as; induced redeployment, involuntary redeployment, increasing the part-time and temporary work force and job redesign (Parker, Chmiel & Wall, 1997). Cameron (1994) summarized the findings of his research on the implementation of 30 firms in a table in which he made a distinction between three types of downsizing strategies; workforce reductions, work redesign, and systemic. He did not only make a distinction between the workforce reduction methods, but also other strategies involving around the jobs and units itself. Under the most appropriate one for the focus of this paper, the workforce reduction, he mentioned that this short-term payoff target included attrition, layoffs, early retirements and buy-out packages. These are some more examples of how a distinction between different downsizing strategies can be made.

By discussing the fact that there could be multiple interpretations of the means of workforce reduction, it is endeavoured to emphasise that downsizing could consist of a broad variety of means to reduce the workforce. With regard of the focus of this paper, unfortunately the most articles do not clearly state what kind of workforce reduction is used. Most of the times, researcher have used terms as “layoff” or even “downsizing” to refer to the reduction of the amount of personnel. This implies that only the articles that do make a clear distinction between the downsizing strategies, can contribute to the knowledge on the difference (in intensity) in effects of different downsize strategies.

### **3.6 Comparing downsizing effects between different downsizing strategies**

Maertz et al. (2010) found no negative main effects for outsourcing on any outcome except perceived organizational performance. They state that these survivors might feel that their organizational opportunities have not worsened or that they might be able to work for the outsourcing recipients, unlike in the case of offshoring and lay-offs. Concerning offshoring and outsourcing, their result showed that offshoring had lower means on management fairness and affective attachment. Employees might see offshoring less fair than outsourcing since offshoring may be seen as more threatening personally or more unpatriotic. The researchers state that their findings suggest that layoffs are the most negatively regarded and costly forms in terms of increased turnover propensity, except on the perceived organizational performance since all three downsizing strategies showed negative effects on this topic. Also there seemed to be lower job security when a lay-off took place.

With regard to the impact of outsourcing on its survivors, Ugboro found that employees perceive a threat to one's total job when some of all functions of a certain department are outsourced to an external provider (2003). This threat gives them feelings of job insecurity. It could be assumed that this might be more the case with outsourcing than with offshoring, since in this case the job positions leave the firm. However, I would be more cautious about the different impact of outsourcing versus offshoring on job insecurity, since it might also be the case that employees can move away and follow their previous job or process from the previous company to the external provider. This might be the case when for instance the employee has valuable knowledge of the job or process, when having an external provider that has better means to operate.

As the chapters 3.1, 3.2, 3.3, 3.4 and 3.5 have shown, different downsizing strategies can be implemented by organizations. Since the different strategies can result in different negative effects or with the same effects but with a different intensity, it will be important for downsizing organizations to be aware of these differences. Different strategies might therefore require different motivational theories to be applied to. They can either keep in mind the effects of the different downsizing strategy when choosing a strategy, or they can prepare themselves for the possibility certain effects occur when they chose a certain strategy.

### **3.7 Focus of downsizing**

The reason to downsize can be related to the focus of the downsizing process (Parker, Chmiel & Wall, 1997). A company can decide to either react in a certain context by downsizing on the short term, for instance for short term survival, or to be proactive on the long term by adopting a long term strategy aimed at providing long term benefits rather than short term survival. Both the reactive and strategic downsize strategy will be further explained in the following chapter, after which the difference between the effects of these strategies will be discussed. Having different effects between both strategies, might indicate that different approaches are needed to reduce the negative effects occurring.

It was already in an article from 1997, that Parker, Chmiel and Wall discussed the issue of the focus on the negative effects of downsizing. By that time, most of the research on the effects of downsizing had focused on the short-term effects on survivors rather than on the long-term effects. They related these short- and long-term effects, rather than only the short-term effects with two downsizing strategies;

reactive downsizing, and strategic downsizing. Since according to researchers such as Parker, Chmiel and Wall (1997) and Sverke et al. (2008) these negative effects are related to the kind of downsize strategy, both the reactive and the strategic strategies will be discussed. When different effects occur under different strategies, it could be the case that different motivation theories could or should be applied.

### 3.7.1 Reactive downsizing/ short-term downsizing effects

*Reactive downsizing* is defined as “the reductions in the workforce undertaken mainly in response to external events and short-term need, typically for reasons of cost containment” (Parker, Chmiel & Wall, 1997). This implies that these short-term effects on survivors can be related to the relatively immediate needs, such as organizational survival, without concern for consistency with organizational missions and goals. Other researchers refer to this as *reactive downsizing* as well (Sverke et al., 2008). Reactive downsizing might hold different effects on a company’s human resources than strategic downsizing. One of the possible positive effects of downsizing on the short term, is that cutbacks are an effective way of capturing employees’ attention (Cameron, Freeman & Mishra, 1991). It highlights the seriousness of the current condition and shows that the status quo is no longer acceptable. However it should also be stated, that solely this wake-up call is not effective or preferred if no further steps are to be taken. Downsizing, especially reactive downsizing, was interpreted in some firms of Cameron, Freeman and Mishra’s research (1991) as an admission of failure and weakness, or as a way of protecting to company in more difficult times until a more balanced state was to be found gain. Since the current economic crisis is well-known to today’s society, it should not have to be explained that when a company downsizes, is might be related with the issue of finding themselves in difficult situations. In 1991, the three researchers state that plenty of companies try to shift to focus more on the long term and try to frame downsizing more as a proactive or strategic strategy rather than a reactive strategy, by using different substitutes for the term downsizing. Resizing, right-sizing, reorganizing, streamlining and leaning-up are among these substitutes used to avoid negative connotations for the company’s strategy. In the 1991-research, the most effective downsizing organizations where the one’s that framed the downsize process both as ‘reducing headcount’, and as ‘improving productivity’ (Cameron, Freeman & Mishra, 1991). Framing the downsize process as such, might still be an effective way to deal with downsizing. Leader’s actions and stories provide employees with a set of resources which highlight values or some aspects of a situation. By creating such, these employees can be persuaded to use that frame and to see the company and its actions in a certain framed way. Framing the downsize process as important and positively, employees can be persuaded to participate in a more favourable way. However, one of the conditions is that there is a good relationship between the leaders and employees.

### 3.7.2 Strategic downsizing/Long-term downsizing effects

Downsizing can also be an useful tool when focusing on optimizing the company’s long-term strategy. The downsizing strategy related to this focus is called *strategic downsizing* (Parker, Chmiel & Wall, 1997). This planned approach aims to increase organizational benefits rather than focusing on the short term survival. Other researchers refer to this as *proactive* downsizing (Sverke et al., 2008). The main difference with reactive downsizing is that this strategy does aims to reduce the negative effects involved, while focusing on the long-term. Both strategies use the shedding of labour, however

strategic downsizing planned this shedding ahead of time and is able to downsize more gradually than with the other strategy. An important aspect of this strategy is that human resources play a great part in the success and process of downsizing on the long-term effects. Through planned methods it is aimed to reduce the negative effects on survivors while downsizing (Parker, Chmiel & Wall, 1997). In their research on a chemical processing company, they found that possible long-term effect such as job insecurity and a decrease in employee well-being did not appear despite the increase in work demand. This increase in demand per remaining employee was the result of the headcount reduction, which could have caused a decrease in employee well-being. However, the researchers found evidence for a strong relationship between work characteristics and well-being. Efforts to establish clear roles and responsibilities, and to inform and involve employees seem to offset the negative effects of work demand. Clarity and participation can be accompanied by an increase in control, which all three were found to be positively related to employee well-being in this American-owned company. The issue whether you can extrapolate these results to for instance Europe or an European-owned company could be a topic for further research. In the case employees in the American culture have different preferences and behave different than employees of other cultures, for instance clarity, participation and control may have bigger or smaller relationships with employee well-being.

### **3.7.3 Comparing downsizing effects between the strategic and reactive downsizing strategy**

When comparing the effects of strategic or proactive downsizing with the effects of reactive downsizing, the extent to which the effect occur seem to differ. Research on two Swedish hospitals reported that the proactive implementation of downsizing is associated with lower levels of stressors, than compared to the reactive implementation (Sverke et al., 2008). With proactive implementation, less job insecurity, less role ambiguity, and less role conflict was found on the nurses compared to the hospital which hold the reactive implementation. Positive effects were also found for the reactive strategy. Nurses at the reactive hospitals showed higher levels of both commitment, organizational justice, attitudes to downsizing, and participation in the change process than compared to the other hospital. It seems that to avoid at least some of the negative effects of downsizing on its employees, a proactive stance toward the process is likely to make a difference.

### **3.7.4 Comparing downsizing effects for different reasons of downsizing**

The reason behind downsizing or restructuring can act as a moderator for the effects of downsizing on its survivors. The relation between fairness and organizational commitment is affected by the reason to downsize. Research showed that when the downsizing operation is carried out for profit reasons, procedural fairness was a greater affecter of organizational commitment than when the primary reason to downsize was economic necessity (Dierendonck & Jacobs, 2010). When the focus of the downsizing strategy, related to the extent to which the negative effect occur, is also taken into consideration, differences exist. Proactive downsize strategies can result in lower levels of stressors, less job insecurity and less role conflict, than compared to the reactive strategy. However, the other way around there can also be found less favourable outcomes for the proactive strategy compared to the reactive strategy. The reactive strategy can result in higher levels of both commitment, organizational justice, attitudes to downsizing and participation in the downsize process.

This means that when having a certain reason to downsize, or when holding a certain downsize strategy other motivational theories might be more of use than for other reasons or downsize strategies. Due to the focus of this thesis, I suggest that further research should be conducted since it could be useful to provide downsizing companies with more assistance and information on how to promote their motivation.

## 4 Measures to reduce the negative effects on survivors

Not only the negative effects on downsizing survivors are discussed in literature. Possible actions and steps which can be taken to promote the reduction of the impact of certain negative effects on employees' behavior has already been discussed. For instance, as mentioned in the *Justice* chapter, it seemed that providing employees with reasons for the downsizing process seem to keep employees more positive about the company (Saunders & Thornhill, 2003). In the *Job insecurity* chapter it was explained that the possible decrease in (mental) well-being of the employees caused by downsizing (Pollard, 2001) can result in burnout (Parker, Chmiel & Wall, 1997). This burnout has a negative effect on for instance job satisfaction, organizational commitment, efficiency, and productivity (Maslach et al., 2001). Literature also suggest some possible actions to prevent or diminish the effects and chance of these effects to occur with downsizing. These and other possible steps will be discussed and summarized in the following chapters on *Information, Control, Empowerment and Involvement*, and *Management*. This part has been made besides the part in which the ways to promote the reduction of the negative effects of downsizing on its survivors are done by the use of motivational theories, since these suggestions already have been provided in the literature. These motivational theories can build upon these existing findings. In chapter 4.4, a general model will be provided in figure 9 to give an overview of the relation between the role of information, control, empowerment and involvement, and management. This general model will be, together with the general model in figure 5 will provide an useful background on which the motivational theories can be applied.

### 4.1 Information

As has been mentioned in chapters as *Job insecurity, Justice, and Commitment and trust*, information is an aspect during periods of downsizing and reorganizations. Not only communicating good outcomes to employees result useful, even unfavorable outcomes will be likely to be accepted by survivors, when given an adequate and genuine reason for the downsizing process (Saunders & Thornhill, 2003). Research has shown that employees who are provided with less information, tend to ask fewer question of their supervisors by which they switch to other indirect sources like co-workers. This increases the possibility of rumours and the spread of ambiguous or false information, while being informed by direct managers instead of others like co-workers is more likely to promotes survivors' perception of fairness (Mansour-Cole and Scott (1998).

In the following list a summary is given of the most important issues which are discussed in the chapters on the negative effects of downsizing with regard to what, how and when information should be communicated to employees, and what can be the influence of this on several outcomes. These aspects are already discussed in the different chapters on the effects and therefore the sources of the issues are not mentioned again. This is also done since the issues might be a mix of multiple sources. To give a more usable overview for (human resource) managers, these issue are all put together.

Communication is important because;

- Clear and honest communication can reduce the unfavorable ambiguity resulting from (job) insecurity (e.g., Greenhalgh & Jick, 1989, as mentioned in Lim, 1996).
- Fair and full explanation tend to keep employees more positive about the organization and make them more likely to accept the layoff process and to perceive the layoff as fairer, which both holds for survivors and those who were laid off
- More compassionate communication from managers tend to promote a more fair perception of a reorganization
- Being informed by direct supervisors personally instead of indirect involved persons, tend to promote a more fair perception of a reorganization
- Communication quality is strongly related with procedural justice, which is related to job satisfaction, trust in management, organizational commitment and turnover intentions
- Having and communicating support for downsizing victims, promotes survivors' perceptions of interpersonal justice
- Both initial communication and communication during the implementation period is one of the factors that seem to be the predictors of informational fairness
- Communication prior to a reorganization promotes feelings of trust in the company, as well as it reduces unfavourable outcomes such as feelings of uncertainty
- Informing survivors and explaining them the circumstancing surrounding the proposed change is likely to promote survivors' commitment. Good communication is therefore required
- Clarity is related to employee well-being (Parker, Chmiel & Wall, 1997)

Communication also seem to be able to negatively affect survivors. Victims who experience burnout and who have these negative attitudes towards the company seem to be “contagious” since they have a spillover effect on the survivors (Armstrong-Stassen, 1997). The survivors' attitudes and outcomes as productivity, commitment and justice perceptions might be negatively affected by what these victims do and communicate to the survivors. Paying attention to these victim who have burnout is thus from great importance. Altogether, managers have to make sure the right or best information is shared to the employees involved, in the right way by the right person or party.

## **4.2 Control, empowerment and participation**

Layoffs often change the way of working in the organization. Downsizing in organizations may threaten the survivors by introducing restrictions on survivors freedom (Brockner et al., 2004). These restrictions might for instance, require that employees have to ask the more authorized parties for approval for activities that were previously decided on by these employees themselves. These threats together with survivors' feelings of uncertainty and being unable to counteract or control these threats, creates high levels of stress (Chipunza & Berry, 2010). This stress is likely to be associated with reductions in important work attitudes(e.g., organizational commitment and job satisfaction), employee well-being, behaviors (e.g., job performance) and inefficiency and burnout (Parker, Chmiel & Wall, 1997; Brockner et al., 2004; Chipunza & Berry, 2010). Also the extent to which employees are kept informed and involved during times of organizational changes, called participation, has been identified as an important contributor to employee well-being (Chipunza & Berry, 2010). Employees are likely to experience a high degree of perceived control to the extent that they believe their behavior will influences important

organizational outcomes or to the extent they perceive their ability to influence those parties who control important outcomes (Brockner et al., 2004). This perceived control consists of employees' belief that their behavior influences important outcomes together with seeing themselves as having high levels of ability to perform certain tasks to come to these outcomes.

Research has provided evidence that perceived control is related to change acceptance (Wanberg & Banas, 2000). Related to perceived control is employees' sense of empowerment (Lamm & Gordon, 2010). Empowering employees to be part of the change process increases behavioral support for change. Psychological empowerment stands for "the paradigm that individuals' feeling about mastery and control of their work roles stems from cognitive beliefs and their perceptions of their work environment" (Lamm & Gordon, 2010, p. 428). Endeavouring to give employees at least the sense of being empowered, can increase a number of work outcomes such as ill health, trust, innovation, effectiveness, work satisfaction and job related strain.

Other researchers also described how the empowerment of employees such as subordinates and other individuals can lead to initiation, motivation, and persistence to complete certain tasks (Conger & Kanungo, 1988 according to Jalajas & Bommer, 1999). Empowering employees make them feel they are autonomous and that they have an impact in the organization and its operations, by which they tend to perform at a higher level. Since for instance motivation can be one of the favorable outcomes of empowerment, motivational theories can be of use to investigate how to reduce the negative effects on survivors.

Even though downsizing often results in higher work demands, efforts to establish clear roles and to inform and involve employees seem to offset the negative consequences of this increase in work demand (Parker, Chmiel & Wall, 1997). This means that both clarity and participation are important predictors of employee well-being, and that efforts to increase this clarity and participation can pay off in both the long and short term. However, Parker, Chmiel and Wall (1997) state that other aspects such as insecurity and justice issues have to be managed, especially in the short term.

#### **4.2.1 Empowerment and Control model**

Figure 6 shows how empowering employees, and giving them (the perception of being in) control affects the way employees work to complete tasks. This empowerment has also effect on several personal and organizational outcomes such as trust in managers and the organization, the innovation in the organization and employees' effectiveness. On all outcomes mentioned empowerment and control have a positive effect, except for the job related strain which is promoted by low instead of high levels of control and empowerment.



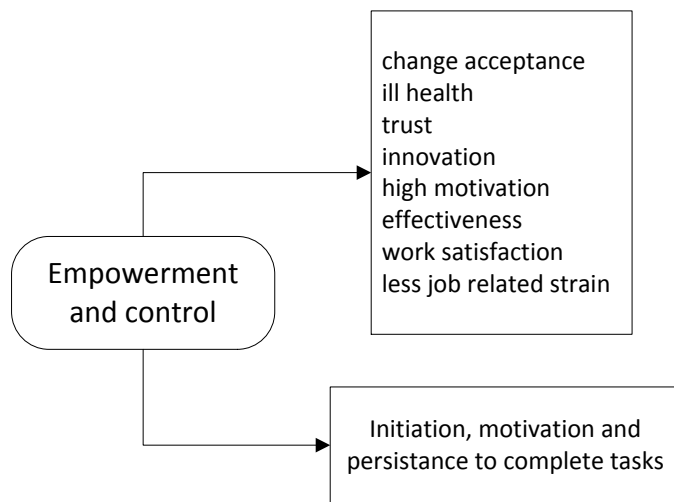


Figure 6: Empowerment and Control model

### 4.2.2 Involvement and Participation model

The increased demand in work demand caused by the downsizing, negatively affects employee well-being. However, involvement or participation can reduce or even outweigh this negative effect on employee well being, which is shown by the wider vertical arrow. This mediating effect is why involvement or participation is from great importance for this employee well-being, since this employee well-being seemed to be negatively related to burnout and by that multiple important other outcomes. These relationships are shown in figure 7.

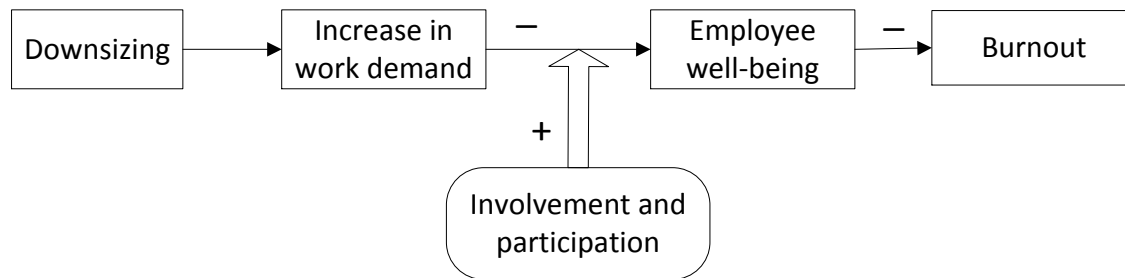


Figure 7: Involvement and Participation model

### 4.3 Management

A company which has plans to downsize depends on their managers to have the most favorable outcomes from their employees. Jalajas & Bommer (1999) state that for human resource managers to be effective they must thoroughly understand the effects downsizing has on employees. This chapter will highlight the literature's findings on what managers should do to attempt diminish the negative effects occur, and to ensure a more favorable environment for downsizing. Later on in the *Motivational Theory* chapter other ideas on the possible activities that could be implemented to reduce the negative effects of downsizing will be discussed.

As it is mentioned in the *Procedural justice* part of the *Justice* chapter, it is from great importance that survivors' perceptions on fairness are favorable, which is related to for instance trust in the management. Good communication seemed to be one of the predictors of *Procedural justice*. Managers should therefore pay plenty of attention to the downsizing survivors by retaining clear and honest communication with them to promote their fairness perceptions. As mentioned in the *Commitment* chapter, Walker et al. (2007) found evidence that survivors who are not well prepared showed lower levels of commitment.

Management may need to focus on employee commitment and involvement, by focusing on role clarity, reducing role overload and job security (Allen et al., 2001). The initial psychological contract which could have existed will be broken by the organization by downsizing. To prevent employees' losing their reasons to remain involved and committed with the organization, attention has to be spend on creating new psychological contracts to ensure a smoother transition of contracts. Under this new psychological contract both employee and employer will operate after the downsizing.

Brockner, Grover, Reed and DeWitt (1990), who are examples of important researchers in the field of downsizing organizations, did research on the threat of future downsizing. Result indicated that the threat of future downsizing is associated positively with work effort, but negatively with commitment. In later research, these results were supported by empirical evidence (Jalajas & Bommer, 1999). Brockner et. al. (1992) also found evidence on that intrinsic motivation or enjoyment in a job has a significant main effect on work effort. Also for this statement, Jalajas and Bommer found empirical support. However, when both the factors 'past downsizing and the threat of future downsizing' and 'job motivation' where examined together, results indicated that job motivation outweighs the significance of downsizing. This does not mean that the threat of future downsizing on survivors is to be neglected, but that job motivation plays a major part in influencing and motivating employees.

Researchers as Zuckerman et al. (1978), and Deci, Connell and Ryan (1989) provided suggestions on how to design jobs to increase job motivation. Others state that it is important in a downsizing environment to redesign jobs in such a way it takes in to consideration employees' need for growth and satisfaction with the work context (Keidel, 1994; Hackman & Oldham, 1980). Conger & Kanungo (1988) describe that empowering individuals gives them the feeling they are autonomous and have an impact, with the result they will perform at a higher level. Designing jobs with greater empowerment will thus likely create a workplace with high motivation. That is why HR professionals in a downsizing context should focus on training the managers and employees in the skills that are needed to redesign the remaining jobs and to perform well at those jobs. Human resource managers themselves should direct the job design of the work, to ensure the work if their employees is intrinsically motivating (Jalajas & Bommer, 1999). Motivational theories might come of use when endeavouring to reduce the negative effects engaged with downsizing by giving managers a tool in times of downsizing.

The result indicated that while satisfaction with the top-management continually increased during the period following the downsizing, job involvement decreased. This may indicate that despite their evaluation of the top-management, they still may find problems regarding motivating themselves to be involved in their task for a considerable period after the downsizing itself took place.

#### 4.4 General model downsizing survivors

In the next general model, presented in figure 8, the relationships between the mentioned empowerment and control, and involvement and participation is shown. The major impact these measures have, are shown by the bold arrows and bold words, namely employee health and trust. When following the relationships these aspects have, the survivor outcomes that are affected by these measures can be determined.

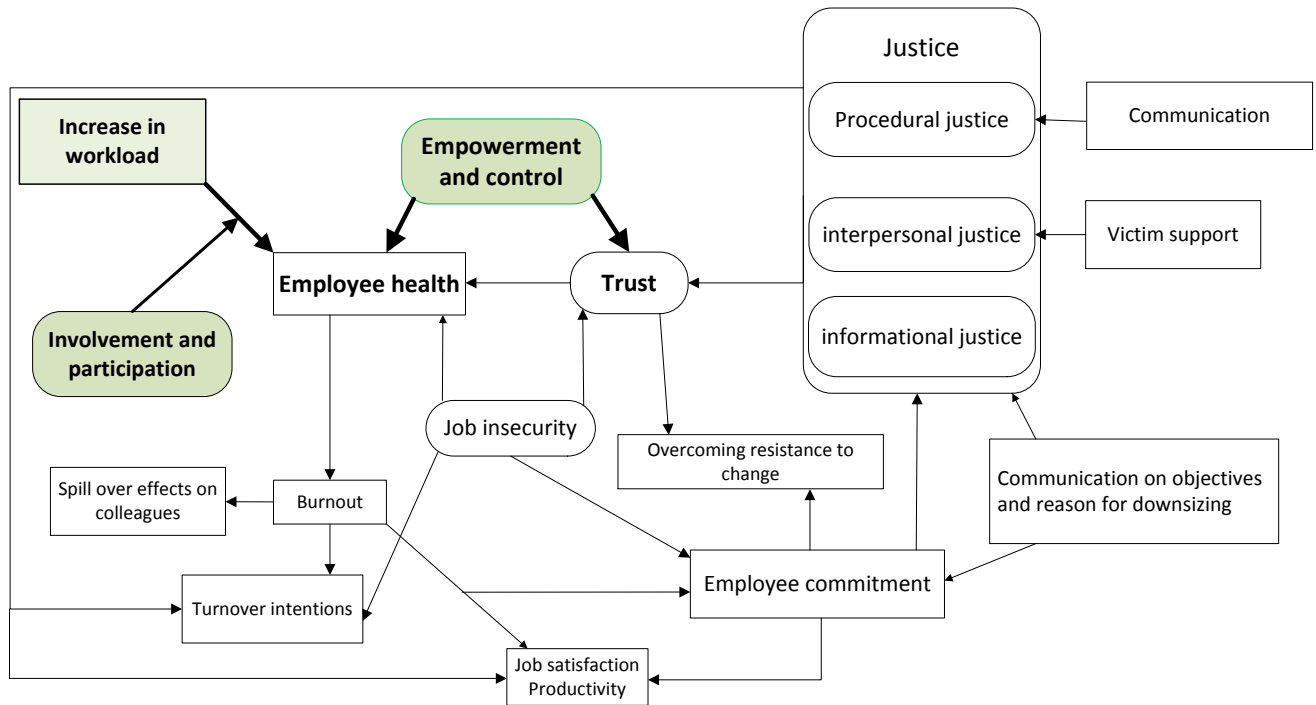


Figure 8: General model of downsizing survivors

## 5 The use of motivational theories

The fourth research sub question is;

*What motivation theories are relevant considering the negative effects on survivors?*

The theories that will be used on the effects of downsizing, and thus the answer on the fourth sub question will be discussed in detail in the following chapters. The theories that will be discussed are;

- Equity Theory
- Cognitive Dissonance Theory
- Control Theory
- Balance Theory
- Organizational Justice Theory
- Two-factor Theory
- Self-efficacy Theory
- Expectancy Theory

Work motivation theories are most typically concerned with the reasons that some employees perform better at the job than others (Spector, 2008). When employees are not constrained by for instance a lack of necessary abilities, high levels of motivation should then lead to good job performance. This is the reason to apply motivational theories on the negative effects of downsizing in companies. Multiple theories are developed to describe peoples' attitudes and behavior. The theories that will be discussed consider motivation from different perspectives. In all cases the theories are or can be related to each other to provide an explanation of the motivation process in the downsizing context. All the theories that will be discussed next, make emphasize on the comparison people make. In the context of downsizing survivors, this comparison can be on the treatment of survivors and the ones that are laid off, or between an organization's word and act. The reason that these theories are chosen above other (motivational) theories, is that the used theories focus on the comparison of aspects that drive motivation. Besides that, they can also be related to each other and can provide a more elaborated explanation of how related theories work. Other theories such as Locke and Latham's (1990) *Goal-setting Theory* is not on the direct comparison of certain aspects, but rather on the requirements that have to be met to reach a certain goal. However, the *Control Theory* does and will be therefore used in this paper. There also exist motivational theories that do compare certain aspects, but that are not (entirely) applicable or among the best theories to be used in this paper. Such an example is the *Reinforcement Theory* which describes how rewards and punishments can affect behavior (Spector, 2008). The primary basis of this theory is the *Cognitive Dissonancy Theory* (Festinger, 1957), which is more applicable in the downsize survivor context and will thus be applied. Despite the theories used in this paper will be related to each other, there has been dedicated a separate chapter to each of the theories, in which a more elaborated explanation of the theory is given before it is applied on negative effects or on other theories.

Adams *Equity Theory* (1965) is one of the many theories that has been developed in the early days. With this theory, Adams (1965) states that people compare themselves to others on the ratio of outcomes to inputs at work. Discrepancies between ratios can motivate people to take action. The theory's applicability on downsizing survivors is that the survivors might compare their outcomes (survival, or a certain way of treatment) to those of others (for instance the dismissed employees). Analysing these comparisons, might give insights in how survivors will behave.

The *Cognitive Dissonance Theory* is a theory which can be related to this *Equity Theory*, in that it compares possible aspects which results in a certain change in behaviour or cognitions. The *Cognitive Dissonance Theory* explains the experience of a tension when people might hold simultaneously two or more contradicting cognitions (Festinger, 1957). This theory can be applied on multiple phenomena and effects, which will be discussed in several chapters. Its expected applicability on the downsizing survivors is that these survivors might experience contradicting cognitions with regard to positive attitudes towards the company while seeing co-workers being fired. Heider's *Balance Theory* (1958) is the third theory that can be related to other theories that use comparison. This theory also conceptualizes the cognitive consistency motive as a drive toward a psychological balance. The *Balance Theory* has been chosen for this paper, since it can be applied on for instance the effect of the relationship between the survivor, victim and organization. It will also be used to investigate the moderating effect of employer's integrity on the relationship between the survivors, employers/ managers and their message, and the informational justice that is perceived by the survivor. The *Cognitive Dissonance Theory* and the *Balance Theory* will be used on the different justice *Organizational Justice Theory* forms. Negative effects of downsizing with regard the justices forms *Informational Justice*, *Interpersonal* and *Procedural Justice* will be discussed. Another theory that uses comparison to promote a certain behaviour is Klein's *Control Theory* (1989). It suggests that people set goals and then seek information about how well they are processing toward goal achievement, and states that discrepancies between expected goal performance and actual performance will motivate the employee to either adjust behaviour or goals. This theory can be applied on downsizing survivors, for instance in the case managers want that employees can motivate themselves to improve their input and output to achieve their goals during turbulent times. Higher workloads require more input for employees, and this theory can add to the way higher input might be arranged. The *Two-factor Theory* views motivation as arising from internal needs, from two categories of need; both the *satisfactory* and *dissatisfactory* factors. This theory will discuss the impact certain effect such as job insecurity, resistance to change, and burnout. A theory related to the *Control Theory* is Bandura's (1982) *Self-efficacy Theory*. It states that people's beliefs about their own capabilities are an important component of motivation (Bandura, 1982). This theory is expected to be applicable on downsizing survivors, in the sense that the employees need to believe that they are capable to put forth a certain level of effort and to be able to achieve a certain goal. The last theory, the *Expectancy Theory*, builds upon the theories previously mentioned, that use comparison to affect the behaviour of employees. This theory has been chosen above others with have not be included in this paper, since combines the aspects discussed with the previous theories. The *Expectancy Theory* states by stating that this believe people have about their own capabilities, together with the value of the possible outcome and the perceived effectiveness of their behaviour on achieving this outcome are the determinants of the amount of motivation a person has to engage in a particular behaviour (Vroom, 1964). Employees' believe on their own capabilities is related and discussed by the *Self-efficacy Theory*, which in turn is

related to the *Control Theory* and the *Cognitive Dissonance Theory*. The value of the possible outcome is related to the *Balance Theory*. It is expected that employees both before and after downsizing will only have a certain amount of motivation if he or she believes that effort will result in a certain outcome (survival) when it is preferred by the employee. When before a downsizing is implemented it is determined what the amount of motivation is, it is assumed that a person who already wants to quit his or her job, the possible outcome of “retaining job” is less preferred, which decreases the amount of motivation.

## 5.1 Cognitive Dissonance Theory

The *Cognitive Dissonance Theory* describes this tension as the level of discomfort when simultaneously holding two or more conflicting cognitions (ideas, beliefs, values or emotional reactions) (Festinger, 1957). Experiencing a certain “disequilibrium” can result in feelings such as guilt, anxiety, and anger, which is often the case in times of downsizing. This theory can be seen as the basis of the application of all the other (motivational) theories that will follow, since its basis principle is on the comparison employees make, both consciously and unconsciously about certain options or cognitions. Later on in the chapters this theories will often be used to provide more insight in other theories to give a more elaborated explanation and possible application of the theory on the survivor context. For instance experiencing job insecurity can be discussed and explained by the use of this theory.

When applying the *Cognitive Dissonance Theory* on the job insecurity survivors might experience, on the one hand employees like to have (the security of having and retaining a) job, while on the other hand there exist job insecurity in the company they work for. The corresponding tension it creates can be the cause of problems such as decreased mental well-being, commitment, and involvement. To reduce this tension, the employee might change their behaviour by leaving to organization for another one which can offer more job security. This indeed seems to be the case, according to, Sverke, Hellgren & Näswall (2002). To prevent employees to leave, the organization or manager should try to reduce this tension. Reducing the job insecurity is therefore needed. However, this will be very difficult in the case an organization still has to downsize. A possible option is to frame another aspect of the job more important than having a job with high job security.

## 5.2 Equity Theory

A database search on the *Equity Theory*, which is one of the most one of the most used motivational theories in the literature on downsizing survivors, and has inspired plenty of (justice related-)research. The fact that many researchers like Brockner (Brockner, Green-berg, Brockner, Bortz, Davy & Carter, 1986; Brockner, Davy & Carter, 1985; Brockner, Grover, Reed, & Dewitt, 1990; Brockner, DeWitt, Grover & Reed, 1992), who is one of the main researchers on the downsize effects on survivors, related the *Equity Theory* to downsizing results indicate that the theory will also be usable for this research.

The *Equity Theory* suggests that when people perceive injustice they seek to restore justice by different means; either by behavioural or attitudinal change (Adams, 1965). When compared to others, employees want to be compensated fairly for their contributions. Adam’s theory of inequity specified that employees can feel “guilt” when they are overpaid (positive inequity), and “anger” when they are

underpaid (negative inequity), which can promote employees' feeling of injustice. These employees can alter either behaviourally or perceptually their relationships between their own and others' contributions (Greenberg, 1984). However, the importance of this theory for this paper is particularly on whether employees had either the outcome "survive" or "dismissed", instead of on the payrolls of (surviving) employees. Later on, in the *self-efficacy* chapter how this perception of their own and other's contributions is related to the *Self-efficacy Theory*. Important is that working on the equity is beneficial, since feelings of guilt and anger seem to negatively affect employees' justice perception, and according to the general model in figure 8, subsequent their work performance.

To my belief, the mentioned difference in improvement of performance is due to the fact that these survivors may feel a higher tension than the survivors who experienced lower levels of inequity or guilt. This tension could arise when there exist a discrepancy between the input (levels of own worth) and the outcome (layoff vs. surviving). The *Cognitive Dissonancy Theory* has been chosen to be applied on this tension, since it can describe where this tension originates from. The more a survivors has the feeling that either his or hers own worth is high, or that he or she put much effort in a task or the organization, the higher this disequilibrium and tension will be experienced. To reduce this tension, the survivor can either alter his or her attitudes with regard to the downsize process (by feeling guilt, anger or dissatisfaction) towards the downsize process or by behavioural change. The positive inequity that survivors can experience when thinking that the ones that were redundant had a greater claim to survive than themselves, can lead survivors to feel guilt with the result that they work harder (Brockner, 1988; Brockner et al., 1987). Survivors can also experience negative inequity. This can be the case when they identify themselves to be closely related with the ones that were made redundant and who had a greater claim to survive than other co-workers, may stimulate survivors to reduce their levels of commitment by which they will work less hard (Brockner, 1988; Brockner et al., 1987). To reduce the negative effect of decreased commitment, it seems that managers have to make sure to prevent this negative inequity to be experienced. An interesting finding is that Brockner et al. (1986) saw that survivors of the experiment in which randomly employees were chosen to be dismissed seem to increase the quantity of their output, while survivors of experimental layoff in which they believed that their co-workers dismissal was based on the relative merits of the survivor's performance did not increase the quantity of their output. This latter group seemed to restore equity by psychological means rather than behavioral means such as the level of effort. This can offer an opportunity for managers to promote this increase in the quantity of survivors output, by ensuring that the downsizing used random selection of employees to be dismissed rather than on relative merits. Another option is to promote or create the idea that this indeed is the case.

### 5.3 Control Theory

A theory that builds on the *Cognitive Dissonance Theory* is the *Control Theory* (Klein, 1989). This theory focuses on how feedback from for instance supervisors affects motivation to maintain efforts towards goals. It is applied on survivors, since it can promote to give survivors a tool to be motivated. As shown in figure 9, this theory suggests that people set goals and then evaluate on how well their performance in achieving these goals is. Differences between the goals and the performance can motivate people to either change their behaviour or goals.

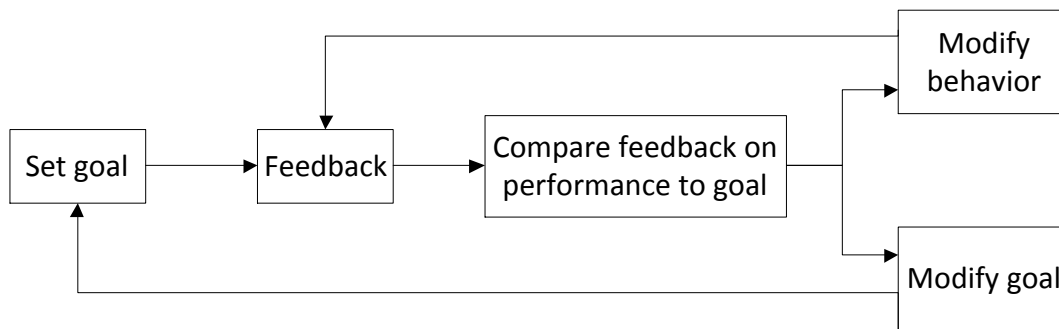


Figure 9: Control Theory (Klein, 1989)

This seems to be in line with the *Cognitive Dissonance Theory*, which states that a tension resulting from holding two or more conflicting cognitions simultaneously drives people to either change their behaviour or cognitions. Managers can make use of findings like these, by providing or promoting this feedback by which they can affect both the goals the employees set for themselves, and their behaviour to achieve these goals. Providing employees with positive feedback on their success in achieving difficult tasks and high goals, together with a kind of reward, the employee's perception of justice can be increased. This will further be explained in the *interpersonal justice* chapter. Setting goals is related to the *Self-efficacy Theory* and *Expectancy Theory* in that the employees need to perceive their goals as reachable. As will be discussed in the *Self-efficacy* chapter, accomplishing tasks or goals increases people's self-efficacy. Helping these employees with setting goals and providing feedback, can promote their self-efficacy. According to the *Self-efficacy Theory*, the employees will be more willing to put forth effort to reach these goals, now that the employees have higher self-efficacy and see their goals as reachable. The use of this theory, is that the higher self-efficacy will promote employee commitment to the job or task. Subsequently, this will increase job satisfaction, productivity, and overcoming to change, and will lower turnover intentions, according to the general model in figure 8. Another added value of this theory is on the higher workloads caused by downsizing. This higher workload requires more input for employees, and a higher self-efficacy can contribute to the probability of employees to live up to this requirement.

### 5.4 Balance Theory

One of the theories that might provide some explanation or guidance with regard to the analysis of such behaviour as the reducing commitment of the survivors who identified closely with the ones that were made redundant, is the *Balance Theory*. The *Balance Theory*, first described by Heider (1958), is also related to the *Cognitive Dissonance Theory* since it conceptualizes the cognitive consistency motive as a drive toward a psychological balance. This balance can be reached by attitude change. In the case of



downsize survivors, this theory predicts the extent to which downsize survivors include layoff victims in their moral community will moderate reactions to layoffs that by the survivors are perceived to be unfair (Brockner, 1990). Unfair perceptions of the organization its downsize processes seem to have a negative relationship with motivation (Brockner, 1992; Chipunza & Berry, 2010). Whether survivors include victims in their moral community depends on several factors. The extent to which the survivors had a close relationship with the layoff victims, whether the survivors had a warm personal friendship with the victim and whether situational factors cause the survivors to empathize with the victims (Brockner, 1990). Such situational factor could be whether or not the survivors have already been layoff victims in the past themselves. To apply the theory on the context of surviving a downsizing, an example of the working of the theory on survivors will be given. Organizations (O) who act unfavourably towards downsize victims (V), will have a negative relationship (-). When survivors (S) include the victims in their scope of justice, or moral community with who they have a positive relationship (+), they can restore the balance by establishing a negative relationship as well with the organization (Brockner, 1990). It will be clear, that this latter negative relationship has unfavourable outcomes for the organization, such as the decreased level of commitment. The following figure will outline these relationships.

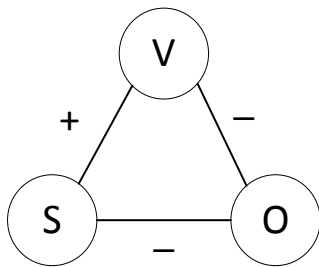


Figure 10: Balance Theory applied on relation survivor, victim and organization

In the coming chapters and sections the *Balance Theory* will also be applied in favour of the explanations of other theories and negative effects.

### 5.5 Organizational Justice Theory

Other theories related to the equity theory can further deepen into this tension and its possible effects in the organization, such as the *Organizational Justice Theory*. The impact of organizational justice is related the previously mentioned equity theory.

*Informational justice* can reduce employee' tendency to retaliate for perceived fairness. Another way of describing this relationship is: "employees' prior impressions of their employers' integrity moderate their interpretation of the employers' subsequent explanation for the layoff, which in-turn predicted employees' retaliation" (Skarlicki et al., 2008). When applying the *Balance Theory* on the relationship between survivors, employers/managers, employers'/managers communication about the downsizing, the reality and informational justice, a schematic overview can be derived, which is shown in figure 11.

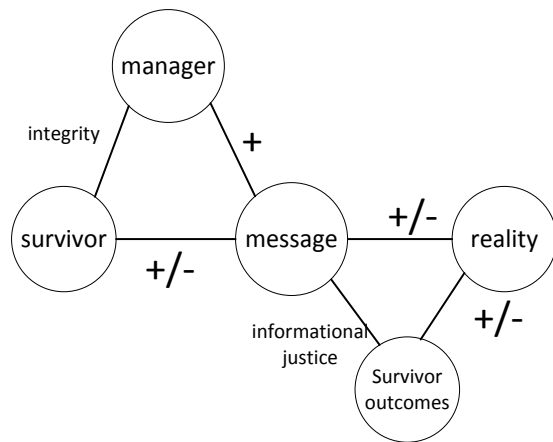


Figure 11: Balance Theory applied on relationship survivor, manager, message with integrity as moderating factor

To promote that survivors experience informational justice which will result in more positive outcomes, managers have to ensure they have a high integrity. According to the general model in figure 8, this will decrease employees' probability to retaliate.

*Interpersonal justice*, which is referred to as the quality of interpersonal treatment individuals receive as procedures like layoffs occur (Colquitt et al., 2001), seem to have an effect on retaliation according to Hanges and Kernan (2002). It might sound peculiar that participants are more likely to retaliate when offered an interpersonal fair message such as an apology, than when solely receiving an unfavourably low offer. The perceived sincerity of the message was found to have a mediating effect on the reactions of the participants (Skarlicki et al., 2008). This effect of the sincerity of the message can be explained using one of the theories mentioned; the *Cognitive Dissonance Theory*. As mentioned, this theory denotes that when a survivor simultaneously holds two or more contradicting cognitions, there exists a tension which can be reduced by action. When an organization, manager or employer distributes unfavourably low offers, it probably promotes the employees' feeling that the organization does not appreciate them just as much as when they would have received a higher offer. Not getting any further fair messages makes sense to the employees, since that is in line with their perceived view of the company/manager/employer. However, when the employee also receives an interpersonal fair message, as in the sense of politeness or an apology, this is not in line with the companies/managers/employers previous action of distributing the low offer. These contradicting actions create contradicting feelings, which in turn result in a certain perceived tension for the employee. This tension is the cognitive dissonance which makes the employees to perceive the organization/manager/employer to have low integrity. According to findings on both *interpersonal* and the previous *informational justice* section, this low integrity affects employees' probability to retaliate and will make the employee less satisfied with the job itself as has been shown in the general model in figure 8. Attempts to prevent this cognitive dissonance and low integrity to emerge, will reduce the negative effect downsizing can have on employees' intentions to retaliate and on their job satisfaction, according to this model. A way to do so, is by making sure that the messages that have been forwarded to the employees by for instance the organization or manager, are in line with their actions. This will reduce the cognitive dissonance that can be experienced.

*Procedural justice* reflects the fairness of the process used to implement the downsizing (Brockner & Greenberg, 1990). As mentioned in the *equity* chapter, when survivors perceive the victims of layoffs to be chosen on a random base, they seem to increase the quantity of their output. However, the survivors who perceived their co-workers dismissal was based on the relative merits of the survivor's performance did not seem to increase their effort, or the quantity of their output (Brockner et al., 1986). This latter group seemed to restore equity by psychological means rather than behavioral means such as the level of effort. In line with the *Equity Theory*, in the case of such decision rules people seek to restore justice when experiencing injustice by different means (Adams, 1965). When not given sufficient information on the decision rule applied, employees might experience procedural injustice or insecurity. This may have all kinds of negative effects on for instance job satisfaction, trust in management, organizational commitment and turnover intentions (Hanges & Kernan, 2002). Managers can make use of such a decision rule, in which poor-performing or less potential employees are laid off first, to promote employees to perceive the organization to be procedurally fair (Brockner, 1988). However, it is important that they ensure to give sufficient information on the rule applied. According to the justice model in figure 3, this increased procedural fairness will combat negative downsizing effects such as the increased probability to retaliate, and decreased job satisfaction.

## 5.6 Two-factor Theory

One of the basic motivational theories is Maslow's *Hierarchy of Needs* (1943). This model suggests that human needs will only be fulfilled by one level at a time, starting from the basic needs like shelter, to higher levelled needs, such as recognition and status. Herzberg builds upon this theory (Herzberg et al., 1959). He stated that people are not content with the lower-order needs at work, for instance with minimum salary levels or safe working conditions, but that they also try to fulfil the higher needs (Herzberg et al., 1959). Examples of these higher needs are recognition, achievement, responsibility (which is related to control) and the nature of the work itself. Herzberg does not consider satisfaction and dissatisfaction to be on a continuum but as independent phenomena. This is why he added a new dimension to Maslow's older theory (1943), where he proposed a two-factor model of motivation. With this theory he suggests that to improve outcomes such as job attitudes and productivity, managers and employers need to both recognize and put effort in both of the set of characteristics and activities that lead to worker *satisfaction* at work (motivators), and the ones that lead to worker *dissatisfaction* at work (hygiene factors).

What happens in the case of (the announcement of a) downsizing, is that multiple hygiene factors become vulnerable. One of the most prominent one is the absence of *job security*. Other aspects of the job environment than can lead to dissatisfaction are policies, procedures and supervision. Unfair procedures can lead to dissatisfaction, according to this theory and research (e.g. Hanges & Kernan, 2002). As the *Commitment* model (figure 4) and *Control* model (figure 6) show, commitment seems to have an impact on this dissatisfaction. It seems that it is important to attempt to increase employee commitment, by which dissatisfaction can be reduced. As the *Commitment* model suggests, managers should pay attention to aspects such as the level of preparation by management, trust and the

communication prior to the downsize process. This communication should be on for instance the level of job security, the personal benefits of the downsizing, and the organizational reasons to downsize.

Satisfactory factors such as challenging work, recognition and responsibility can stimulate employees' motivation (Herzberg et al., 1959). In accordance with this proposition, the literature study resulted in findings which stated that control and empowerment creates high motivation and work satisfaction, which is also shown in the Control and Empowerment model in figure 6. Organizations should provide challenging work, by entrusting the employees control and empowerment over more difficult tasks that require self-development. However, the task should not be too challenging, since that will increase the risk of failure (Judge et al., 2001). Designing jobs or tasks that are too easy however, will not be a satisfactory factor. The difficulty of the job will be a satisfactory factor when it gives the employees the feeling of accomplishment and recognition when the job is well performed, but a dissatisfactory factor when it is poorly performed (Judge et al., 2001). The researchers state that this depends on the individual's need for achievement. This implies that it might be wise to customize the level of challenge for every employee.

## 5.7 Self-efficacy Theory

Self-efficacy is defined as a person's overall evaluation of his or her own worth (Hewitt, 2009). The *Self-efficacy Theory* describes that both motivation and performance are partly determined by how effective people think they can be (Bandura, 1982). People with high self-efficacy believe that they are capable of completing certain tasks and will be motivated to put effort in it. On the other hand, people who have low self-efficacy do not believe they are capable of completing certain tasks, and will be therefore less motivated to put forth effort. Brockner et al. (1985) found that the survivors who had low self-esteem improve their work performance to a greater extent than those who experienced medium or higher levels of self-esteem. The reason for this is that the survivors with low self-esteem experienced a greater feeling of positive inequity (guilt) about the way the downsize process has been implemented. Lower levels of self-esteem do not solely have positive consequences such as the increased performance, but also seems to be a great predictor of burnout (De Cuyper et al., 2012).

The *Self-efficacy Theory* can be related to Merton's *Self-fulfilling Prophecy Theory* in the way that people behave in a way that fulfils their initial beliefs, which affects the amount of effort they will put into completing a certain task (1968). The self-efficacy theory is concerned with the general feeling that people have about a certain domain, such as a certain function in company. Results from researches like McIntire and Levine's longitudinal study (1991) found that self-efficacy before working on the task can predict the outcome or performance, which suggest that self-efficacy can influences performance.

One of the examples organizations and managers can use the *Self-fulfilling Prophecy Theory* and *Self-efficacy Theory* for, is to use it to reduce the negative effects the increased work overload. Jex et al. (2001) found that individuals with higher levels of self-efficacy reported experiencing low levels of work overload. As mentioned in the general model in figure 8, a heavy workload can lead to decreased (mental) well-being of employees, which can result in burnout and its negative outcomes such as decreased productivity and organizational commitment. Organizations can use the two theories to affect the survivor's perception of workload, their ability to fulfil certain tasks and reach certain goals.

Communicating to the survivors that the workload is not that high and ensuring them that they have the abilities to reach their goals, will have a positive effect on survivor's perception of the workload and self-efficacy. By this, they will be more motivated to put forth effort to reach these.

Another measure that organizations can apply is related to the difficulty of the tasks created. Bandura (1982) explains that self-efficacy can be developed through a series of successes with increasingly difficult tasks. This finding can be supported by the *Control Theory* in that positive feedback (success) will modify and increase the level of the goals set. Managers can also apply this idea of setting increasingly tasks.

## 5.8 Expectancy Theory

Not only people have a believe about how effective they can be like the *Self-efficacy Theory* describes, they also have a believe about the chance their behaviour leads to the desired rewards or outcomes. This is called the *Expectancy Theory*, which consist of three types of cognitions combined in a equation (Vroom, 1964). This theory can predict one's behaviour when confronted with multiple attractive alternatives. It attempts to explain how rewards lead to behaviour by focusing employees' cognitive states that lead to motivation. It not solely states, like the *Reinforcement Theory* does, that reinforcements will lead to a certain behavior, but it also explains when and why this will occur. Vroom (1964) states that individuals make choices based on estimates on how well the expected results of a given behavior are going to lead to desired results. On other words, motivation is a mathematical function of types of cognitions (Spector, 2008):

$$\text{Force} = \text{Expectancy} \times \sum(\text{Valences} \times \text{Instrumentalities})$$

In the case of this paper, the *force* represents the amount of motivation an employee has to engage in a particular behaviour that is relevant to performance. *Expectancy* represents an employee's belief about his or her ability to perform certain behaviour, which is similar to self-efficacy. This expectancy will be multiplied by the sum of valences times instrumentalities. These *valences* represent the value of an outcome or reward to the employee. Money or recognition can have different valence for different employees. The *instrumentalities* stand for the subjective probability that a certain behaviour will result in a particular reward or outcome. Since there can be multiple rewards or outcome for a given situation, the multiplication of all valences with the instrumentalities will be summed before multiplied with the expectancy. A low force score implies that an employee will be not motivated to achieve the outcomes, and a high force implies that the employee is motivated to achieve the outcomes.

With regard to downsizing, if employees perceive that performance is not a criterion to survive a downsizing or a reward, they will not have incentives to perform or to put forth effort (Appelbaum et al., 1997). As mentioned in the *Two-factor Theory*, announcing that the layoff selection will be (partly) based on performance, can be a measure to increase instrumentality. Increasing employees' self-efficacy increase their expectancy. The valence of the outcome can be increased by making employees want to remain at the organization. This could be done by increasing their attitudes towards the organization, or by make the employees perceive the organization's future as positive. Ensuring trust in the management and the organization, ensuring (organizational) commitment and promoting job security can all

contribute to more positive attitudes towards the organization. By promoting both expectancy, valence and instrumentalities, the force can be increased which implies that employees become motivated.

This *Expectancy Theory* is related to control, since employees are likely to experience a high degree of perceived control to the extent that they believe their behaviour will influence important organizational outcomes or to the extent they perceive their ability to influence those parties who control important outcomes (Brockner et al., 2004). This perceived control consists of employees' belief that their behaviour influences important outcomes together with seeing themselves as having high levels of ability to perform certain tasks to come to these outcomes. The *Control and Involvement* model showed that one of the outcomes of this increased trust can be the acceptance of the change, which is favourable in the case of downsizing.

## 6 Integrating effects and theories, and conclusion

In this chapter the applicability of the different theories on the negative effects will be discussed in the first part (6.1). In the second part (6.2), the final conclusion is giving, consisting of the integration of the theories on effect of chapter 5.1, as it is the answer on the main question. The previously given answers on the sub questions will be used to answer the main question.

### 6.1 Integrating effects and theories

As has been mentioned in chapter 5, several theories have been chosen to be applied on the negative effects of downsizing on its survivors. In this chapter an overview will be given on the negative effects that are endeavored to be diminished by the use of motivational theories. It will be attempted to state per main negative effect, and the subsequent related effects, which theory can be of service. However, as mentioned in chapter 5, the theories are related. In this overview the main relations between the theories and negative effects on survivors will be given.

#### Injustice

Perceiving injustice is one of the main negative effects of downsizing on its survivors. The *Equity Theory* states that when people experience injustice, they seek to restore justice. They can do so by altering either behaviourally or perceptually their relationships between their own and others' contributions outcomes. The *Equity Theory* can be used to explain that the survivors who were chosen to survive on the basis of their performance seem less likely to increase their inputs than when they were to be chosen based on a random selection. The reason for this is that these survivors experience that they have a proper balance between their input and outcome. In this case, inequity can be in favour of the company, since with inequity survivors will have the idea that they have to work harder to decrease their feeling of guilt. The *Balance Theory* shows how a survivor's relation with a victim can affect or even predict the attitude this survivor will hold with regard the organization or manager. Including a victim in its scope of moral community, this can have negative effect on the perceived justice. This theory can also be used on the relationship between the survivor, the manager and information justice, in which the manager's integrity seem to play an important mediating role.

The *Cognitive Dissonance theory* states that two contradicting cognitions can create a tension. When managers provide survivors with both positive feedback together and a kind of reward, they can increase survivors' justice perceptions, since the manager's words are in line with their deeds. However, when survivors experience a tension with regard to manager's words and deeds, this can negatively affect the manager's integrity which can result in injustice perceptions. Perceiving low integrity will increase survivors' probability to retaliate and will decrease their job satisfaction, according to figure 3.

The *Organizational Justice Theory* states that justice can be separated in several justice forms, and that the separate justice forms will be affected by different measures and in turn will affect different outcomes. Survivors' perception of procedural fairness is part of that, and is promoted by fair procedures. The perception of procedural fairness will counteract negative effects such as decreased job

performance and the increased probability to retaliate. Selecting survivors on the bases of their relative merits will promote survivors' perception the organization to be procedurally fair.

### Job insecurity

Experiencing job insecurity is another main negative effect of downsizing which survivors have to deal with. The *Cognitive Dissonance Theory* can explain the tension survivors experience when they survive a downsizing and fear for another downsizing. They can reduce this tension be either reduce their preference to work for the company and start working for another company which can offer job security, or by making sure that the probability of retaining their job at the company will be increased. This is related to the negative effect of intentions to leave to company, which is shown in the general model in figure 8. Since the company still has to downsize, it will have to come up with another solution to reduce the tension. The motivation theories used did not seem to be directly related to job insecurity, and can therefore not add much insights on how to reduce this negative effect.

### Commitment

The third main negative effect of downsizing on its survivors is employee commitment. A theory that gives insights in employee commitment is the *Control Theory*. Survivors' experience of too much discomfort or tension when they do not reach their goals, or when perceiving their goals to be unreachable, can be an explanation for low commitment. Managers can make use of this theory by providing survivors with feedback on their goals and performance. This theory suggests that when survivors do achieve certain the goals that are set, this will have a positive effect on them, by which they will higher their goals or performance. This can also decrease the sense of having a high workload. The *Self-efficacy Theory* states that this high self-efficacy increases survivors' commitment to the job or task and will promote employees to set and reach higher goals, which will in turn increase their self-efficacy even more.

The *Two-factor Theory* states that there are satisfying factors and dissatisfying factors. The added value of this theory is that it suggests that organizations have to take care of both kind of factors to promote motivation the most. An example of such a satisfying factor is having challenging work, or empowerment. Having challenging work that requires self-development will increase employee commitment, and according to the general model entrusting survivors control and empowerment will promote this. However, this theory stretches that dissatisfying factors should be prevented to be present, such as survivors' perception of having jobs that are too challenging.

As mentioned in the Expectancy Theory chapter, this theory embraced several previously mentioned theories, and will thus contribute to the explanation of how the several theories can help to reduce the negative effects of downsizing on its survivors.

## 6.2 Conclusion

This section will provide an answer to the main research question, by integrating the answers on the sub questions. The main question is formulated as;



*To what extent can negative effects of downsizing on its survivors be reduced by means of applying motivation theories?*

The first sub question that is discussed, is about the effects that downsizing has on its survivors. Literature provided plenty of findings on the effects of downsizing. In this paper, these findings were related to each other and put in multiple models to show how the different factors, effects and outcomes are related. Negative effects that were found and are often interrelated are for instance; job insecurity, injustice perceptions, decreased (organizational) commitment, distrust, less control perceived, decreased (mental) well-being, turnover intentions, decreased performance, job dissatisfaction and decreased job satisfaction, spill over on colleagues and resistance to change.

The answer on the second question provided insights in the different downsize strategies companies can hold. To what extent these effects occur, seem to depend on factors such as for instance the downsize strategy used.

The third sub question was answered by integrating the models of empowerment and control, and involvement and participation with the general model provided in figure 5.

The fourth sub question is on the motivation theories that are relevant considering the negative effects of downsizing on its survivors. There exists plenty of motivation theories, however with regard to the focus of the research (the negative effects suggested by literature) and time constraints, only a few are discussed. The theories that are used on the effects of downsizing, and thus the answer on the second sub question, are;

- Equity Theory
- Cognitive Dissonance Theory
- Control Theory
- Balance Theory
- Organizational Justice Theory
- Two-factor Theory
- Self-efficacy Theory
- Expectancy Theory

The fifth sub question discussed how negative effects of downsizing can be reduced by means of applying these motivational theories.

One of the negative effects downsizing can have on employees is that they experience a certain level of negative inequity. This negative inequity may lead survivors reducing their levels of commitment by which they will work less hard (Brockner, 1988; Brockner et al., 1987). This inequity can be dealt with by making sure employees perceive the downsizing as more fair, which will be explained later on in this chapter.

Another effect of downsizing can be the experience of injustice. When a survivor experiences feelings of injustice, he or she can restore justice by different means. One option is to change the attitude towards the aspects that create the feeling of injustice. According to the *Cognitive Dissonance Theory*, survivors can either change their attitude or behaviour when they experience a tension. This tension can result in feelings such as guilt, anxiety and anger, which is often the case in times of

downsizing. In the case of experiencing injustice, the survivor may initially have positive attitude towards the a fellow co-worker who has been dismissed, while experiencing injustice. He or she can diminish the tension by holding a negative attitude towards the fellow co-worker rather than retaining the positive attitudes. The other option is to experience the downsizing as fair. The survivor can do so by for instance evaluating its own worth as higher as than the worth of the dismissed co-worker. This can be related to the *Equity Theory*, wherein inequity can negatively affect survivors' level of commitment. This depends also on the level of self-esteem an survivor has. A downsizing organization can jump in here by endeavouring to either altering this self worth of the survivor, or by creating the idea that the dismissed co-worker's performance was less than sufficient, or at least lower than that of the survivor. When applying the *Cognitive Dissonance Theory* on job insecurity, is it clear that one of the most obvious ways to reduce the related tension is to decrease the job insecurity. However, since this will be difficult when an organization still has to downsize the organization should use another proposed method. I suggested that the organization creates a third cognition and making sure this cognition takes a more prominent role in their consideration than the cognition of preferring a job with high job security, by for instance enhancing the benefits at that company. This can reduce the negative effect on for instance employees' commitment, job satisfaction, trust in management, and can reduce the probability of experiencing feelings as guilt, anxiety and anger

This is related to the Bandura's (1982) *Self-efficacy Theory*, which describes that both motivation and performance are determined in part by how effective people think they can be. Bandura (1982) explains that this self-efficacy can be developed through a series of successes with increasingly difficult tasks. Besides letting the employees adapt to the new circumstances and job design, it will increase their self-efficacy which will be very important in times of downsizing.

This believe can be promoted by the organization or manager by using Merton's (1968) *Self-fulfilling Prophecy Theory* in the sense that communicating to survivors that they have the necessary abilities to exert a certain behaviour or performance, can have a great influence on their actual behaviour and performance.

This is in line with the *Expectancy Theory* which states that individuals make choices based on estimates on how well the expected results of a given behaviour are going to lead to desired results (Vroom, 1964). One of the factors of this theory that make up the amount of motivation, is self-efficacy. Having a high self-efficacy is likely to increase the amount of an employee's motivation. It seems that holding a high self-esteem can increase an employee's performance. However for instance Brockner et al. (1985) found that survivors who had low self-esteem may improve their work performance to a greater extent than those who experienced medium or higher levels of self-esteem, because they experienced a greater feeling of positive inequity (guilt) about the way the downsize process has been implemented. As it becomes clear, a certain level of self-esteem should be created with caution. Another factor that influence this amount of motivation is the factor instrumentalities, which is the subjective probability that a certain behaviour will result in a particular reward or outcome. An organization or manager can promote this subjective probability by making sure they can for instance communicate clearly that their efforts will lead to a certain preferred outcome. They should make sure the possibilities are present for the employees to indeed reach their preferred outcomes, but they also need to transfer this possibility. Communication is from great importance than. Clear communication is therefore required, but also the trustworthiness of the manager. This trustworthiness or credibility of the manager

is from importance to the credibility of the message.

The *Balance Theory*, which is shown in figure 10 in chapter 5.4 shows the influence of integrity, in that this integrity shapes how the employee will perceive the message. The information justice, which is part of the *Justice Theory*, will be increased by the integrity, which will also result in the diminished occurrence and intensity of other employee outcomes such as a decreased employee health or probability to retaliate. This theory can also be applied on the way survivors perceive their environment, with for instance regard to the dismissed co-worker and the organization. When there exists a negative or unfavourable relation between the organization or manager and the dismissed co-worker, while the survivor includes the lay-off victim in their moral community, the survivor is likely to create a negative attitude towards the organization or manager. The organization or manager can try to make sure that the survivor will have a positive attitude towards them and that survivors are more likely to trust them, by either creating a positive relationship between the organization and the lay-off victim or by ensuring the survivor will exclude the victim from its moral community. Only the first option will be applicable, since making sure the survivor excludes the victim from its moral community implies that a negative image of former employees has to be created, which will probably be not an action that should be become public or be in line with the organizations values. The first option can be applied by providing the victim with help, before and after the downsizing has been implemented. This will also increase the interpersonal justice, which in turn will also reduce the negative effects of downsizing on outcomes as trust in management.

Another part of the *Expectancy Theory*, which should not be forgotten, is the factor *valence*, which represent the value of an outcome or reward to the employee. Again, an organization or manager can try to influence the amount of motivation of employees like survivors by keeping in mind the *Expectancy Theory*, by working on the valence of certain outcomes to employees. According to the *Two-factor Theory*, survivors have both satisfactory and dissatisfactory needs that are valued, which will motivate people to behave in a certain way. A few of those satisfactory needs are achievement, control and empowerment, achievement, and self-development as has been shown in the Commitment and Control model. Since it can be expected that organizations also value this self-development when it leads to higher performance, ensuring employees to self-develop will be one of the best means to promote employee motivation. Another way to increase the valences of outcomes, is to make the outcome more attractive by for instance clearly communicating its benefits. It might be the case that certain benefits are initially unknown to the employee. They can also do this the other way around, by framing the detriments or caveats of not reaching a certain outcome or goal.

The *Control Theory* can be used by managers to affect the motivation of employees. Their feedback can give for instance survivors a tool to assess their performance and to advise them what could be improved. It seems that the employees can higher their goals when by this feedback their self-efficacy has been increased which can reduce the feelings of work overload, but that they also might lower their goals when they seem to be out of reach. It seems that by this, managers can affect both the goals the employees set for themselves and make them committed to reach their goal, and their behaviour to achieve these goals. This can decrease the probability that employees will set goals too high and then fail, which the related negative consequences. Setting too high goals seem to lower employee commitment to the goal (Locke, 1996). Experiencing too much discomfort or tension when not perceiving goals to be reachable, can be an explanation for this lower commitment. Making sure goals

are not set too high, will thus promote employee commitment and subsequent job satisfaction, productivity, and overcoming to change, and will lower turnover intentions according to the general model in figure 8.

It can be stated that plenty of measure are possible to be taken by the managers and their organization to reduce the negative effects. With regard to the mean question, it will probably often be difficult to assess to what extent the motivation theories will be able to reduce the negative effects of downsizing. As this paper suggests, motivational theories can often explain how certain effects on survivors emerge. However, the extent to which these theories can fully explain these effects and how by certain measures these effects can be reduced, will depend on other factors as well. This will be discussed in the Discussion chapter.

The main research question of this thesis is;

*To what extent can negative effects of downsizing on its survivors be reduced by means of applying motivation theories?*

The answer to this question is that plenty of negative effects can be reduced by means of applying motivational theories, as has been shown in the previous answer on the fifth sub question. However, the answer on *to what extent* this is the case, is that it is often difficult to assess. Plenty of effects can be reduced, which in turn will reduce other negative effects of the downsizing. The reason the general model in figure 8 has been provided, is to give a clearer overview of which effects are related to each other and which effects are perceived to be the main or most important effects.

The negative effect of perceived injustice can be counteracted by means of the use of especially the following theories; the *Equity Theory*, *Balance Theory*, *Cognitive Dissonance Theory*, and *Organizational Justice Theory*.

The experienced job insecurity can be counteracted by the means of the use of mainly the *Cognitive Dissonance Theory*. Other theories will have an indirect effect on the experienced job insecurity, however the sole theory that can be directly related to this effect is the *Cognitive Dissonance Theory*.

The decreased level of commitment can be counteracted by the means of the use of especially the following theories; the *Control Theory*, *Self-efficacy Theory*, and *Two-factor Theory*. As mentioned in the answer on the fifth sub question, the *Expectancy Theory* can often be either directly or indirectly related to other theories and negative effects of downsizing, since it consists of several factors which together motivate employees to engage in a particular behaviour.

## Discussion

In this paper motivation theories are used to try explain the negative effects that occur during downsizing and to provide guidance in how they can be used to reduce these negative effects. In the conclusion some examples of the negative effects, the theories used and the way these theories can contribute to this guidance. However, some doubts about the usability of the literature findings, its implementation, the theories and the extent to which these motivation theories can contribute to the guidance exists. This will be discussed in this section. First the usability of the literature on the downsizing effects will be discussed. Not only the effects might differ among organizations holding different strategies, or during different economical times, also the usefulness of the used motivation theories should be questioned. In the second part of this section this usefulness will be discussed.

## Limitations and suggestions for further research

### Data on downsizing effects

What is noticeable when going through the methods and scope of plenty of research on the effects of downsizing on its survivors, is that they do not seem to take the kind of companies and the countries in which certain effects have been found by conducting experiments into consideration (Dierendonck & Jacobs, 2010). Findings of Dierendonck & Jacobs (2010) stated that there exists a difference between individualistic and collectivistic countries with regard to the correlation between fairness and affective organizational commitment. They state that in individualistic cultures, procedural justice was more important in relation to survivors' organizational commitment than in countries with a more collectivistic culture. This implies that for companies in individualistic countries it is more important to make use of involvement and input, and that they have to be sure the communication quality is high and that the appropriate communicator is used. Theories such as the equity theory and justice theory can contribute to the necessary knowledge on the determinants of this procedural justice in these kind of individualistic countries. More research and investigation on these differences is needed to give support for these differences in effects.

With regard to the different downsize strategies and their effects of survivors, there also exist some limitations. The use of the combinations "Offshoring effects survivors downsizing", "outsource effects survivors downsizing" and "offshoring outsourcing effects survivors" did not give useful suggestion for articles on the relation between the different forms and the view of the survivors, when using databases such as Web of Knowledge, Google Scholar and EBSCOhost. Also Maert et al. (2010) discovered the fact that solely little literature exist on this subject, and suggested that further research on this topic should be done. For this to do so, data on the negative effects of both outsourcing and offshoring is needed.

Due to the gap in the literature on the relationship between different forms of downsizing and its effects on survivors, the findings there were find are based on just a few articles. Further research is needed to give a more supported view of the differences between the different forms. This also holds for the findings and comparison in this paper of the downsizing effect between the strategic and reactive downsizing strategy. This comparison only used Sverke et al.'s article (2008) to emphasis on the

differences. However, to provide more support for also other kind of companies in other countries, future research is useful.

Although plenty of research has been done on the negative effects of downsizing, less research had been done on the downsizing effects during periods of economical crisis. To get more insights in the effects of downsizing in such difficult times, further research has to be conducted. It can be assumed that possible outcomes of such research are that survivors will have higher levels of job insecurity, due to the decrease in the amount of jobs in the whole sector or branch, country or even worldwide. Research on the effects of downsizing in Finland during its most severe economical decline since World War I indicated that during the increasing level of unemployment, showed a high level of ill health (Vahtera, Kivimäki & Pentti, 1997). The three researchers also argued that it was unclear whether downsizing during a more stable economical period would have a smaller increase in ill health than in unstable or unfavourable economical times. The degree to which this differs contributes to the limitation of answering the main research question for the downsizing in unstable economical times, since the effects and theories found from and about more stable economical times are used.

### Data on motivation theories

One of the notable issues that occur when making use of several researches and/or theories, is that they sometimes seem to be contradiction or hindering each other's suggestions. These contradicting findings are for instance found on the selection process by which the survivors of downsizing are to be chosen. According to the *Two-factor Theory*, announcing that the selection of the ones that will be dismissed will (partly) based on performance, can increase the *Expectancy Theory's* "instrumentality" by which motivation is promoted. Comparatively, Brockner (1988) stated that by selecting the survivors on based on their performance or potential, the company can promote survivors' perception of procedural fairness. This increased fairness will combat several negative effects of downsizing, according to general model in figure 8. On the other hand, Brockner et al.'s experiment findings (1986) showed that the ones that were randomly chosen to survive, increased their output while survivors that were chosen on the bases of their relative merit did not. This can be explained by the *Equity Theory*, in that randomly chosen survivors try to reduce the inequity experienced by increasing their output. As it seems, both findings on the effects and theories might give contradiction suggestions to organizations and managers. This can hinder to provide a clear suggestion to downsizing organizations.

With regard to the dating of theories, most of the still commonly used date from the 1960s and 1970s and have been elaborated upon by researchers in a great number of articles (Steers, Mowday & Shapiro, 2004). Researchers like Steers, Mowday and Shapiro discuss and point out that the world changed dramatically, including the years in which e-commerce entered, in which information technology changed and in which companies downsized. They also state that during the same time, theoretical developments on work motivations and its motivation theories may have declined in the years prior to 2004. Steers, Mowday and Shapiro suggest that the times has come to "redirect our energies into discovering new models – and research toward new models – of work motivation and job performance commensurate with this new era" (Steers, Mowday & Shapiro, 2004, p. 384). This paper used the already existing motivational theories to investigate the negative effects of downsizing, which might result in tensions with the regard of the usefulness of the theories. This tension might be the result and

perhaps an indicator of the lack of updated theories. However it is not expected to be the case so much, since I expect that the basics of employee behaviour and of the theories already have been covered in older literature.

Not only the data from which the theories origins can be a point of discussion on its usefulness for this paper. Also the context in which the downsizing takes place, and managers', employees' and especially survivors' personal characteristics might affect the usefulness of the theories. Kernan and Hanges (2002) for instance state that the applicability of the procedural justice findings are likely to vary depending on the situation. It is important to mention that the theories give an (simplistic) view of the explanation of the reality and that thus other factors might influence the way and the extent to which these theories are applicable or usable. It could be that the *Balance Theory* can only describe a certain relationship between the three factors or parties in the model, but that also other factors might influence the same or another relationship. For instance, integrity can play a moderating role on the relationship between informational justice and victims' and survivors' retaliate responses and the probability of accepting the layoff.

Due to both the focus and time constraints of this thesis, I suggest that further research should be conducted on the effect of certain context, since it will be useful to provide downsizing companies with more and precise assistance and information on how to promote survivors' motivation when holding a certain downsize strategy in a certain context.

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