

ABSTRACT

DAVIS, GARY LAWRENCE. Human Resource Interventions and Training in Downsized Organizations to Assist Remaining Employees. (Under the direction of Don C. Locke).

This study sought to determine if the use of human resource interventions and training programs for management employees have an effect on employee morale, employee productivity, and operating profits in the organization. This study extended Weaver's (1996) investigation on the use of human resource interventions and training programs offered to management employees in the states of North Carolina, South Carolina, and Virginia. This study also investigated what human resource interventions were used and what training programs were offered to management employees in downsized organizations to help make the transition for the remaining employees and how effective these interventions and programs were.

The intent of this study was to determine the perceived use and effectiveness of various human resource interventions and training programs in helping the remaining employees cope with downsizing. Research reveals the hardships the survivors endure after downsizing, but it does not reveal the specific human resource interventions and training programs used by organizations to assist the remaining employees to cope with the after effects of restructuring. This study focused on the manufacturing/industrial sector in the states of North Carolina, South Carolina, and Virginia where much downsizing has occurred in the past and is predicted to occur in the future.

A survey was sent to 250 American Society for Training and Development (ASTD) members who are human resource professionals in the states of North Carolina, South Carolina and Virginia. Data were collected from 130 ASTD respondents and analyzed. An analysis of variance (ANOVA) was completed and revealed that there was not a significant

difference in employee morale, employee productivity, and operating profits between those organizations that used or did not use human resource interventions and offered or did not offer training programs to management.

A bivariate correlation analysis was conducted on each of the independent variables (the use of human resource interventions and training programs for management) and the dependent variables (employee morale, employee productivity, and operating profits) to determine if a significant relationship could be found. The results of the analyses indicated that there was a significant relationship between specific human resource interventions and training programs and employee morale, employee productivity and operating profits.

Descriptive statistics revealed that the most effective human resource interventions were rated lower in frequency of use and the most effective and most frequently used training program does not have a significant relationship with employee morale, employee productivity, and operating profits. It was recommended that further research be conducted to identify which human resource interventions and training programs for management personnel and hourly employees will assist remaining employees as well as increase employee morale, employee productivity, and operating profits.

**HUMAN RESOURCE INTERVENTIONS AND TRAINING IN DOWNSIZED
ORGANIZATIONS TO ASSIST REMAINING EMPLOYEES**

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A dissertation submitted to the Graduate Faculty
of North Carolina State University
in partial fulfillment of the requirements for the
Degree of Doctor of Education

ADULT AND COMMUNITY COLLEGE EDUCATION

Raleigh
2006

APPROVED BY:

Chair of Advisory Committee

For my wife,
Becky, for her assistance, encouragement, and love.

BIOGRAPHY

Gary Lawrence Davis was born and raised in Black Mountain, North Carolina. Davis earned an Associates of Applied Science Degree in business administration from Asheville Buncombe Technical College in 1973, a Bachelor of Science degree in business management in 1986 from the University of North Carolina at Asheville, a Master of Science degree in human resource development in 1988 and a Master of Arts degree in two-year college education in 1997 from Western Carolina University in Cullowhee, North Carolina.

After graduating from UNCA, Davis worked for eight years as Service Department Manager at Black Mountain Chevrolet. He then returned to graduate school to earn his first master degree. After graduation, he was employed by the North Carolina Department of Human Resources as a Rehabilitation Counselor. Davis again returned to graduate school at Western Carolina University and earned his second master degree. After graduation, he joined the faculty of Montreat College in Montreat, North Carolina as an instructor in the business department where he is currently employed. Davis teaches a broad range of courses on the main campus and in the School of Professional and Adult Studies. He currently serves as project advisor for business students in the School of Professional and Adult Studies at Montreat College. Teaching traditional students on the main campus at Montreat and adult students at a variety of locations throughout the western part of the state in the School of Professional and Adult Studies is both challenging and fulfilling for Davis.

Davis is a member of the American Society of Training and Development (ASTD) and a member of the National Federation of the Blind. Davis currently resides in Black Mountain with his wife, Becky, and their son, Daniel.

ACKNOWLEDGEMENTS

Through the writing of this dissertation, a deep appreciation for the support from faculty, colleagues, and family was developed.

I would like to recognize and thank my committee members, Dr. Thomas Conway, Dr. Audrey Jaeger, Dr. Don C. Locke and Dr. Ronald Shearon, for their support and for generously sharing their expertise and guidance. The encouragement and inspiration of Dr. Locke as the Asheville Cohort advisor has been invaluable throughout my tenure at North Carolina State University. I would also like to thank Dr. Robbie Pittman for his expert advice and assistance with the statistical analyses.

The participation of the members of the American Society of Training and Development is greatly appreciated. These human resource professionals have taken time from their busy schedules to voluntarily participate in this study with the hope that the knowledge gathered will assist remaining employees in downsized organizations.

The classmates in the Asheville cohort have been a terrific group of people. The camaraderie and assistance of Mike Burnette, David Shockley, and Jeni Wyatt have been critical to the completion of my doctoral studies. Special thanks to Keith Mackie is extended for his friendship, advice, and encouragement throughout the four years of our doctoral studies.

This research project was undertaken with the continual support of family and friends. My parents, Charles and Mabel Davis, to whom I owe so much, have shown encouragement, love, and support throughout my academic pursuits.

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Chapter 1

Introduction

A noted scholar assessed downsizing as “the most pervasive yet understudied phenomenon in the business world” (Cameron, 1994, p. 183). Competitive pressures have forced many companies to reduce the size of their workforce as a way of controlling cost. Since 1989, more than three million individuals have been displaced (Cravotta & Kleiner, 2001). Middle managers make up 5 to 8% of the workforce but represent 22% of the eliminated positions (Mabert & Schmenner, 1997). By January, 1998, Challenger, Gray, and Christmas, the Chicago-based firm that tracks layoffs in corporate America, reported that the total downsizings of large companies had topped 4 million.

Freeman and Cameron (1993) offered a positive definition for downsizing:

Organization downsizing constitutes a set of activities, undertaken on the part of the management of an organization, designed to improve organizational efficiency, productivity and/or competitiveness. It represents a strategy implemented by managers that affects the size of the workforce and the work processes used.

Other terms used by corporations synonymous to downsizing are reduction in force, rightsizing, job separation, workforce imbalance correction, or re-engineering, but for employees, it means layoffs (Cravotta & Kleiner, 2001).

According to a 1997 survey by the American Management Association (AMA), the most often claimed reasons for downsizing are organizational restructuring, business downturn, and reengineering of business processes. This AMA study also indicated that “data show no correlation between lower operating expenses and higher profits” and

“companies that decrease their costs and companies that increase them are equally likely to report improved profits” (p. 9).

The Wyatt Company (1993) conducted a landmark study of corporate restructuring in which it surveyed 531 U.S. companies across industries. Their findings indicated:

Ninety percent of the companies surveyed said that reducing costs was a primary reason to restructure. In terms of result, only sixty-one percent actually achieved that goal. Almost as many, eighty-five percent, cited increasing profitability as a primary reason for the resizing actions they took; fewer than half of this group achieved the objective. In terms of meeting the goal of increasing productivity (a goal of 58% of the companies in the study), only a third actually achieved it.

Downsizing, reengineering, and restructuring have become phenomena of massive proportion (Deal & Kennedy, 1999). In his book *Reengineering Management*, James Champy (1995) reported that 69% of U.S. companies and 75% of European companies that responded to a comprehensive survey said they were engaged in one or more reengineering efforts. These efforts produced massive job cuts and touched the lives of millions of employees. Cost cutting has truly come of age, and for better or worse, corporate cultures of the future will have to take this into account (Deal & Kennedy). Wright and Noe (1996) suggested that given the organizational and human costs associated with downsizing, organizations should use it as a last resort for controlling costs, and if downsizing is necessary, the organization should first consider alternative staffing strategies to reduce costs such as offering early retirement, reducing the work week, reducing salaries, and freezing hiring.

Acquisitions, mergers, buyouts, and downsizing – common occurrences in today’s

marketplace- all typically involve corporate restructuring (Goetsch & Davis, 2003).

Companies must transform themselves radically to survive and become more competitive.

The era of revolutionary corporate change promises enormous economic improvements at an exceptional cost in human pain. Structural change in the labor market, a market with

downsizing continuing even in a period of economic recovery is one result (Carter, 1999).

Few organizations will escape restructuring and few people will complete a career without experiencing at least one or more restructurings because of the ever-changing conditions of the global marketplace.

Many organizational changes, both internal and external, have occurred and have caused companies to do business differently. Changes such as technological advances, globalization, catastrophic business crises, a more frantic competitive climate, and demanding, sophisticated customers are examples of some of the shifts in the external business environment (Carter, 1999). In addition, internal changes in organizations have come in the form of reengineering, accompanied by structural realignments and downsizing, greater emphasis on quality levels in product and service output, faster communication channels, and a more educated, skilled employee base with higher expectations from management (Carter). These volatile business conditions have led to drastic corporate downsizings. This means organizations are expected to do more with less.

Whether the objectives were financial or a focus on customer satisfaction, companies participating in the Wyatt (1993) study (as well as other surveys) seemed equally unable to accomplish their goals by restructuring. Researchers speculate why these companies were unsuccessful:

In only thirteen percent of the cases was a poor result based on the organization's

failure to choose the appropriate business solutions. The number one reason for companies' failure to achieve their goals was their employees' resistance to change – resistance manifested in their leaving the organization both literally (walking out the door) and figuratively (“resigning” while staying on the job). (Caplan & Teese, 1997, p. 4)

Survivors' resistance caused unanticipated costs (e.g., higher turnover, decreased productivity, higher rates of stress-related illness, employee hostility) that offset the gains of restructuring. Unexpected costs occur when top employees leave the company “taking corporate dollars via severance packages never intended for them” (Caplan & Teese, 1997, p. 4). Also a considerable amount of money is spent replacing survivors who leave the company voluntarily. Even if the numbers are small, the costs of recruitment, selection, and training are large.

Decreased productivity is a concern for companies after restructuring since increased productivity is a goal given for downsizing. In many organizations, productivity decreased or leveled off as a consequence of multiple factors, including knowledge and expertise walking out the door, survivors' failure to keep up with new demands, their resistance to change, and new employees' lack of knowledge and expertise (Caplan & Teese, 1997). Increased stress-related illnesses add other unexpected costs of downsizing for corporations. Caplan and Teese stated that an Employee's Assistance Program (EAP) in the Midwest provided an astonishing report:

A client company announced pending layoffs; this marked the start of the organization's second round of downsizing. Immediately employees began to experience panic attacks according to the account. Some people had symptoms so

severe that they could not come back to work. Others had to be hospitalized with heart attack-like symptoms. Three quarters of the employees with these stress-related illnesses were survivors of the initial downsizing. And these same survivors had already been notified that they would *not* be laid off in this second round. (p. 7)

Survivors do not go through change and transition in isolation; they go through them within the context of the organization undergoing its own change and transition. How an organization deals with its own needs while addressing the needs of the survivors determines whether survivors stay or leave (Caplan & Teese, 1997). Restructuring is market-driven and cannot be controlled by an individual or an organization. However, organizations and individuals can control how they respond to the changes brought by restructuring, and it is this response that will determine the effectiveness of the restructuring effort (Goetsch & Davis, 2003). Individuals are wrestling with powerful negative issues at work including: (1) uncertainty about the future, (2) frustration, sometimes leading to depression, (3) general loss of trust in the companies for which they work, (4) decreasing commitment, engagement, and motivation and (5) concern about meeting personal goals such as security, getting ahead, making appropriate ethical choices, and caring for self and family (Gray & Alphonso, 1996). At the same time, companies focus on major challenges including: (1) engaging employees, (2) addressing demographic changes in the workplace, (3) finding the value of information, (4) flattening organizational structures, (5) achieving more than incremental gains in productivity, (6) getting closer to the customer, and (7) doing more with less (Gray & Alphonso). These are serious problems that individuals and corporations must face. The Information Age forcing old models of management and employment onto the new marketplace is something like “letting the genie

out of the bottle, and then trying to put it back in again” (Gray & Alphonso, p. 6).

Researchers and many human resource practitioners have been consumed by the anxiety of those who have been laid off as well as the survivors that have been abandoned. Organizations must ensure that they have a vision not of cost-cutting but of performance enhancement to accompany the downsizing. This will be revealed by what they do in the way of training, performance management for those who remain, and learning about how to improve from those who remain (Schneider, 1999).

An article in *Training and Development* suggests that “the survivors of downsizing can provide an organization with both the core competencies and the essential corporate memory necessary for moving forward into a new era of business prosperity” (Clark & Koonce, 1995, p. 24). This article indicated that survivor programs can “help energize employees to become fully engaged in the new mission and vision of the organization and they can build in employees a sense of enhanced professional competence and self-confidence, as well as making employees more employable” (p. 30).

In Gottlieb and Conkling’s 1995 book, *Managing the Workplace Survivors*, the authors offered a compelling case for the training of managers in downsized organizations. They stated that “managerial skills and training have not kept pace with the changes that have affected the workplace. The trend toward greater discretion on the job and the push for ‘empowerment’ are outrunning present managerial practices” (p. 145). The management process is very different in a workforce unencumbered by fear, false expectations of promotions, or the distractions of organizational politics and attempts to impress the boss (Noer, 1999). Schneider (1999) “agrees with the research literature that says participation works when those who participate have the knowledge required for effective performance.

The key is to focus HR practices on what it takes to be effective” (p. 348).

A 1995 downsizing survey by the American Management Association revealed that 79% of downsized organizations that increased their training budgets realized an increase in profits compared with only 41% that saw an increase in profits after they cut their training budget. The study also indicated that productivity increased in 70% of companies that increased training budgets compared to only 37% that indicated an increase in productivity after they cut the training budget. The authors of the study offered this conclusion:

There is a remarkably strong correlation between increased training budgets and increased profits and productivity following workforce reductions. Long term, firms were twice as likely to show increased profits and productivity than firms that cut their training expenses. (AMA, 1995, p. 6)

Caplan and Teese (1997) suggested that “if leadership is serious about creating a new organization and helping people develop new skills, then the organization cannot afford to delay training for future readiness, and at the same time, survivors cannot provide present productivity without training” (p. 221). They also suggested that “what survivors need in the interim organization is a job development plan” (Caplan & Teese, p. 221). This job development plan should be based on the work needed to meet the interim organization’s goals, which are integrated with the results of the skills assessment done in the old organization. This plan should create a training plan to address the gaps. Caplan and Teese emphasized:

The content of training is prescribed by what survivors need to know and be able to do both to make an effective transition and to be productive in the interim

organization. Content is also based on the skills and knowledge survivors will need in order to be successful in the future organization. (p. 222)

Training will be a challenge for organizations; however, there are payoffs for the remaining employees as well as for the organization. The attitudes of the survivors seem to depend on their perceptions of how the downsized staff were treated: survivors have better attitudes when organizational efforts are made to assist downsized personnel (Zick, 1998).

Statement of the Problem

In order for downsized organizations to survive and compete, they must assist the remaining workforce with the transition of restructuring and downsizing. Restructuring, redesign, downsizing, and reengineering all involve both radical change and evolutionary transition. The decision to downsize, redesign, restructure and reengineer is normally made by top executives in an organization and implemented by human resource professionals and lower level managers. The change might be implemented all at once, but transition strategies play out over longer periods and involve lots of practice and acceptance (Johansen & Swigart, 1994). Downsized organizations are faced with a new challenge: to assist the remaining employees to cope with layoffs. Organizations have turned to human resource personnel and training programs to assist the remaining employees with the transition of downsizing. A good number of organizations are also investing in the constant upgrading of their remaining employees' skills and abilities through training and development programs and activities (Gottlieb & Conkling, 1995). This researcher believes that employers using human resource interventions and/or training programs after downsizing will have higher employee morale, greater employee productivity, and higher operating profits in their organizations.

Purpose of the Study and Research Questions

Weaver (1996) surveyed American Society of Training and Development (ASTD) members from the manufacturing/industrial sector in the states of New Jersey, New York, and Pennsylvania. This study extended Weaver's investigation on the use of human resource interventions and training programs offered to management employees in downsized organizations to help make the transition for the remaining employees in the states of North Carolina, South Carolina, and Virginia. Participants were American Society of Training and Development (ASTD) members from the manufacturing/industrial sector of these states. This study sought to determine if the use of human resource interventions and training programs for management employees have an effect on employee morale, employee productivity, and operating profits in the organization. In addition, this study also sought to identify what human resource interventions were used and what training programs were offered to management employees in downsized organizations to help make the transition for the remaining employees. The study was guided by two research questions:

1. Is there a perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use human resource interventions to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals?
 - 1a. What human resource interventions were used?
 - 1b. How effective were these human resource interventions as measured by a Likert scale based on the perceptions of human resource professionals in downsized organizations?
2. Is there a perceived difference in employee morale, employee productivity, and

operating profits after a downsizing in organizations that use training programs for managers in order to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals?

2a. What training programs were used?

2b. How effective were these training programs as measured by a Likert scale based on the perceptions of human resource professionals in downsized organizations?

(Weaver, 1996, p. 6)

Hypotheses

Ho₁: There will be no perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use human resource interventions to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals..

Ho₂: There will be no perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use training programs for managers in order to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals.

Definitions

American Management Association (AMA) – “A professional society of interest to some HR professionals” (Reynolds, 1993, p. 8).

American Society for Training and Development (ASTD) – “The largest professional society for Human Resource Department practitioners in the United States” (Reynolds, 1993, p. 8).

This is an organization made up of human resource professionals from around the world.

ASTD provides its members with access to career-enhancing training and human

performance resources, publications which provide the latest trends and techniques used by industries worldwide and unlimited networking opportunities with colleagues and experts.

Downsizing – “Reductions in force. Downsizing is often used to reduce the number of employees and layers of management in an organization” (Reynolds, 1993, p. 68). May also be called workforce reductions.

Perception – Any insight, intuition, or knowledge gained by observing and/or hearing.

Reengineering – “Based on the concept of significantly altering existing models and thinking and using dramatic improvements that are accomplished by reinventing the way in which work is done. It is characterized as the radical redesign of an organization’s business processes to achieve strategic breakthroughs” (Carter, 1999, p. xiii).

Restructuring/Rightsizing – The “planning for a reduction of the workforce by using business objectives as the guide to strategically assess organizational human resource needs. Having the right mix of people (skills and critical mass) to meet the goals of the business” (Duron, 1993, p. 26).

Survivors – The employees who remain in the organization after an organization downsizes its workforce.

Limitations of the Study

The perceptions collected were only those from ASTD members in the states of North Carolina, South Carolina, and Virginia. Results from this study cannot be generalized beyond those organizations that employ the study participants.. Data collected for this study were based on perceptions of human resource professionals who had experienced downsizing. Perceptions from non-responders may differ from those of the respondent group.

Significance of the Study

The intent of this study was to determine the perceived use and effectiveness of various human resource interventions and training programs in helping the remaining employees cope with downsizing. Research reveals the hardships the survivors endure after downsizing, but it does not reveal the specific human resource interventions and training programs used by organizations to assist the remaining employees to cope with the after effects of restructuring.

This study extended Weaver's (1996) investigation on the use of human resource interventions and training programs offered to management employees in downsized organizations to help make the transition for the remaining employees in the states of North Carolina, South Carolina, and Virginia. Weaver's study focused on the manufacturing/industrial sector in the states of New Jersey, New York, and Pennsylvania. This study focused on the manufacturing/industrial sector in the states of North Carolina, South Carolina, and Virginia where much downsizing has occurred in the past and is predicted to occur in the future.

Over the past five years, the textile and apparel industries have accounted for 47,384 North Carolina layoffs (Estes, Lawrence & Schweke, 2002). North Carolina companies announced more than 63,000 layoffs in 2001. More than 42,500 of these layoffs were in manufacturing and more than 11,500 were in textiles (United States Department of Labor, 2001). The biggest single job loss at a U.S. textile plant to ever take place occurred in Kannapolis, North Carolina, when Pillowtex Corporation went bankrupt, shuttered 16 plants, and eliminated 5,500 jobs in the summer of 2003 (Geary, 2004).

The United States Department of Labor reported the following statistics:

Of the 2.9 million private-sector jobs that have been lost since 1991, a full 2.56 million are from manufacturing. One out of every three textile jobs that were filled back in 1997 – when some 656,000 workers were employed by the industry – is now gone. This year (2003) alone, the industry shed 49,500 jobs. North Carolina lost 7% of its textile jobs in 2004 which means the state shed 5,000 textile jobs. In 2003, North Carolina lost 12,000 textile jobs. In South Carolina, textile mill jobs fell from 39,300 to 37,600 showing a loss of 1,700 textile jobs in 2004. North Carolina employs about 63,100 textile employees which is about a quarter of the nation's 234,800 textile workers. In 2004, the United States lost 17,000 textile positions. Trade groups estimate the U.S. textile and apparel industry will lose two-thirds of its jobs in the next two years if China is allowed quota-free access. For the Carolinas, that would mean losing about 103,000 jobs. That's 21 times the jobs lost in North Carolina's largest layoff, last year's shutdown at Pillowtex. (United States Department of Labor Website, 2003; 2004)

In an interview with Gillian Lee, Michael Walden, an economics professor at North Carolina State University, stated that textile employment will continue to be eroded and it is expected that North Carolina will lose 15,000 textile jobs per year (Lee, 2004). Robert Dupree, vice president of government relations at American Textile Manufacturers Institute, contends that inexpensive imports from China are to blame for the demise of American textiles (Geary, 2004). On New Year's Day, more than half of U. S. textile and apparel goods – 98 broad categories, including jeans, sheets, and cotton diapers – are stripped of import protection. For U.S. mill employees, that means more jobs lost to Shengze and

China's other textile enclaves (Hopkins, 2004). The elimination of quotas on China will wipe out many textile and apparel jobs. The country stands to lose more than 650,000 jobs, and North Carolina, with the most textile employees, is the most vulnerable. National Council of Textile Organizations in Washington estimates 103,000 North Carolina and South Carolina textile and apparel employees will be out of jobs (Hopkins, 2004).

Manufacturing/industrial sector employers in southern states have been forced to downsize their workforces in recent years and are predicted to experience significantly more downsizings in the future. This is a result of a heavy concentration of textile and apparel manufacturers in southern states which is not the case in northern states.

Chapter Two

Introduction

Organizational downsizing and its many associated euphemisms became part of the managerial lexicon in the late 1980s, in the 1990s, and in the early days of the new millennium (Cameron, Freeman, & Mishra, 1993; Cascio, 1993). Downsizing the workforce seems to have become a way of life and a feature of many organizations in the industrialized world (Cameron, 1994; Littler, 1998; Ryan & Macky, 1998). The impetus of downsizing efforts appears to be a desire to reduce costs and increase productivity and overall competitiveness (Cascio). Beginning in the eighties, America's giant corporations began serious reducing, shedding excess organizational weight that, as on a human body, had gathered around the middle. So U. S. business went on a diet, and middle managers began to hear terms like "redeployment." (Johansen & Swigart, 1994, p. 7). Commencing in the early 1980s, organizational downsizing, or simply downsizing, became a management catch-cry of the 1990s, which subsequently became known as the "downsizing decade" (Dolan, Belout, & Balkin, 2000, p. 34).

The purpose of this review of related literature is to a) review the history and development of downsizings of organizations, b) review the primary theories of management thought, c) review the impact downsizing has had on organizations and remaining employees, and d) to report current research on human resource interventions and training organizations are using to assist remaining employees of downsized organizations.

Downsizing of Organizations

Historical Review of Downsizings of Organizations

The strategy of downsizing has been used widely since the 1960s suggesting it to be

intrinsically correlated with the business cycle, and thus, frequently chosen as a reactive phenomenon to economic crises (Gandolfi & Neck, 2003). In the 1960s and 1970s the primary target appears to have been the unskilled blue-collar employees on an hourly wage and lower-level white-collar employees (Gandolfi & Neck).

Henry Farber, a professor of economics at Princeton University, and Kevin Hallock have spent the last several years studying research which covers 4,273 staff-reduction announcements at 1,160 large U. S. companies from 1970 to 1999 (Dresang, 2004). Hallock reported that in the 1970s, job reductions were typically announced by manufacturers to declines in demand for their products (Dresang).

Prior to the late 1980s, the strategy of downsizing was adopted and implemented as a “reactive response to organizational bankruptcy or recession” (Ryan & Macky, 1998, p. 31). This suggests that since 1988, downsizing has become manifest in a “proactive human resource strategy” (Ryan & Macky, p. 31). This fundamental change implies strongly that downsizing has attained the status of a restructuring strategy with the firm intent of achieving a new organizational structure and a new level of competitiveness (Littler, Dunford, Bramble, & Hede, 1997). In fact, numerous empirical studies have disclosed that the target has shifted from solely blue-collar employees to predominantly white-collar employees, higher-level white-collar employees, professionals, and middle managers (Dolan, Belout, & Balkin, 2000; Littler, 1998). Interestingly, the strategy of delayering, the notion of stripping out entire layers of management, has primarily taken its toll upon middle managers (Cameron, Freeman, & Mishra, 1991). Conversely, it is the middle managers per se who are seen to be repositories of a great deal of institutional knowledge (Gittins, 1997).

The extensive amount of worldwide informal and academic research in disciplines of

organizational change and change management suggests that the phenomenon of downsizing is more than a management fad but has become a way of life for both profit and non-profit organizations embracing society as a whole (Gandolfi & Neck, 2003). Statistics unveil a striking picture of the number of employees that have lost permanent jobs since the early eighties (Gandolfi & Neck). Cameron (1994) found that more than 85% of the Fortune 500 companies downsized between 1989 and 1994 and, more importantly, that 100% were planning to do so in the next five years. Cascio's (1993) longitudinal research further unveiled that manufacturing companies accounted for the highest incidence of downsizing (25%), followed by retail (17%), and service (15%).

Recent Studies of Downsized Organizations

Downsizing retreated to the back burner during the boom years of the late 1990s, when the national unemployment rate touched a thirty-year low, and labor shortages emerged as one of management's top problems (Baumol, Blinder, & Wolff, 2003). Labor turnover, which has always been high in the United States, did increase somewhat, especially for white-collar employees (Neumark, 2000).

Farber's (2003) study of the official government statistics from the U.S. Bureau of Labor Statistics' Displaced Worker Surveys presents the following:

Three-year job-loss rates rose much more sharply from the 1987-1989 period to the 1989-1991 period than did the unemployment rate. And between the periods 1991 to 1993 and 1993 to 1995, job-loss rates moved upward again-despite a strong economy and robust market. Then, beginning in 1995 to 1997 period, overall job-loss rates declined substantially and by the 1997 to 1999 period were back down to their late-1980s level. Farber concludes, "While job-loss rates have a strong cyclical

component, the rates did not decline as early or as much as might have been expected in the 1990s given the sustained expansion.” (p. 32)

Carter (1999) states that “more than 3.4 million jobs have been cut by Fortune 500 companies” (p. 3). Many newspapers reported the job losses for various Fortune 500 companies. Eastman Kodak announced that it was planning to chop 10,000 employees from its payroll as part of a broad plan to trim \$1 billion from its annual costs (Bulkeley & Maremont, 1997, p. A4). International Business Machines Corporation (IBM) has begun sending layoff notices to hundreds of employees in its North American division as part of a major restructuring of the unit’s sales and distribution organization.(Narisetti, 1997, p. B16). Chase Manhattan Corporation, attempting to cut down a bloated bureaucracy and steep overhead expenses, is in the midst of a corporate restructuring that could involve laying off as much as one-third of its 9,400-strong administrative staff (Frank, 1998, p. A3). Compaq Computer Corporation plans to cut about 15,000 jobs at Digital Equipment Corporation, or about 28 percent of the company’s workforce, after Compaq’s proposed acquisition of Digital is completed (Hamel, 1998, p. A18). Motorola disclosed radical steps to stanch its steadily eroding profits and market share, announcing a layoff of 10 percent of its workforce, or 15,000 workers, and a \$1.95 billion charge to pay for the mass firings and a consolidation of its semiconductor and paging operations (Clark & Hill, 1998, p. A3). Facing sluggish cookie and cracker sales, Nabisco Holdings Corporation cut 3,500 jobs, or 6 percent of its workforce (O’Connell, 1998, p. A4). Xerox Corporation plans to eliminate about 9,000 jobs over two years as the company attempts to control costs that remain higher than those of its new competitors (Nairsetti, 1998, p. A3). Sunbeam Corporation has plans to eliminate 5,100 jobs (Brannigan & Hagerty, 1998, p. A3).

Baumol, Blinder, and Wolff (2003) studied American Management Association's surveys on downsizing, staffing, and structure from 1986 to 2001 and concluded "there were significantly fewer AMA companies reporting actual net workforce reductions than those reporting job eliminations" (p. 40). In the period 1999 to 2001, job-loss rates rose sharply, reflecting the recession that commenced in 2001 (Farber, 2003). American Management Association's (2001) corporate staff survey states that close to 60% of the respondents reported some job eliminations over the twelve months ending in June 2001. As the economy began to slow in the second half of 2000, and then actually to contract in 2001, the frequency of downsizing increased, and public and media attention to it resurfaced (Baumol, Blinder, & Wolff). Michael Moskow, president and chief executive officer of the Chicago Fed, noted that from 2001 to 2003, 5.3 million Americans lost jobs that they had held for three or more years (Dresang, 2004). Concern with job security reclaimed its place near the top of the list of national problems and remained there as the early stages of the economic recovery in 2002 and 2003 proved to be "jobless" (Baumol, Blinder, & Wolff, p. 2).

Some recent newspaper reports describing organizations engaged in downsizing parallel to reports of the late 1990s. SBC SNET, the state's largest telephone company, said Monday it will eliminate between 50 and 100 jobs in coming weeks as part of a corporate downsizing, but that no layoffs will be necessary (Connecticut Telecom, 2004). Former employees of First Virginia Banks, Inc. were part of the downsizing figures for 2003. The official number of job cuts in Virginia was 875, including 212 positions in an operations center in Mechanicsville and 543 at the headquarters in Falls Church (Big Bank, 2004). Eastman Kodak said on Thursday (January 20, 2004) that it planned to eliminate up to 15,000 jobs worldwide, including 4,500 jobs in Rochester (York, 2004, p.1.37). Colgate-

Palmolive, the consumer products company, said yesterday (December 7, 2004) that it would close about a third of its factories and cut more than 4,400 jobs over the next four years as part of a major restructuring effort to increase profit margins (Dash, 2004, p. C1).

Companies use three different strategies to implement downsizing. These are workplace reduction strategy, organization redesign strategy, and systemic strategy. The workforce reduction strategy is referred to as the “layoff strategy” (Ryan & Mackey, 1998, p. 38) and concentrates primarily upon the elimination of head-count and/or reduction of the number of employees in the workforce. It encompasses activities, such as early retirements, natural attrition, layoffs and retrenchments, transfers and outplacement, golden parachutes, buyout packages, and job banks (Cameron, Freeman, & Mishra, 1993). The workforce reduction strategy is implemented frequently in a reactive manner as a cost-cutting measure and may serve as a short-term response to declining profits (Ryan & Mackey). Additionally, workforce reduction strategies tend to be largely negative in their consequences because the amount of relevant knowledge, institutional memory, and other critical skills that may be lost to the organization upon implementation of an across-the-board, quick-hit approach is difficult to determine (Gandolfi & Neck, 2003).

The organization redesign strategy focuses predominantly upon the elimination of work rather than reducing the number of employees (Luthans & Sommer, 1999). It encompasses activities such as abolishing functions, eliminating hierarchical levels (delaying) of groups, divisions and products, redesigning tasks, consolidating and merging units, and reducing overall work hours (Gandolfi & Neck, 2003). Organization redesign strategies are commonly regarded as being difficult to implement quickly due to the fact the organization ought to be redesigned to some degree (Gandolfi & Neck). This, in

turn, requires some advanced analysis of the areas concerned (Cameron, Freeman, & Mishra, 1993).

The systemic strategy appears to embrace a more holistic and methodical view of organizational change (Gandolfi & Neck, 2003). Downsizing ought to embrace all aspects of the organization – including suppliers, inventories, design processes, production methods, customer relations, and marketing (Cameron, 1994). Systemic strategy attempts to address these aspects and focuses primarily upon changing the organization's intrinsic culture and the attitudes and values of its employees (Luthans & Sommer, 1999). Of notable interest is the fact that within this framework, employees are not seen to be the primary target of downsizing but are considered to be resources in an attempt to produce and incorporate downsizing ideas (Cameron).

Luthans and Sommer (1999) reported that several reputable American companies, such as General Motors and the United Auto Workers, have adopted a last-in, first-out policy. Under this form of downsizing, layoffs are based entirely upon employee seniority (Gondolfi & Neck, 2003). Other identified practices involve employee cutbacks based upon company's needs and employees' performance, adopted by Digital Equipment Corporation, and redeployment efforts, retraining of workers, and early retirement packages, implemented by Ford, IBM, and Xerox (Luthans & Sommer). Empirical research has unveiled that corporations which embark on workforce downsizing in a reactive manner are more likely to employ high severity strategies, whereas, organizations that embrace an incremental process may start with natural attrition and move progressively up the scale until the desired state has been attained (Littler, 1998). If used as a one-dimensional, quick-fix solution, reengineering will just lead to downsizing and poor strategic business results (Carter, 1999).

Management Theories

Organizations faced with downsizing will have to look to their senior management teams to take the lead and put policies and procedures in place to form a solid foundation on which successful downsizing efforts can be built. A thorough understanding of past management theories is an essential foundation on which managers must build successful downsizing interventions. Changing over to a new management approach requires experimentation, setbacks, and creativity as managers seek to put theory into action (Wright & Noe, 1996).

At various times, different management theories have dominated, such as scientific management, administrative management, human relations, management science, open systems, and competitive advantage. These management theories have influenced how managers work and “continue to exert influence today” (Wright & Noe, 1996, p. 11). At one organization or another, managers are behaving in ways consistent with each of these theories (Wright & Noe).

Prior to the Industrial Revolution, businesses had been small and many of them were family-owned. Managers and employees knew one another, and the owner could take a personal interest in the employees. During the Industrial Revolution, companies began operating big factories that challenged the owners and managers in how to set up the factories and organize the work for more efficient output. Employees felt these companies were impersonal; they became dissatisfied and began to strike. The employees did not have a clear sense of how to do their jobs, and the companies were not benefiting from increased efficiency.

The rise of Frederick W. Taylor and scientific management in the early 1900s marked

the culmination of the efforts to apply engineering principles to the design and management of work and ushered in the golden age of engineering (Pfeffer, 1997). Frederick W. Taylor, an engineer, theorized that the lack of performance was due to management practices.

According to Taylor, the way to improve performance was for managers to systematically study the way work was being done and identify a more efficient approach (Wright & Noe, 1996). Taylor (1911) based his scientific management theory on the following four principles:

- (1) Develop a science for each element of a man's work;
- (2) Scientifically select, then train, teach, and develop the workman;
- (3) Cooperate with the men so as to insure all of the work being done in accordance with the principles of the science which has been developed;
- (4) There is an almost equal division of the work and the responsibility between the management and the workmen. (p. 15)

Taylor felt he had developed a new approach to management that “illustrated a great gain for both employer and employee”(p. 9). Companies that applied Taylor's approach succeeded in improving productivity. Taylor maintained that his piece-rate system for rewarding work could end labor unrest and that the science-based system was impartial and above class prejudice (Shenhav, 1995). The idea that work procedures can be evaluated objectively is one that endures today (Wright & Noe).

Principles of scientific management involved the separation of the planning and design of work from its actual execution and the scientific study of work processes (using time and motion studies, for instance) to figure out the most efficient way of doing jobs (Pfeffer, 1997), whereas, administrative management theory focused on the organization as a whole. These theorists felt the organization could be an efficient structure by creating

standardized policies and procedures. Henri Fayol developed a theory of administration based on his management experiences as the director of the Commentry-Fourchambault Company in France. Fayol's theory of administration "described the major management functions and several principles that act as administrative guides" (Champoux, 2000, p. 9). Fayol's five functions of management were planning, organizing, command, coordination, and control (Champoux).

Irwin Gray (1984) provides a more detailed explanation of these functions:

Management was responsible for 1) defining what it wanted to accomplish, 2) creating the lines of authority and responsibility along which the orders flow to start the work, 3) issuing the commands by which the entire organization is set in motion, 4) establishing the sequence of the work, and 5) continuously monitoring and correcting the work once it had begun. (p. 5)

Fayol believed that all managers should abide by the same general principles, a set of tools managers needed to perform the functions of management. Fayol's five principles were the division of labor, authority and responsibility, principle of centralization, delegation of authority, and the unity of command (Champoux, 2000). These principles were central to Fayol's theory of administration. He did not believe managers should apply his principles rigidly and absolutely in all circumstances but must tailor the application of the principles to the specific circumstances they face, using a clear sense of proportion (Champoux).

Max Weber, a German sociologist, also felt that "to be successful all organizations needed standardized approaches for processes and procedures" (Gottlieb & Conkling, 1995, p. 53). He is usually associated with the term bureaucracy. He made a major contribution to several fields of study with his analysis of bureaucracy as a form of organization and

management (Champoux, 2000). Weber believed in a hierarchy or stair-step distribution of power in which each area of the organization has a specialization that contributes to the overall goals and objectives of the total organization (Gottlieb & Conkling). Weber believed the following features account for the efficiency of bureaucracies:

1. Clearly defined and specialized functions
2. Use of legal authority
3. Hierarchical form
4. Written rules and procedures
5. Technically trained bureaucrats
6. Appointment to positions based on technical expertise
7. Promotions based on technical competence
8. Clearly defined career path (Champoux, p. 11)

Individuals' concerns were of secondary importance to the concerns of the organization (Gottlieb & Conkling).

Popular among many business people of the time was the work of Mary Parker Follett, which applied social psychology to management and advocated reducing conflict in organizations by focusing employees and managers on shared goals (Wright & Noe, 1996). Three of Follett's observations on organizations and management were power, conflict, and leadership. She defined power as the capacity to get things done and felt that authority could be delegated but power could not. Follett had a positive view of power and saw it as basic to organizations and management (Champoux, 2000). Her view of conflict was neither positive or negative. She felt managers should use conflict to achieve organizational goals and objectives. Instead of running from conflict, managers should put conflict to use in their

organizations (Champoux). Follett felt good leaders possessed the qualities of aggressiveness and domination, imposed their wills upon others, gave orders, and received compliance to those orders. Her alternative view of leadership was filled with positive qualities:

A leader has a vision of the future and can articulate the common purpose toward which the organization is striving. The leader focuses the energies of people toward that purpose. A leader not only knows the technical aspects of his job, but also understands the total situation and the relationships among its many parts.

(Champoux, p. 12)

Peter Drucker (1999) noted in his book, *Management Challenges for the 21st Century*, that Mary Parker Follett's (1868 – 1933) assumptions did not fit the realities that the budding discipline of management assumed in the 1930s and 1940s. She became a “nonperson” even before her death in 1932, with her work practically forgotten for twenty-five years or more. Drucker further notes “yet we now know her (Mary Parker Follett) basic assumptions regarding society, people and management were far closer to reality than those on which the management people then based themselves –and still largely base themselves today”(p. 9).

In 1938, Chester I. Barnard identified principles of managing organizations in his book, *The Functions of the Executive*. He defined an organization as “a system of consciously coordinated activities or forces of two or more persons” (Barnard, p. 73). “Organizations are based on cooperation and have a conscious, deliberate purpose” (Barnard, p. 4). Wright and Noe (1996) stated that Barnard developed the concept of the “informal organization,” (p. 13) the cliques and social groups that form within an organization. Barnard observed:

(1) these relationships are important to the organization's functioning; (2) these relationships can be managed in ways that ultimately help the organization; (3) employees have free will – they can choose whether to follow orders; and (4) managers must make sure employees see a benefit in following orders. (p. 58)

Champoux (2000) asked, “How does an organization get people to join its system of cooperative action?”(p. 13). He concluded that “organizations offer inducements in exchange for contributions”(p. 13). Barnard (1938) felt “a person joined an organization when the inducements exceeded the contributions” (p. 58). This relationship between inducements and contributions is called the inducements-contribution balance (March & Simon, 1958). Maintaining the balance such that people join and stay with an organization was an important executive function (Barnard).

Champoux (2000) noted the following relationships among Barnard's observations: First, the simple definition emphasizes consciously coordinated activities of two or more people. Second, purpose plus limitations cause people to engage in cooperative behavior with one or more others. People need to be attracted to this system of coordinated activity and induced to participate. The need to attract them to the system and keep them there leads to a concern about motivation to participate and the inducements-contributions balance. With those five concepts, you can analyze the birth and growth of any organization. (p. 13)

In spite of these insights from social psychology, the scientific management school remained prominent until a series of studies designed to show the benefits of electric lighting generated some surprising results (Wright & Noe, 1996). The Hawthorne Studies were a large research program done at the Hawthorne Plant of the Western Electric Company, which

produced various parts for telephone switching systems from the late 1920s to the mid-1930s. This research was a landmark work done in the social sciences in the United States (Champoux, 2000; Gottlieb & Conkling, 1995; Likert, 1961; Mayo, 1933; Roethlisberger & Dickson, 1939; Wright & Noe).

Mayo and his associates at the Harvard Business School designed an experimental study to investigate the relationship between working conditions and employee output. They hypothesized that as working conditions improved, employee productivity would also improve. Curiously, a divergent effect occurred, most notably in the lighting of the plant (Gottlieb & Conkling, 1995). As the researchers expected, as the lighting levels were raised, employee productivity increased. Mayo and his colleagues then began dimming the work area lighting. They expected employee productivity to decrease as they dimmed lighting levels. To their surprise employee productivity continued to remain high even with diminished lighting. The external lighting conditions actually had little effect on the number and quality of outputs produced by each employee, because what the employees were responding to positively was the incredible amount of attention given to them and their working environment (Gottlieb & Conkling).

Champoux (2000) stated that eventually, the researchers concluded that simply being part of the experiment, which focused new and greater attention on the employees, increased productivity. Previously, interaction between supervisors and coworkers was limited and had focused mainly on the work, not on the employees themselves (Champoux). Although strong conclusions cannot be drawn directly from the Hawthorne Studies, this research helped in further explaining behavior in organizations.

Mayo (1933) reminds us of the following:

1. Employees need and appreciate attention from management.
2. Motivation can be created through a sense of community and teamwork.
3. Channels of communication between employees and management should be two-way and enable a working dialogue; employees should be able to participate in the shaping of their goals and outputs and management would do best to listen to them.
4. Ultimately, the best organizations are those who are people driven; who put the needs and the skills of their employees foremost; and who believe that maximum motivation, cooperation, and productivity will result from a humanistic climate of organizational life. (p. 55)

Wright and Noe (1996) noted that the Hawthorne studies involved changing so many factors that scholars cannot conclusively prove which ones were significantly linked to performance. The major outcome of the Hawthorne studies was that the employees were most influenced by human factors (Wright & Noe). Likert (1961) stated that “one of the most important conclusions, for example, emerging from the famous Western Electric study by Mayo and his associates showed that industrial organizations almost always have an ‘informal organization’ which consists of all or most of the subordinate members of work groups” (p. 30). The goals of this informal organization often tended to restrict production, to increase absence, and in other ways to run counter to the general objectives of the organization (Mayo, 1931; Roethlisberger & Dickson, 1939; Whitehead, 1938).

In 1943, Abraham Maslow presented the theory of human motivation. He grouped the needs of people into five broad categories and arranged them into a hierarchy. According

to Maslow, needs may be physiological, safety, social or belongingness, esteem and self-actualization (Wright & Noe, 1996). The hierarchy indicates that people meet lower level needs before they are motivated to meet needs at higher levels. The specific form that these needs will take of course vary greatly from person to person (Maslow, 1943). He also points out that that the hierarchy of basic needs are not fixed; for example, for some people, self-esteem needs are more important than social needs and will be actualized earlier (Witzel, 2003). A person's personality and their culture can influence which needs are more important. Finally, Maslow says that a need does not have to be 100 per cent satisfied for the next need in the hierarchy to become dominate: thus a starving man does not have to completely satiate his hunger before he begins to consider his needs for safety, nor do our needs for belongingness need to be completely filled before we seek esteem (Witzel). Multiple needs may be present in varying degrees.

Maslow (1943) states:

The average member of our society is most often partially satisfied and partially unsatisfied in all of his wants. The hierarchy principle is usually empirically observed in terms of increasing percentages of non-satisfaction as we go up the hierarchy. Reversals of the average order of the hierarchy are sometimes observed.

Also it has been observed that an individual may permanently lose the higher wants in the hierarchy under special conditions (p. 375).

This description of the hierarchy of needs show how it can be a very powerful tool for understanding human motivation in business and economic contexts (Witzel).

The social psychologist Frederick Herzberg (1966) used Maslow's concepts when studying motivation at work to develop a dual scale of motivational factors: inner or

actualization factors, in which the employee is motivated by internal needs, and atmosphere or 'hygiene' factors, in which the employee is motivated by external stimuli. Herzberg thus succeeded in filling an important gap in organization theory, which had previously focused in large part on environmental stimuli and had failed to account for inner human needs (Witzel, 2003). More famously, Douglas McGregor's development of Theory X and Theory Y is based on Maslow's concept, with Theory X representing the bottom of the hierarchy or physiological needs and Theory Y the top end or social/psychological needs (Witzel).

In the late 1940s, Herbert Simon introduced the organizational theory of bounded rationality. Also known as the Carnegie School approach, bounded rationality starts with the assumption that human beings are imperfect in their ability to solve problems and make decisions (Gottlieb & Conkling, 1995). Simon (1947) argued that managers are rarely, if ever, in possession of complete sets of information, and accordingly engage in 'satisficing' (sic), seeking to make not the best decision per se, but the best decision possible given limited information. This introduction of a behavioral theory of the organization "put the human element squarely at the center of issues such as strategic thinking, decision making and organizational relationships" (Witzel, 2003, p. 278). Gottlieb and Conkling reported that Simon recommended that, for effective functioning of an organization, upper-echelon personnel, since they are more able to skillfully use a variety of communication and problem-solving skills, should focus on broad-based, nonprogrammed decision-making techniques and opportunities for interaction with each other. Middle-to-lower echelon personnel should deal primarily with programmed decision-making skills relative to their job functions and work processes.

Simon goes on to suggest that the nature of the organization itself serves as a

boundary to rationality (Witzel, 2003). March and Simon (1958) point out that this feature of organizations is in fact an important and necessary one. They further note:

Organizations serve to channel thinking and decision making along pre-set lines which serve to concentrate and focus thought and action on their own goals. An organization in which all managers stopped to consider every available option in every situation would be unworkable. Early in the organization's life, decisions are made on issues such as its purpose, its goals, its target market, and so on. It is right that the outcomes of these decisions should be examined from time to time, but to stop and consider the option of 'should we dissolve ourselves and go out of business', for example, at every board meeting is ludicrous (pp. 28–29).

March and Simon's most valuable contribution has been to bring the importance of human motivation and behavior to the forefront of management science and to bring the latter closer to actual managerial practice (Witzel).

In the 1950s, Eric Trist and K. W. Bamforth pioneered the sociotechnical approach to work by attempting to integrate the social and psychological needs of the employees with the technical demands of a new era (Gottlieb & Conkling, 1995). Their research focused on the British coal-mining industry. They found a remarkable drop in productivity, motivation, and morale when the coal-miners were forced to give up their previous team-centered way of completing work to new technology where each employee became a specialist in only one particular task. Conflicts increased and employee satisfaction decreased.

Trist and Bamforth (1951) produced an integration of man, machine, and environment where each employee became fully trained in all components of the new technical equipment. They reported in their article:

A number of innovations in work organization at the coal-face have been making a sporadic and rather guarded appearance since the change-over of the industry to nationalization. Though differing from each other, they have had the common effect of increasing productivity, at least to some extent, and sometimes the increase reported has reached a level definitely above the upper limit customarily achieved by good workmen using similar equipment under conventional conditions. They have been accompanied by impressive changes in the social quality of the work-life of face teams. Greater cohesiveness has appeared in groups, and greater personal satisfaction has been reported by individuals. Decreases have also been indicated in sickness and absenteeism. (p. 36)

The new technology was seen as a benefit and not a threat. Employees could now rotate their jobs since all had been trained in the various tasks of the technology. The group was responsible for setting production goals and outputs and deciding how they would be accomplished. The sociotechnical approach works because there is serious consideration given to achieving compatibility of human resources with nonhuman technology (Gottlieb & Conkling, 1995).

In the late 1950s, Joan Woodward developed the contingency theory of organizational design. Contingency theory considers environmental conditions as a direct cause of variation in organizational forms (Lewin & Volberda, 2003). Woodward (1965) determined that each organization's technology, markets, size, constraints, and external environment shape to what extent that organization must be in a state of adaptation. Contingency theory recommends that as organizations experience dynamism, flux, and change, the management and organizational structures should remain open as possible, encouraging participation and

role exchange among their employees (Gottlieb & Conkling, 1995). Lex Donaldson (1996) explains the underlying assumptions of contingency theory:

Organizations are to be explained by scientific laws in which the shape taken by organizations is determined by material factors...These laws hold generally across organizations of all types and national cultures. The organization adopts a structure that is required by the imperatives of its situation. The organization must adapt to the contingency factors in order to operate effectively (p. 1).

For years, managers have felt that they can influence productivity through good human relations. The view that satisfied employees will work harder is the basis of the human relations school. Douglas McGregor concluded that early thinking in the human relations school did not go far enough in its understanding of employees (Wright & Noe, 1996). In his book, *The Human Side of Enterprise*, McGregor (1960) examines this concept:

Behind every managerial decision or action are assumptions about human nature and human behavior. A few of these are remarkably pervasive.

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. Because of this human characteristic of dislike of work, most people must be coerced, controlled, directed, threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

I have suggested the name Theory X for this set of assumptions. Theory X is not a straw man for purposes of demolition, but is in fact a theory which materially

influences managerial strategy in a wide sector of American industry today. (pp. 32-35)

Champoux (2000) noted that McGregor believed that many managers held Theory X assumptions about employees. Such managers give their employees little latitude, closely supervise them, punish poor performance, use few rewards, and typically give only negative feedback.

McGregor (1960) noted that management practices were changing:

There is no question that important progress has been made in the past two or three decades. A tremendous number of policies, programs, and practices which were virtually unknown thirty years ago have become commonplace. Management has adopted generally a far more humanitarian set of values; it has successfully striven to give more equitable and more generous treatment to its employees. It has significantly reduced economic hardships, eliminated the more extreme forms of industrial warfare, provided a generally safe and pleasant working environment, but it has done all these things without changing its fundamental theory of management.

There are exceptions here and there, and they are important; nevertheless, the assumptions of Theory X remain predominant throughout our economy. (pp. 45-46)

McGregor (1960) recommended Theory Y as a mode of thinking that takes full advantage of human relations ideas. McGregor believed the accumulation of knowledge about human behavior in many specialized fields has made possible the formulation of a number of generalizations which provide a modest beginning for a new theory with respect to the management of human resources.

These assumptions, referred to as Theory Y, are as follows:

1. The expenditure of physical and mental effort in work is as natural as play or rest.
2. External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.
3. Commitment to objectives is a function of the rewards associated with their achievement.
4. The average human being learns, under proper conditions, not only to accept but to seek responsibility.
5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

These assumptions involve sharply different implications for managerial strategy than do those of Theory X. They are dynamic rather than static: They indicate the possibility of human growth and development; they stress the necessity for selective adaptation rather than for a single absolute form of control. Above all, the assumptions of Theory Y point up the fact that the limits on human collaboration in the organizational setting are not limits of human nature but of management's ingenuity in discovering how to realize the potential represented by its human resources. Theory Y places the problem squarely in the lap of management. If employees are lazy, indifferent, unwilling to take responsibility, intransigent,

uncreative, uncooperative, Theory Y implies that the causes lie in management's methods of organization and control. (McGregor, 1960, pp. 47-48)

Managers who hold Theory Y assumptions have a positive view of people, believe they have much hidden potential, and presume that people will work toward organizational goals as managers give employees more job responsibility and rely on self-motivation more than coercion (Champoux, 2000). According to Theory Y, employees will contribute more to the organization when they have a chance to apply their energy and creativity to achieving goals they are committed to (Wright & Noe, 1996). Effective managers who hold Theory Y assumptions understand that people are basically self-motivated and, therefore, need to be challenged and channeled, not controlled (Schein, 2004). McGregor (1960) saw insufficient incentives as "demotivators" (p. 46) but observed that adding financial incentives would not increase motivation. Only challenge and use of one's talents could increase motivation (Herzberg, 1968). Whereas, Theory X assumes that employees are intrinsically in conflict with their employing organization, Theory Y assumes that it is possible to design organizations that make it conceivable for employee needs to be congruent with organizational needs (Schein). Wright and Noe further note that "although Theory Y has never been scientifically tested, it continues to inspire such management practices as making jobs more interesting and involving employees in decision making" (p.13).

In their book, *Douglas McGregor, Revisited: Managing the Human Side of the Enterprise*, Heil, Bennis, and Stephens (2000) acknowledged "the world that Douglas McGregor spoke of is here because in today's interconnected economy of bits and bytes, of wired companies and real-time business, the spread of technology has made the human side of enterprise more important than ever" (p.3). Today's organizations are finding that their

competitors have access to the same technology that they do. Organizations that gain and sustain competitive advantage find that success must be attributed to their most valuable asset- their human resources. The results obtained by a group of people working together can be far more than the results obtained by an equal number of individuals working separately. McGregor laid out his vision of this humanistic workplace more than three decades and his message has become far more resonant because the nature of work today makes McGregor's theories more relevant and necessary than ever (Heil, Bennis, & Stephens). Technology has changed the business landscape in ways McGregor could not have imagined in 1960. In fact, the enormous spread of technology into every facet of business life has had the ironic impact of making the humans who run these tools more critical than ever (Heil, Bennis, & Stephens).

Like his contemporary McGregor, Chris Argyris (1957, 1964), also saw a basic conflict between human personality and the way in which organizations are typically structured and managed (Bolman & Deal, 1997). Argyris presented the problems of organizations as being "the fit between the needs of organizations and those of individuals" (Witzel, 2003, p. 3). He was concerned with what he termed "the lack of congruence between the needs and goals of organizations on the one hand, and the needs and goals of those people who are part of organizations on the other" (Argyris, 1957, p. 8). Argyris criticized the machine bureaucracy as being hierarchical and rigidly structured causing the employees' productivity and creativity to stifle. Bosses direct and control people at lower levels, potentially encouraging passivity and dependence, conditions Argyris considered fundamentally in conflict with needs of healthy human beings (Bolman & Deal). As an employee moves down the hierarchy, the conflict worsens because the jobs are more

mechanical, and there are more directives and tighter controls. The conflict intensifies as the employee matures. Argyris argued that employees inevitably look for ways to respond to these frustrations and identified six of them:

1. They withdraw – through chronic absenteeism or simply by quitting.
2. They stay on the job but withdraw psychologically, becoming indifferent, passive, and apathetic.
3. They resist by restricting output, deception, featherbedding, or sabotage.
4. They try to climb the hierarchy to better jobs.
5. They form groups (such as labor unions) to redress the power imbalance.
6. They socialize their children to believe that work is unrewarding and hopes for advancement are slim. (Bolman & Deal, pp. 108–110)

Argyris recommended that organizations should let the human capital shape the purpose and direction of an organization, and active employee participation in determining individual and company goals be a crucial part of their development (Gottlieb & Conkling, 1995). If employees participate in formulating companies' strategies, organizations will benefit from their commitment and output. The task for the organization is to make sure that people's motivation and potential are fulfilled and well-directed (Cranier, 1998).

In the 1970s, Argyris switched his attention from employees' behavior to studying the reasons behind the behavior. He teamed up with the sociologist Donald Schon and coined the term 'action research' which was "intended to denote a new kind of research, conducted by managers and employees themselves on a continuous basis and constantly feeding back into their work" (Witzel, 2003, p. 6). Argyris and Schon originated two basic organizational models. The first model was based on the premise that people seek to manipulate and form

the world in accordance with their individual aspirations and wishes (Cranier, 1998). In this model, managers establish individual goals, keep to themselves, and do not voice concerns or disagreements. They may try to inflict change on others but resist any attempt to change their own thinking or the way they work. Model 1 organizations are characterized by what Argyris and Schon (1978) labeled 'single-looped learning' – when the detection and correction of organizational error permits the organization to carry on its present policies and achieve its current objectives. Model 2 organizations emphasized 'double-looped learning' which Argyris and Schon (1978) described as when organizational error is detected and corrected in ways that involve the modification of underlying norms, policies, and objectives. In Model 2 organizations, managers act on information, debate issues, respond to and are prepared to change. Also, they learn from others. Argyris and Schon (1978) concluded that most organizations do quite well in single-loop learning but have great difficulties in double-loop learning. Single-loop learning is appropriate for the routine, repetitive issue: it helps get the everyday job done. Double loop learning is more relevant for the complex, non-programmable issues: it assures that there will be another day in the future of the organization (Argyris, 1994). Argyris and Schon (1978) also proposed a final form of learning referred to as 'deutero-learning' (i.e. inquiring into the learning system by which an organization detects and corrects its errors).

In the 1990s, Argyris was concerned with how organizations acquire and use knowledge. The premise of his book, *On Organizational Learning*, is that organizational learning is a competence that all organizations should develop (Argyris, 1994). He notes that "the better organizations are at learning the more likely it is they will be able to detect and correct errors, and to see when they are unable to detect and correct errors" (p. 1). Argyris

felt that experience shows that organizations have the most difficulty learning at the time when they need learning the most, such as when problems are difficult or the organization is embarrassed or is being threatened.

Argyris (1991) stated:

Any company that aspires to succeed in the tougher business environment of the 1990s must first resolve a basic dilemma: success in the marketplace increasingly depends on learning, yet most people don't know how to learn. What's more, those members of the organization that many assume to be the best at learning are, in fact, not very good at it. (p. 23)

Rensis Likert (1961) held the view that organizations practice either job-centered or employee-centered management. In his book, *New Patterns of Management*, Likert presented a newer theory of organization based on the management principles and practices of the managers who are achieving the best results in American business and government. Likert's proposed theory is based upon research that had been carried out intensively since 1947. This research revealed that managers achieving better performance, such as greater productivity, higher earning, and lower costs, differ in leadership principles and practices from those achieving poorer performance.

Likert (1961) summarized some of the major findings of this research:

Supervisors whose units have a relatively poor production record tend to concentrate on keeping their subordinates busily engaged in going through a specified work cycle in a prescribed way and at a satisfactory rate determined by time standards.

Supervisors with this orientation will be called "job-centered." Supervisors with the best records of performance focus their primary attention on the human aspects of

their subordinates' problems and on endeavoring to build effective work groups with high performance goals. Supervisors with this orientation will be called "employee-centered." (pp. 6-7)

In addition to their orientation toward employees, the performance goals of supervisors are also important in affecting productivity. If a high level of performance is to be achieved, it appears to be necessary for a supervisor to be employee-centered and at the same time to have high performance goals and a contagious enthusiasm as to the importance of achieving these goals. (p. 8)

Likert developed a system of management that describes four basic styles: exploitative/authoritative, benevolent/authoritative, consultative, and participative (Gottlieb & Conkling, 1995). Gottlieb and Conkling further note that participative management, for Likert, was the superior of the systems and stressed joint communication, goal setting, decision making, and participation among employees and their organizations.

By the mid-1960s, many companies were successfully applying management science to make a variety of decisions, such as scheduling production, selecting plant locations, and developing packaging for their products (Shumacher & Smith, 1965). This school of management involved applying the scientific method, using statistics and other quantitative techniques to solve management problems (Wright & Noe, 1996). Management science includes operations research and operations management. Operations research consists of building mathematical models that can be used to solve management problems such as showing how varying the quantity of one factor (for instance, the amount of one ingredient) will affect the cost and thus determine the lowest-cost method for producing the product (Wright & Noe). Operations management is the management of the physical production of

goods or services and applies techniques such as forecasting and inventory modeling to solve manufacturing problems (Wright & Noe).

A step toward helping managers take a broader view is the open systems school, which describes organizations as systems that interact with their outside environments (Wright & Noe, 1996). Katz and Kahn (1966) articulated an open systems view of organizational life and emphasized a constant input-throughput-output cycle in which the organizational systems take in energy from the external environment, process and transform that energy within the organization, and expend an output back into the external environment. In their book, *The Social Psychology of Organizations*, Katz and Kahn explain that the open systems school is based on two assumptions.

First, organizations are social systems. This means that changes in one part of the organization are reflected in other parts. If one part fails, that failure will have immediate repercussions for other parts of the organization or system. The other parts adjust to accommodate the failure so that the system can continue functioning. The second assumption is that organizations are influenced by the environment. They are formed to meet needs in the environment, and they can succeed if they actually meet those needs. (p.15)

Gottlieb & Conkling (1995) outline Katz and Kahn's viewpoints:

Katz and Kahn emphasize the importance of both homeostasis – the ability to achieve organizational stability and balance- and dynamic homeostasis – the ability to adapt and change in response to environmental change factors. They also recommend the importance of frequent communications among participants in these organizational systems, since each unit is constantly influencing the others around it,

whether directly or indirectly. They advocate the importance of using communications as a feedback and evaluative mechanism that can ensure dynamic homeostasis within an organization. (p. 61)

Gottlieb & Conkling (1995) stated “the common approach that appears to be driving much organizational activity today derives from general systems theory” (p. 63). Wright & Noe (1996) stated “modern management theory focuses on the search for sustained competitive advantage, or a strategy for value creation that competitors cannot match” (p. 15). In other words, when an organization has a sustained competitive advantage, other organizations cannot erase that advantage by copying it (Barney, 1991).

Systems theory is based on three key elements: wholeness, boundary, and process. It asserts that every system is composed of a number of separate and interdependent parts. Each subsystem simultaneously influences the other subsystems and the larger system. This happens because each subsystem monitors information provided by the actions of the other subsystems. We call this “input.” That input is then processed; changed in some way; and, as a result, some action or product is produced. The basic tenet of systems theory is that the whole system is much more than just the sum of its parts. (Gottlieb & Conkling, 1995, p. 63)

In *Reengineering the Corporation*, Hammer and Champy (1993) outline a transformative method for improving efficiency of work processes, eliminating duplications of effort, increasing competition viability, and ensuring responsiveness to customers, while maintaining a precarious realization that this transformation has no fixed end result- it is ever changing.

Reengineering is the fundamental rethinking and radical redesign of business

processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed. It involves rethinking outdated configurations of how work is structured and managed, and focuses attention on the global, economic, and work force changes that have impacted our productivity and profitability as the driving forces. Reengineering takes the corporation and compels it to look at the work and the products and services it produces as a series of processes, not a series of tasks. The new business processes forever change a corporation's jobs and its organizational structures; the new jobs and structures transform the role of management and measurement systems; and, ultimately, new values and beliefs are embraced and assimilated into the corporate culture. (Hammer & Champy, pp. 18–19)

Tom Peters (1994) believed that not only are we living in crazy, chaotic times where change is expected to remain a constant, but that in order to survive, we must be willing to continually push ourselves to our creative limits and produce the best innovative products and services for our customers. Peters also took a dim view of reengineering business processes to respond to change:

The “engineering” part of that increasingly popular word worries me because it smacks of neo-Taylorism. In linking up functions, reengineering substitutes a horizontal bias for Taylor's vertical one. That's great as far as it goes. Yet I worry that reengineering is just the latest “one best way” approach – different, but still engineering. I think we've got to move instead toward work as conversation, corporate talk shows, ensembles of interconnected communities of practice. (p. 8)

As corporations and organizations are reengineering processes and redefining structures, it is becoming more prevalent that the new American worker will remain on the

periphery of those new structures (Gottlieb & Conkling, 1995). Increasing trends toward outsourcing, part-time work, and temporary staffing, as well as the more all-encompassing downsizings, give rise to a new pioneer individualism, with survival of the fittest once again becoming the rule of the game (Gottlieb & Conkling).

The competitive advantage school has been especially concerned with identifying sources of sustainable competitive advantage. Managers often assume that they can achieve such an advantage by bringing new products to market quickly and by using advanced technology. However, the advantages of such tactics are not sustainable; competitors can eventually copy the products or adopt the same technology and thereby gain equal footing. The sources of competitive advantage that make a difference in the long run are the organization's people and, to a lesser extent, its systems. Managers who understand how organizations work and how to manage the people in organizations are best suited to giving their organization a competitive edge over the long run. (Wright & Noe, 1996, pp. 16–17)

Business professor Jeffrey Pfeffer (1994) looked at stock prices between 1972 and 1992 and identified the top five performers. These companies (Plenum Publishing, Circuit City, Tyson Foods, Wal-Mart, and Southwest Airlines) were not the most technologically advanced, in the fastest growing industries, or holders of impressive market share. Rather, their competitive advantage lay in the way they managed their workforce.

Austrian born Peter F. Drucker ranks among the most widely read and widely quoted management scholars of the twentieth century (Wren & Greenwood, 1998). Drucker (1995) asked managers to move from the question of “What is most likely to happen?” to the question of “What has already happened that will create the future?” (p. 2). Drucker urged

managers to “fully understand existing demographics, spending patterns, societal structure, economic forces, and technological changes to see what is shaping the future”(p. 3).

Drucker’s approach to planning focused not on probabilistic future scenarios but on existing conditions that will unrelentingly shape that future (Champoux, 2000). Among his most lasting observations was his proposed philosophy of management by objectives and self-control (Wren & Greenwood, 1998). General Electric was the first company to adopt management by objectives (MBO) and put it into practice with Drucker’s help as a consultant (Wren & Greenwood).

Champoux (2000) explained management by objectives:

Senior management defined the long-range goals of the organization. Lower level managers actively participated in goal setting for units above them. These managers derived their goals from the more senior ones. Drucker emphasized the importance of each manager setting his goals, not imposing them from above. Each manager’s goals became the source of self-control of the manager’s performance. Drucker viewed self-control as a significant motivator and better than external control. MBO has endured the test of time. It is a lasting testimony to Drucker’s contributions to modern management thinking. (pp. 15–16)

Although MBO has seen its negative moments, when properly carried out, it has positive effects on organizational performance (Wren & Greenwood).

In his book, *Management Challenges for the 21st Century*, Peter Drucker (1999) concludes:

Management is the specific tool, the specific function, the specific instrument to make institutions capable of producing results. Management’s concern and management’s

responsibility are everything that affects the performance of the institution and its results – whether inside or outside, whether under the institutions’ control or totally beyond it. (p. 40)

Downsizing Effects on Organizations and Remaining Employees

Employee Morale

A theme that pervades many of the management theories is the importance of employee morale for organizational success. Managers should give special attention to the morale of surviving employees in downsized organizations. For individuals, an age of downsizing and insecurity has personal and social costs: low wages, minimal benefits, job insecurity, stress, and burnout (Bolman & Deal, 1997). Markels and Murray (1996) reported that downsizing too often turned into dumbsizing: “Many firms continue to make flawed decisions – hasty, across-the-board cuts - that come back to haunt them, on the bottom line, in public relationships, in strained relationships with customers and suppliers, and in demoralized employees” (p. 1). In shedding staff, firms too often found that they had also sacrificed knowledge, skill, and loyalty (Reichheld, 1996). A 1996 poll found that 75% of U.S. workers felt that companies had become less loyal to their employees, and 64% felt that employees were less loyal to their companies (Kleinfeld, 1996). Workers reported that the mood in the workplace was angrier and colleagues were more competitive and the resultant cynicism was palpable in many places (Bolman & Deal). A distressing 80% of downsizers admit that the morale of their remaining employees has been lowered, and, unfortunately, these demoralized employees are supposed to revitalize the organization and delight customers (Henkoff, 1994).

Gray and Alphonso (1996) revealed how downsizings’ effects can be devastating on

those they touch:

The conflicts of downsizing - who goes/who stays, rewards for past loyalty, shutting down of projects and businesses with potential, net loss of jobs, to name a few – lead to serious morale issues. People who are let go are not the only ones to suffer. The ones who retain their jobs, face survivor's guilt, as well as issues about trusting the company. There may be loss of confidence in the company's ability to survive and provide growth opportunities in the future. Employees become de-motivated, depressed, and act out of fear rather than confidence. If information is not available during downsizing, concerns can escalate out of proportion. (pp. 102-103)

The survivor employee often develops preoccupations with an internal locus of control, tinged with bitterness and cold reality (Gottlieb & Conkling, 1995). Brian O'Reilly (1993) observed that companies that made explicit new rules discovered that they could demand a new form of commitment and hard work from employees at the expense of good relations and loyalty. O'Reilly (1994) quoted a young project manager at Prudential in central New Jersey:

We're cold and calculating and looking out for ourselves. If the economy picked up, I'd consider a job elsewhere, much sooner than before. I wouldn't bat an eye. The message we're getting now is that the company doesn't owe you anything. Everyone is shocked. The drones are panicking and looking for somebody to tell them what to do. The better ones are looking for opportunity. The people who will survive have realized we have to look out for ourselves. (p. 45)

Downsizing begins with a deep sense of violation and often ends with angry, sad, and depressed employees, consumed with their attempts to hold on to jobs that have become

devoid of joy, spontaneity, and personal relevancy (Noer, 1993). Thus, organizations are attempting to thrive in a competitive global environment with a risk-averse, depressed work force (Noer). In a survey of 909 managers, Right Associates (1992) found that 70% reported that survivors felt insecure about their futures and had reduced confidence in their ability to manage their own careers.

Layoff survivors cope with their feelings in ways that are neither personally healthy nor organizationally productive:

- *Reduced risk taking.* Layoff survivors tend to hunker down in the trenches. They report risk-averse behavior, reluctance to take on new projects, and fear of finishing existing ones. They are seen as becoming more rigid and conservative.
- *Unquenchable thirst for information.* Layoff survivors soak up and demand information. Questing for information not only from channels and newspapers but also from rumors and nonverbal messages from management is a core survivor coping mechanism.
- *Survivor blaming.* Layoff survivors cope by blaming others, usually those above them, a generic management. Top managers tend to blame the chief executive officer (CEO), each other, or those below them. CEOs tend to blame the economy, competition, other executives, the work ethic, or the labor union.
- *Justification and explanation.* This is a coping method for those “in the know”(Noer, 1993, p. 91), those involved in layoff administration. Noer observed it most in staff managers and executives: lawyers, public relations executives, accountants, and human resource managers. These professionals spent a great deal of time and energy on explaining and justifying the need for layoffs.

- *Denial.* Many organizations exhibit a hierarchical pattern of denial. The higher a person is in the organization, the greater his or her denial. (Noer, 1993, pp. 90-91)

Caplan and Teese (1997) interviewed survivors of downsized organizations. One survivor said, "My goal is to stay another six months, because I'm eligible for a paid sabbatical. After the sabbatical, though, I'm out the door" (p. 9). Many of the people Caplan and Teese interviewed were those that had survived two or three rounds of layoffs. These survivors related their fears and instability. Their emotions did not necessarily translate into a greater willingness to follow the rules and cling to positions; rather, they increased employment determination to look out for themselves (Caplan & Teese). One survivor interviewed by Caplan and Teese left a voice-mail message after experiencing several rounds of layoffs:

I thought you'd want to know...I resigned last week. You're probably surprised.

I thought I could hold out... It's not like I haven't been through this before ... but it's the never-ending part of it. I couldn't stay anymore. I'd rather risk it somewhere else. (p. 10)

The 1993 American Management Association (AMA) found that morale declined even more severely (87%) in companies that had been subjected to three or more downsizings. In an AMA 1996 survey, 72% of AMA member companies reported a short-term decrease in employee morale following a company downsizing, and over time, 36% of the workforce still indicated that they were demoralized. The AMA (1996) also reported substantially increased disability claims among downsizing companies and a dramatic rise in the number of lawsuits filed for wrongful dismissal. This report indicated that more than half resulted in judgments against the companies. Absenteeism was up in

most downsized companies, in part because employees are taking time out to interview for other jobs for fear that their current jobs will be eliminated (Deal & Kennedy, 1999).

Nohria and Love (1996) cited studies that chronicled reduced loyalty and commitment following downsizing projects:

The researchers noted such specific effects as lower morale; lower levels of job satisfaction; increased stress; feelings of betrayal, anger, fright, and confusion; a breakdown of trust between managers and employees; and a disruption in the organization's functions. Other studies document how downsizing leads to lower quality and productivity; encourages more tardiness, absenteeism, and turnover; and reduces cooperation between managers and employees. Nohria and Love concluded that the majority of downsizings simply did not work. (p. 83)

An American Management Association (1996) survey highlighted the stress corporate restructurings brought to the workplace and showed how employer efforts to save money through job cuts may be undermined by rising disability costs. According to the survey, about 38% of employers that cut jobs from 1990 to 1995 saw an increase in psychiatric and substance-abuse claims compared with 29% of firms that didn't cut jobs. This 1996 survey also indicated that a similar gap had appeared for heart and blood-pressure claims, with 19% of job-cutting firms reporting an increase compared with 13% of firms that didn't cut employment.

Though the morale issue is clearly significant, it appears to be declining, possibly because employees are becoming habituated to the new labor market, with its increased uncertainties (Baumol, Blinder, & Wolff, 2003). The American Management Association (2000) found that less than one-third of its member companies reported morale problems

after job cuts, down from a high of 89% of companies that reported declining morale following job eliminations in 1994.

Employee Productivity

The quest for productivity, quality, and speed has spawned a remarkable number of management tools and techniques: total quality management, benchmarking, time-based competition, outsourcing, partnering, reengineering, change management (Porter, 1996). High employee morale is a precursor to high employee productivity. The symptoms of layoff survivor sickness are a major barrier to productivity gains (Noer, 1993). A great deal of otherwise productive time was being spent by employees discussing the company and what was going on rather than working on their tasks at hand (Gottlieb & Conkling, 1995). Caplan and Teese (1997) reported an experience by Houda Samaha, a Massachusetts organization development consultant:

In many instances, downsized colleagues were asked to leave the organization immediately. There was no opportunity to say good-bye- to say good luck, to express regret- whatever. When survivors complained about this, they were told, basically, to stop whining, to consider themselves lucky to have jobs, to get back to work. Having no outlet to mourn the change and the loss of their colleagues resulted in not only a reduction in productivity and motivation but an increase in health-related problems and medical leave. (p. 157)

In an extensive best-practice survey of automotive industry downsizing, Cameron, Freeman, and Mishra (1991) found that the way most of the downsizings were implemented caused quality and productivity to deteriorate rather than increase. A study of over one thousand downsized organizations by the Wyatt Company (1993) indicated that most of these

organizations did not meet their initial goals.

With downsizing and cost cutting in recent years, people feel more stress because they do not view their jobs as stable (Carter, 1999). A 1996 study by the American Institute of Stress reported that 78% of Americans describe their jobs as stressful, with more than two-thirds stating that the situation has become worse in the last five years (Cohen, 1997). Job burnout occurs after prolonged periods of unrelenting stress on the job (Carter). With job burnout, employees feel unable to cope with the high demands of their job, feel hopelessness, and have thoughts of leaving or withdrawing from work. Employees that are burned-out feel demoralized, and their job loses meaning for them. Burned-out workers lack energy and motivation. Their productivity plummets, and they often suffer from insomnia, headaches, backaches, and other ailments (Carter). These employees work longer and harder but never seem to catch up, and they may turn to alcohol, drugs, or other addictive behavior. In today's world of layoffs, reengineered organizations, two-income families, and fierce global competition, a veritable epidemic of job stress has continued, even after the recession of the early 1990s has ended (Carter).

A 1993 survey of 3,400 workers by the Families and Work Institute, a nonprofit research organization, 42% reported feeling burned out or "used up" at the end of the workday, 80% said they had to work very hard, and 65% said they had to work very fast (Carter, 1999). These extremely high percentages indicate that many survivors are assuming tasks and responsibilities abandoned by their once-employed colleagues (Gottlieb & Conkling, 1995). While increasing work challenge, diligence, and attention to high-performance standards are most important in a competitive economy, one wonders how long the skeleton crew of survivors can withstand the heavy and consistent demands being

required of them (Gottlieb & Conkling).

A 1992 survey of 28,000 workers by St. Paul Fire & Marine found four major problems that lead to job burnout:

- (1) poor supervision, including a supervisor who is critical, expects too much, is not open to discussion problems, organizes departmental work poorly, and does not recognize employees for a job well done;
- (2) lack of teamwork, including tension and bad feelings within a work group and a failure to pitch in when needed;
- (3) unreasonable workload, including employees who feel overworked, can't meet deadlines, and can't keep up with changes;
- (4) unfair company practices, including promotions that are perceived as unjust and discrimination on the basis of race sex or age. (Carter, 1999, p. 23)

According to data by the American Management Association (1996), only 34% of downsized companies reported any increases in productivity. Priority Management, a Seattle consulting firm, polled 1,344 middle managers and found that although about one-third work forty to forty-five hours weekly, 57% are routinely at their desks from six to twenty hours more than that, and 6% say they work upward of sixty hours (Carter, 1999). In today's leaner organizations, managers have the feeling that if they keep meeting their goals, senior-level management will keep setting goals higher (Carter). Company downsizing results in distrust and survivor guilt in employees, leading to disengagement (Gray & Alphonso, 1996). Disengaged employees lead to under-productive companies, with under-performing results, leading to increased management pressure for greater output and frustration over undelivered goals (Gray & Alphonso). It is impossible to say how much better a company might be doing if its managers were not quite so busy or quite so tired (Carter).

Gray and Alphonso (1996) referred to how these pressures affect the workforce:

Customers continue to press to obtain similar or better services at lower prices. To protect margins, companies want greater productivity from every asset they hold. A primary target for protecting and increasing margins is the workforce. Pressure is on companies to squeeze greater output from the workforce, at the same or lower cost, to protect profit margins. (p. 40)

Studies by Baily, Bartelsman, and Haltiwanger (1996) and others on the effects of downsizing on productivity do not provide much support for the notion that downsizing has typically led to large productivity gains. Baumol, Blinder, and Wolff (2003) investigated the consequences of downsizing in the U.S. manufacturing sector, focusing on its effects on productivity growth. Their results do not indicate that lagged changes in average establishment or firm size have any direct association with industry productivity. Indeed, the coefficients are (perversely) negative, though not statistically significant (Baumol, Blinder, & Wolff). These results are broadly consistent with the findings of Baily, Bartelsman, and Haltiwanger and Collins and Harris (1999), who found that downsizing was generally associated with a lowering of productivity growth. Baily, Bartelsman, and Haltiwanger investigated why average labor productivity declines during recessions and increases during booms. These researchers found that plants that permanently downsize (those that end up smaller in the long run) contribute disproportionately to the cyclical pattern of productivity. Specifically, productivity tends to decline in plants that are downsizing – at least during aggregate downswings in the economy (Baumol, Blinder, & Wolff).

Collins and Harris (1999) used the methods designed by Baily, Bartelsman, and Haltiwanger (1996) to investigate the effects of downsizing on productivity trends in the

British motor vehicle industry over the period 1974 to 1994. This study found that productivity growth was indeed higher in those plants that successfully downsized, but those plants that were unsuccessful at downsizing tended to have among the worst productivity growth records. Unsuccessful downsizers accounted for a significant part of the overall decline in productivity after 1989 in this industry (Baumol, Blinder, & Wolff, 2003).

Baily, Bartelsman, and Haltiwanger (1996) found that while 55% of productivity gains came at factories where the work force fell over the 10 years studied, the other 45% of gains came at plants with growing employment – and whose total outputs more than doubled over the period. The 1994 American Management Association survey stated that “among all firms reporting reductions, only a third said productivity increased; nearly 30% said it declined” (p. 7).

Baumol, Blinder, and Wolff (2003) reported that at least 60% of both downsizing and unchanged-employment firms outperformed the economy’s 16% increase in productivity between 1990 and 1998, while 52% of upsizing firms did so. But by a 1999 American Management Association survey, half of job-eliminating firms reported improved employee productivity.

Some companies were successful with downsizing:

The formula of cutting staff and investing heavily in computerized equipment has paid off particularly in manufacturing, which enjoys a much greater productivity growth rate - more than 3 percent a year in the 1990s – than business as a whole. General Electric is a winner. So is the Chrysler Corporation. Chrysler made 1.72 million cars in the United States in 1994, the same as in 1988, but with 9,000 fewer employees. The departure of those workers meant that the remaining 93,700

produced more cars per hour (Uchitelle, 1996, p. 1)

Baumol, Blinder, and Wolff (2003) demonstrated that there were no clear connections between productivity and size, at least at the level of total manufacturing:

Downsizing occurred during the 1977 to 1982 period, when productivity growth was very low, but also continued during the 1982 to 1987 period, when productivity grew very rapidly. Productivity growth was also quite high in the 1992 to 1997 period, when average establishment size increased. (p. 163)

Organizational Profitability

Many of America's corporations and organizations needed to drastically alter the way they did business in order to revive their viability and profitability (Gottlieb & Conkling, 1995). Organizations also needed to assist managers "in motivating and retaining employees, and in facilitating increased productivity and bottom-line profitability"(Gottlieb & Conkling, p. 69). Downsizing, merging, and restructuring should not be done on a whim but to achieve certain business objectives and bottom-line results (Caplan & Teese, 1997). Companies eliminated millions of jobs in the 1980s and 1990s, many in middle management, yet firms found benefits elusive or nonexistent (Uchitelle & Kleinfeld, 1996). The quickest way to make an impact on overall profitability is to decrease payroll (Gottlieb & Conkling). In a landmark study of corporate restructuring practices, the Wyatt Company (1993) surveyed 531 U.S. companies across industries and reported:

Ninety percent of the companies surveyed said that reducing costs was a primary reason to restructure. In terms of results, only sixty-one percent actually achieved that goal. Almost as many, eighty-five percent, cited increasing profitability as a primary reason for resizing actions they took; fewer than half of this group achieved

this objective. (p. 3)

The new mind-set among job-cutting companies is that the world economy faces a sustained period of slow, low-inflationary expansion and global overcapacity, an era in which they cannot easily raise prices to expand profit margins (Carter, 1999). In the 1995 survey conducted by the American Management Association (AMA) that tracked five-year trends, fewer than half of the responding organizations reported an increase in operating profits a year or more after downsizing. Gertz and Baptista (1995) found that cost cutting almost never led to profitable growth. Baumol, Blinder, and Wolff (2003) reported:

Nevertheless, the relative profit record of the firm in the newspaper sample hardly matched the growth in comparative productivity. More than 80% of the firms underperformed the 67% national average increase in profitability. And predictably, the stock market reacted correspondingly. Thus, unlike the conventional wisdom, Farber and Hallock (1999) conclude that downsizing announcements did not generally raise stock prices. (pp. 59-60)

Management was perceived by some as fixated on short-term profits and as willing to pay for them with work force reductions (Noer, 1993). In an interview with Noer, a field employee said, "I know all they want to do right now is turn a profit, and they'll get as many people as they need to do that. That's short term. They're not looking long term anymore" (p. 66). Conversely, another survey found that stability rather than major change was characteristic of 90% of firms that out-performed the average in their industries over a ten-year period (Fire and Forget, 1996). Downsizing is profitable at least partly because it is an effective way to hold down wages (Baumol, Blinder, & Wolff, 2003).

The share of corporate profits in national income rose in the 1990s – from 9.1% in

1992 to 10.8% in 1999 but care must be taken in interpreting such numbers because profits are extremely cyclical (Baumol, Blinder, & Wolff, 2003). Corporate profits as a share of national income dropped all the way back to 9.0% in the weaker economy of 2001 (Baumol, Blinder, & Wolff).

In the study conducted by Baumol, Blinder, & Wolff (2003), they presented statistics on trends in productivity in the U. S. manufacturing sector:

Changes in both the profit rate and the profit share were highest during the period 1987 to 1992, when both establishments and, particularly, firms experienced pronounced downsizing, and lowest from 1967 to 1972, a period of modest downsizing. (p. 198)

We also find that changes in the dispersion of employment among different manufacturing size classes are positively associated with changes in profitability.

The results indicate that as establishment size regresses to the mean, overall industry profitability rises. (p. 209)

We also find that the unionization rate has a negative effect on the average industry profit rate, and that its coefficient is highly significant, indicating that the presence of unions in an industry reduces profitability. (p. 229)

Thus, we end up with a relatively simple and coherent, if somewhat surprising, assessment of the average effects of downsizing in U. S. manufacturing companies.

Leaving out many details, downsizing firms typically increase their profitability by decreasing their unit labor costs. But downsizing does not achieve these cuts in unit labor costs by raising productivity. Instead, downsizing firms somehow manage to squeeze wages. And perhaps ironically, this transformation of what were once

wages into profits does not seem to enhance a downsizing firm's stock market valuation. (pp. 232-233)

Pfeffer (1994) and Lawler (1996) argue that a skilled and motivated workforce is a powerful source of strategic advantage precisely because few employers invest the time and the resources to develop a cadre of committed, talented employees. The most successful company in the U. S. airline industry in the 1980s and 1990s, Southwest Airlines, had no particular advantage in terms of what it paid its employees but had an enormous cost advantage over its competitors because its highly committed workforce was far more productive (Bolman & Deal, 1997). Competitors tried to imitate Southwest's approach but found that "the real difference is in the effort Southwest gets out of its people. That is very, very hard to duplicate" (Labich, 1994, p. 52).

Human Resource Interventions and Training

Creating organizational systems that will prevent the reoccurrences of layoff survivor sickness should be one of the most fundamental priorities of organizational leaders (Noer, 1993). Noer felt that only compelling interventions could deal with the pathology of layoff survivor sickness. These interventions should be "powerful acts, attention-grabbing and stimulating forces that compel survivors to choose personal and organizational change" (p. 92). Noer recommended four levels of intervention needed to deal with layoff survivor sickness:

1. Manage the layoff process – Layoff processes have important effects on survivors. Authenticity, congruency and empathetic communication are primary interventions at this level. Dealing with survivors' perceptions fairness, equity, and caretaking, and permitting prior notification and participation in decision making are other

important interventions. Process interventions are tactical. They are hygiene factors that serve only to stop the bleeding; they do not promote healing. (p. 117)

2. Facilitate the necessary grieving – Most layoff survivors suppress strong, toxic, and debilitating survivor emotions. Level 2 interventions help survivors express these feelings and get them out on the table so they can be dealt with. Emotional release and the necessary grieving over the layoffs and a lost way of life are prerequisites to healing. Facilitating the release and the grieving is a key management role. The catharsis that occurs during Level 2 interventions is a milestone along the road that will lead to individuals' breaking organizational codependency and becoming self-empowered. (pp. 132-133)
3. Break the codependency chain and empower people – Breaking organizational codependency is essentially an individual effort. The individual detaches from the organization system as a culture. Organizations too need to detach, let go, and discover their core purposes. Searching for a new purpose and vision in the face of global competition and world economic parity involves the pain of creating a new identity. Reformulated organizations have the opportunity to create systems and processes that are congruent with the new employment contract and to form a new partnership with empowered employees who have broken the chain of codependency. (p. 155)
4. Build a new employment relationship – Level 4 interventions are the supporting and complementary systems changes that will promote the climate that invites individual empowerment and autonomy. In addition, top managers have the challenge of keeping the system together during a time of fundamental change.

They need the skills, courage, and survival sense to take whatever risks are necessary to align organizational systems with the new reality and wrest control away from a paradigm in its death throes. (pp. 184-185)

Any programs or interventions designed to realign survivors will take different shapes depending on the nature of the organization, its size, the configuration of its work force, its culture, and other factors (Gottlieb & Conkling, 1995). Since all of the possible variables cannot be accounted for in one case model, Gottlieb and Conkling have found that using the Survivor Management Model as a development tool sets the stage for asking the right questions and developing a progression that will work in most situations. There are three key actions that need to be taken in a survivor realignment program:

Action 1 – Management Appraisal – The best way to put the manager into play, as well as send a strong signal to the survivors that the organization is making a serious effort, is to begin with an assessment profile. By putting himself or herself on the line as part of what must potentially change, the manager puts himself or herself into play as an integral part of the change process. Gottlieb and Conkling recommend a multidimensional assessment be conducted with all of the appropriate managers. This should be a 360 degree assessment, incorporating input from the manager, the manager's superior, and the manager's subordinates. (pp. 173 – 174)

Action 2 – Understanding Functions, Roles, and Responsibilities – In order for employees to begin to function less like individual survivors and more like part of a group or a team, they must have a clear understanding of the tasks, responsibilities, and expectations that they are facing in the new organization. Discussion groups, coaching and counseling sessions, and formal workshops need to be developed to

ensure that individual survivors understand the differences between where they were and where they are now with regard to tasks, responsibilities, reporting relationships, and also ensure that they have the appropriate organizational support to develop the necessary competencies to meet these objectives. Some workshop attention must be placed on understanding the differences between work groups, teams, and other group processes available for problem-solving and decision-making activities. (p. 174)

Action 3 – Strategic Planning and Future Thinking – Depending on the identified objectives of the organization, the interventions at this stage consist of a combination of seminars, strategic planning sessions, and facilitated department meetings. In order for an organization to successfully work through the transition from its current state to a realigned and recommitted team of workers, it is critical that all staff actively participate in problem solving, team bonding, and the generation of action plans and new objectives. Every effort must be made at this stage to ensure that all survivors have involvement in the strategic-planning issues. In a successful realignment, all employees feel that, individually and collectively, they own a piece of the future. (pp. 174-175)

Key actions recommended by Caplan and Teese (1997) focus on how to rebuild competence, connection, and commitment for both the remaining employees and the organization. They recommend for organizations to “communicate often and repeat the information. Make managers available to help employees through transition. Select a change manager” (Caplan & Teese, p. 9). Caplan and Teese also emphasized the importance of training and coaching as developmental functions for the remaining employees.

According to the 1995 American Management Association survey:

There is a remarkably strong correlation between increased training budgets and increased profits and productivity following workforce reductions. Long term, firms that increased their training budgets after workforce reductions were twice as likely to show increased profits and productivity than firms that cut their training expenses. (p. 6)

Training and development play an important role throughout the entire effort, with major emphasis in the early and late phases of reengineering (Carter, 1999). Frequently, there is a shift from a “function-driven, layered organization” (Carter, p. 9) into a “team-based, flat organization” (Carter, p. 9) designed around teams of people who work throughout the process. These changes require new skills for employees at all levels of the organization. Without new leadership skills, involvement, systems alignment, and the right people with the right skills in the right jobs, even the best technically reengineered process is doomed to failure (Wellins, 1995). Organizations that have tapped the power of teams have often experienced excellent results (Carter). With employees expected to sort out problems among themselves rather than have managers intervene, strong interpersonal skills are vital (Argyris, 1998).

Good leaders know how to tap the talents each person brings to the team for the good of the company and the individuals (Parker, 1998). Contemporary leadership seems to be a matter of aligning people toward common goals and empowering them to take the actions needed to reach them (Carter, 1999). Various interrelated practices seem to characterize companies that are effective in achieving competitive success through how they manage people. Carter presented some effective practices of companies that achieve competitive success. These practices are mentoring, employment security, high wages, employee

ownership, training and skill development, and promotion from within.

Many American organizations are implementing the Kaizen approach that originated in Japan to improve their people, their processes, their products, and their services. Masaaki Imai (1986) presents an overview of the Kaizen concept:

Kaizen value system – The underlying value system of kaizen can be summarized as continual improvement of all things, at all levels, all the time, forever. All of the strategies for achieving this fall under the kaizen umbrella. Executive managers, middle managers, supervisors, and line employees all play key roles in implementing kaizen.

Role of executive management – Executive managers are responsible for establishing kaizen as the overriding corporate strategy and communicating this commitment to all levels of the organization; allocating the resources necessary for kaizen to work; establishing appropriate policies; ensuring full deployment of kaizen policies; and establishing systems, procedures, and structures that promote kaizen.

Role of middle managers – Middle managers are responsible for implementing the kaizen policies established by executive management; establishing, maintaining, and improving work standards; ensuring that employees receive the training necessary to understand and implement kaizen; and ensuring that employees learn how to use all applicable problem-solving tools.

Role of supervisors – Supervisors are responsible for applying the kaizen approach in their functional roles, developing plans for carrying out the kaizen approach at the functional level, improving communication in the workplace, maintaining morale, providing coaching for teamwork activities, soliciting kaizen suggestions from

employees and making kaizen suggestions.

Role of employees – Employees are responsible for participating in kaizen through teamwork activities, making kaizen suggestions, engaging in continual self-improvement activities, continually enhancing job skills through education and training, and continually broadening job skills through cross-functional training.

Kaizen and quality – In a total quality setting, quality is defined by customers.

Regardless of how customers define quality, it can always be improved and it should be, continually. Kaizen is a broad concept that promotes quality from the all-encompassing quality perspective. (p. 233)

Too many Americans lack the skills needed to flourish in the laser-fast, high performance, totally empowered, fully global world (Carter,1999). American companies must be urged to treat their employees as assets rather than as costs to be cut (Henkoff, 1993).

This literature review includes the work of all pertinent management theorists. The review of the writings of authors focusing on social sciences and education is limited to those theorists whose work applies most appropriately to this study. The researcher examined many reports and literature on the subject of downsizing, but selected for this review those that were based on their relevance to the research and academic interests of this study.

Chapter 3

Methodology

Research Design

The purpose of this study was to determine if the use of human resource interventions and training programs for management employees has an effect on employee morale, employee productivity, and operating profits in the downsized organization. In addition, this study also identified what human resource interventions were used and what training programs were offered to management employees in downsized organizations to help make the transition for the remaining employees. This chapter describes the study, the participants, the test instrument, data collection methods, and statistical analysis.

Participants

The study included ASTD members who are human resource professionals from the states of North Carolina, South Carolina, and Virginia listed in ASTD's (2005) manufacturing/industrial directory. Weaver (1996) surveyed 326 ASTD members in the states of New Jersey, New York, and Pennsylvania to represent the Northeast. This study was conducted in the Southeast. Past research indicates that the manufacturing/industrial sector is among the leaders in downsizing. Therefore, human resource professionals in this sector were surveyed. The American Management Association's 1995 downsizing study indicated that 49.2% of the manufacturing companies surveyed had downsized in the past five years. This was third among industry sectors. The majority of the AMA survey respondents (46.2%) were from the manufacturing sector. The next highest industry sector was general services for profit at 19.6%. Many of the past studies on downsizing have focused on the manufacturing/industrial sector, thus, this sector will be used to be consistent

with past research.

Instrument

This study employed the survey method Weaver (1996) used to collect data addressing the research questions outlined in Chapter 1 of this study. Questions one through six came from the annual American Management Association's (AMA) downsizing survey instrument.

The procedures used by Weaver (1996) for validating the survey instrument “(pretesting) were based on survey design literature” (p. 26). Dillman (1978) mentioned that:

There are no generally agreed requirements for pretesting. Instead, each researcher seems to have his or her own method. Yet pretesting is especially important for mail questionnaires, because there are no interviews to report defects and inadequacies to the researcher conducting the study (p. 155).

Salant and Dillman (1994) suggested soliciting the opinions of experts in the subject matter pertaining to the study to help validate a survey instrument. “Because they have substantive, practical knowledge about the kind of data that being collected they can spot technical problems that the surveys might miss” (p. 121).

Weaver (1996) identified how the survey was validated:

Suggestions for improving the survey were made by a group of professionals with experience and/or expertise in downsizing including, authors, researchers, and managers in downsized organizations. Each author, researcher, and manager was contacted prior to sending the survey in order to obtain prior agreement for validating the instrument. Twelve surveys were sent to the group along with a cover

letter. The survey instrument was then revised based on the suggestions of the authors, researchers, and managers. Suggestions from the group included wording of questions, the structure of the instrument and the addition of human resource interventions and training programs. Once the survey was revised, a copy of the survey instrument was sent to Eric Greenberg, Director of Management Studies at AMA, in order to obtain approval of the modification to the AMA survey and to offer advice to improve the survey instrument. Eric Greenberg offered suggestions for improving the instrument and gave final written permission for using the instrument. (pp. 26-27)

The survey instrument consists of 10 questions. Questions one through six were developed by AMA and were used for the purpose of gathering organizational and downsizing background information. The researcher obtained written permission to use the AMA survey instrument on downsizing (see Appendix C). Questions seven through ten were developed by Weaver and were used to collect data relative to employee morale, employee productivity, and operating profits to measure the effectiveness of human resource interventions and training programs used to assist the remaining employees with the transition of downsizing.

Kim Cable, a human resource professional with extensive experience in the field of downsizing, was consulted by the researcher in June, 2005, to evaluate the understandability and validity of the survey. Mrs. Cable and trusted colleagues who are also human resource professionals evaluated the survey instrument and determined that it was understandable and supported the validity (see Appendix D).

Procedures

On July 15, 2005, the researcher mailed surveys to the participants (see Appendix E). A cover letter was sent with each survey indicating complete anonymity by participating in the study. The cover letter described the purpose of the survey, why participants were chosen for the study, and the fact that the survey is a modification of the AMA survey on downsizing (see Appendix F). Respondents were asked to complete the survey instrument and return it to the researcher in a self-addressed, stamped envelope. After two weeks, a follow-up letter was sent to each individual reminding them to complete the survey by a specific date (see Appendix G). Data analyses was conducted in August, 2005.

Statistical Analyses

Descriptive statistics including frequency distributions, percentage, and means were analyzed. Analysis of variance (ANOVA) and bivariate correlation were the statistical data analyses procedures used.

Chapter 4

Analysis of Data

Overview of Study

The purpose of this study was to determine if the use of human resource interventions and training programs for management employees had an effect on employee morale, employee productivity, and operating profits in downsized organizations. This study also identified what human resource interventions were used and what training programs were offered to management employees in downsized organizations to help make the transition for the remaining employees. Data were collected from American Society for Training and Development (ASTD) members who are human resource professionals and had experienced downsizing in the states of North Carolina, South Carolina, and Virginia. The independent variables were the use of human resource interventions and training programs, and the dependent variables were employee morale, employee productivity, and operating profits in downsized organizations. The independent variables were correlated with the dependent variables in order to determine the relationships among the use of human resource interventions and training programs for management employees and their impact on employee morale, employee productivity and operating profits. This chapter presents an overview of the study, the results of the data analysis, findings of the study based on the research questions, and a summary of the findings.

The Target Population

The study population included 250 ASTD members who are human resource professionals in the states of North Carolina, South Carolina, and Virginia representing the manufacturing/industrial sector. The data process yielded 130 responses, a response rate

of 52 percent. A profile of the respondents appears in Table 1. The profile was developed from the responses to questions one through six and question ten of the survey.

Table 1. *Profile of Respondents*

Characteristics	Number of Organizations	Percentage
Size of organization (number of employees)		
Fewer than 100	13	10.0
100 to 240	21	16.2
250 to 299	10	7.7
500 to 999	12	9.2
1000 to 2499	16	12.3
2500 to 4999	23	17.7
5000 to 9999	2	1.5
10,000 or more	33	25.4
Total	130	100.0
Downsized in past five years		
Yes	95	73.1
No	35	26.9
Total	130	100.0

Table 1 (continued)

Characteristics	Number of Organizations	Percentage
Percentage of workforce eliminated in past five years		
0 to 10%	38	40.0
11 to 20%	18	18.9
21 to 30%	14	14.7
31 to 40%	10	10.5
41 to 50%	6	6.3
51 to 60%	3	3.2
61 to 70%	3	3.2
71 to 80%	0	0.0
81 to 90%	0	0.0
91 to 100%	3	3.2
Total	95	100.0
Extended working hours and/or overtime for present employees		
Yes	55	57.9
No	40	42.1
Total	95	100.0

Table 1 (continued)

Characteristics	Number of Organizations	Percentage
Workforce reductions were described as (participants checked as many as applied)		
Organization wide	33	25.4
Targeted at specific units, or localities	66	50.8
Involving a total shutdown of plants or offices	22	16.9
Other	7	5.4
Total items checked	128	NA
Major rationales for workforce reductions (participants checked as many as applied)		
Business downturn (actual or anticipated)	47	49.5
Result of merger or acquisition	24	25.3
Automation or other new technical	9	9.5
Improved staff utilization	12	12.6
Plant or office obsolescence	5	5.3
Transfer of production or work to another location	28	29.5
Organizational restructuring	51	53.7
Other	12	12.6
Total items checked	188	NA

Table 1 (continued)

Characteristics	Number of Organizations	Percentage
Added positions in the past five years		
Yes	63	66.3
No	32	33.7
Total	95	100.0
Total number of persons employed by the organization in past five years		
Increased	30	31.8
Decreased	51	54.1
Remained the same	14	14.1
Total	95	100.0

Preliminary Statistical Analyses

Analyses of the Use of Human Resource Interventions

Table 2 contains the analysis results on the perceived differences in employee morale, employee productivity and operating profits after a downsizing in organizations that used or did not use human resource interventions to assist the remaining employees with the transition to the downsized organization. The downsized organizations that did not use human resource interventions had a mean score of 2.34 in employee morale, 3.32 in employee productivity and 3.63 in operating profits, which was higher than the mean scores of 1.59 in employee morale, 2.85 in employee productivity and 2.92 in operating profits for those that did use human resource interventions. The analysis of variance (ANOVA)

indicates the F ratio is 17.16 with a p -value of .00 for employee morale. The F ratio is 6.97 with a p -value of .00 for employee productivity and the F ratio is 8.50 with a p -value of .004 for operating profits. The p -value for each of these variables indicates a significant difference at the .05 level.

Table 2. *Analysis of Differences in Employee Morale, Employee Productivity, and Operating Profits Between Groups With and Without Human Resource Interventions*

Used Human Resource Interventions	<u>Employee Morale</u>			<u>Employee Productivity</u>			<u>Operating Profits</u>		
	N	M	S. D.	N	M	S. D.	N	M	S. D.
Yes	39	1.59	.49	39	2.85	.96	39	2.92	1.28
No	56	2.34	1.04	56	3.32	.79	56	3.63	1.05
Total	95	2.03	.94	95	3.13	.89	95	3.34	1.20
ANOVA Results	F=17.16 p = .00			F= 6.97 p = .00			F=8.50 p =.004		

Participants were asked to indicate which human resource interventions their organization used to assist the remaining employees. Participants were informed to check as many of the interventions as their organization used. Frequencies were calculated for the 17 human resource interventions, including a category of “other”. Percentages were determined to reveal which interventions were used most frequently and which were used least frequently. Table 3 displays the percentage of organizations that used the specific human resource interventions to assist the remaining workers with the downsizing transition. The most frequently used human resource interventions were: eliminated management levels (74.4%), redesigned job classifications (69.2%), hired temporary employees (59.0%), developed multi-skilled cross-training programs (56.4%) and implemented competency assessments (53.8%). Seventy-four percent of surveyed

organizations in this study eliminated management levels. Managers are usually paid substantially more than hourly workers; thus eliminating one managerial position may save as much money as laying off several hourly workers. Top managers can easily determine that eliminating management levels can lead to increased short term profits. Often times middle management positions are eliminated and the duties of the eliminated position are reassigned to lower level managers and in some cases delegated to hourly workers. The least frequently used resource interventions were: implemented career counseling (28.2%), inauguration of or increase in profit sharing (30.8%), implemented employment guarantees (30.8%), redesigned performance appraisal systems (41.0%), implemented self-managing teams (41.0%), and implemented an increase in salary or bonuses (41.0%).

Table 3. *Profile of Human Resource Interventions*

Human Resource Interventions	Percentage
Developed multi-skilled cross-training programs	56.4
Redesigned job classifications	69.2
Redesigned job evaluation systems	48.7
Redesigned pay categories	46.2
Guided mid-level managers to become coaches and counselors	43.6
Developed trust in the organization	48.7
Hired temporary employees	59.0
Eliminated management levels	74.4
Implemented competency assessments	53.8
Redesigned performance appraisal system	41.0
Implemented self-managing teams	41.0

Table 3 (continued)

Human Resource Interventions	Percentage
Implemented an increase in salary or bonuses	41.0
Inauguration of or increase in profit sharing	30.8
Implemented employment guarantees	30.8
Implemented career counseling	28.2
Implemented cross training	43.6

Respondents were asked to rate the effectiveness of the human resource interventions. A Likert scale was used to rate the interventions with 1 being not effective to 5 indicating extremely effective. Descriptive statistics (Table 4) were used to determine the number and percentages for each of the effectiveness ratings of specific human resource interventions used to assist the employees who remained in the downsized organizations. The highest rated effective human resource interventions were: implemented cross training (72.2% effective, 11.1% extremely effective), redesigned job evaluation systems (63.2% effective, 21.1% very effective), redesigned job classifications (44.4% effective, 33.3% very effective), hired temporary employees (36.0% effective, 24.0% very effective, 16.0% extremely effective), and implemented self-managing teams (41.2% effective, 11.8% very effective, and 11.8% extremely effective). The lowest rated effective human resource interventions were: implemented employment guarantees (81.8% not effective), implemented career counseling (81.8% not effective), inauguration of or increase in profit sharing (69.2% not effective), and developed trust in the organization (55.0% not effective), and implemented an increase in salary or bonuses (37.5% not effective).

Table 4. *Effectiveness Ratings of Human Resource Interventions*

Human Resource Interventions	Not Effective		Slightly Effective		Effective		Very Effective		Extremely Effective	
	N	%	N	%	N	%	N	%	N	%
Developed multi-skilled cross-training programs	3	13.6	3	13.6	9	40.9	3	13.6	4	18.2
Redesigned job classifications	0	0.0	6	22.2	12	44.4	9	33.3	0	0.0
Redesigned job evaluation systems	0	0.0	3	15.8	12	63.2	4	21.1	0	0.0
Redesigned pay categories	0	0.0	9	50.0	9	50.0	0	0.0	0	0.0
Guided mid-level managers to become coaches and counselors	3	17.6	9	52.9	5	29.4	0	0.0	0	0.0
Developed trust in the organization	11	55.0	3	15.0	3	15.0	2	10.0	1	5.0
Hired temporary employees	0	0.0	6	24.0	9	36.0	6	24.0	4	16.0
Eliminated management levels	6	25.0	6	25.0	5	20.8	4	16.7	3	12.5
Implemented competency assessments	3	12.5	9	37.5	12	50.0	0	0.0	0	0.0
Redesigned performance appraisal system	3	20.0	12	80.0	0	0.0	0	0.0	0	0.0
Implemented self-managing teams	6	35.3	0	0.0	7	41.2	2	11.8	2	11.8

Table 4 (continued)

Human Resource Interventions	Not Effective		Slightly Effective		Effective		Very Effective		Extremely Effective	
	N	%	N	%	N	%	N	%	N	%
Implemented an increase in salary or bonuses	6	37.5	8	50.0	0	0.0	2	12.5	0	0.0
Inauguration of or increase in profit sharing	9	69.2	2	15.4	0	0.0	0	0.0	2	15.4
Implemented employment guarantees	9	81.8	2	18.2	0	0.0	0	0.0	0	0.0
Implemented career counseling	9	81.8	0	0.0	0	0.0	0	0.0	2	18.2
Implemented cross training	3	16.7	0	0.0	13	72.2	0	0.0	2	11.1

Table 5 displays the correlations between specific human resource interventions used in downsized organizations and the variables employee morale, employee productivity, and operating profits. The data collected from question 8a of the survey indicate which human resource interventions were practiced in order to assist the employees remaining after the downsizing with the transition and the variables employee morale, employee productivity, and operating profits were compared to determine if there were a relationship between the variables.

Table 5. *Correlations Between Human Resource Interventions and Employee Morale, Employee Productivity and Operating Profits*

Human Resource Interventions	Employee Morale		Employee Productivity		Operating Profits	
	r	p-value	r	p-value	r	p-value
Developed multi-skilled cross-training programs	.539**	.010	.457*	.032	.011	.960
Redesigned job classifications	.045	.825	.667**	.000	.273	.168
Redesigned job evaluations systems	-.606**	.006	.496*	.031	-.809**	.000
Redesigned pay categories	.000	1.000	.202	.421	-.447	.063
Guided mid-level managers to become coaches and counselors	.675**	.003	-.406	.106	-.316	.216
Developed trust in the organization	.500*	.025	.367	.112	.410	.072
Hired temporary employees	.502*	.011	.356	.081	.503*	.010
Eliminated management levels	.372	.073	.675**	.000	.707**	.000
Implemented competency assessments	.180	.401	.880**	.000	.379	.068
Redesigned performance appraisal system	-.408	.131	.775**	.001	a	a

Table 5 (continued)

Human Resource Interventions	Employee Morale r	Employee Morale p-value	Employee Productivity r	Employee Productivity p-value	Operating Profits r	Operating Profits p-value
Implemented self-managing teams	.216	.406	.835**	.000	.084	.750
Implemented an increase in salary or bonuses	.313	.237	.402	.123	.426	.100
Inauguration of or increase in profit sharing	.501	.081	.498	.083	.968**	.000
Implemented employment guarantees	.516	.104	.222	.511	a	a
Implemented career counseling	.516	.104	.222	.511	a	a
Implemented cross training	.600**	.009	.278	.263	.047	.852

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

a Not computed because at least one of the variable is constant.

For the human resource intervention referred to as developed multi-skilled cross-training program, the correlation coefficient (r) is .539 and the *p*-value is .010 for employee morale. This indicates that the relationship between the use of this human resource intervention and employee morale is significant at the .01 level. Other human resource interventions that indicate a significant relationship with employee morale at the .01 level are: redesigned job evaluation systems (r) is -.606 and *p*-value is .006, guided mid-level managers to become coaches and counselors (r) is .675 and *p*-value is .003, and implemented cross training (r) is .600 and *p*-value is .009. Some human resource interventions' correlation

coefficients indicate a significant relationship with employee morale at the .05 level.

These human resource interventions that were practiced in order to assist the employees remaining after the downsizing with the transition and had a significant relationship with employee morale at the .05 level are (a) developed trust in the organization (r) is .500 and p -value is .025 and (b) hired temporary employees (r) is .502 and p -value is .011. The human resource interventions that did not indicate a significant relationship with employee morale are: redesigned job classifications, redesigned pay categories, eliminated management levels, implemented competency assessments, redesigned performance appraisal system, implemented self-managing teams, implemented an increase in salary or bonuses, inauguration of or increase in profit sharing, implemented employment guarantees, and implemented career counseling.

For the variables (a) developed multi-skilled cross-training programs and (b) employee productivity, the correlation coefficient (r) is .457 and the p -value is .032. This indicates that the relationship between developed multi-skilled cross-training programs and employee productivity are significant at the .05 level. The other human resource intervention that has a significant relationship with employee productivity at the .05 level is redesigned job evaluations (r) at .496 and p -value is .031. The human resource interventions that have a significant relationship with employee productivity at the .01 level are (a) redesigned job classifications (r) is .667 and p -value is .000; (b) eliminated management levels (r) is .675 and p -value is .000; (c) implemented competency assessments (r) is .880 and p -value is .000; (d) redesigned performance appraisal system (r) is .775 and p -value is .001; and (e) implemented self-managing teams (r) is .835 and p -value is .000. The human resource interventions that indicated no significant relationship with employee productivity are:

redesigned pay categories, guided mid-level managers to become coaches and counselors, developed trust in the organization, hired temporary employees, implemented an increase in salary or bonuses, inauguration of or increase in profit sharing, implemented employment guarantees, implemented career counseling and implemented cross training.

The correlation coefficient (r) is .503 and the p -value is .010 for hired temporary employees and operating profits. This correlation is significant at the .05 level. Human resource interventions that have a significant relationship with operating profits at the .01 level are (a) redesigned job evaluations systems (r) is -.809 and p -value is .000; (b) eliminated management levels (r) is .707 and p -value is .000; and (c) inauguration of or increase in profit sharing (r) is .968 and p -value is .000. The human resource interventions that have no significant relationship with operating profits are: developed multi-skilled cross-training programs, redesigned job classifications, redesigned pay categories, guided mid-level managers to become coaches and counselors, developed trust in the organization, implemented competency assessments, redesigned performance appraisal system, implemented self-managing teams, implemented an increase in salary or bonuses, implemented employment guarantees, implemented career counseling, and implemented cross training.

Research Question One investigated if there was a perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use human resource interventions to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals. The null hypothesis states that there will be no perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use human resource

interventions to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals. As a result of the correlation analysis (r) for the dependent variables employee morale, employee productivity, and operating profits and the independent variable use of human resource interventions, as perceived by ASTD human resource professionals, null hypothesis one was rejected on the grounds that specific human resource interventions had a significant relationship with employee morale, employee productivity, and operating profits.

Analyses of the Use of Training Programs

Table 6 reports the perceived increase or decrease in employee morale, employee productivity, and operating profits after a downsizing between organizations that use or do not use training programs for managers in order to assist the remaining employees with the transition. The downsized organizations that offered training programs to management employees in order to assist the employees remaining after the downsizing with the transition had a mean score of 3.41 for operating profits which was higher than the mean score of 3.30 for operating profits of those organizations that did not use training programs. The statistical data analysis using analysis of variance (ANOVA) yielded a F ratio of .170 and a p -value of .681 which indicates that there was not a significant difference in operating profits between those organizations that did or did not offer training programs to management personnel to assist the remaining employees after downsizing. The mean scores for the variables employee morale and employee productivity was higher for the organizations that did not offer training programs to management than the mean scores for those organizations that did offer training programs to management. The mean score for employee morale for those that did not offer training programs to management was 2.12 and the mean score for those that

did offer training programs to management was 1.83. The mean score for employee productivity was 3.18 for the organizations that did not offer training programs to management and the mean score for those that did offer training programs to management was 3.00. The ANOVA results revealed that there was no significant difference in employee morale and employee productivity between those organizations that did or did not offer training programs to management to assist the remaining employees after downsizing. The F ratio of 1.99 with a p -value of .16 for employee morale and a F ratio of .839 with a p -value of .36 for employee productivity indicate that there was no statistically significant difference between employee morale and employee productivity for those that used training programs for managers in order to assist the remaining employee with the transition and those that did not.

Table 6. *Analysis of Differences in Employee Morale, Employee Productivity, and Operating Profits Between Groups With and Without Training Programs*

Used Training Programs	<u>Employee Morale</u>			<u>Employee Productivity</u>			<u>Operating Profits</u>		
	N	M	S. D.	N	M	S. D.	N	M	S. D.
Yes	29	1.83	.89	29	3.00	.80	29	3.41	1.27
No	66	2.12	.95	66	3.18	.93	66	3.30	1.18
Total	95	2.03	.94	95	3.13	.89	95	3.34	1.20
ANOVA Results	F= 1.99 p =.16			F=.839 p =.36			F= .170 p = .681		

Participants were asked to indicate which training programs were offered to management employees to assist the remaining employees with the transition of downsizing. Participants were informed to check as many of the training programs their organization offered to management employees. Frequencies were calculated for the 16 training

programs, including a category of “other”. Percentages were determined to reveal which programs were offered the most frequently and which were offered the least frequently.

Table 7 displays the percentage of organizations that used the specific training programs for management employees to assist the remaining employees with the transition. The most frequently used training programs were (a) clarifying the direction of the organization (82.8%); (b) stating goals and objectives (72.4%); (c) managing change (72.4%); and (d) leadership skills (69.0%). The least frequently used training programs were (a) other (10.3%); (b) evaluating consequences (51.7%); (c) taking risks (51.7%); and (d) conflict management (51.7%).

Table 7. *Profile of Training Programs*

Training Programs	Percentage
Solving problems	65.5
Making decisions	65.5
Evaluating consequences	51.7
Establishing priorities	65.5
Stating goals and objectives	72.4
Clarifying the direction of the organization	82.8
Communicating and coordinating activities across departments	62.1
Taking risks	51.7
Creating and innovating	58.6
Team building skills	58.6
Conflict management	51.7

Table 7 (continued)

Training	Percentage
Facilitating skills	51.7
Leadership skills	69.0
Managing change	72.4
Stress management	65.5
Other*	10.3

*Other was described by the participants as Reengaging employees

Participants were asked to rate the effectiveness of the training programs. A Likert scale was used to rate the training programs with 1 (Not Effective) to 5 (Extremely Effective). Frequencies and percentages were calculated for the 16 training programs, including a category of “other.” Table 8 displays the perceived effectiveness of specific training programs offered to management employees to assist the employees that remain in an organization after a downsizing. The highest rated effective training programs were (a) clarifying the direction of the organization (42.3% effective, 30.8% very effective); (b) stating goals and objectives (31.6 % effective, 31.6% very effective); (c) leadership skills (40.0% effective, 20.0% very effective); (d) managing change (47.6% effective, 9.5% very effective); and (e) communicating and coordinating activities across departments (50.0% effective, 2.1% very effective). Very few training programs were rated as extremely effective. The training programs that were most frequently rated as not being effective are (a) other (96.8% not effective); (b) facilitating skills (46.7% not effective); (c) evaluating consequences (40.0% not effective); (d) taking risks (40.0% not effective), and (e) creating and innovating (40.0% not effective).

Table 8. *Effectiveness Ratings of Training Programs*

Training Programs	Not Effective		Slightly Effective		Effective		Very Effective		Extremely Effective	
	N	%	N	%	N	%	N	%	N	%
Solving problems	3	15.8	7	36.8	7	36.8	0	0.0	2	2.1
Making decisions	3	15.8	7	36.8	7	36.8	2	2.1	0	0.0
Evaluating consequences	6	40.0	7	46.7	2	13.3	0	0.0	0	0.0
Establishing priorities	6	31.6	7	36.8	2	10.5	4	21.1	4	21.1
Stating goals and objectives	0	0.0	7	36.8	6	31.6	6	31.6	0	0.0
Clarifying the direction of the organization	0	0.0	7	7.3	11	42.3	8	30.8	0	0.0
Communicating and coordinating activities across departments	7	38.9	0	0.0	9	50.0	2	2.1	0	0.0
Taking risks	6	40.0	5	33.3	4	26.7	0	0.0	0	0.0
Creating and innovating	6	40.0	3	20.0	4	26.7	2	2.1	0	0.0
Team building skills	7	36.8	3	15.8	7	36.8	0	0.0	2	10.5
Conflict management	4	26.7	6	40.0	3	20.0	2	13.3	0	0.0
Facilitating skills	7	46.7	6	40.0	0	0.0	2	13.3	0	0.0
Leadership skills	4	20.0	4	20.0	8	40.0	4	20.0	0	0.0
Managing change	0	0.0	9	42.9	10	47.6	2	9.5	0	0.0

Table 8 (continued)

Training Programs	Not Effective		Slightly Effective		Effective		Very Effective		Extremely Effective	
	N	%	N	%	N	%	N	%	N	%
Stress management	6	31.6	13	68.4	0	0.0	0	0.0	0	0.0
Other *	92	96.8	0	0.0	3	3.2	0	0.0	0	0.0

* Other was described by the participants as Reengaging employees

Table 9 displays the correlations between specific training programs for managers used to assist the remaining employees with the downsizing and the variables employee morale, employ

the survey indicate which training programs were offered to the organization's management employees in order to assist the employees remaining after the downsizing with the transition and the variables employee morale, employee productivity, and operating profits were compared to determine if there was a relationship between the variables.

Table 9. *Correlations Between Training Programs and Employee Morale, Employee Productivity, and Operating Profits*

Training Programs	Employee Morale		Employee Productivity		Operating Profits	
	r	p-value	r	p-value	r	p-value
Solving problems	-.264	.275	-.445	.056	-.519*	.023
Making decisions	-.335	.161	-.555*	.014	-.561*	.012
Evaluating consequences	-.285	.303	-.537*	.039	-.008	.978
Establishing priorities	-.515*	.024	-.294	.222	.625**	.004

Table 9 (continued)

Training Programs	Employee Morale		Employee Productivity		Operating Profits	
	r	p-value	r	p-value	r	p-value
Stating goals and objectives	-.067	.785	-.197	.420	.671**	.002
Clarifying the direction of the organization	-.265	.191	-.183	.371	-.010	.962
Communicating and coordinating activities across departments	.653**	.003	-.302	.224	-.426	.078
Taking risks	-.525*	.044	-.453	.090	.627*	.012
Creating and innovating	-.375	.169	-.336	.221	.254	.361
Team building skills	-.173	.479	-.387	.102	-.619**	.005
Conflict management	.618	.014	.186	.506	-.574*	.025
Facilitating skills	-.133	.636	-.186	.506	-.701	.004
Leadership skills	.235	.318	-.155	.514	-.851**	.000
Managing change	.208	.365	.240	.294	.464*	.034
Stress management	-.485*	.035	-.698*	.001	-.172	.480
Other***	-.006	.953	-.026	.804	.100	.333

*** Other was described by the participants as Reengaging employees

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

For the variables employee morale and the training program, conflict management,

the correlation coefficient (r) is .618 and the p -value is .014 which indicates that the relationship between these two variables is significant at the .05 level. The correlation coefficients (r) reveal a significant negative relationship between some of the training programs and employee morale at the .05 level. These training programs are (a) establishing priorities (r) is -.515 and the p -value is .024; (b) taking risks (r) is -.525 and the p -value is .044, and (c) stress management (r) is -.485 and the p -value is .035. The correlation coefficient (r) for the training program, communicating and coordinating activities across departments, is .653 and the p -value is .003 which indicates a significant relationship at the .01 level. The training programs that did not indicate any significant relationship with employee morale are: solving problems, making decisions, evaluating consequences, stating goals and objectives, clarifying the direction of the organization, creating and innovating, team building skills, facilitating skills, leadership skills, managing change, and other which the participants described as reengaging employees.

Three of the training programs' correlation coefficients indicate a significant negative relationships with employee productivity at the .05 level. These training programs are (a) making decisions (r) is -.555 with a p -value of .014; (b) evaluating consequences (r) is -.537 with a p -value of .039; and (c) stress management (r) is -.698 with a p -value of .001. The training programs that did not indicate a significant relationship with employee productivity are: solving problems, establishing priorities, stating goals and objectives, clarifying the direction of the organization, communicating and coordinating activities across departments, taking risks, creating and innovating, team building skills, conflict management, facilitating skills, leadership skills, managing change, and other described by the participants as reengaging employees.

Two of the training programs' correlation coefficients indicate a significant positive relationship with operating profits at the .05 level. These are (a) taking risks (r) is .627 with a p -value of .012; and (b) managing change (r) is .464 with a p -value of .034. The correlation coefficients for the training programs, (a) solving problems (r) is -.519 with a p -value of .023; (b) making decisions (r) is -.561 with a p -value of .012; and (c) conflict management (r) is -.574 with a p -value of .025, indicate a significant negative relationship with operating profits at the .05 level. The training programs that indicate a positive significant relationship with operating profits at the .01 level are (a) establishing priorities (r) is .625 with a p -value of .004; and (b) stating goals and objectives (r) is .671 with a p -value of .002. The correlation coefficients for the training programs, (a) team building skills (r) is -.619 with a p -value of .005; and (b) leaderships skills (r) is -.851 with a p -value of .000 indicate a significant negative relationship with operating profits at the .01 level. The training programs that did not indicate any relationship with operating profits are: evaluating consequences, clarifying the direction of the organization, communicating and coordinating activities across departments, creating and innovating, facilitating skills, stress management, and other which was described by the participants as reengaging employees.

Research Question Two investigated the perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use training programs for managers in order to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals. The null hypothesis states that there will be no perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use training programs for managers to assist the remaining employees with the transition to the

downsized organization as reported by human resource professionals. As a result of the correlation analysis (r) for the dependent variables employee morale, employee productivity, and operating profits, and the independent variable the use of training programs for management personnel, null hypothesis two was rejected on grounds that specific training programs had a significant relationship with employee morale, employee productivity, and operating profits.

Summary of Findings

The data gathered from the 130 American Society for Training and Development (ASTD) members were presented and analyzed based on their responses to the survey on the use of human resource interventions and training programs for managers in downsized organizations. Descriptive statistics and analysis of variance (ANOVA) show differences between organizations that did and did not use human resource interventions and training programs for managers on employee morale, employee productivity and operating profits. The data were also presented in tables illustrating frequency of use and effectiveness of human resource interventions and training programs for managers in downsized organizations. Tables which displayed data on the bivariate relationships between specific human resource interventions and training programs for managers and employee morale, employee productivity and operating profits were included.

The downsized organizations that did not use human resource interventions had a higher mean score in employee morale, employee productivity, and operating profits than those that did use human resource interventions. The mean score for operating profits was higher for the downsized organizations that offered training programs to management employees in order to assist the employees remaining after the downsizing with the transition

than those that did not offer training programs. The p -value indicated that there was not a significant difference in operating profits between those organizations that did or did not offer training programs to management personnel to assist the remaining employees after downsizing. The mean scores for the variables, employee morale and employee productivity, were higher for the organizations that did not offer training programs to management than the mean scores for those organizations that did offer training programs to management.

Frequencies were calculated for the 17 human resource interventions and the 16 training programs. Percentages were determined that revealed which interventions and training programs were offered the most frequently. The most frequently used human resource interventions were: eliminated management levels, redesigned job classifications, hired temporary employees, developed multi-skilled cross-training programs, and implemented competency assessments. The most frequently used training programs were: clarifying the direction of the organization, stating goals and objectives, managing change, and leadership skills.

Descriptive statistics were used to determine the number and percentage for each of the effectiveness ratings of human resource interventions and training programs used to assist the employees who remained in the downsized organization. The highest rated effective human resource interventions were: implemented cross training, redesigned job evaluation systems, redesigned job classifications, hired temporary employees, and implemented self-managing teams. The highest rated effective training programs were: clarifying the direction of the organization, stating goals and objectives, leadership skills, managing change, and communicating and coordinating activities across departments.

Findings were discussed in regards to each data table presented. While the

descriptive statistics and analysis of variance (ANOVA) demonstrated a significant relationship of not using human resource interventions with employee morale, employee productivity, and operating profits, these same statistical procedures indicated that there was no significant relationship in using training programs for management personnel with employee morale, employee productivity, and operating profits. Correlation analyses of the dependent variables employee morale, employee productivity, and operating profits with the independent variables human resource interventions and training programs for management personnel indicated that specific interventions and training programs were related to the dependent variables. The study findings will be discussed in the following chapter.

Chapter 5

Summary, Conclusions, and Recommendations

Introduction

This research study was conducted to investigate the use of human resource interventions and training programs offered to management employees in downsized organizations to help make the transition for the remaining employees in the states of North Carolina, South Carolina, and Virginia. This study focused on the manufacturing/ industrial sector where much downsizing has occurred in the past and is predicted to occur in the future. This study sought to determine if the use of human resource interventions and training programs for management employees have an effect on employee morale, employee productivity, and operating profits in the organization. This study also sought to identify what human resource interventions were used and what training programs were offered to management employees in downsized organizations to help make the transition for the remaining employees. Prior research revealed the hardships survivors endure after downsizing, but it does not reveal the specific human resource interventions and training programs used by organizations to assist the remaining employees to cope with the after effects of restructuring.

Overview of the Study, Research Questions, and Hypotheses

Overview of the Study

The purpose of this study was to determine if a relationship existed among the use of human resource interventions and training programs offered to management and employee morale, employee productivity, and operating profits in a downsized organization as reported by human resource professionals on a survey. Two research questions were

posed, and data were collected in order to address the corresponding hypotheses.

Research Question One

Is there a perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use human resource interventions to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals? What human resource interventions were used? How effective were these human resource interventions as measured by a Likert scale based on the perceptions of the human resource professionals in downsized organizations?

H₀₁: There will be no perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use human resource interventions to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals.

Research question one investigated the relationship between the use of human resource interventions and employee morale, employee productivity, and operating profits after a downsizing in organizations. In the preliminary analysis, specific human resource interventions were identified and descriptive statistics revealed which human resource interventions were most effective. Correlation coefficients of specific human resource interventions indicated there were perceived differences in employee morale, employee productivity, and operating profits after a downsizing in organizations that use human resource interventions to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals. Therefore, the null hypothesis was rejected.

Research Question Two

Is there a perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use training programs for managers in order to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals? What training programs were used? How effective were these training programs as measured by a Likert scale based on the perceptions of the human resource professionals in downsized organizations?

H₀₂: There will be no perceived difference in employee morale, employee productivity, and operating profits after a downsizing in organizations that use training programs for managers in order to assist the remaining employees with the transition to the downsized organization as reported by human resource professionals.

Research question two investigated the relationship between the use of training programs for management employees and employee morale, employee productivity, and operating profits after a downsizing in organizations. In the preliminary analysis, specific training programs for management employees were identified and descriptive statistics revealed which training programs for management employees were most effective. Correlation coefficients of specific training programs offered to management employees indicated there were perceived differences in employee morale, employee productivity, and operating profits after a downsizing in organizations that use training programs for management employees to assist the remaining employees with the transition to the downsized organizations as reported by human resource professionals. Therefore, the null hypothesis was rejected.

Key Findings and Conclusions

The purpose of this study was to examine the relationships among the use of human

resource interventions and training programs for management employees, and employee morale, employee productivity, and operating profits in a downsized organization. Previous research by the American Management Association (1996, 2000), Baumol, Blinder and Wolff (2003), Caplan and Teese (1997), Carter (1999), Gottlieb and Conkling (1995), Gray and Alphonso (1996), and Noer (1993) revealed that layoffs have a negative effect on the employees that remain after a downsizing. Literature suggests that human resource interventions and training can assist the remaining workforce with the transition of restructuring and downsizing, but little research has been conducted in this area.

The results of the study suggest that specific human resource interventions correlate with employee morale, employee productivity, and operating profits. Table 10 displays which human resource interventions had a significant relationship with these variables and their rankings in frequency of use and effectiveness.

The most frequently used human resource intervention- eliminated management levels- had a significant relationship with employee productivity and operating profits. In fact, numerous empirical studies have disclosed that the target has shifted from solely blue-collar employees to predominantly white-collar employees, higher level white-collar employees, professionals, and middle managers (Dolan, Belout, & Balkin, 2000; Littler, 1998). The results of this study revealed that the most frequently used human resource intervention, eliminated management levels, was not considered the most effective because this human resource intervention program ranked seventh in effectiveness. Top managers may use this human resource intervention most frequently because it has a significant relationship with employee productivity and operating profits. Top managers may also feel that eliminating management levels is a symbolic gesture that non management employees

will perceive positively as a sacrifice by managers similar to sacrifices that non management employees are asked to make during downsizings.

The second most frequently used human resource intervention- redesigned job classifications- had a significant relationship with employee productivity and ranked third in effectiveness. Job classification is a method used where certain classes or grades are defined on the basis of difference in duties, responsibilities, skills, working conditions, and other job-related factors. The relative worth of a particular job is then determined by comparing its description with the description of each class and assigning the job to the appropriate class (Byars & Rue, 2006). The major advantage to this method is that it is simple. Two disadvantages for this method presented by Byars and Rue are the classification descriptions are so broad that they do not relate to specific jobs; this causes employees to question the grades of their respective jobs and because of the broad and general classifications, job evaluators may abuse the system. In the downsized organization there will be fewer employees and job classifications will have to be redesigned and broadened to enable remaining employees to improve productivity.

Redesigned job evaluations was rated second highest in effectiveness and had a significant negative relationship with employee morale and operating profits and a significant positive relationship with employee productivity. It is interesting to note that this human resource intervention, redesigned job evaluations, had a significant relationship with the three dependent variables – employee morale, employee productivity, and operating profits. The general idea of job evaluation is to enumerate the requirements of a job and the job's contribution to the organization and then classify it according to its importance (Byars & Rue, 2006). In the downsized organization, employees' responsibilities and duties are often

broader than they were in the pre-downsized organization. According to Taylor (1911), the way to improve performance was for managers to systematically study the way work was being done and identify a more efficient approach. Wright and Noe (1996) stated the idea that work procedures can be evaluated objectively is one that endures today. Without new leadership skills, involvement, systems alignment, and the right people with the right skills in the right jobs, even the best technically reengineered process is doomed to failure (Wellins, 1995). Current and accurate job evaluation provides for the employees to be accurately compensated based on their contributions to organizational success. Barnard (1938) felt “a person joined an organization when the inducements exceeded the contributions” (p. 58). Appropriately compensating employees can clearly lead to increased employee productivity.

The most effective human resource intervention, implemented cross training, ranked eighth in frequency of use and had a significant relationship with employee morale. Often times the atmosphere is not positive in a downsized organization and remaining employees may not be receptive to new training introduced by human resource professionals. Top executives normally make decisions to downsize their organizations, but the responsibility for planning and executing the downsizing falls on the Human Resource Departments. Human resource professionals themselves may not be eager to implement new interventions, such as cross training, shortly after downsizing. The intervention, implemented cross training, should be part of an overall downsizing plan and conducted before, and not after the downsizing occurs. Implementing cross training before downsizing actually occurs can prepare remaining employees for the environment of the downsized organization and contribute to and enhance employee morale.

Table 10. *Human Resource Interventions That Have a Significant Relationship With Employee Morale, Employee Productivity, and Operating Profits and Their Rankings in Frequency of Use and Effectiveness*

Human Resource Interventions	Variables Having Significant Relationship	Frequency of Use	Effectiveness
Developed multi-skilled cross-training programs	Employee Morale Employee Productivity	4 th	5 th
Redesigned job classifications	Employee Productivity	2 nd	3 rd
Redesigned job evaluations systems	Employee Morale* Employee Productivity Operating Profits*	6 th	2 nd
Guided mid-level managers to become coaches and counselors	Employee Morale	8 th	9 th
Developed trust in the organization	Employee Morale	6 th	8 th
Hired temporary employees	Employee Morale Operating Profits	3 rd	4 th
Eliminated management levels	Employee Productivity Operating Profits	1 st	7 th
Implemented competency assessments	Employee Productivity	5 th	7 th
Redesigned performance appraisal system	Employee Productivity	9 th	12 th

Table 10 (continued)

Human Resource Intervention	Variables Having Significant Relationship	Frequency of Use	Effectiveness
Implemented self-managing teams	Employee Productivity	9 th	6 th
Inauguration of or increase in salary profit sharing	Operating Profits	10 th	11 th
Implemented cross-training	Employee Morale	8 th	1 st

* This variable has a significant negative relationship with this human resource intervention.

A study by the American Management Association (1995) revealed that “there is a remarkably strong correlation between increased training budgets and increased profits and productivity following workforce reductions”(p. 6). The results of this study differ from the findings of AMA and suggest that specific training programs for management personnel correlate with employee morale, employee productivity, and operating profits. Table 11 illustrates the training programs that have a significant relationship with these variables and the rankings of frequency of use and effectiveness of these training programs.

None of the training programs had a significant positive relationship with employee productivity, but the training programs (a) making decisions, (b) evaluating consequences, and (c) stress management had a significant negative relationship with employee productivity. The training programs that had a significant positive relationship with operating profits are (a) establishing priorities, (b) stating goals and objectives, (c) taking risks, and (d) managing change. During the downsizing process employees become very reluctant to take risk. Remaining employees often consider themselves fortunate not to have lost their jobs and are

unwilling to take any risk that they fear might cause them to lose their recently spared jobs. Fair and ethical treatment of downsized employees can contribute to an atmosphere of trust and maintaining trust for management among remaining employees, so they can feel comfortable taking risk in the post downsized organization.

The training programs that had a significant negative relationship with operating profits are (a) solving problems, (b) making decisions, (c) team building skills, (d) conflict management, and (e) leadership skills. It is interesting to note that more of the training programs had a significant relationship with operating profits than any of the other dependent variables. Downsized organizations are expecting to enjoy increased operating profits as the result of the actions they have taken. The Wyatt Company (1993) found that eighty-five percent of the companies they surveyed cited increasing profitability as a primary reason for resizing actions they took; fewer than half of this group achieved this objective. When organizations downsize and eliminate the compensation expenses of separated employees they often fail to realize that they will no longer benefit from the productivity and creativity of these separated employees. Organizations may be sacrificing long term success to gain short term profits associated with downsizing.

The highest rated training program was clarifying the direction of the organization and was the most frequently used program but did not have a significant relationship with employee morale, employee productivity and operating profits. The human resource professionals in this study perceived this training program as being effective but it is interesting that the correlation analyses indicated that clarifying the direction of the organization did not have a positive effect on the three dependent variables. Clarifying the direction of the organization may increase the comfort level of remaining employees by

giving them some sense of where the organization is going in the future and enable them to determine what their roles will be in the new downsized organization.

The second highest rated training program was stating goals and objectives which was also the second most frequently used program and had a significant positive relationship with operating profits. Fayol, Weber, and Follett's (1930s) management theories support the need for organizations to focus employees and managers on shared goals for the organization to be successful. Managers who hold Theory Y assumptions (McGregor, 1960) have a positive view of people, believe they have much hidden potential, and presume that people will work toward organizational goals as manager gives employees more job responsibility and rely on self-motivation more than coercion. Argyris (1964) recommended that organizations should let the human capital shape the purpose and direction of an organization, and active employee participation in determining individual and company goals be a crucial part of their development. If employees participate in formulating companies' goals and objectives, organizations will benefit from their commitment and output. Drucker's (1995) *Managing by Objectives* emphasized the importance of each manager setting his goals and these goals becoming the source of self-control of the manager's performance.

Many of the training programs had a significant negative relationship with the dependent variables – employee morale, employee productivity and operating profits. The training programs that had a significant positive relationship with employee morale are (a) communicating and coordinating activities across departments, which ranked fifth in both frequently used and effectiveness, and (b) conflict management, which ranked seventh in frequently used and eighth in effectiveness. In the downsized organization, communication

and coordination are essential since fewer employees are expected to work smarter to increase their organization's profitability. Training programs which had a significant positive relationship with operating profits were (a) establishing priorities, which ranked fourth in frequently used and eleventh in effectiveness, (b) stating goals and objectives, which ranked second in both most frequently used and effectiveness, (c) taking risks, which tied in ranking seventh with conflict management as frequently used, and ranked tenth in effectiveness, and (d) managing change, which tied with stating goals and objectives as second in most frequently used and ranked fourth in effectiveness.

Team building skills ranked sixth in both frequency of use and effectiveness. Likert (1961) stated that "one of the most important conclusions, for example, emerging from the famous Western Electric study by Mayo and his associates showed that industrial organizations almost always have an 'informal organization' which consists of all or most of the subordinate members of work groups" (p. 30). Managers of downsized organizations need to capitalize on the informal organizations or teams that exist within their companies and promote and provide training to enhance team building. Team building skills needs to be implemented more by managers in downsized organizations to assist the remaining employees with the transition. Trist and Bamforth (1951) would support this training program because they found a remarkable drop in productivity, motivation, and morale when coal-miners were forced to give up their previous team-centered way of completing work to new technology where each employee became specialist in only one particular task causing conflicts to increase and employee satisfaction to decrease. These pioneers of the sociotechnical approach produced an integration of man, machine, and environment where each employee became fully trained in all components of the new technical equipment. In an

article, Trist and Bamforth reported greater cohesiveness appeared in groups and greater personal satisfaction was reported by individuals.

Solving problems and making decisions both ranked fourth in frequency of use and seventh in effectiveness. Simon (1947) recommended that, for effective functioning of an organization, upper-echelon personnel, since they are more able to skillfully use a variety of communication and problem-solving skills, should focus on broad-based, nonprogrammed decision-making techniques and opportunities for interaction with other. Middle-to-lower echelon personnel should deal primarily with programmed decision-making skills relative to their job functions and work processes. If these training programs were used more frequently, they may prove to be more effective. Woodard (1965) developed the contingency theory of organization design which recommends that as organizations experience dynamism, flux, and change, the management and organizational structures should remain open as possible. Certainly, downsized organizations are in a state of flux and change. Training managers in problem solving and decision making techniques can lead to increased employee morale, employee productivity and operating profits. The organization must adapt to the contingency factors in order to operate effectively (Donaldson, 1996). Managers using the participative management style give high priority to the human side of their employees. Likert (1961) felt that participative management was superior to other systems of management and stressed joint communication, goal setting, decision making, and participation among employees and their organizations.

When comparing and contrasting the results of this study with the literature, training programs, including team building skills, making decisions, and solving problems, were rated low in frequency of use and effectiveness; whereas, the literature indicates that these training

programs should be used to enhance organizational success. The highest rated and most used training program, clarifying the direction of the organization, was found not to benefit the downsized organization because this training program did not have a significant relationship with employee morale, employee productivity and operating profits. This study and the literature are in agreement that the training programs, stating goals and objectives and managing change, are beneficial to downsized organizations.

Table 11. *Training Programs That Have a Significant Relationship With Employee Morale, Employee Productivity, and Operating Profits and Their Frequency of Use and Effectiveness*

Training Programs	Variables Having Significant Relationship	Frequency of Use	Effectiveness
Solving problems	Operating Profits*	4 th	7 th
Making decisions	Employee Productivity* Operating Profits*	4 th	7 th
Evaluating consequences	Employee Productivity*	7 th	13 th
Establishing priorities	Employee Morale* Operating Profits	4 th	8 th
Stating goals and objectives	Operating Profits	2 nd	2 nd
Communicating and coordinating activities across departments	Employee Morale	5 th	5 th
Taking risks	Employee Morale* Operating Profits	7 th	4 th
Team building skills	Operating Profits*	6 th	6 th

Table 11 (continued)

Training Programs	Variables Having Significant Relationship	Frequency of Use	Effectiveness
Conflict management	Operating Profits*	7 th	9 th
Leadership skills	Operating Profits*	3 rd	3 rd
Managing change	Operating Profits	2 nd	4 th
Stress management	Employee Morale* Employee Productivity*	4 th	15 th

*This variable has a significant negative relationship with this training program.

Training programs rated high in effectiveness in this study may not be effective in their organizations. The same would be true for the human resource interventions and training programs that were rated less than effective. Other organizations, not included in this study, may find them to be effective in their organizations.

This study's findings vary from the research by (Weaver, 1996) who found that organizations that used human resource interventions were perceived to have significantly increased operating profits than did organizations that did not provide interventions to employees. In this study, descriptive statistics revealed that no differences were found in perceived changes for employee morale, employee productivity, and operating profits between organizations that did or did not use human resource interventions with employees regarding the transition to downsizing. Weaver's study affirmed these findings with the exception of operating profits. This study looked further than Weaver's study by examining the strength of the relationship between the use of human resource interventions and the variables – employee morale, employee productivity and operating profits and found that specific human resource interventions had a significant relationship with employee morale,

employee productivity and operating profits. Weaver's (1996) study and this research revealed an interesting trend between the frequency of use and perceived effectiveness of human resource interventions. The number one and number two most effective human resource interventions were rated lower in frequency of use. This indicates that perhaps more of the organizations surveyed should have used and in the future use the human resource interventions, implemented cross training and redesigned job evaluations, to assist the remaining employees of downsizing.

This research and Weaver's (1996) study identified organizations that offered or did not offer training programs to management employees in order to assist the remaining employees after the downsizing with the transition. Descriptive statistics of this study differ from Weaver's findings that organizations that offered training programs to management employees were perceived to have increased employee productivity and operating profits as contrasted to organizations that did not offer training programs to management employees. This study found no differences regarding employee morale, employee productivity and operating profits between organizations that offered or did not offer training programs to management employees to assist the remaining employees after downsizing. Weaver also noted an interesting trend between frequency of use and perceived effectiveness of training programs in that the number one and number two most effective training programs were rated low in frequency of use. In contrast, this study found that the number one and number two most effective training programs were rated highest in frequency of use.

This study also examined further the relationship between the use of training programs for management employees and employee morale, employee productivity and operating profits and found that specific training programs have a significant relationship

with these variables. It is interesting to note that the number one effective training program and the training program most frequently used, clarifying the direction of the organization, does not have a significant relationship with employee morale, employee productivity and operating profits. Additional study with a larger number of participants may be necessary to determine the frequency of use and perceived effectiveness of training programs for management personnel as well as the strength of the relationship between the use of training programs for managers and employee morale, employee productivity, and operating profits

Recommendations for Future Research

Further study is recommended to determine the use of human resource interventions and training programs organizations have to assist the remaining employees after a downsizing. Results of future studies could be compared to this study to determine the similarities of human resource interventions and training programs, including their effectiveness, and effect on employee morale, employee productivity and operating profits. Additional research needs to be conducted to study the perceived “importance” by both managers and hourly employees of the human resource interventions and training programs. This study needs to be expanded to include other dependent variables such as, (a) employee turnover of managerial and hourly workers, and (b) quality of products and/or services as perceived by customers. Such research might determine if there are perceived differences in the use of human resource interventions and training programs and increases and decreases in these variables.

Further study is needed to determine if similar results would be obtained with non-manufacturing organizations. The present study should be expanded to include non-ASTD members (non-training and non-human resource personnel). Sample size should be increased

to determine if similar results would be obtained with larger sample.

Further research is recommended to determine how downsized organizations can increase the morale of the remaining employees; for example, would the offering of outplacement services to lay-off employees increase the morale among remaining managers and hourly employees. Investigations should be administered on how training could be presented and conducted so that it would be perceived positively by the remaining employees and at what level of management that training is most effective at – lower, middle, or higher-level management. More research is needed on how downsized organizations could establish, or in some cases, reestablish a culture that encourages risk taking, and how job evaluation systems could be redesigned in a way that is perceived by managers as increasing operating profits and employee morale.

Qualitative research is recommended to gain a better understanding of the perceptions of downsized employees. This research may provide more insight for managers and assist them in preparing workforces for downsizings for those who lose their jobs, as well as, the remaining employees.

Additional investigation needs to be conducted to learn more about why human resource professionals perceive training programs as having a negative effect on employee morale and employee productivity. Future research should be conducted to determine if downsizings by natural attrition have less negative effects on employee morale, employee productivity, and operating profits than downsizings accomplished by forced separations.

Implications for Practice

For the past several decades organizations in the United States have been forced to change in order to compete in a globally oriented economy. This change involved

restructuring organizations by reengineering their processes to make them more effective, along with making them more efficient and downsizing their workforces. Downsizing and reengineering are still practiced today, but organizations are realizing the implications that an increasingly rapid rate of change and a smaller workforce can have on their present and future success as well as their ability to survive. Organizations have learned that the employees who remain after downsizing are the keys to survival and profitability.

The results of this study revealed that the most frequently used human resource intervention was eliminated management levels but human resource professionals in this study ranked it seventh. Organizational decision makers may use this human resource intervention most frequently because it has a significant relationship with employee productivity and operating profits. Increased employee productivity and operating profits are desirable outcomes for reengineered organizations.

The most effective human resource intervention, implemented cross training, ranked eighth in frequency of use. This indicates that organizations are not being successful in choosing the human resource interventions needed to assist the remaining employees in the transition to the downsized organizations. Schneider (1999) states “that the key is to focus HR practices on what it takes to be effective” (p.348). In the downsized organization, there will be fewer employees remaining; therefore, these remaining employees will need to be cross-trained to enable the company to operate efficiently and effectively. The Kaizen approach developed by Masaaki Imai (1986) emphasizes continually broadening job skills through cross-functional training.

The business literature is sparse on human resource interventions for downsized organizations. The researcher strongly suspects that as more downsizings occur in the

future, the literature on human resource interventions in downsized organizations will significantly increase.

The results of this research revealed that organizations in this study should consider training management employees in stating goals and objectives and managing change. It was these training programs that were rated effective and had significant positive relationships with operating profits. Caplan and Teese (1997) would agree that managing change should be a training program for managers. They found that “the number one reason for companies’ failure to achieve their goals was their employees’ resistance to change- resistance manifested in their leaving the organization both literally (walking out the door) and figuratively (“resigning” while staying on the job)”(p. 4). Downsized organizations and their remaining employees have certainly experienced change. Argyris and Schon (1978) presented a model that managers of downsized organizations could benefit from. In Model 2 organizations, managers act on information, debate issues, respond to and are prepared to change. Katz and Kahn (1966) emphasize the importance of both homeostasis- the ability to achieve organizational stability and balance-and dynamic homeostasis-the ability to adapt and change in response to environmental change factors. Drucker (1995) urged managers to “fully understand existing demographics, spending patterns, societal structure, economic forces, and technological changes to see what is shaping the future” (p. 3).

Noer (1993) felt that only compelling interventions could deal with the pathology of layoff survivor sickness. These interventions should be “powerful acts, attention-grabbing and stimulating forces that compel survivors to choose personal and organizational change” (p. 92). Business literature is more expansive when it comes to the topic of training. Solving problems, making decisions, stating goals and objectives, taking risks, team building skills,

and managing change are presented more often than the other training programs in this study.

Noer feels participation in decision making is important and managers need the skills, courage, and survival sense to take whatever risks are necessary to align organizational systems. Gottlieb and Conkling (1995) suggest that the manager put himself or herself into play as an integral part of the change process and some workshop attention must be placed on understanding the differences between work groups, teams, and other group processes available for problem-solving and decision-making activities. In order for an organization to successfully work through the transition from its current state to a realigned and recommitted team of workers, it is critical that all staff actively participate in problem solving, team bonding, and the generation of action plans and new objectives (Gottlieb & Conkling). Caplan and Teese (1997) recommend for managers to be available to help employees through transition and select a change manager. Carter (1999) states that organizations that have tapped the power of teams have often experienced excellent results and contemporary leadership seems to be a matter of aligning people toward common goals and empowering them to take the actions needed to reach them. Good leaders know how to tap the talents each person brings to the team for the good of the company and the individuals (Parker, 1998). Masaki Imai's (1986) Kaizen approach emphasizes that supervisors provide coaching for teamwork activities and that employees are responsible for participating in kaizen through teamwork activities.

There may have been underlying reasons why various human resource interventions and training programs rated less than effective that are not revealed in this research. Organizations, not included in this study, may find that the human resource interventions and training programs rated high in effectiveness in this study may not be effective in their

organizations. The same would be true for the human resource interventions and training programs that were rated less than effective. Other organizations, not included in this study, may find them to be effective in their organizations.

The downsized organizations themselves are perhaps the real beneficiaries of the human resource interventions and training programs for management personnel. The use of human resource interventions and training programs can assist the remaining employees cope but it may be critical for the organizations in increasing productivity and profits.

Organizations planning to downsize their workforces should prepare employees for separation and not just allow downsized employees to learn they are losing their jobs from news media reports. Experienced counselors should work with employees in advance of actual downsizing announcement and cover topics including outplacement services, educational assistance, extended health insurance, pension benefits for laid off employees, and opportunities for transfer to other locations or divisions of the organization. A proactive approach to downsizing will greatly assist employees who are leaving the organization and will also assist remaining employees by letting them know their employer values its human resources and if they lose their jobs in a future downsizing, they will be taken care of. A proactive organizational approach to downsizing can also contribute to reestablishing an atmosphere of trust within the downsized workforce.

The results of this research shed light on how organizations can assist the remaining employees cope with downsizing, but the picture is far from complete. This study was one of the few attempts at finding an answer, but further research is needed to illuminate the organizational landscape. A small sample of downsized organizations is represented in this study. The employees who remain after downsizing are the keys to organizational

survival and success. Further study is needed to identify the specific human resource interventions and training programs for managers which equip them to effectively and efficiently assist the remaining employees after downsizing.

Summary

This study examined the relationships among the use of human resource interventions and training programs for management employees and employee morale, employee productivity, and operating profits in a downsized organization. The results of the study indicate that specific human resource interventions and training programs for management personnel correlate with employee morale, employee productivity, and operating profits. Both null hypotheses were rejected indicating that significant relationships exist among the use of certain human resource interventions and training programs for management employees and employee morale, employee productivity, and operating profits.

This study also explored the types of human resource interventions and training programs for management employees used by the downsized organizations and how effective these interventions and programs were perceived by human resource professionals. The results of this study indicate that the most effective human resource interventions were not the interventions most frequently used. Also, the most frequently used and most effective training program for management employees did not have a significant relationship with employee morale, employee productivity, and operating profits. Managers and downsized organizations need to carefully examine the characteristics of their firms and their human resources to determine the human resource interventions and training programs that will most appropriately assist the remaining employees in the transition to the downsized environment. Further research needs to be conducted to identify which human resource interventions and

training programs for management personnel and hourly employees will assist remaining employees as well as increase employee morale, employee productivity, and operating profits.

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Appendices

Appendix A

Permission Statement from

North Carolina State University

Institutional Review Board for the Use of Human Subjects in Research

North Carolina State University
INFORMED CONSENT FORM for RESEARCH

Human Resource Interventions and Training in Downsized Organizations to Assist Remaining Employees

Gary Lawrence Davis (principal investigator)
Advisor)

Dr. Don Locke (Faculty

We are asking you to participate in a research study:

This study will seek to determine if the use of human resource interventions and training programs for management employees have an effect on employee morale, worker productivity, and operating profits in the downsized organizations. This study will also seek to identify what human resource interventions were used and what training programs were offered to management employees in downsized organizations to help make the transition for the remaining employees.

INFORMATION

If you agree to participate in this study, you will be asked to complete the survey instrument and then return it to the researcher in the self-addressed, stamped envelope. Completing this survey will take approximately 15 to 30 minutes.

RISKS

There is no risk associated with this study.

BENEFITS

Subjects participating in this study can expect that their participation can contribute information to the development of better methods to assist remaining employees in downsized organizations.

CONFIDENTIALITY

The information in the study records will be kept strictly confidential. Data will be stored securely in a locked filing cabinet. No reference will be made in oral or written reports which could link you to the study.

CONTACT

If you have questions at any time about the study or the procedures, you may contact the researcher, Gary Davis, at 28 Eden View Drive, Black Mountain, NC 28711, or (828) 686-9180. If you feel you have not been treated according to the descriptions in this form, or your rights as a participant in research have been violated during the course of this project, you may contact Dr. Matthew Zingraff, Chair of the NCSU IRB for the Use of Human Subjects in Research Committee, Box 7514, NCSU Campus (919/513-1834) or Mr. Matthew Ronning, Assistant Vice Chancellor, Research Administration, Box 7514, NCSU Campus (919/513-2148)

PARTICIPATION

Your participation in this study is voluntary; you may decline to participate without penalty. If you decide to participate, you may withdraw from the study at any time without penalty and without loss of benefits to which you are otherwise entitled. If you withdraw from the study before data collection is completed your data will be returned to you or destroyed at your request.

CONSENT

If you have read the above information and agree to participate, please complete and return the attached survey. This will indicate your willingness to participate.

Appendix B

North Carolina State University

Informed Consent Form for Research

NC STATE UNIVERSITY

Sponsored Programs and
Regulatory Compliance
Campus Box 7514
1 Leazar Hall
Raleigh, NC 27695-7514

919.515.7200
919.515.7721 (fax)

From: Debra A. Paxton, Regulatory Compliance Administrator
North Carolina State University
Institutional Review Board

Date: April 22, 2005

Project Title: Human Resource Interventions and Training in Downsized Organizations to
Assist Remaining Employees

IRB#: 105-05-4

Dear Mr. Davis:

The research proposal named above has received administrative review and has been approved as exempt from the policy as outlined in the Code of Federal Regulations (Exemption: 46.101.b.2). Provided that the only participation of the subjects is as described in the proposal narrative, this project is exempt from further review.

NOTE:

1. This committee complies with requirements found in Title 45 part 46 of The Code of Federal Regulations.
For NCSU projects, the Assurance Number is: FWA00003429; the IRB Number is: IRB00000330
2. Review de novo of this proposal is necessary if any significant alterations/additions are made.

Please provide your faculty sponsor with a copy of this letter. Thank you.

Sincerely,

Debra Paxton
NCSU IRB

Appendix C
Permission Letter from
Roger Kelleher
Public Relations Manager
American Management Association

American Management
Association®

1601 Broadway
New York, NY 10019-7420
212.586.8100 Phone
212.903.8168 Fax
www.amanet.org

May 11, 2005

Mr. Gary Davis
28 Eden View Drive
Black Mountain, N.C. 28711

Dear Mr. Davis,

Permission is hereby granted to use the American Management Association's survey instrument on downsizing, job elimination, and job creation for your doctoral dissertation research. You may alter, emend, or edit the AMA questionnaire in any manner that best suits the needs for your research, but you must allow AMA Research to review such alterations, emendations, or edits prior to distributing your questionnaire.

We require that you state on your survey instrument that "this questionnaire is modeled upon a copyrighted American Management Association questionnaire developed for its survey on downsizing, and is used by permission of the American Management Association."

It is a condition of your use of our questionnaire that AMA publications have "first refusal" rights to any article you may write, based upon your findings, for publication in a non-academic journal, periodical, or newsletter.

I am eager to see the results of your survey. Please feel free to call on me for any further assistance I can offer.

Sincerely,

Roger Kelleher
Public Relations Manager.
American Management Association

Appendix D
Survey Validation Letter

June 9, 2005
Mr. Gary Davis
28 Eden View Drive
Black Mountain, NC 28711

Dear Gary:

I very much enjoyed meeting with you on June 8, 2005 to discuss the research you are doing on the very relevant topic of organizational downsizing. I have been involved in several downsizings during my career when I served as the Western NC Regional Human Resources Manager with Thomasville Furniture, Inc. Unfortunately, in my role as Regional Human Resources Manager, I was the person responsible for assisting in the shut down of four furniture facilities and downsizing many other hourly employees, as well as, Vice Presidents of the company. Over the three years (2000-2003) that I was employed by Thomasville Furniture, I was responsible for downsizing over 800 employees. Due to my past experience, I feel that this downsizing is an area very much in need of study. Unfortunately, many organizations do not offer training or provide assistance to the survivors through their Human Resource departments. Downsizing is a topic all too familiar to most Human Resource professionals. As you requested, I have reviewed your survey instrument and also shared copies with many colleagues who are Human Resource professionals.

As a Human Resources professional of 20 years and a Human Resource Consultant with WCI (Western Carolina Industries), I found your survey to be very straight forward and understandable. Feedback from my fellow Human Resource professionals indicated that they also thought this is a valid survey and that the research you are conducting is extremely relevant and timely.

I look forward to meeting with you again in the near future and learning the results of your research.

Sincerely,

Kimberly W. Cable
Director, Contract Human Resources Services
WCI – Asheville, NC

Appendix E

Survey

7. Since your organization reduced its workforce:					
	Declined greatly	Declined somewhat	Remained the same	Increased somewhat	Increased greatly
<i>Employee Morale</i>	[1]	[2]	[3]	[4]	[5]
<i>Employer Productivity</i>	[1]	[2]	[3]	[4]	[5]
<i>Operating Profits</i>	[1]	[2]	[3]	[4]	[5]

8. Since your organization downsized, did your organization use human resource interventions to assist the employees remaining after the downsizing with the transition? Examples might include: development of multi-skilled cross-training programs, redesigned job classifications, etc.

[1] Yes [2] No

If you answered "Yes", please proceed to question 8a.

If you answered "No" please proceed to question 9.

8a. Which of the following human resource interventions were practiced in order to assist the employees remaining after the downsizing with the transition? Check only the interventions that your organization has used and indicate your perception of how effective the interventions are by circling the appropriate response code in the second right hand column.

Effectiveness:

1 Not Effective 2 Slightly Effective 3 Effective 4 Very Effective 5 Extremely Effective

Human resource interventions used by your organization to help		Effectiveness				
Employees cope with the after effects of downsizing:		Low				High
[1]	Developed multi-skilled cross-training programs	1	2	3	4	5
[2]	Redesigned job classifications	1	2	3	4	5
[3]	Redesigned job evaluation systems	1	2	3	4	5
[4]	Redesigned pay categories	1	2	3	4	5
[5]	Guided mid-level managers to become coaches and counselors	1	2	3	4	5
[6]	Developed trust in the organization	1	2	3	4	5
[7]	Hired temporary employees	1	2	3	4	5
[8]	Eliminated management levels	1	2	3	4	5
[9]	Implemented competency assessments	1	2	3	4	5
[10]	Redesigned performance appraisal system	1	2	3	4	5
[11]	Implemented self-managing teams	1	2	3	4	5
[12]	Implemented an increase in salary or bonuses	1	2	3	4	5
[13]	Inauguration of or increase in profit sharing	1	2	3	4	5
[14]	Implemented employment guarantees	1	2	3	4	5
[15]	Implemented career counseling	1	2	3	4	5
[16]	Implemented cross training	1	2	3	4	5
[17]	Other: _____	1	2	3	4	5

9. Since your organization downsized, were training programs offered to the organization's management employees in order to assist the employees remaining after the downsizing with the transition? Examples might include: solving problems, making decisions, etc.

[1] Yes [2] No

If you answered "Yes," please proceed to question 9a.

If you answered "No" please proceed to question 10.

9a. Which of the following training topics were offered to the organization's management employees in order to assist the employees remaining after the downsizing with the transition? Check only the training topics that apply to your organization and indicate how effective the training programs are by circling the appropriate response code in the second right hand column.

Effectiveness:

1 Not Effective 2 Slightly Effective 3 Effective 4 Very Effective 5 Extremely Effective

	Training topics offered to management to assist the employees cope with the after effects of downsizing:	Effectiveness				
		Low				High
[1]	Solving problems	1	2	3	4	5
[2]	Making decisions	1	2	3	4	5
[3]	Evaluating consequences	1	2	3	4	5
[4]	Establishing priorities	1	2	3	4	5
[5]	Stating goals and objectives	1	2	3	4	5
[6]	Clarifying the direction of the organization	1	2	3	4	5
[7]	Communicating and coordinating activities across departments	1	2	3	4	5
[8]	Taking risks	1	2	3	4	5
[9]	Creating and innovating	1	2	3	4	5
[10]	Team building skills	1	2	3	4	5
[11]	Conflict management	1	2	3	4	5
[12]	Facilitating skills	1	2	3	4	5
[13]	Leadership skills	1	2	3	4	5
[14]	Managing change	1	2	3	4	5
[15]	Stress management	1	2	3	4	5
[16]	Other: _____	1	2	3	4	5

10. While eliminating positions in some organizational functions, units, or localities, did your organization add positions in other areas in the past five years?

[1] Yes [2] No

If you answered "Yes" please proceed to question 10a.

10a. The total number of persons employed by the organization?

- [1] Increased _____ percent in the past five years
 [2] Decreased _____ percent in the past five years
 [3] Remained the same in the past five years

Please use the back of this survey to add additional comments.

Appendix F

Cover Letter

Gary Davis
28 Eden View Drive
Black Mountain, NC 28711
July 15, 2005

Study Participant
Name of Organization
Address
City, State Zip Code

Dear Study Participant:

As a candidate for a Ed.D. degree in Adult and Community College Education from the North Carolina State University, I am conducting a survey on the subject of downsizing in organizations. The survey is designed to identify the following:

- the perceptions of the effects of downsizing on employee morale, employee productivity, and operating profits.
- the human resource interventions and training programs used by organizations to assist the employees who remain in the organization after downsizing.
- your perceptions about the effectiveness of the human resource interventions and training programs.

The success of downsized organizations depends on the workforce that remains. The purpose of this research is to determine what assistance organizations offer to the remaining employees after a downsizing, and the effectiveness of this assistance. The impact of the study and future studies will determine the best practices in downsized organizations in assisting the remaining workforce to cope with the transition of restructuring.

Your name was identified in the member directory of the American Society for Training and Development (ASTD). This study is **NOT** associated with ASTD in anyway. The directory was used to identify training and human resource personnel. Enclosed is a survey form, and a stamped envelope for its return.

I would greatly appreciate your cooperation in completing the enclosed survey. It should take approximately 15 minutes to complete. Completing the survey is voluntary, and your responses are strictly confidential. If you have questions about this research, please call me at (828)686-9180. Thank you for your assistance.

Sincerely,

Gary Davis
Ed.D. candidate

Appendix G
Follow-up Cover Letter

Gary Davis
28 Eden View Drive
Black Mountain, NC 28711
July 29, 2005

Study Participant
Organization
Address
City, State Zip Code

Dear Study Participant:

Approximately two weeks ago you received a questionnaire and a cover letter asking you for assistance with a study for my dissertation. If you filled out the survey and returned it to me, I appreciate your assistance. If you did not, please take the time and fill out the survey included with this letter. A self-addressed, stamped envelope is included for its return. In order to keep my research on schedule, please return the survey by Monday, August 15, 2005. If you misplaced the original, please contact me at (828) 686-9180 and I will send you a new survey.

Your response to this survey is confidential and completing the survey is voluntary. As you may recall, my study is on the subject of downsizing in organizations. The survey is designed to identify the following:

- the perceptions of the effects of downsizing on employee morale, employee productivity, and operating profits.
- the human resource interventions and training programs used by organizations to assist the employees who remain in the organization after downsizing.
- your perceptions about the effectiveness of the human resource interventions and training programs.

The purpose of this research is to determine what assistance companies offer to the remaining employees after a downsizing, and the effectiveness of this assistance. The impact of the study and future studies will determine the best practices in downsized organizations in assisting the remaining employees to cope with the transition of restructuring.

Your name was identified from the member directory of the American Society for Training and Development (ASTD). This study is **NOT** associated with ASTD in any way. The directory was used to identify training and human resource personnel.

Completing the survey should take approximately 15 minutes. Thank you for your assistance.

Sincerely,

Gary Davis
Ed.D. candidate