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MONTCLAIR STATE UNIVERSITY

Ethics and Downsizing: A Policy-Capturing Approach

by

Diana Evans

A Master's Thesis Submitted to the Faculty of

Montclair State University

In Partial Fulfillment of the Requirements

For the Degree of

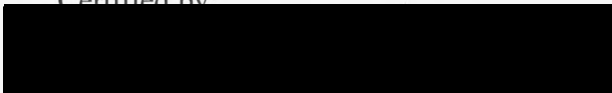
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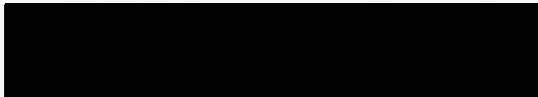

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Abstract

Downsizing has become a prominent part of the business landscape and is reshaping the way people work and deal with their organizations. The present study investigated how the context and process behind a downsizing decision can influence people's perceptions of the organization. Using a policy capturing methodology, subjects read 67 scenarios about downsizing organizations and were asked to rate the fairness of the organization and indicate if an ethical violation had occurred. The cues manipulated included the size of the organization, whether the company is currently losing money, whether the company tried other options before considering downsizing, whether the layoffs were performance based or if they were laying off the highest earners, whether the victims were given notice and an explanation by management, and whether the company provided career outsourcing. Analysis of results found that a majority of subjects utilized the cues of whether the downsizing decision was performance-based, whether ample notice was given by management, and whether the organization provided career assistance, in determining whether the scenario was fair and whether an ethical violation had occurred. A minority of subjects used the cues of organizational size, whether the organization was losing money when they made the decision to downsize, and whether the organization tried other options before making the decision to downsize, in determining perceptions of fairness and whether an ethical violation occurred. Between group analyses of demographic variables were not significant indicating that gender, ethnicity, and work experience did not influence which cues individuals used to make decisions about whether the scenario was fair or whether an ethical violation occurred. The study found that variables influencing how an organization conducts downsizing contributes to whether downsizing is perceived as fair and ethical. Limitations and future directions are discussed.

ETHICS AND DOWNSIZING: A POLICY CAPTURING APPROACH
A THESIS

Submitted in partial fulfillment of the requirements
For the degree of Master of Arts

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2012

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Ethics and Downsizing: A Policy-Capturing Approach

Over the past several decades downsizing has become more and more common in American organizations, and now in today's economy downsizing is considered a normal operating procedure (Cascio, 2002; Newsweek, 2010). Though it can involve the reduction of material resources, downsizing usually refers to the reduction of human resources within an organization. Organizations utilize downsizing for a number of reasons including cutting unnecessary personnel after mergers and acquisitions, stemming losses in a bad economy, or remaining lean in anticipation of possible losses; most of these reasons have a financial component. When a company downsizes, its leaders expect a number of economic benefits, such as lower expense ratios, higher profits, increase in return-on-investment, and boosted stock prices. Often the main stated goal of decisions to downsize is to increase value for the organization's shareholders, or those that hold stock in the organization. Organizations also believe that downsizing will produce organizational benefits, such as lower overhead, greater entrepreneurship and innovation, and increases in efficiency and productivity (Cascio, 1993).

Though downsizing has become widespread and seemingly inevitable in most organizations today, according to most research findings it has not been living up to expectations (e.g., Cascio, 2002; Datta et al., 2010). Numerous studies conducted in recent years have found that downsizing has negatively affected employee performance and productivity as well as employee and former employee well-being. The majority of the research literature suggests that layoffs are not effective in improving the financial status of organizations by significantly reducing costs or improving profitability (Datta et al., 2010) and some studies have shown that lower productivity often follows downsizing

decisions (Amabile & Conti, 1999; Mishra & Mishra, 1994). In addition, much research has found that downsizing has negative side effects on employee anxiety and trust (Brockner et al., 1994), organizational commitment (Mansour-Cole & Scott, 1998; Brockner et al., 2004), employee satisfaction (Wagar, 1998), motivation (Brockner, 1993), organizational knowledge retention (Schmitt, Borzillo, & Probst, 2012), and voluntary turnover (Armstrong-Stassen, 1994).

Though much research suggests negative financial and personnel outcomes from layoffs, there has been little research conducted to investigate how outside stakeholders, such as potential job applicants and consumers, perceive how fair and ethical the decisions and processes of downsizing are (Newsweek, 2010). Though some research has examined how the process and method of conducting downsizing influences victims and survivors of layoffs (Brockner, 2002), little research has investigated whether contextual factors surrounding layoff decisions and the way in which downsizing decisions are made influence whether downsizing decisions are viewed as ethical and fair.

The purposes of the current study are to (a) investigate whether the context surrounding downsizing events and the process of how downsizing events are implemented influence perceptions of the fairness and ethicality of the downsizing decisions, and (b) determine which process variables influence these perceptions the most. I will use a policy capturing approach to look at which contextual and process variables influence individual decisions makers and how strongly each of the variables affect perceptions of fairness and ethical violations.

Downsizing

A brief history. Downsizing is defined as a “planned set of organizational policies and practices aimed at workforce reduction with the goal of improving firm performance” (Datta, et al., 2010). Downsizing victims are those who the organization has decided to lay off, while layoff survivors are those that are chosen to remain with the company. Downsizing has been linked with many different outcomes for the layoff victims, survivors, managers, and the organization as a whole, many of which are not very healthy or promising for the individuals or organizations. The most important theme found throughout the literature on downsizing is that the consequence of change largely depends on how well the change process is managed (Datta et al., 2010).

During the 1980s, organizational downsizing became a pervasive and common occurrence in American organizations due to a poor economy and a change in how employees were viewed in most organizations; a perceptual shift occurred such that in organizations, employees who had previously been viewed as an asset to the company became considered a cost source (Casio, 1993; Lefkowitz, 2003). Over time, this perceptual shift became widespread and permanent such that downsizing has been largely accepted as a necessity by the world of business where firms are continually trying to gain a competitive advantage. Initial incidents of downsizing were used as attempts to cut costs and stay above water in failing economies. Currently, organizations are often *not* downsizing based on the fact that they are losing money, but rather often as a preemptive strike in the anticipation of such losses. In many situations, the decision to downsize has changed from a preventive measure to a preemptive measure, even in organizations that may not truly need layoffs to survive (Pfeffer, 1998). Research finds that some

organizations that conduct downsizing are doing so to imitate other corporations rather than out of need (Datta et al., 2010; Lefkowitz, 2003).

Effects on organizational performance and productivity. Productivity of those within the organization is impacted when the organization undergoes layoffs; the organization hopes that downsizing can increase efficiency and long-term productivity, but research finds that many times this is not the case. In a study on the effect of job insecurity on productivity, Probst et al. (2007) found that employee productivity was shown to increase in those organizations where there were higher levels of job insecurity, but in the same organizations creative problem solving decreased. When employees perceive higher levels of job insecurity, fear may motivate them to be more productive in short term well understood tasks, but they may be fearful of taking risks that could result in creative solutions (Probst et al., 2007; Amabile & Conti, 1999).

Research finds that both the financial and organizational performance of an organization can be influenced by downsizing. Though the primary purpose of downsizing is to improve financial performance, research is mixed regarding financial repercussions of downsizing. As with other downsizing outcomes, research finds financial outcomes to be influenced by how the downsizing process is managed. McElroy, Morrow, & Rude (2001) found that organizational performance levels dropped after layoffs. Guthrie and Datta (2008) discovered that the negative effects of downsizing on organizational performance can be more pronounced in those industries that are research and development intensive. Munez-Bullon & Sanchez-Bueno (2010) found that performance after layoffs was negatively affected by disengagement incentives, which are tools to motivate workers to leave the organization. They also found that such

performance was positively affected by combining the downsizing with well planned restructuring (Cascio, Young, & Morris, 1997).

Effects on the victims. The effects of downsizing on layoff victims has been well researched. When victims are laid off and seek employment elsewhere, they may be more cynical than before the downsizing event. Pugh, Skarlicki, & Passell (2003) found that when victims perceive a violation of their psychological contract, the victims are more likely to not be as trusting of their new employer and be more cynical at their new organization. The psychological contract can be broken as the result of a layoff or downsizing event, especially one that is not well planned or implemented. Victims of layoffs are also more likely to indicate that they look out for themselves and are less trusting of people (Singh, 1998). Singh (1998) found that there is a significant difference in levels of trust and self-interest between the victims of layoffs and full-time workers. Also, research shows that when the victims receive an explanation of how and why the layoffs are being conducted, they are more likely to perceive the layoffs as fair, more willing to endorse the organization that is laying them off, and less likely to sue the organization (Wanberg, Bunce, & Gavin, 1999). This finding holds true even after the victim is re-employed.

Survivors of downsizing. Survivors of downsizing can arguably be those affected the most by the organization's layoff decisions. Some research points to the fact that downsizing events are more detrimental to survivors' attitudes and well-being than to those of the layoff victims (Devine, Reay, Stainton, & Collins-Nakai, 2003). There is evidence that downsizing can result in lower job involvement and reduced organizational commitment among survivors (Allen et al., 2001), but findings from Brockner et al.

(2004) suggest that these effects can be eased when downsizing is accompanied by high supervisor support and greater perceived control.

Evidence supports the premise that employee satisfaction, organizational trust and organizational commitment decrease in layoff survivors (Armstrong-Stassen, 2002; Brockner et al., 2004; Armstrong-Stassen, 1994; Wagar, 1998; Luthans & Sommer, 1999). Survivors following a downsizing are shown to become narrow-minded, self-absorbed, and risk adverse, while their morale sinks, productivity drops, and trust in management declines (Cascio, 2010, 1993). Brockner, Grover, O'Malley, Reed, & Glynn (1993) found that in response to the perceived threat of further layoffs, survivors low in trait self-esteem were more likely than their high self-esteem counterparts to feel anxious. Researchers also found that high levels of executive compensation, poor organizational performance, and harsh, immediate layoffs lead to increased cynicism in survivors (Andersson & Batement, 1997). Those survivors with a greater exposure to downsizing report significantly lower levels of job insecurity, and also higher levels of role ambiguity, intent to quit, depression and health problems (Moore, Grunberg, & Greenberg, 2004). After downsizing, those survivors who that perceive management as untrustworthy and report that the layoffs were not distributively or procedurally just are more likely to report less organizational attachment, and more likely to voluntarily leave the organization (Spreitzer & Mishra, 2002).

Some studies have considered the effects of layoffs on both victims and survivors at the same time. Devine, Reay, Stainton, & Collins-Nakai (2003) sought to answer to the question "is it was better to be a victim or a survivor of layoffs?" They discovered that victims who secure new employment end up faring better than survivors that remain in

the company. Victims who found new positions relatively quickly were found to perceive higher levels of control, less stress, and fewer negative job strains than survivors.

Brockner et al. (1994) studied victims and survivors when assessing organizational trust and procedural justice. Researchers found that when perceived procedural fairness was low, there was a negative relationship between layoff severity and organizational trust for both victims and survivors.

Effects on potential applicants and corporate reputation. Research also shows that whether an organization downsizes, the frequency of downsizing, and how the process is conducted can influence the reactions of potential employees. Kammeyer-Mueller and Liao (2006) studied the attractiveness of the organization that is conducting the layoffs to potential job seekers. Job seekers found companies that engaged in downsizing were less attractive and also believed they provided less organizational support and less job security.

Corporate reputation can be defined as “as subjective evaluation of a firm’s overall quality relative to its peers” (Love & Kraatz, 2009). Rating corporate reputation includes factors such as management quality, product quality, innovativeness, value as a long-term investment, financial soundness, ability to attract, develop, and retain personnel, community and environmental responsibility, and use of corporate assets. The individual factors are then averaged into a single reputation score for each firm. While corporate reputation scores include how the organization treats its customers and employees, it is important to keep in mind that the ratings are conducted by financial analysts and Wall Street insiders and not by customers, applicants, or employees (Love & Kraatz, 2009).

Love and Kraatz (2009) found that downsizing exerts a strong negative effect on corporate reputation. The act of downsizing has been found to have a more damaging effect on the organization's reputation than the process of downscoping, which is when a company sells a division. Downsizing can be seen to be a sign of weakness and could be damaging to the company's reputation (Zyglidopoulos, 2005). So while financial analysts are often suggesting that layoffs are necessary they are then lowering the reputation of organizations that conduct downsizing, this is a mixed message from Wall-street insiders, who often suggest downsizing is necessary to keep an organization economically healthy (Love & Kraatz, 2009).

Effects on management. There is a stream of downsizing research that looks at how layoffs influence those managers who are communicating layoffs, facilitating layoff decisions, or just in close contact with victims. Armstrong-Stassen (2005) found that middle level managers, when compared to executive level managers, perceived greater job insecurity, were more likely to use escape coping, and also report lower job performance and higher levels of health symptoms when their organizations are conducting layoffs. Both middle and executive level management reported a decline in perceived threat of job loss and an increase in powerlessness, as well as a decrease in the use of control-oriented coping strategies by the end of the downsizing period. When management is told to issue warning notices for layoffs, this significantly predicts increased self-reported health problems, seeking treatment for those health problems, sleep problems, feelings of depersonalization, and intent to quit (Grunberg & Greenberg, 2006). The procedural fairness of layoffs was also found to be positively associated with

managerial self-esteem and managerial behaviors (Wiesenfeld, Brockner, & Thibault, 2000).

While most research has found negative outcomes of downsizing there have been some positive findings as well. Layoffs have been shown to have a positive impact on CEO paychecks. Companies that announce layoffs have been found to pay their CEOs more and give their CEOs larger percentage raises than firms that do not have at least one layoff announcement in the previous year. CEO pay and likelihood of layoff announcements were correlated to other dimensions such as firm size (Hallock, 1998). With inflation taken into consideration, CEO pay has still managed to have doubled or tripled while American workers are taking home less (Anderson, 2010). Because of this reality, it can be argued that some organizations and their leaders choose to downsize not because of practical and necessary reasons but rather for self-motivated ones.

Reducing negative outcomes. According to the research, there are a number of ways to reduce the negative effects of downsizing. In terms of the attitudes and well-being of victims and survivors, Armstrong-Stassen (2008) found that a person's generally optimistic outlook is positively related to a survivor's future success expectancy. Mentoring is also perceived as more desirable stress reliever under conditions of corporate stress, such as times of downsizing within a company (Kram & Hall, 1989). Mentoring in this case is used as a way to cope through the hard economic times and can be used as a support system for the surviving employees, as well as a continual way to promote development within the organization for survivors. Showing consideration for employees' morale and welfare during downsizing can be positively linked to perceived

success of downsizing as well as the financial and organizational performance following layoffs (Chadwick, Hunter, & Walston, 2004; Iverson & Zatzick, 2011).

The positive effects of human resource management practices such as training and development, benefits, and performance appraisal have been shown to positively influence employee productivity during and after layoffs (Pao-Long & Wei-Ling, 2002; Delaney & Huselid, 1996; Boohene & Asuinura, 2011). Essentially, what can be learned from the literature is that the treatment of employees and how employers handle the downsizing situations can have a huge impact on the employees' perceptions and performance, and this seems to be true for victims and survivors (Chadwick, Hunter, & Walston, 2004; Delaney & Huselid, 1996). In the following section we will discuss some process and context factors either found to moderate performance and attitudinal outcomes of downsizing, or factors which have not yet been researched but could possibly moderate downsizing outcomes.

Perceptions of fairness and justice are important in downsizing situations as well. Van Dierendonck and Jacobs (2012) found a positive relationship between fairness and affective organizational commitment for both the survivors and victims of downsizing events. Procedural justice, or the process by which the downsizing is conducted, matters a great deal to survivors of layoffs, and fairness is found to matter more when layoffs are due to profit maximization rather than an economic necessity (van Dierendonck & Jacobs, 2012). Keeping these factors in mind when conducting downsizing is important in order to maintain the perception that the organization is behaving fairly.

Process and context variables influencing downsizing perceptions

Research on downsizing has suggested that various factors surrounding layoffs moderate the harmful effects that layoffs can have; procedural justice of the process or context of downsizing is one variable thought to moderate poor organizational outcomes of downsizing. Brockner (2002) investigated how procedural fairness can influence people's perceptions of organizational decisions. Procedural fairness or the perceived fairness of the process is considered to be influenced by "those aspects that relate to decision-making and those that relate to the quality of treatment that group members are entitled to receive under the rules," as well as "the quality of decision-making by those authorities and the quality of the treatment that they receive from them" (Blader & Tyler, 2003). Procedural fairness includes the context through which downsizing is being conducted, such as using uniform criteria to determine who is laid off. Brockner (2002) found that when procedural fairness is low, outcome favorability has more influence on employees' support for decisions, for decision makers, or for organizations. Outcome favorability refers to whether one receives a positive result rather than a negative one. For example, when employees feel that there is low procedural fairness, whether they experience a positive or negative outcome will have a greater influence their perceptions. In this case, victims may still have negative perceptions and not support the organization, but these negative effects may be reduced for survivors; it is also possible these effects might be reduced for onlookers or those not directly affected by the layoffs. Research shows some of the following variables to influence perceptions of procedural justice, while one or two of the following considerations are not yet addressed by research and will be posed as research questions for the purpose of the study.

Providing victims with advanced notice by manager. When companies faced layoffs in the past, some organizations decided that it was best for the organization if no notice is given to employees at all (Elliott, 1994); this way there was less chance that the organization had to deal with retaliation by disgruntled employees who had been laid off. While some victims who have been notified of layoffs might engage in counterproductive organizational behavior, advance notification of layoffs has been shown to help workers adjust to unemployment and can be considered more fair and ethical (Feldman & Leana, 1994). Advance notice enables victims to have time to deal with their initial feelings of depression and anxiety, as well as give them time to line up new jobs before losing their current salary and benefits (Feldman & Leana, 1994). As of 1989, being given advanced notice by employers is now required by law, as mandated by Worker Adjustment and Retraining Notification Act (WARN). This law offers protection to workers by requiring that the employer must provide a worker at least 60 days advance notice of layoffs, in order to provide some protection to the employees.

However, the law does not mandate who gives notice to employees or how the layoffs are explained to the employees. When layoffs occur, employers have the choice of explaining to employees why the downsizing is occurring or not. The choice of who provides notice can also be important in perceptions of fairness. Gilliland and Schepers (2003) suggest that when, by whom, and how employees are given notice of layoffs is part of interactional justice, which is how respectfully people are treated when new procedures are implemented, and as such, would influence perceptions of fairness of downsizing. Research has shown the importance of receiving an explanation from management about why the layoffs were conducted (Brockner et. al, 1993; Wanberg,

Bunce, & Gavin, 1999). Wanberg, Bunce, and Gavin (1999) found that explanation for layoffs is associated with higher perceived fairness of the downsizing actions, higher willingness to support the organization that is laying them off, and less likelihood of taking legal action against the organization. These effects were found to be consistent, even after the victims of downsizing found reemployment. Similarly, hearing the information about downsizing straight from management rather than “through the grapevine” was found improve procedural fairness (Mansour-Cole & Scott, 1998) indicating that the source of the information plays a critical role in layoff announcements. It is likely that providing explanation of layoffs from management will be viewed as more fair by potential organizational stakeholders such as potential applicants and customers.

Employee assistance following downsizing. Studies have frequently shown how human resource practices can have an impact on individual perceptions of the organization (Delaney & Huselid, 1996; Alder, Schminke, & Noel, 2007). After downsizing, some companies provide victims with the assistance to find other jobs or careers, while others do not. Delaney and Huselid (1996) found that progressive human resource management (HRM) practices such as selectivity in staffing, training, and incentive compensation are positively related to perceptual measures of organizational performance. These findings can arguably include career outsourcing following a downsizing, where companies hire an outside source to help victims find new positions.

Feldman and Leana (1994) also name “outplacement assistance” as one of their practices to better manage layoffs. Their reasoning behind this being a good practice is that it provides the laid off employees the skills to discover new job opportunities and

enable them to market themselves more effectively to potential future employers. Even if a company has to lay off its workers, providing assistance to find other employment opportunities will be perceived as more fair and ethical. Providing assistance can also be perceived favorably by both survivors within the company and outside stakeholders. These actions show that the company takes care of its employees, even during hard times and this will be reflected in favorable perceptions.

Non-selective and performance based layoffs. There are some companies that engage in the practice of non-selective layoffs, which are when the employees are laid off without careful consideration of employee performance or customer demand. When a non-selective downsizing event occurs, sometimes executives or human resource personnel make the decisions about which employees stay or go for undisclosed reasons and sometimes management is instructed to cut a certain percentage of their employees across each department. Non-selective layoffs often are not beneficial to the company because employees who are top performers are laid off because of their high salaries, and these employees are rare and hard to replace (Cascio, 2002). Non-selective layoff decisions are often made by cutting the highest earners, cutting the employees who have the least seniority, or managers simply using their own decision making discretion, and these may not be the best methods to use when conducting layoffs because non-selective downsizing has the potential to send a harmful message to employees. In an organization where hard work leads to higher pay and promotions, cutting the highest earners often means cutting top performers; this means that their hard work may not only be unrewarded, it is actually being punished by downsizing. This is a potentially harmful

practice for the organization because this shows the surviving employees that working hard may not be rewarded.

When a company engages in performance-based layoffs, they look at employees' performance appraisals and dismiss the employees that are underperforming. According to Cascio (2002), it makes more logical sense as well as economic sense to reward those employees who are performing well rather than picking employees to remain with the company purely based on manager discretion or cost. If companies are just cutting employees across the board or based on salary, this may mean the process is considered less fair by victims, survivors, and onlookers. While research has not specifically compared perceptions of performance-based and non-selective layoff decisions, it is likely, as suggested by Cascio (2002) and others such as Gandolfi (2008), that if there is a performance justification for who is being laid off, then the practices are likely to be perceived as more ethical and just.

Size of organization. There has not been any research on how organizational size influences perceptions of the fairness of downsizing decisions. It is possible that how small or large the organization is can have an effect on how downsizing is perceived. Larger organizations can be seen as more impersonal and thus may not be viewed as negatively because the downsizing will not be seen as much of a betrayal and companies are not expected to be as loyal to their workers. Compared to smaller organizations, larger organizations may be seen as more likely to downsize in the face of an economic recession. Stavrou, Kassinis, and Filotheou (2007) showed that family-based companies (which are generally smaller) are less likely to downsize and less likely to use employees

“primarily as a means to an end.” However, when a smaller organization does downsize, it may be seen more of a violation of the employment contract.

It is also possible that larger organizations may be seen as more able to withstand an economic downturn than smaller organizations, and thus may be perceived more negatively when they decide to downsize. When larger organizations lay off workers, it is also on a much larger scale than smaller organizations, which could negatively impact perceptions as well. This study investigates whether that size influences perceptions of downsizing fairness but given the lack of research on the variable there is no specific hypothesis as to how size influences perceptions of downsizing.

Perceived purpose of decision to downsize. The reason or rationale behind downsizing may make a difference in how the downsizing is perceived by outside stakeholders. If the company is losing money, then downsizing may be seen as a necessary action taken by the company; the downsizing of some employees needs to occur to keep the organization in business and save the jobs of many. However, if the company decides to downsize if it is not a financial necessity, solely because others are doing so or they would like to improve efficiency (Newsweek, 2010), then the downsizing decisions may be seen as unfair, unjust, and even unethical. If the downsizing is not seen as necessary to “save” the organization by employees and other observers, it is likely that the decision will be viewed more negatively by employees, potential employees and customers. While there are plenty of companies that downsize because they are losing money, there has been some research that has shown companies do downsize in imitation of one another in the cases where they are still profitable (Datta et al., 2010). Previous research has not investigated this but researchers of downsizing

(Cascio, 2002, 2010) suggest that the specific financial circumstances surrounding the decisions could influence perceptions of fairness and ethical violations.

Downsizing before and after other options considered. Similarly, a company may be seen in a more favorable (and ethical) light when they have tried other practices such as responsible restructuring before resorting to downsizing. Cascio (2002) emphasized that there are plenty of ways to responsibly restructure companies when organizations focus on employees as assets rather than costs. Feldman and Leana (1994) suggest using other practices before downsizing as a way to better manage layoffs; some of their suggestions include human resource planning systems that focus more on redeployment of manpower than on permanent layoffs and on pay freezes. This way, the number of employees laid off can be reduced or minimized. By immediately calling for the downsizing of its workforce, a company might be considered as having little regard for their employees (Cascio, 2002). In this case, downsizing acts as a means to an end, and will not be perceived as an attractive decision from an outside stakeholder's viewpoint. While research has not specifically investigated whether downsizing after other options have been considered or not, it is likely that this variable has an influence on perceptions of downsizing.

This research attempts to investigate whether *how* downsizing is conducted as determined by the previously discussed process variables influence perceptions of whether the organization conducting the downsizing is fair or violating ethical boundaries. It is important for organizations to take into consideration perceptions about the organization held by outside stakeholders such as potential employees and customers. The reputation of an organization can influence who decides to work for the organization

and customer loyalty to the organization and its products. Perceptions of fairness based on how employees are treated can influence how job seekers would weigh employment offers and even the decision to purchase products or service of the organization.

A policy capturing investigation into downsizing.

This study proposes to investigate how the context and process of downsizing can influence perceptions of fairness and whether ethical violations have occurred. To my knowledge, policy capturing has never been used to study perceptions of downsizing. Policy capturing is a method that statistically describes the relationship between a person's judgment and the cues that are used to make that judgment. Using this method, subjects' perceptions of downsizing can be measured by comparing how individual subjects perceive a decision when a downsizing scenario has certain levels or conditions of the cues to when a scenario has other combinations of cue conditions.

Policy capturing is a more direct method for quantifying the factors that influence people's judgments. Rather than asking participants which cues they think are important in determining their perceptions, policy-capturing uses a within group comparison of responses methodology in order to determine participants' underlying decision making judgments. Research has shown that people are often not consciously aware of what influences their decision making processes and not reliable in reporting the factors influencing their decisions (e.g. Billsberry, Ambrosini, Moss-Jones, & Marsh, 2005; Trailer, 2005). Policy capturing has been used in a number of organizational contexts to gain further insight as to how individuals make decisions; policy capturing studies have been used to assess fit in interviews (Kristof-Brown, Jansen, & Colbert, 2002; Kutcher,

2007), factors influencing decisions in performance appraisals (Hobson & Gibson, 1983), and recruiting (Aiman-Smith, Bauer, & Cable, 2001).

Given its prevalence in today's economy (Cascio, 2012), downsizing is a subject most people have experience with and feelings about. Survey research suggests that even if the person has not had direct experience with downsizing, he or she most likely has a close friend or loved one who has gone through it (Cascio, 2012). Those experiences influence people's perceptions of downsizing and the organizations that decide to do so. The current study utilizes the policy capturing methodology in order to assess how downsizing and the way it is conducted truly influences onlooker perceptions of the fairness of the organization making such decisions.

In this study specifically, I am looking how downsizing is conducted and how people perceive the ethicality and fairness these decisions. This is accomplished by presenting a series of vignettes to participants to represent various combinations of how downsizing might be conducted. The variables chosen are variables that are likely to shape these reactions as suggested by the research and opinion of practitioners and experts. The vignettes each have a unique combination of the independent variables and when analyzed, this determines which of the variables have an impact on the decisions that each subject makes. All the combinations of each level of the independent variables were presented to each subject. Each subject will read about and make ethical and fairness decisions about more than sixty different scenarios where downsizing decisions are made and where each of the process variables of *how* the downsizing is conducted are crossed with each other level of the cues or independent variable.

Research Questions and Hypotheses

I am posing the following hypotheses:

H1a: It is predicted that notice and explanation for layoffs will influence subjects' perceptions of fairness about the downsizing decisions.

H1b: It is predicted that notice and explanation for layoffs will influence subjects' perceptions that an ethical violation has occurred.

H2a: It is predicted that providing assistance to layoff victims in their job search will influence subjects' perceptions of fairness about the downsizing decisions.

H2b: It is predicted that providing assistance to layoff victims in their job search will influence subjects' perceptions that an ethical violation has occurred.

H3a: It is predicted that performance based layoffs will influence subjects' perceptions of fairness about the downsizing decisions.

H3b: It is predicted that performance based layoffs will influence subjects' perceptions that an ethical violation has occurred.

As discussed above, researchers of downsizing and HR practitioners (Cascio, 2002, 2010; Gandolfi, 2008) have suggested certain process and context variables to be important in how downsizing is viewed. However, given the lack of empirical research investigating some of these variables I posed the following research questions:

RQ1a: Will the size of the organization making the decision to downsize affect perceptions of fairness?

RQ1b: Will the size of the organization making the decision to downsize affect perceptions of whether an ethical violation has occurred?

RQ2a: Will the fact that the organization is actually losing money when making the decision to downsize affect perceptions of fairness?

RQ2b: Will the fact that the organization is actually losing money when making the decision to downsize affect perceptions of whether an ethical violation has occurred?

RQ3a: Will attempting other cost-saving methods before making the decision to downsize effect perceptions of fairness?

RQ3b: Will attempting other cost-saving methods before making the decision to downsize effect perceptions of whether an ethical violation has occurred?

RQ4: Which variables will be the most influential in fairness and ethicality perceptions?

RQ5: Will variables such as age, work experience, experience with downsizing, and gender influence the variables that influence perceptions of fairness and ethicality?

Present Study

The present study uses the technique of policy capturing, which uses statistical methods to quantitatively describe the relationship between a person's judgment and the variables that are used to make that judgment. Many research questions in ethics involve assessing the variables that influence peoples' judgments and decisions. Typically, this type of research relies on self-reports of these influences, which research shows is not necessarily very accurate and is subject to social desirability bias (Aronson, Wilson, & Akert, 2009). Policy capturing is a more direct method for quantifying the factors influencing respondents' judgments.

The purpose of the present study is to investigate how the context of the downsizing events and the process behind the implementation of downsizing events can influence the perceptions of the fairness and ethicality of the downsizing decisions, and to

determine which process variables influence these perceptions the most. The policy capturing approach will be used to look at which contextual and process variables influence individual decision makers and what kind of influence these variables have.

Method

Participants

Data was collected from 57 participants for this study. Twelve of the participants were males and 45 were females. Eleven percent of respondents were Asian (6 subjects), 14% were African American (8 subjects), 12% were Hispanic (7 subjects), 61% were Caucasian (35 subjects) and 2% responded Other (1 subject). The mean age was 23 years old and respondents ranged in age from 20 to 32. Sixteen respondents were not employed at the time the study was completed (28%), 34 were working part time (60%), and 7 were working full time (12%). Forty-four percent of subjects had no management experience at the time they completed the study (25 subjects), 51% had some management experience (29 subjects), and 5% had a lot of management experience (3 subjects). Participants were recruited through a class for extra credit and through an Alumni listserv.

Procedure

Subjects were either recruited in a class, or had an email sent to them requesting the participation in an online study that would ask them to complete two surveys (Appendix A). The first survey contained the consent form, demographic information, questions about perceptions of organizational practices, and the second contained various downsizing scenarios and questions about these situations. Interested individuals from the class recruitment emailed the researchers and were sent an email with the link to the first

survey. Interested individuals from the listserv clicked on a link in the initial email from the researcher. The first questionnaire took between 30 and 45 minutes to complete. Two weeks later, the participant received another email containing the link to the second questionnaire that contained various downsizing situations and questions about their perceptions of these scenarios (Appendix B). The second questionnaire took about 45 minutes to 1 hour to complete. After completion of both questionnaires, a debriefing form was sent to the participants and they were thanked for their participation.

Measures

Demographic information. The participants were asked to indicate their age, gender, ethnicity, marital status, if currently in school, highest degree earned, if ever taken an ethics course, spiritual/religiousness, religious affiliation, employment status, how many years of work experience, how many hours per week at work, department and position currently held, and managerial experience.

Perceptions of Human Resource practices. Participants were asked about various Human Resources practices such as affirmative action, downsizing, drug testing, background checks, and Internet monitoring. After they read a description of the practice, they were then asked if they consider this practice ethical, if their current company utilizes this practice, and if they had ever worked for a company that used this practice (Appendix C).

Policy-capturing vignettes. The second questionnaire consisted of 67 policy-capturing vignettes and questions about the fairness and ethics (whether an ethical violation has occurred) of the organization's actions at the end of each vignette. There are 6 different variables or cues, with 2 levels for each variable. It is suggested by experts in

policy capturing research that a minimum of 5 to 10 vignettes be presented for each 'cue' or independent variable and we have a total of 6 cues (Aiman-Smith, Scullen, & Barr, 2002). I also wished to present subjects with a full factorial design of the cues so all the variables are equally represented within the scenarios. Each vignette is a different combination of the variables. The model was a full factorial design so each subject received each level of each independent variable with every other level of the other independent variables. After all the variables were equally represented, three duplicates of randomly selected scenarios were interspersed throughout the scenarios in order to ensure that subjects were answering the questions reliably (Appendix D).

The order of presentation of the cues for each of the scenarios is (a) the size of the organization, (b) whether the organization is currently losing money or just worried about the future, and (c) if the company has tried everything else. After those three variables have been presented, each vignette lists the remaining cue statements (i.e. notice and explanation, performance or highest earner based layoffs, and career outplacement variables) in a random order. The first three variables had to remain consistent in their sequential organization in order to have a coherent scenario.

Independent Variables.

Within group Independent Variables. I looked at the within group effects of the scenario cues or independent variables on the dependent variables of perceived fairness and whether an ethical violation has occurred. For each participant, I ran a regression analysis to see which cues predict whether the organization is perceived to be fair or not, whether an ethical violation has occurred or not, as well as the weight or order of the cues in predicting this.

The independent variables for the vignettes are (a) the size of the organization, (b) if the company is currently losing money or just worried about its financial future, (c) if the company tried other options before considering downsizing or not, (d) if the layoffs are performance based or if they are laying off the highest earners, (e) if the victims are given notice and an explanation by management or no advanced explanation and notice, and (f) if the company provides career outsourcing or not. An example of a vignette is provided below:

- “● Word of Mouth Advertising is a smaller organization with about 80 employees.
- Industry competition and the recent recession have resulted in Word of Mouth Advertising losing money over the past two fiscal years.
 - The financial conditions of the organization has continued to worsen over the past two years and last year the CEO of Word of Mouth Advertising attempted to improve the situation by eliminating raises and retraining individuals in the departments where demand was slow to work in areas that were still functioning well. These changes did not improve conditions and executives at Word of Mouth Advertising have decided that they must lay off 10% of the employees at Word of Mouth Advertising.
 - Executives have instructed all management that they must determine which of their direct reports have been performing in the lowest 10% and that these employees should be laid off.
 - The organization has also instructed management that they should explain the necessity of the layoffs and how they will occur to each of their employees individually or in small groups well in advance of the actual layoffs.
 - Word of Mouth Advertising decided that they will employ a small outside organization to provide career counseling and assistance in finding another job for those who are laid off.”

An example of a scenario with each level of each cue is presented in Appendix D.

Determination of vignette cues. I chose the downsizing process/contextual factors or cues by reviewing the literature on the variables shown through research or suggested by researchers to influence perceptions about the downsizing process (e.g. Cascio 2002,

2010; Brockner, 2002; Datta et. al, 2010), and by using a focus group of 3 HR professionals to discuss variables thought to influence perceptions of downsizing employees.

Between group Independent Variables. I investigated the between group effects of the gender, age, work experience, management experience, religion, experiences with layoffs and view of certain controversial (ethically related) organizational practices such as drug testing and computer monitoring on which cues are chosen to be most “unethical” and “unfair.”

Dependent variables.

Within group analysis. The dependent variables for within group analysis were whether the participant feels the organization is acting in a fair and just manner and whether they feel the organization has violated any ethical boundaries. The participants are asked: “Do you feel that this organization is acting in a fair and just manner?” and asked to respond on the 5 point scale indicating whether they think that the scenario is “Extremely fair and just,” “Very fair and just,” “Somewhat fair and just,” “A little fair and just,” or “Not at all fair and just.” The participants were then asked to indicate how much they agree with the statement: “I think that this organization has violated ethical boundaries” and rate whether they agree on a 5 point scale indicating whether they “Strongly agree,” “Somewhat agree,” “Neither agree nor disagree,” “Somewhat disagree,” or “Strongly disagree.”

Between group analysis. The dependent variables for between group analysis were each subject’s beta weights for each independent variable or cue from the within group regression analyses and r-squared values indicating the amount of variance

explained by all of the independent variables together on subjects' assessment of fairness and ethicality of each scenario for each subjects' regression analysis.

Results

Analyses Conducted

As typical with the policy-capturing methodology, the data were analyzed by running a separate regression equation for each subject. The regression equation determined which cues or IVs predicted ratings of fairness and ethics for each scenario presented and at what weight (with what relative importance each cue effects the DV). If the person's regressions are significant, then this indicates that the subject was reliably attending to the scenarios and consistently using cues to make decisions regarding the scenario. The standardized regression weights are then considered an indication of the relative contribution of each cue or IV on each subject's decisions. Summary statistics regarding the variance explained by the independent variables and the relative contribution of each independent variable will then be reported for all subjects with significant regression equations.

Some between group differences will also be reported. I conducted MANOVAs, t-tests, and correlations to look at the relationship between demographic variables, work and managerial experience, experience with layoffs and self-report perceptions of layoffs. As is often done in regression analyses (Aiman-Smith, Scullen, & Barr, 2002), the standardized beta weights for each independent variable and the r square for each regression equation were each subjects' dependent variables for the between group analyses.

Policy Capturing Main Effects

Each individual participant's data was submitted to a series of within-subject linear regressions. Within each participant, each scenario was recorded as a unique case, with six independent variables and two dependent variables. Effect coding was used for the independent variables, each with two levels. For example, the size of the organization is one variable, if the organization in the scenario was small then it was coded as a "1" and if it was big then it was coded as a "2."

To examine the data against the study's hypotheses, the two dependent variables were regressed onto the six cue variables in order to explore whether participants' policies were adequately captured. A regression analysis was conducted on each dependent variable, with all six independent variables entered simultaneously as predictors. If the regression analysis revealed that the set of cues accounted for a significant amount of variance in the dependent variable, it was believed that the individual's policy was sufficiently captured and that the participant was consistent in the consideration that he/she gave to the available cues. In order to make this determination, the R^2 value and the significance of the F test were examined. The F test needs to be significant at the $p < .05$ level for the policy to be significant. Looking across the R^2 data in the current study's dependent variables, there was great variability in these values (the significant R^2 ranged from .197 to .879). Significant policies were captured for 65% and 67% on each dependent variable respectively.

To test the main effects hypotheses and research questions, the standardized beta weights were interpreted as the strength at which that factor affected the person's decision (as seen by the measurement on the dependent variables). Intercorrelations

among the dependent variables for each participant appear in Table 2. As shown on the table, the correlations ranged from low to high, many of which were negative (which was in accordance with my predictions based on how I dummy coded the variables); this will be discussed in detail later. Also, within each individual, and for each of the two dependent variables, an indicator of inter-rater reliability was calculated by correlating each of the three replicated scenarios with its repeated occurrence, as shown in Table 1.

First, the dependent variable of Fairness was regressed onto the six available cues. The resulting significant R^2 s ranged from .201 to .854, with a mean significant R^2 of .535. Sixty-five percent of the sample (37 out of 57 participants) showed statistically significant policies when using the available cues in formulating their impressions of Fairness. Data for these significant policies for determining fairness appear in Table 5 and data for all the participants is shown in Table 3. In this table, each participant is listed, along with the standardized beta weight for each cue, the R^2 value, and the indication of each value's significance.

Second, the dependent variable of whether an ethical violation occurred was regressed onto the six available cues. The resulting significant R^2 s ranged from .197 to .879, with a mean significant R^2 of .491. There were 38 participants (67% of the sample) that showed statistically significant policies when using the available cues in formulating their impressions of Ethical violation. For the ethics dependent variable, each participant with significant policies is listed in Table 6 along with the standardized beta weight for each cue, the R^2 value, and the indication of each value's significance. All participants are listed in Table 4 for individual policies for determining ethicality.

Hypotheses. Hypothesis 1a predicts that when the organization provides appropriate notice of layoffs and an explanation by management, the organization will be perceived as more fair. Sixty-eight percent of all subjects with significant R-square equations had significant beta weights. Of these subjects with significant beta weights, the mean was $-.433$. The beta range of all the subjects with significant R-square values is $-.736$ to $.237$. The highly negative mean beta weights suggest that notice by management is an important cue for most subjects in determining perceptions of fairness.

Hypothesis 1b states that when the organization provides notice of layoffs and an explanation is given by management, the organization will not be perceived to violate ethical standards. Seventy-nine percent of subjects had a significant beta weight for this variable. Of these subjects with significant beta weights, the mean beta weight was $.423$. The beta range of all the subjects with significant R-square equations is $-.482$ - $.842$. The strong positive mean beta weight suggests that notice and explanation by management is used consistently by most participants in helping them to decide if the decision to downsize is ethical.

In Hypothesis 2a, it is predicted that an organization will be perceived more fairly when the organization provides assistance to layoff victims in their job search following being laid off. Fifty-seven percent of subjects had a statistically significant beta weight for career assistance to layoff victims influencing the perceived fairness of downsizing decision. Averaging standardized beta weights for all subjects that had significant betas, the mean beta weight was $-.297$. The beta range of all subjects with significant R-square values is $-.562$ to $.099$.

Hypothesis 2b states that an organization will be perceived more ethically when the organization provides assistance to layoff victims in their job search. Fifty-three percent of subjects had a significant beta weight for the effects of outplacement following downsizing on how ethical of the downsizing decision is perceived. Averaging standardized beta weights for all subjects that had significant betas, the mean beta weight was .283. The beta range of all subjects with significant R-square equations was -.199 to .488.

Hypothesis 3a asked whether performance based layoffs are viewed as more fair than laying off the highest earners. Eighty-six percent of subjects had a significant beta weight and the mean beta weight for these subjects was -.484. The range of the betas for subjects with significant R-square values is -.886 to .094. The large negative mean beta shows that subjects used the cue of performance-based layoffs in order to make decisions about fairness.

Hypothesis 3b investigates whether layoff decisions made according to employee performance are viewed as more ethical than those made based on earned income or other criteria. Seventy-six percent of subjects had significant beta weights for this variable and the mean beta weight for these subjects was .390. Betas for subjects with significant R-square values ranged from -.412 to .739. The positive mean beta indicates that subjects used the cue of whether the downsizing decision was based on performance to decide if the organization was violating ethical boundaries.

Research Questions. Research Question 1a investigated whether the size of the organization making the decision to downsize affected perceptions of fairness. Only 11% of subjects had a statistically significant beta weight for size of organization and those

subjects with significant betas had a mean of .072. Subjects with significant R-square values had betas ranging from -.340 to .255. The small positive mean beta indicates that subjects did not use size of the organization as a cue in determining if the organization was making fair decisions.

Research Question 1b looked at whether size of the organization making the decision to downsize affected perceptions of whether an ethical violation occurred. Five percent of subjects had a significant beta weight for organizational size influencing the ethicality of the downsizing decision and of those subjects with significant beta weights the mean was .257. Subjects with significant R-square values have betas ranging from -.224 to .297.

Research Question 2a asked whether perceptions of downsizing fairness would be influenced by whether the organization was actually losing money when they made the decision to downsize or whether they were downsizing to attempt to avoid future. Eight percent of subjects had a significant beta weight for this variable and those participants with significant beta weights had a mean beta of -.330. Subjects with significant R-square equations have betas ranging from -.334 to .108.

Research Question 2b investigates whether the current financial condition of the organization influences perceptions of an ethical violation occurring. Eleven percent of the subjects had a significant beta weight for this variable and those subjects with significant beta weights had a mean beta of .290. Betas for subjects with significant R-square values ranged from -.100 to .349. The positive beta weight indicates that when the organization is losing money at the time of their downsizing, then subjects are less likely to see the organization as violating ethical boundaries. However, the low percentage of

subjects with significant beta weights indicates that subjects' perceptions of ethicality are often not influenced by the organization's current financial condition when deciding to downsize.

Research Question 3a asked whether attempting other cost-saving methods before making the decision to downsize effects perceptions of fairness. Eight percent of subjects had a significant beta weight for this variable. Subjects with significant beta weights had a mean of $-.118$. Betas for subjects with significant R-square values ranged from $-.258$ to $.153$.

In Research Question 3b, the question is whether attempting other cost-saving methods before making the decision to downsize effects perceptions of ethical violations occurring. Three percent of subjects had a significant beta weight for this variable. The mean beta weight for subjects with significant betas is $.190$. Betas for subjects with significant R-square values ranged from $-.217$ to $.212$. The low mean beta weight indicates that the majority of subjects did not consistently use this variable in making their decisions about whether an ethical violation had occurred.

As for Research Question 4, organizations that conducted performance-based layoffs, that provided ample notice by management, and those that provided outplacement assistance to downsizing victims were those perceived to be fair and ethical. These three variables were the most influential in fairness and ethicality perceptions. The percentage of all the participants who used each of the cues in making their decisions is represented in Table 7. Table 8 is a summary that represents all those participants with significant equations.

For the Fairness dependent variable, there were a number of interesting findings in regards to which variables influenced subjects the most. Nineteen of the 37 subjects with significant equations relied most on the performance-based downsizing cue to make their decisions, for 12 subjects the notice/no notice cue was the most influential, for 5 of the subjects the outplacement assistance variable was the most important, and only 1 subject weighted the size variable most heavily in making the decision. As determined by significant beta weights, seven subjects used only one cue to determine their fairness perceptions, 14 subjects used two cues, 11 subjects used three cues, and 5 subjects used four cues in making decisions. Table 5 lists how many cues that each subject used to make decisions and which independent variable was used the most by each subject in making their determinations.

Sixteen subjects weighted the performance-based cue most heavily in determining if an ethical violation had occurred, 16 weighted the notice/no notice cue most heavily, 4 weighted the outplacement assistance variable, and 1 subject weighted whether the organization was currently losing money most heavily to make their decisions about whether an ethical violation had occurred. Seven subjects used only 1 cue to make their determinations of an ethical violation, 14 subjects used 2 cues, 14 subjects used 3 cues, and 2 subjects used four cues in deciding their answers of whether an ethical violation had occurred. Table 6 lists how many cues that each subject used to make decisions and which independent variable was used the most heavily by each subject in making their determinations

Dependent Variable Correlations

Analyses were conducted to investigate whether the two dependent variables were highly correlated with each other. Pearson correlations found that 75% of subjects (43 out of 57 subjects) had significant correlations between the dependent variables. The correlations can be found in Table 2. The mean correlation was significant and negative - 0.439. This means that when subjects felt that the organization behaved in a fair manner, they were more likely to believe that the organization did not violate ethical boundaries. The dependent variables were found to be intercorrelated and that, in general, rating a layoff decision as unfair meant it was more likely the subject decided an ethical violation had occurred. However, the correlation between the two dependent variables wasn't extremely strong, indicating that participants did in fact distinguish between the two dependent variables.

Reliability

To ensure that subjects were consistently using the cues to make their decisions, three scenarios were duplicated in the study. Pearson correlations were conducted to investigate and can be seen in Table 1. By comparing the exact same scenarios on both dependent variables, it was found that all reliability coefficients were significant but one.

Between Subjects Analyses

Looking into Research Question 5, variables such as age, work experience, experience with downsizing, management experience, and gender were investigated to see if these variables influenced which cues influenced fairness and whether ethical violations occurred. Between group analyses attempted to explore whether certain demographic variables (e.g. age, gender) and experience with layoffs predicted which

variables influence subjects' perceptions of fairness and whether an ethical violation occurred. The dependent variables for these analyses were the significant beta weights and significant r-square equations for both dependent variables. As is noted above, only subjects with significant equations were included in the between group analyses resulting in including 37 subjects when analyzing "fairness" r-square values and beta weights, and 38 subjects when analyzing ethical violation r-square values and beta weights.

Age. Subjects' ages were recorded and in order to see if age was a significant factor in the decision making process, age was correlated with the significant r-square equations for each of the r square values and for the standardized beta weights for each cue. The correlations indicate that age was not a significant factor influencing which cues were important to individuals.

Gender. Subjects were coded as either male or female. T-tests were conducted to determine whether gender influenced which variables affected decisions of fairness and ethicality. T-tests indicated that gender was not a significant predictor of which cues predicted fairness and ethics.

Employment status. Since the topic of the study was downsizing, it was possible that employment status was another variable that could influence the decision making process. The employment question asked if subjects were employed full time, part time, or not working at all. It was thought that the beta weights were "theoretically related" dependent variables so a one-way MANOVAs was planned. The MANOVA was not significant. However, for subjects that had significant regression equations, 5 subjects were employed full time, 22 part-time, and 10 were not employed. The lack of subjects in full time employment and the differences in sample sizes between the three groups did

not give enough power to accurately interpret results. Consideration was given to collapsing categories and putting all working subjects together and conducting t-tests, but this would result in only 10 subjects in the unemployed category and 27 subjects in the employed category, which again would not allow accurate interpretation of results.

Management experience. Subjects indicated how much management experience they have had. The number of subjects with significant regression equations with a lot of management experience was very low (three or four subjects depending on the dependent variable). The information was recoded and that subjects were split into two groups: (a) those with no management experience and (b) those with management experience. T-tests were conducted on this variable against the significant beta weights and significant r-square equations for both dependent variables, which found no significant results.

Experience with downsizing. Subjects were asked a few questions on the topic of their experiences with downsizing and how they personally felt about the ethicality of downsizing. In regards to the question asking if they've ever worked for an organization that downsized, the variable had to be recoded into two (instead of three) groups because there were not enough subjects in certain conditions to test. The two new groups were: (a) those who have ever worked for an organization that downsized and (b) those that either have not or don't know. T-tests were conducted with the significant beta weights and significant r-square equations and none of the tests were significant.

As for the question of whether the subjects' current company conducted downsizing, one way MANOVAs were planned with the beta weights as dependent variables. The analysis could not be run because the number of subjects between conditions was very different and there were not enough subjects in certain conditions.

Another question that was considered as a possible predictor in the subjects' decision making process was whether subjects thought downsizing was ethical or not. This data could not be analyzed because only three subjects found downsizing to be "always" ethical, 34 or 35 subjects found it to be "sometimes" ethical, and no subjects found downsizing to "never" be ethical. These tests found this variable could not be run because the number of subjects in each condition was very different and there were not enough subjects in certain conditions.

Ethics course experience. Whether subjects have taken an ethics course prior to the study was a demographic variable because previous experience with ethics could be a potential variable that effects the decision making process. T-tests were conducted with the significant beta weights and significant r-square equations for both dependent variables. None of these tests showed significant results.

Discussion

The aim of the current research was to explore why downsizing is being conducted and whether the process of *how* downsizing events are implemented influence fairness and ethics perceptions of the decisions to downsize. Because downsizing is a complicated process and one that has serious implications for an organization's stakeholders, it is a topic that deserves our attention and research. How organizations conduct their layoffs is important to those within the organization and it also can send a message to those outside the organization such as potential customers and potential applicants.

These findings are important for both research as well as the business world, as the perceptions of process fairness (or procedural justice) of outside stakeholders can

have an impact on organizational success. Knowing the context and process variables surrounding a downsizing that are important to outside stakeholders can give employers direction to fairly and ethically plan future downsizing events.

In the current study, a policy capturing approach using an online survey methodology was used to investigate how subjects perceived the fairness and ethics of organizations deciding to conduct layoffs. Six factors determined by human resource professionals and suggested by researchers of downsizing (e.g. Cascio, 2002; Gandolfi, 2008; Datta, et. al, 2010) were chosen to be systematically manipulated in the scenarios so as to determine the relative contribution of each contextual variable on the fairness and ethicality of downsizing decisions.

Findings

In research situations where various cues can have an impact on subjects' decision making processes, policy capturing is effective for testing the significance and the relative contribution of each variable in an experimental manner. Research finds that self-report data doesn't always closely correspond to how individuals actually make decisions (Trailer, 2005), and as such our study provides more explanation of how organizational stakeholders view downsizing decisions. In the current study, the size of the organization, whether the company is currently losing money, whether the organization has tried alternative methods prior to downsizing, whether the layoffs are performance-based or based on the highest earners, whether the organization gives ample notice and explanation by management, and whether the organization provides career assistance to the downsizing victims, were the process variables investigated as possibly influencing fairness perceptions of downsizing decisions. When these cues were presented as the

stimuli in the scenarios, a significant portion of the subjects formed stable policies. This indicates that the subjects made use of at least one of the cues consistently to arrive at the decision outcomes. The R^2 variables for each of the six outcome variables varied greatly, which suggests that individuals utilized the cues to different extents when evaluating the scenarios.

Hypotheses 1a and 1b were supported, indicating that subjects found organizations to be more fair and ethical when ample notice was provided and an explanation of the layoff decision was given by management. These results were not surprising, given that this variable was included due to the research surrounding notice of layoffs and source of layoff explanations (e.g. Feldman & Leana, 1994, Mansour-Cole & Scott, 1998).

In addition, Hypotheses 2a and 2b were supported which showed that the cue of whether organizations provide career assistance or not has an impact on how fairly and ethically the subjects perceived the organizations. The research on human resource practice during layoffs suggests that outplacement assistance can be considered a practice to better manage layoffs (e.g. Feldman & Leana, 1994) and this study demonstrates that organizations are perceived as more fair and ethical when career assistance is provided to the layoff victims.

The majority of subjects used the variable of whether the layoffs are performance-based or based on the highest earners to decide on how fair and ethical the organization was when conducting the layoffs. The findings from investigating Hypotheses 3a and 3b found that layoffs made based on performance are perceived as more ethical and fair as compared to those not based on performance.

Counter to Research Questions 1a and 1b, it was found that the size of the organization did not have an effect on most subjects' perceptions of fairness and ethicality. A very small percentage of subjects seemed to use this variable when making decisions on how fair or ethical an organization behaved. Research Questions 2a and 2b were not supported; whether the organization was currently losing money at the time of the downsizing event was only used by a small percentage of subjects in making fairness assessments. The low beta weights for Research Questions 3a and 3b suggest that most subjects don't consider whether the organization that was downsizing tried other alternative methods before downsizing when deciding on the fairness and ethicality of that organization's actions. It seems that these three variables were not actively used by most subjects during the decision making process.

Research Question 5 asked whether demographics and individual differences would influence which cues affected perceptions of fairness and ethics. Demographics such as age and gender were also looked into to see if the variables had any effect on the subjects' decision making processes. The level of management experience subjects had as well as their work experience and their experience with layoffs were examined as possible influences as well. None of the individual subjects' between group analyses were found to be significant, which indicates that the individual subjects' backgrounds did not have a significant influence on their judgments.

Practical Implications

Brockner et al. (1994) studied victims and survivors when assessing organizational trust and procedural justice. Researchers found that when perceived procedural fairness was low, there was a negative relationship between layoff severity

and organizational trust for both victims and survivors. The current research was able to determine some of the variables that influence processes of fairness or procedural justice.

The study's findings have some practical implications for managers and human resources personnel alike. When conducting layoffs, it is important to keep in mind how fair and ethical the organization is perceived as behaving by stakeholders such as potential customers, applicants and employees, considering how procedural justice perceptions have been shown to be related to important constructs such as organizational trust and outcome negativity (Brockner et al., 1994). Three of the variables in the study have significant beta-weights for a majority of subjects, which indicate that there are features of the process and context of downsizing which influence perceptions of the organization's fairness and ethicality.

Findings suggest that organizations that lay off their employees based on performance, give ample notice and an explanation by management, as well as provide career outsourcing will be perceived as both more fair and more ethical by outside stakeholders. Being considered a fair and ethical organization may also translate into a number of positive outcomes for that organization, including maintaining a good reputation and having customers view the organization in a positive light. One positive outcome to being viewed in a fair and ethical manner is that those organizations may attract more potential applicants in the future and customers might show more loyalty to the organization (Love, 2008). Organizations that take care of their employees, even in hard times, have the potential to attract more potential applicants as well as retain their current talent more easily.

Not having a job or management experience didn't significantly affect how subjects perceived the downsizing scenarios. While most of the subjects in the study were students, the majority (72% of subjects) did work and the results were not significantly different than those who didn't work. This could be because even if the subjects did not have a job at the time of the study, all of subjects indicated that they had more than one year of work experience. Also, such a high percentage of organizations today conduct layoffs that many people likely have experience with someone they know well being laid off-even if they do not work. This experience may not be as salient as being a victim or a survivor of a layoff, but the experience influences perceptions of layoffs.

The cues that the majority of subjects used to make decisions about fairness and whether an ethical violation has occurred were providing career assistance, performance-based layoffs, and providing ample notice by management. Some subjects did use the cues size, whether the organization was currently losing money, and trying alternative methods before downsizing in making decisions, but many subjects did not use these cues. The cues used by most subjects can arguably be considered process variables, while those that were not significant were context variables. These findings suggest that subjects considered the *process* behind downsizing actions of an organization were more important in determining whether the organization was acting in a fair and just manner, and that the *context* behind the downsizing decision was not as important in making these determinations.

Analysis showed that the majority of subjects utilized the performance-based cue, the notice/no notice cue, and the outplacement assistance cue the most in determining the fairness of the downsizing decisions and whether an ethical violation has occurred. These

findings suggest that subjects attended more to the process cues rather than the context of the downsizing decisions. Also, the majority of subjects used a total of two or three cues simultaneously in order to make their judgments for both the fairness and ethicality of the organizations.

Theoretical Implications

The findings of this study support and extend previous research on downsizing. Past research found that management giving ample notice and explanation and using proactive human resource practice, impacts the perceptions of the fairness and ethicality of an organization for victims and survivors of layoffs, and results found that these variables influence perceptions of fairness for “onlookers” or potential stakeholders. Wanberg, Bunce and Gavin (1999) found that explanation for layoffs is associated with higher perceived fairness of the downsizing actions, and further research found that hearing information straight from management result in higher ratings of procedural fairness (Mansour-Cole & Scott, 1998). Other studies have shown time and again that human resource practices have influence over individual perceptions of the organization (Delaney & Huselid, 1996; Alder, Schminke, & Noel, 2007), which can include career outsourcing as it is a progressive human resource practice. Research has not specifically included career outplacement assistance following a downsizing but has looked at human resource practices overall and the current research shows that career assistance impacts perceptions of downsizing. The current research therefore supports past research by finding that providing advanced notice of layoffs influences perceptions of procedural justice and extends past research by finding that conducting performance based layoffs

and providing career assistance to downsizing victims influences perceptions of procedural fairness and the ethics of the downsizing decisions.

It's also important to note that in our analyses the vast majority of subjects found layoffs to be "sometimes" ethical rather than "always" or "never" ethical, which suggests that downsizing itself is not perceived unethical in all contexts, but rather the process in which the decisions are carried out that impacts perceptions. I investigated variables that asked "why" the layoffs are occurring and "how" they are occurring. Results indicated it is "how" variables influence perceptions of fairness and ethics.

Strengths and Limitations

Other aspects of the study should be noted, including the strengths and weaknesses specifically pertaining to the current study as well as strengths and weaknesses of policy capturing studies overall.

Policy capturing was used in the current study in order to more directly quantify the factors that influenced people's decision-making judgments. The relationship between how people perceive the fairness and ethicality of downsizing decisions, and the cues that are going to influence these perceptions, can be more accurately determined using the policy capturing technique. The level of experimental control leads to greater internal validity compared to other research designs which could have been used instead. While using six cues, with two levels per cue, the sixty-seven scenarios presented to subjects provided a manageable number of scenarios to consider. Most policy capturing studies in the literature use "only one profile for each cell of the factorial combination of cues" (Kutcher, 2007), the current study provided a full factorial design and all subjects were exposed to all levels of each cue. Because the subjects were exposed to the six variables

fully crossed, there is greater confidence that the policies that were captured were truly representative of subjects' usage of the cues in their decision making processes.

Other practices from the policy capturing literature were utilized in the current study. These included (partial) random ordering of the cues in each scenario, utilization of replicating scenarios in order to determine inter-rater reliability, and the inclusion of practice questions in the beginning of the survey in order to acquaint the subjects with the scenarios. All these factors strengthen the internal validity of our findings.

There are some aspects of the current study that should be noted as limitations. The size of the sample for the study was a definite limitation, as approximately a third of the participants did not have significant reliable data to use and could not be used. More subjects for the study would have been ideal. Another limitation was that some of the subjects may not have taken the study seriously and may not have paid attention to the scenarios' details. A possible way to remedy this problem is that a question of how seriously the subjects took the scenarios could have been included, or a question about which variables that the subjects used in their decision making could be asked and correlated to results.

The population is a limitation to the study for another reason as well. The majority of the subjects who completed the surveys were students who completed the study for course credit. This may cause some problems when trying to generalize the findings to other populations, but it should be noted that almost all participants had work experience and some had at least a little managerial experience. Ideally, a more diverse population of subjects would have been used for the study. However, the demographic variables were not found to influence fairness and ethicality perceptions, which suggests

that this may not have been a real problem. Also, it is important to note that the current study was looking at outside stakeholders such as potential applicants and consumers, which the subjects are arguably a part of.

Another possible limitation of this research could be that participants may have needed more time to “ramp up” or more practice surveys before beginning the study. This could be a weakness of the research, but researchers randomly picked five subjects (2, 3, 21, 27, and 34) and reran the regression equations without the first four scenarios (assuming subjects were “ramping up” or getting used to the policy capturing process during this time). R squares stayed the same or decreased when eliminating these first four scenarios for all subjects assessed, indicating that ramping up quickly was not a problem for these subjects. These potential “ramp up” effects may have been mitigated by incorporating 2 practice questions (or an orientation set of scenarios) in the beginning of the survey, which is something that many policy capturing studies include in their studies (Kutcher, 2007).

Fatigue effects could also be a limitation of this study. The second survey with all the scenarios included sixty-seven vignettes to read through and make judgments on, which took subjects at least an hour to complete. It is possible that subjects could have experienced fatigue effects, which is when subjects get worse at a task over time. However, research suggests that fatigue effects are more likely when subjects are presented with 100 or more scenarios (Cooksey, 1996).

Another potential limitation is the high correlation between the dependent variables. Although fairness and ethical boundaries can potentially be related constructs and the pattern of responses may reflect subjects’ actual cognitions, the correlation,

though not extremely high, could be a problem. It is an issue because it is unclear whether the independent variables are actually predicting what each dependent variable is, or whether they are predicting a combination of the two dependent variables.

Future Directions

Future research could shed some more light on the findings related to the significant independent variables in the study. Simply extending the current research by having more levels to the independent variables is one consideration that might make the scenarios more realistic (e.g. the basis of the layoffs could be selective by performance, manager's discretion, or based on the highest earners). Another option could be to split up the independent variable of notice and explanation into "notice by human resources" or "notice by management", and "explanation" or "no explanation".

Future research should explore the performance-based layoff findings in more detail. Survey methodologies could investigate how victims and survivors view performance-based versus non-selective layoffs after downsizing events.

Other future directions could include assessing how other context and process variables in downsizing situations influence perceptions of fairness and ethicality. Other variables could include whether the downsizing is following a hostile merger or an acquisition, and the type of industry that the organization is in (e.g. manufacturing, service, etc.).

Conclusion

The current study was the first of its kind investigating stakeholder perceptions of the fairness and ethicality of organizations downsizing decisions using a policy capturing methodology. Research found that subjects seem to use cues from the scenarios to form

their impressions of how fair and ethical that organization's actions were. Organizations that conducted their layoffs based on performance, as well as those who gave ample notice by management and provided career outplacement assistance, were more likely to be perceived in a better light. While there were some limitations of the study, our study has found some of the factors contributing to how downsizing is perceived, which helps to shed light on how to make the downsizing process more fair and acceptable to both those within the organization and those looking in from the outside.

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Appendix A

Email for Time 1 Survey

Hello,

I am conducting a research study on how people make and view organizational decisions. We are asking you for your participation because we need participants who have experience working within organizations or who have experience with organizational decision making. Your participation would be greatly appreciated.

In this study you will be asked for some information about yourself as well as your opinions about some workplace practices. The second survey will consist of reading scenarios about different workplace situations and you will be asked how you feel about the organization's actions in these situations.

If you decide to participate in the study, there will be 2 surveys you will be asked to complete. The surveys will take about 30-45 minutes each. The first survey's link is in this email, and the second survey will be sent to you about a week and a half after completion of the first.

You may not want to complete this survey at your workplace due to possible lack of privacy.

If you are interested in participating, please click on the link below.

<http://www.surveymonkey.com/s/7YPD6TZ>

Your code will be your first initial, your last name initial, and your birthdate (month and day). For example John Smith's code would be: JS915.

Please complete the survey by _____.

Thank you very much for your time!

Sincerely,

Ms. Diana Evans
I/O Graduate Student
Montclair State University
email: evansd4@mail.montclair.edu

Appendix B

Email for Time 2 Survey

Hello,

Thank you very much for completing the first part of my study and for your participation. This is the second part of my study and would greatly appreciate it if you could fill it out at your earliest convenience.

The second part of the study should take about 45 minutes to 1 hour to complete. The second survey will consist of reading scenarios about different workplace situations and you will be asked how you feel about the organization's actions in these situations.

Please click on the link below. People have been having a problem with the link, but if you copy and paste it into your browser it usually works. The first page should say "Questionnaire 2-Layoffs."

<http://www.surveymonkey.com/s/SKLXKYR>

Your code will be your first initial, your last name initial, and your birthdate (month and day). For example John Smith's code would be: JS915.

Please complete the survey by _____.

Thank you very much for your time!

Sincerely,

Ms. Diana Evans

I/O Graduate Student
Montclair State University
email: evansd4@mail.montclair.edu

Appendix C

Time 1 Survey

ID Number

1. Please enter the ID code that was provided to you via e-mail:

Consent Form

Ethics and Downsizing: A Policy-Capturing Approach

You are invited to participate in a study investigating organizational decisions and whether they are ethical or not. I hope to learn how people make and view organizational decisions. You were selected as a possible participant in this study because we need participants who have experience working within organizations or who have experience with organizational decision making

If you decide to participate, please complete the following survey. Your completion of this survey indicates your consent. The survey is designed to study your perceptions of organizational decisions. It will take about 30-45 minutes to complete. No benefits accrue to you for answering the survey, but your responses will be used to find out about decisions that occur in organizations and how they are made. These surveys contain questions about downsizing. If you have negative experiences with downsizing, you may feel distress from this experience and may not want to participate. If you do choose to participate, and feel uncomfortable at any point you should have counseling center close by that you can contact. The risks are not expected to be any greater than anything you encounter in everyday life.

For students: Your participation in this survey will not be known to your professors and will have no effect on your grades.

You may not want to complete this survey at your workplace due to possible lack of privacy.

Any information that is obtained in connection with this study cannot be identified and so there is little or no chance that the answers you supply can be traced to you. If you decide to

participate, you are free to stop at any time, you may also skip questions if you don't want to answer them or may refuse to return the survey.

Please feel free to ask questions regarding this study. You may contact Ms. Diana Evans later if you have additional questions at (973) 626-5426 and evansd4@mail.montclair.edu. Any questions about your rights may be directed to Dr. Debra Zellner, Chair of the Institutional Review Board at Montclair State University at reviewboard@mail.montclair.edu or 973-655-4327.

Thank you for your time.

Sincerely,

Ms. Diana Evans
I/O Graduate Student
Montclair State University
evansd4@mail.montclair.edu

2. I understand that my participation in this study is entirely voluntary, and that refusal to participate will involve no penalty or loss to me. I am free to withdraw or refuse consent, or to discontinue my participation in this study at any time without penalty or consequence.

Please check one of the following two options.

Yes, I voluntarily consent to participate.

No, I do not wish to participate.

3. It is okay to use my data in other studies.

Yes, I agree to using my data in other studies.

No, I do not wish to have my data used in other studies.

About Me

Please answer the following questions by filling in the blank when indicated or check the circle corresponding to the answer that best applies to you.

4. What is your age as of your last birthday?

5. What is your gender?

Male

Female

6. Please describe your ethnicity.

Asian, Asian American, or Oriental

Black or African American

Arab, Middle Eastern, or Arab American

American Indian or Alaskan Native

Hispanic or Latino

White or Caucasian (not Hispanic or Latino)

West Indian

Other (please explain below)

Other

7. What is your marital status?

Single, with no children

- Single, with full custody of my children
- Single, with partial custody of my children
- Single, without custody of my children
- Married, with no children
- Married, with children
- Divorced, with full custody of my children
- Divorced, with partial custody of my children
- Divorced, without custody of my children
- Widowed
- Not married but living with partner
- Other (please explain below)

Other

8. Are you currently still in school?

- Yes
- No

If Yes, what degree are you working towards?

9. What is the highest degree that you have earned?

- G.E.D.
- High School diploma

- Associates degree
- Bachelor's degree (B.A. or B.S.)
- Master's degree (M.A., M.S., M.B.A.)
- Doctorate degree (M.D., D.O., Ph.D., J.D., etc)
- Other (please explain below)

Other

10. Have you ever taken an ethics course?

- Yes No

11. Which of the following best describes you?

- I am spiritual and religious.
- I am spiritual but not religious.
- I am religious but not spiritual.
- I am neither spiritual nor religious.

If you feel that none of these options represents your status, please explain how you would describe yourself.

12. With what religion do you identify yourself?

- Judaism
- Islam
- Buddhism

- Christianity
- Hinduism
- Atheist
- Agnostic
- Other (please specify)

Other _____

13. Which of the following best describes your employment situation?

- I am not currently employed.
- I am currently employed part-time.
- I am currently employed full-time.

14. How many years of work experience do you currently have?

15. How many hours per week do you work, on average?

16. Which of the following best describes your managerial experience?

- I have no managerial experience.
- I have some managerial experience.
- I have a great deal of managerial experience.

HR Policies 1 of 5

Please read the following descriptions of several HR policies and answer the questions that follow.

Affirmative action is an attempt to promote equal opportunity by instituting policies that take factors including race, ethnicity, gender or national origin into consideration in order to benefit an underrepresented group.

17. Do you consider this practice ethical?

- It is always ethical for an organization to hire a racial/ethnic minority or female candidate over a male or non-minority candidate who has the same or very similar qualifications.
- It is only ethical for an organization for an organization to hire a racial/ethnic minority or female candidate over a male or non-minority candidate who has the same or very similar qualifications if there is a lack of female or ethnic/racial minorities within the organization.
- It is never ethical for an organizations to hire a racial/ethnic minority or female candidate over a male or non-minority candidate who has the same or very similar qualifications.

18. Does your current company use affirmative action?

- Yes
- No
- Not that I know of

19. Have you ever worked for a company which used affirmative action?

- Yes
- No
- Not that I know of

HR Policies 2 of 5

Downsizing is the permanent personnel reduction of a company's workforce for business reasons, such as an attempt to improve efficiency and/or effectiveness.

20. Do you consider this practice ethical?

- It is always ethical for an organization to lay off employees if it wishes to.
- It is only ethical for an organization to lay off employees if the organization must do so to stay in business.
- It is never ethical for an organization to lay off employees.

21. Has your current company ever had to downsize?

- Yes
- No
- Not that I know of

22. Have you ever worked for a company which had to downsize?

- Yes
- No
- Not that I know of

HR Policies 3 of 5

Drug testing is a laboratory analysis of a person's urine, hair, blood, sweat, or saliva, which is used to determine the presence of drugs in an employee's (or potential employee's) body.

23. Do you consider this practice ethical?

- It is always ethical for organizations to conduct random drug testing of employees
- Drug testing is ethical only if there is evidence that a current employee is doing drugs or if there are safety concerns related to completing the employee's job correctly.
- It is never ethical for organizations to conduct random drug testing of employees.

24. Does your current company test its employees for drugs?

- Yes
- No
- Not that I know of

25. Have you ever worked for a company which tested its employees for drugs?

- Yes
- No
- Not that I know of

HR Policies 4 of 5

Background checks are the process of looking up and compiling information about an individual, which can include criminal, commercial and financial records. They are often requested by employers about job candidates, especially when the job requires high security or is a position of trust.

26. Do you consider this practice ethical?

- It is always ethical for organizations to conduct background checks of potential employees.
- It is ethical for organizations to conduct background checks of potential employees if the potential job involves working in a position of trust or one of high security .
- It is never ethical for organizations to conduct background checks of potential employees.

27. Does your current company use background checks?

- Yes
- No
- Not that I know of

28. Have you ever worked for a company that used background checks?

- Yes
- No
- Not that I know of

HR Policies 5 of 5

Internet monitoring is the active surveillance by an employer of an employee's Internet activities. The goal of Internet monitoring is to prevent employees from using the Internet for personal use while at work.

29. Do you consider this practice ethical?

- It is always ethical for organizations to monitor the Internet usage (sites visited, time spent at each site, overall time spend on Internet) of their employees.
- It is only ethical if they suspect that the employee is spending a lot of time on the Internet or going to sites that are in appropriate.
- It is never ethical for organizations to monitor the Internet usage of their employees.

30. Does your current company monitor its employees' Internet usage?

- Yes
- No
- Not that I know of

31. Have you ever worked for a company that monitored its employees' Internet usage?

- Yes
- No
- Not that I know of

Appendix D
Time 2 Survey

ID Number

1. Please enter the ID code that was provided to you via e-mail:

Scenario Instructions

You will now be presented with 64 workplace scenarios. Please read each scenario carefully, as they may look similar but they are all different. After each scenario, you will be asked to report your opinion on the organizations' actions.

Scenario 1 of 67

- Word of Mouth Advertising is a smaller organization with about 80 employees.
- Industry competition and the recent recession has resulted in Word of Mouth Advertising losing money over the past two fiscal years.
- The financial conditions of the organization has continued to worsen over the past two years and last year the CEO of Word of Mouth Advertising attempted to improve the situation by eliminating raises and retraining individuals in the departments where demand was slow to work in areas that were still functioning well. These changes did not improve conditions and executives at Word of Mouth Advertising have decided that they must lay off 10% of the employees at Word of Mouth Advertising.
- Executives have instructed all management that they must determine which of their direct reports have been performing in the lowest 10% and that these employees should be laid off.
- The organization has also instructed management that they should explain the necessity of the layoffs and how they will occur to each of their employees individually or in small groups well in advance of the actual layoffs.
- Word of Mouth Advertising decided that they will employ a small outside organization to provide career counseling and assistance in finding another job for those who are laid off.

1. Do you feel that this organization is acting in a fair and just manner?

- Extremely fair and just
- Very fair and just
- Somewhat fair and just
- A little fair and just
- Not at all fair and just

2. I think that this organization has violated ethical boundaries.

- Strongly Agree
- Somewhat Agree
- Neither Agree nor Disagree
- Somewhat Disagree
- Strongly Disagree

Scenario 12 of 67

- Lightbulb Consulting Co. is a large organization with about 30000 employees.
- Seeing a decrease in profits over the past two fiscal years, the organization feels that they must “tighten their belts” to improve profits.
- The financial conditions of the organization have continued to worsen over the past two years. Executives at Lightbulb Consulting Co. have decided that they must lay off 10% of the employees at Lightbulb Consulting Co.
- The HR director suggested to Lightbulb Consulting Co.'s CEO that they hire an outside organization to provide career counseling and assistance in finding another job for those who are laid off, but the organization decided that this would be too costly under the current financial circumstances.
- The organization is fearful that employees that are not slated to be laid off will leave if they hear of layoffs prematurely and has instructed management that they should not discuss the layoffs until they call the individuals who are being laid off into their offices to lay them off.
- Executives have instructed all management that they must lay off 10% of their direct reports. They have told managers that they should make their decision based on salary and unless they directly apply for an exception that the top 10% highest paid employees should be laid off.

1. Do you feel that this organization is acting in a fair and just manner?

- Extremely fair and just
- Very fair and just
- Somewhat fair and just
- A little fair and just
- Not at all fair and just

2. I think that this organization has violated ethical boundaries.

- Strongly Agree
- Somewhat Agree
- Neither Agree nor Disagree
- Somewhat Disagree

Strongly Disagree

Table 1.

Reliability Correlations among Vignettes

Scenarios	r	Sig.(2-tailed)
4+67 (DV1)	.087	.520
4+67 (DV2)	.409**	.002
12+30 (DV1)	.483**	.000
12+30 (DV2)	.605**	.000
26+50 (DV1)	.323*	.014
26+50 (DV2)	.331*	.012

Table 2.

Correlations among Dependent Variables

Participant	r (DV1 DV2)	Sig. (2-tailed)
1	-.122	.325
2	-.803**	.000
3	.243*	.048
4	-.266*	.030
5	-.778**	.000
6	.155	.210
7	-.960**	.000
8	-.256*	.037
9	-.834**	.000
10	-.045	.719
11	-.852**	.000
12	-.883**	.000
13	-.654**	.000
14	-.133	.284
15	-.580**	.000
16	.057	.645
17	.257*	.036
18	-.734**	.000
19	.538**	.000
20	-.939**	.000
21	-.589**	.000
22	-.015	.903
23	.212	.080
24	-.922**	.000
25	-.978**	.000
26	.007	.957
27	-.835**	.000
28	.025	.841
29	-.585**	.000
30	-.897**	.000
31	-.824**	.000
32	-.857**	.000
33	-.223	.070
34	-.691**	.000
35	-.617**	.000
36	-.863**	.000

37	-.881**	.000
38	-.963**	.000
39	.972**	.000
40	.459**	.000
41	-.970**	.000
42	-.416**	.000
43	-.887**	.000
44	.036	.772
45	-.802**	.000
46	.180	.144
47	-.949**	.000
48	-.949**	.000
49	.327**	.007
50	.049	.695
51	-.121	.328
52	-.769**	.000
53	-.791**	.000
54	-.747**	.000
55	-.554**	.000
56	-.265*	.030
57	-.767**	.000

Note: * $p < .05$, ** $p < .01$

Table 3.

Individual Policies for Determining Fairness

ID	β_{IVsize}	β_{IVmone} y	β_{IVtry}	$\beta_{IVselective}$	$\beta_{IVnotice}$	$\beta_{IVoutsourcing}$	R ²
1	-.123	-.159	.046	-.067	-.030	.159	.067
2	.058	-.333**	-.086	-.252**	-.634**	-.078	.621*
3	.079	.082	.177	-.253*	-.257*	.061	.171
4	-.087	.019	-.233	.055	-.008	-.037	.065
5	-.013	.051	.120	-.687**	-.096	-.190*	.560*
6	.117	-.141	.136	.102	.124	.080	.091
7	-.120	-.086	-.163	-.232*	-.164	-.264*	.228*
8	.255*	-.130	-.188	-.106	.050	-.291*	.201*
9	.194*	.025	.044	-.248**	-.393**	-.465**	.539*
10	-.340**	-.126	-.104	.094	.108	-.219	.214*
11	.042	-.025	.153	-.594**	-.141	-.194*	.461*
12	-.013	.051	.047	-.235**	-.736**	-.211**	.710*
13	.179*	-.044	-.209*	-.706**	-.011	-.219**	.657*
14	.149	.108	-.081	-.491**	.002	-.002	.291*
15	.013	-.041	.124	-.750**	.135	-.058	.590*
16	.091	-.141	-.139	.117	.085	.052	.072
17	-.145	-.056	.109	.084	.098	.198	.099
18	.167	-.092	.018	-.174	-.460**	-.355**	.458*
19	.168	-.069	-.067	.069	.002	-.011	.040
20	.020	-.105	.015	-.579**	-.475**	-.063	.611*
21	-.137	.224	.084	-.006	.084	.000	.081
22	-.120	-.127	-.121	-.106	-.099	-.115	.087
23	.109	-.161	.126	.100	-.119	.102	.084
24	.013	-.046	-.035	-.608**	-.096	-.066	.401*
25	-.007	.069	.112*	-.662**	-.569**	-.129*	.854*
26	.098	.111	-.112	-.189	.108	.082	.092
27	-.004	-.042	-.183	.142	-.218	.188	.132
28	-.009	.018	.017	-.635**	.237*	-.109	.462*
29	.039	-.217	.152	-.149	-.129	.100	.110
30	-.016	-.023	.025	-.471**	-.256**	-.469**	.766*
31	-.011	-.003	-.091	-.138	-.640**	-.363**	.652*
32	-.069	.040	-.018	-.330**	-.597**	-.296**	.644*
33	.029	-.008	.143	.123	-.054	.161	.065
34	-.015	.028	-.145	-.154	-.248*	-.127	.143
35	.029	-.086	.124	-.312**	-.517**	-.129	.435*

36	-.035	.080	.095	-.673**	-.251**	-.069	.557*
37	-.155	-.026	-.187	-.327**	-.456**	-.200*	.472*
38	-.007	-.334**	-.062	-.455**	-.389**	-.344**	.665*
39	.151	-.090	-.085	-.298**	-.480**	.006	.375*
40	.098	-.007	.267*	.032	-.233	-.098	.147
41	-.098	-.118	-.047	-.483**	-.368**	-.315**	.567*
42	.207	-.120	-.190	-.198	-.401**	.068	.309*
43	-.001	-.064	-.258**	-.497**	-.382**	-.169	.554*
44	-.076	.055	-.144	.102	-.187	.061	.075
45	.062	-.097	-.110	-.430**	-.445**	-.217*	.517*
46	.010	-.117	-.037	-.222	.051	-.271*	.144
47	.001	.095	.100	-.686**	-.426**	-.244**	.806*
48	.031	.009	-.010	-.489**	-.613**	-.342**	.843*
49	-.181	-.161	-.177	-.288*	-.020	-.067	.430*
50	-.125	.124	.121	-.119	.136	-.139	.096
51	.039	.004	-.026	-.530**	.009	-.562**	.641*
52	.084	-.124	-.041	-.282*	-.293**	-.319**	.335*
53	-.152	.042	-.059	-.523**	-.341**	.099	.426*
54	.013	-.081	-.047	-.553**	-.517**	-.115	.648*
55	.084	-.324**	-.014	-.304**	-.431**	-.244*	.493*
56	-.082	.034	-.158	.026	-.044	-.353**	.162
57	-.014	.050	.011	-.886**	-.065	-.092	.820*

Note: * $p < .05$, ** $p < .01$

Table 4.

Individual Policies for Determining Ethicality

ID	β_{IVsize}	$\beta_{IVmoney}$	β_{IVtry}	$\beta_{IVselective}$	$\beta_{IVnotice}$	$\beta_{IVoutsourcing}$	R ²
1	.086	-.181	-.194	-.208	.058	.111	.137
2	.009	.292**	.003	.251**	.662**	.183*	.669*
3	.103	.167	.125	-.062	-.005	.053	.061
4	-.262*	.035	.221	-.005	-.056	.030	.120
5	-.140	-.045	.029	.682**	.157*	.312**	.665*
6	-.038	.001	.212	.066	.363**	.093	.210*
7	.123	.142	.207	.258*	.150	.299**	.289*
8	-.185	.016	-.057	.108	-.141	.193	.096
9	-.173	-.060	-.024	.244**	.337**	.488**	.509*
10	.049	.322**	-.007	.148	.090	.056	.142
11	-.023	-.036	-.035	.411**	.345**	.216*	.383*
12	.066	.023	-.016	.016	.842**	.193**	.797*
13	-.018	.126	.177	.490**	.069	.087	.316*
14	-.101	-.055	-.018	.155	.668**	.200*	.575*
15	-.025	.117	-.052	.399**	.063	-.199	.203*
16	.297**	.202*	-.032	.264**	.464**	.144	.472*
17	.082	-.094	-.051	-.333**	.024	.080	.134
18	-.173	-.043	-.002	.164	.260*	.266*	.473*
19	.150	.080	-.027	-.080	.022	-.088	.044
20	-.028	.073	.031	.582**	.442**	.069	.585*
21	.078	-.131	-.067	-.245	-.036	.058	.092
22	-.124	.126	.119	.134	-.116	-.123	.094
23	.185	.003	.071	.249*	-.073	.056	.110
24	-.031	.026	-.076	.739**	-.026	.091	.566*
25	.007	-.069	-.110	.648**	.559**	.091	.804*
26	.068	.123	.083	.320**	.300**	.326**	.380*
27	-.067	.030	.116	-.132	.253*	-.154	.118
28	-.080	.132	.047	-.052	-.101	.269*	.097
29	-.008	.157	-.028	.045	.095	.063	.042
30	-.047	.057	-.049	.489**	.251**	.383**	.518*
31	-.079	-.031	.020	.060	.727**	.230**	.646*
32	.030	-.028	-.066	.326**	.630**	.063	.540*
33	.099	.111	.134	-.412**	-.084	.183	.236*
34	.006	.186	.163	.113	.242*	.210	.197*
35	-.158	-.010	.072	.364**	.496**	.126	.471*

36	.000	-.086	-.081	.489**	.361**	.090	.420*
37	.216*	.036	.177	.264**	.445**	.171	.422*
38	.027	.318**	.045	.487**	.329**	.381**	.669*
39	.101	-.100	-.093	-.286**	-.482**	-.037	.368*
40	.081	-.061	-.001	.017	.004	-.144	.029
41	.087	.129	.014	.432**	.391**	.278**	.506*
42	.033	.040	.071	.080	.652**	.113	.481*
43	.082	.092	.190*	.497**	.386**	.158	.528*
44	.028	-.019	.136	-.046	-.029	-.260*	.095
45	-.156	-.030	.066	.357**	.475**	.278**	.529*
46	-.033	-.134	-.002	-.258*	-.014	-.240	.155
47	.025	-.014	-.076	.693**	.477**	.189**	.818*
48	-.043	.036	.023	.426**	.603**	.452**	.879*
49	.013	.062	.111	-.083	-.132	.042	.039
50	.025	.146	.115	.008	.022	-.217	.082
51	-.224	.223	-.217	-.076	.216	.061	.197*
52	-.011	.097	-.035	.230*	.392**	.287**	.346*
53	.097	.011	-.041	.524**	.317**	.174	.458*
54	-.044	-.030	.021	.431**	.601**	.217**	.673*
55	-.079	.349**	-.063	.086	.180	.294*	.273*
56	-.028	.037	.024	.084	.067	.281*	.102
57	.056	.046	.019	.701**	.119	.194*	.584*

Note: * $p < .05$, ** $p < .01$

Table 5.

Significant Individual Policies for Determining Fairness

ID	β_{IVsize}	$\beta_{IVmoney}$	β_{IVtry}	$\beta_{IVselective}$	$\beta_{IVnotice}$	$\beta_{IVoutsourcing}$	R ²	# IVs Signif.	IV Most Signif.
2	.058	-.333**	-.086	-.252**	-.634**	-.078	.621*	3	Notice
5	-.013	.051	.120	-.687**	-.096	-.190*	.560*	2	Select
7	-.120	-.086	-.163	-.232*	-.164	-.264*	.228*	2	Out
8	.255*	-.130	-.188	-.106	.050	-.291*	.201*	2	Out
9	.194*	.025	.044	-.248**	-.393**	-.465**	.539*	4	Out
10	-.340**	-.126	-.104	.094	.108	-.219	.214*	1	Size
11	.042	-.025	.153	-.594**	-.141	-.194*	.461*	2	Select
12	-.013	.051	.047	-.235**	-.736**	-.211**	.710*	3	Notice
13	.179*	-.044	-.209*	-.706**	-.011	-.219**	.657*	4	Select
14	.149	.108	-.081	-.491**	.002	-.002	.291*	1	Select
15	.013	-.041	.124	-.750**	.135	-.058	.590*	1	Select
18	.167	-.092	.018	-.174	-.460**	-.355**	.458*	2	Notice
20	.020	-.105	.015	-.579**	-.475**	-.063	.611*	2	Select
24	.013	-.046	-.035	-.608**	-.096	-.066	.401*	1	Select
25	-.007	.069	.112*	-.662**	-.569**	-.129*	.854*	4	Select
28	-.009	.018	.017	-.635**	.237*	-.109	.462*	2	Select
30	-.016	-.023	.025	-.471**	-.256**	-.469**	.766*	3	Select
31	-.011	-.003	-.091	-.138	-.640**	-.363**	.652*	2	Notice
32	-.069	.040	-.018	-.330**	-.597**	-.296**	.644*	3	Notice
35	.029	-.086	.124	-.312**	-.517**	-.129	.435*	2	Notice
36	-.035	.080	.095	-.673**	-.251**	-.069	.557*	2	Select
37	-.155	-.026	-.187	-.327**	-.456**	-.200*	.472*	3	Notice
38	-.007	-.334**	-.062	-.455**	-.389**	-.344**	.665*	4	Select
39	.151	-.090	-.085	-.298**	-.480**	.006	.375*	2	Notice
41	-.098	-.118	-.047	-.483**	-.368**	-.315**	.567*	3	Select
42	.207	-.120	-.190	-.198	-.401**	.068	.309*	1	Notice
43	-.001	-.064	-.258**	-.497**	-.382**	-.169	.554*	3	Select
45	.062	-.097	-.110	-.430**	-.445**	-.217*	.517*	3	Notice
47	.001	.095	.100	-.686**	-.426**	-.244**	.806*	3	Select
48	.031	.009	-.010	-.489**	-.613**	-.342**	.843*	3	Notice
49	-.181	-.161	-.177	-.288*	-.020	-.067	.430*	1	Select
51	.039	.004	-.026	-.530**	.009	-.562**	.641*	2	Out
52	.084	-.124	-.041	-.282*	-.293**	-.319**	.335*	3	Out

53	-.152	.042	-.059	-.523**	-.341**	.099	.426*	2	Select
54	.013	-.081	-.047	-.553**	-.517**	-.115	.648*	2	Select
55	.084	-.324**	-.014	-.304**	-.431**	-.244*	.493*	4	Notice
57	-.014	.050	.011	-.886**	-.065	-.092	.820*	1	Select

Note: * $p < .05$, ** $p < .01$

Table 6.

Significant Individual Policies for Determining Ethicality

ID	β_{IVsize}	$\beta_{IVmone y}$	β_{IVtry}	$\beta_{IVselec tive}$	$\beta_{IVnotic e}$	$\beta_{IVoutso urcing}$	R ²	#IVs Signif.	IV Most Signif.
2	.009	.292**	.003	.251**	.662**	.183*	.669*	4	Notice
5	-.140	-.045	.029	.682**	.157*	.312**	.665*	3	Select
6	-.038	.001	.212	.066	.363**	.093	.210*	1	Notice
7	.123	.142	.207	.258*	.150	.299**	.289*	2	Out
9	-.173	-.060	-.024	.244**	.337**	.488**	.509*	3	Out
11	-.023	-.036	-.035	.411**	.345**	.216*	.383*	3	Select
12	.066	.023	-.016	.016	.842**	.193**	.797*	2	Notice
13	-.018	.126	.177	.490**	.069	.087	.316*	1	Select
14	-.101	-.055	-.018	.155	.668**	.200*	.575*	2	Notice
15	-.025	.117	-.052	.399**	.063	-.199	.203*	1	Select
16	.297**	.202*	-.032	.264**	.464**	.144	.472*	3	Notice
18	-.173	-.043	-.002	.164	.260*	.266*	.473*	2	Out
20	-.028	.073	.031	.582**	.442**	.069	.585*	2	Select
24	-.031	.026	-.076	.739**	-.026	.091	.566*	1	Select
25	.007	-.069	-.110	.648**	.559**	.091	.804*	2	Select
26	.068	.123	.083	.320**	.300**	.326**	.380*	3	Out
30	-.047	.057	-.049	.489**	.251**	.383**	.518*	3	Select
31	-.079	-.031	.020	.060	.727**	.230**	.646*	2	Notice
32	.030	-.028	-.066	.326**	.630**	.063	.540*	2	Notice
33	.099	.111	.134	-.412**	-.084	.183	.236*	1	Select
34	.006	.186	.163	.113	.242*	.210	.197*	1	Notice
35	-.158	-.010	.072	.364**	.496**	.126	.471*	2	Notice
36	.000	-.086	-.081	.489**	.361**	.090	.420*	2	Select
37	.216*	.036	.177	.264**	.445**	.171	.422*	3	Notice
38	.027	.318**	.045	.487**	.329**	.381**	.669*	4	Select
39	.101	-.100	-.093	-.286**	-.482**	-.037	.368*	2	Notice
41	.087	.129	.014	.432**	.391**	.278**	.506*	3	Select
42	.033	.040	.071	.080	.652**	.113	.481*	1	Notice
43	.082	.092	.190*	.497**	.386**	.158	.528*	3	Select
45	-.156	-.030	.066	.357**	.475**	.278**	.529*	3	Notice
47	.025	-.014	-.076	.693**	.477**	.189**	.818*	3	Select
48	-.043	.036	.023	.426**	.603**	.452**	.879*	3	Notice

51	-.224	.223	-.217	-.076	.216	.061	.197*	0	
52	-.011	.097	-.035	.230*	.392**	.287**	.346*	3	Notice
53	.097	.011	-.041	.524**	.317**	.174	.458*	2	Select
54	-.044	-.030	.021	.431**	.601**	.217**	.673*	3	Notice
55	-.079	.349**	-.063	.086	.180	.294*	.273*	2	Money
57	.056	.046	.019	.701**	.119	.194*	.584*	2	Select

Note: * $p < .05$, ** $p < .01$

Table 7.

Summary of Hypothesis Testing of Main Effects

	% β Significant	Mean β	β Range	Mean R^2	R^2 Range
<i>Outcome: Fairness</i>					
IV Size	7% (4/57)	.0084	-.340-.255	.3629	.040-.854
IV Money	5% (3/57)	-.0457	-.334-.224		
IV Try	7% (4/57)	-.0221	-.258-.267		
IV Selective	58% (33/57)	-.2865	-.886-.142		
IV Notice	46% (26/57)	-.2116	-.736-.237		
IV Outsourcing	40% (23/57)	-.1264	-.562-.198		
<i>Outcome: Ethicality</i>					
IV Size	5% (3/58)	-.0012	-.262-.297	.3831	.029-.879
IV Money	9% (5/58)	.0511	-.181-.349		
IV Try	2% (1/58)	.0232	-.217-.221		
IV Selective	55% (32/58)	.1974	-.412-.739		
IV Notice	53% (31/58)	.2335	-.482-.842		
IV Outsourcing	40% (23/58)	.1302	-.260-.488		

Table 8.

Summary of Significant Hypothesis Testing of Main Effects

	% β Significant	Mean β Significant	β Range Significant	% R^2 Significant	Mean R^2 Significant	R^2 Range Significant
<i>Outcome: Fairness</i>						
IV Size	11% (4/37)	.0015	-.340-.255	65%	.535	.201-.854
IV Money	8% (3/37)	-.0551	-.334-.108			
IV Try	8% (3/37)	-.0347	-.258-.153			
IV Selective	86% (32/37)	-.4329	-.886-.094			
IV Notice	68% (25/37)	-.3006	-.736-.237			
IV Outsourcing	57% (21/37)	-.1972	-.562-.099			
<i>Outcome: Ethicality</i>						
IV Size	5% (2/38)	-.0046	-.224-.297	67%	.491	.197-.879
IV Money	11% (4/38)	.0584	-.100-.349			
IV Try	3% (1/38)	.0177	-.217-.212			
IV Selective	76% (29/38)	.3148	-.412-.739			
IV Notice	79% (30/38)	.3521	-.482-.842			
IV Outsourcing	53% (20/38)	.1935	-.199-.488			