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Survivors of downsized organizations: An analysis of organizational variables before and after downsizing

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SURVIVORS OF DOWNSIZED ORGANIZATIONS: AN ANALYSIS OF

ORGANIZATIONAL VARIABLES BEFORE AND AFTER DOWNSIZING

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A Thesis

Presented to the

Faculty of

California State University,

San Bernardino

_____

In Partial Fulfillment

of the Requirements for the Degree

Master of Science

in

Psychology: Industrial/Organizational

_____

by

Roger Scott Young

December 1996

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ABSTRACT

The present study investigates the impact that downsizing has on the survivors of organizational downsizing. It was expected that survivors of organizational downsizing will experience an increase in the level of role stress, a decrease in the level of job satisfaction, and also a decrease in the level of commitment to the organization. In addition to these hypothesized results, a theoretical model was proposed which describes the relationship between commitment to the organization, job satisfaction, role stress, perceived fairness, and perceived guilt. Moderate levels of support were found for the proposed model. In addition, significant differences were found when comparing the before condition to the after condition. Implications of the results, limitations of the study, as well as future recommendations, are discussed.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LITERATURE REVIEW

Introduction

Increased competition, both global and local, more stringent rules and regulations, rising costs, and maturing industries have forced organizations to streamline in an attempt to become more effective in today's marketplace (Isabella, 1989). Becoming more cost effective in today's marketplace often means cutting the workforce, or downsizing, in an attempt to reduce operational costs.

While downsizing has been viewed primarily as a cost reduction strategy (Robbins & Pearce II, 1992), there is considerable evidence that downsizing does not reduce expenses as much as desired, and that sometimes expenses may actually increase. A survey conducted by the Wyatt Company indicated that fewer than half of the respondents who were using restructuring as a cost reduction method actually met their cost reduction targets (Bennett, 1991).

There is also evidence that downsizing has limited effectiveness in enhancing productivity. The previously mentioned Wyatt Company survey found that only 22% of restructuring companies actually increased productivity to their satisfaction. Another survey, conducted by the American Management Association, put the equivalent figure at 34% (Henkoff, 1994). Also, in Camerson, Freeman, and Mishra's (1994) study of automobile industry downsizing, only a few of the firms examined improved productivity relative to pre-downsizing levels. Supplementing the Cameron, Freeman, and Mishra findings is Perry's conclusion that downsizing often eliminates employees with firm-specific skills, leading to an interruption in productivity (Perry, 1986).

1

Results such as these suggest that organizations have not been able to achieve the results they had hoped for in their downsizing efforts. Thus, downsizing efforts of organizations may not prove to be the panacea hoped for in becoming more cost effective in an increasingly competitive marketplace.

Perhaps part of the reason that organizations are unable to meet their strategic objectives after downsizing results from the negative impact the process has had on the remaining workforce. Whereas much attention is afforded to the monetary outcome of downsizing, (i.e., reducing expenses and increasing shareholder's return on investment) little attention has been given to those individuals responsible for fueling the organization through the transition-the survivors of organizational downsizing. This is unfortunate when considering that many organizational downsizing efforts have not allowed organizations to realize their financial or productivity goals at a high human cost.

Downsizing

Organizational downsizing refers to the deliberate and systematic reduction of a workforce. This reduction frequently involves layoffs, terminations, transfers, early retirement programs, and/or hiring freezes. Most published research on the topic of downsizing has been prescriptive or anecdotal, focusing on implementation strategies and implications for organizational policies and procedures (Tombaugh and White, 1990). Discussions have included the organization's fiscal policies following downsizing (Ellig,

1983; Levine, 1984), the need to integrate human resources and strategic planning as a proactive measure against downsizing (Greenhalgh, 1982; Hardy, 1987), and the problems associated with orienting new employees in a post layoff environment (Newell, Redford, and Solar 1987). Managers may hold the belief that by avoiding these issues related to downsizing and the remaining workforce, the problems will eventually go away. Additional resources are often spent to help ensure that expected financial outcomes are met. However, the expected outcomes are often not realized by organizations. It has been noted that while managers become more adept at managing the financial, or technical side of strategic change, the human element is often left undermanaged (Buller, 1987). In many cases very little effort is directed at existing survivors of organizational downsizing. This inattention is unfortunate because human resources are the driving force responsible for organizational effectiveness. Failing to recognize the value of human resources may contribute to an organization's inability to realize its strategic objectives in organizational downsizing.

Although companies that downsize often believe they are able to successfully anticipate and prepare for the needs of employees being released, they are often unprepared to handle the strong emotions, lengthy adjustment time, diminished morale, and lower productivity experienced by the survivors of massive restructuring (Isabella, 1989). In fact, companies often have little information about the adjustments of those remaining employees who are now responsible for revitalizing the company. How survivors view downsizing over time, and what issues need to be confronted, are critical

questions to be addressed by executives of downsized organizations (Isabela, 1989). As

Ford (1993) states:

> "The future of the newly structured organization, of course, is in the hands of the group of surviving employees who remain after all layoffs have been completed. The bad news is that here, surprisingly, there is not nearly as much research or advice available to either top managers or human resource professionals on how to revitalize an organization after downsizing. Yet the need to develop programs, policies, and procedures that address the concerns of the survivors and help them cope with the negative effects layoffs have on attitudes and productivity is imperative if the fruits of the downsizing are to ripen."

Effects of Downsizing

Isabella (1989) states, "The survivors of organizational downsizing are too

important a resource to risk alienating, therefore, it is necessary to look at all of the issues

relating to downsizing." Attention should be given to the process of downsizing as well

as to the survivors of organizational downsizing. The effects downsizing has on work

related attitudes are of critical importance if organizations are to realize their strategic

objectives. As organizations restructure many positions may be eliminated. At the same

time the amount of work performed by workers is likely to increase as fewer workers are

available to handle the increased workload. This modification of the work performed is

likely to result in frustration and confusion concerning new roles and reporting

relationships. Workers may feel confusion about what is expected of them in their new

role as a result of management having less time to direct them. This confusion may stem

from ill-defined expectations from top management, and restricted horizontal and vertical communication, and is likely responsible for additional work-related stress.

Previous research has shown that survivors of workforce reduction perceive significant increases in work stress, and this stress is often related to dissatisfaction and intent to leave the organization (Tombaugh and White, 1990). Several authors have argued for an increased awareness of the need to effectively manage the remaining workforce following downsizing. Researchers have hypothesized that the dysfunctional conditions present in organizations experiencing downsizing lead to increased work stress, lower employee morale, and decreased productivity (Appelbaum, Simpson, & Shapiro, 1987: Jick, 1985; Kiechel, 1984; Lippit & Lippit, 1984). In a study conducted by Tombaugh & White (1990) survivors of organizational downsizing were asked to rate items relating to role stress and manager feedback. "Before" and "After" ratings were used to assess employees' attitudes. The "Before" rating indicated the extent to which the item described the work situation as the respondent remembered it prior to the organizational downsizing. The "After" rating indicated the extent to which the item described the survivor's current work situation. Results indicated significant changes in daily operations and the work atmosphere which led to significant increases in survivors' perceptions of role conflict, role ambiguity, and role overload. These results also indicated an expressed intent to leave the organization as survivors reported greater perceived stress following downsizing. Other conditions noted in this study include confusion in decision making, restriction in the flow of communication, lack of clearly stated organizational policies and procedures, and ill-defined performance standards. All

of these factors are likely to have an adverse impact on the remaining workforce as employees and managers struggle to adapt to the changing conditions. These conditions are likely to lead to dysfunctional employee behavior which may have profound impacts on organizational productivity and ultimately may be responsible for preventing organizations from reaching their strategic goals. All of these conditions are also likely to effect employees' satisfaction with the organization.

Job Satisfaction

Studies of job satisfaction have highlighted the effect of job satisfaction on issues such as productivity, absence, and turnover. However, the relationship between job satisfaction and productivity is a complex one. Early research on job satisfaction and workers' attitudes was based on the premise that satisfied workers would be motivated to perform effectively (e.g., Roethlisberger & Dickson, 1939). The antecedents of job satisfaction were thus studied in the expectation that manipulation of such factors would ultimately lead to higher productivity. However, reviews of job satisfaction (Schwab & Cummings, 1970; Vroom, 1964), indicate that, although high job satisfaction is reliably related to low employee turnover and absenteeism (e.g., Mobley, 1977; Muchinsky, 1977; 1957; Steers & Rhodes, 1978), it is typically only modestly and/or indirectly related to job performance.

This lack of a clear relationship between satisfaction and performance has led to an increased interest in other predictors of job satisfaction, such as enhanced personal adjustment and health (Deci & Ryan, 1985; Lawler, 1982; McGregor, 1960). Some

evidence indicates that having perceived control over work-related outcomes is related to low levels of physical symptoms (Burke, 1969; Chadwick-Jones, 1970; Palmer, 1969; Spector, 1986) and that high satisfaction is associated with fewer on-the-job accidents (Vroom, 1964). These relationships require additional investigation, particularly in how they might relate in a downsized environment.

As previous researchers have suggested, there is a likely relationship between certain aspects of job satisfaction and productivity (Ilardi, Kasser, & Ryan, 1993). The older view of a major and direct relationship has been abandoned, however. What is considerably more clear is the relationship between the degree of job satisfaction and the extent of absence and turnover. Absence and turnover have clear and sometimes major economic impacts on organizations (Gruneberg, 1976). Organizations spend considerable resources to retain top performers. Overlooking the needs of these employees could result in losing them to other organizations, thus, job satisfaction is of critical importance to organizations.

According to Gruneberg (1976), job satisfaction consists of the total body of feelings that an individual has about his/her job. This total body of feelings involves weighing the sum total of influences on the job: the nature of the job itself, pay, promotion prospects, the nature of supervision, and any other factor considered part of the "job". When an appraisal of the sum total of influences results in feelings of satisfaction then the individual is considered job satisfied; when this appraisal produces feelings of dissatisfaction, the individual is labeled job dissatisfied. Improving any of these influences will theoretically lead to increased job satisfaction.

Given the typical assumption associated with organizational downsizing, many

conditions within the workplace, and even outside of the workplace, are likely to be

altered. Work groups change as people are let go, supervisors place new demands on

subordinates as they are faced with increasing expectations from upper management, and

the employee opportunities for advancement in the organization are lessened. As a result,

these situations are likely to be related to employees being dissatisfied with the

organization.

In a study of thirty Fortune 500 companies which had experienced downsizing,

poor employee job satisfaction resulted from a number of factors (Koonce, 1991). These

factors included the following situations: 1) organizations failing to keep employees

adequately informed about the changes taking place; 2) middle-level managers not

receiving adequate training for implementing change, and; 3) corporate goals and

performance standards being unclear. These relationships become increasingly critical as

they relate to organizational restructuring and eventual downsizing.

Role Stress

Role ambiguity occurs when an individual lacks needed information. Role

conflict occurs when a person receives competing expectations. The dysfunctional

consequences of work stress have been well documented. Research suggests that

employees who perceive ambiguity in their jobs feel less involved in their work and exert

little effort towards quality. Similarly, role conflict is related to unsatisfactory work

group relationships, decreased group performance, and lowered levels of confidence

within organizations (Van Sell, Brief, & Schuler, 1981).

Past research has conceptualized role stress predominately in terms of role

ambiguity and role conflict. These situations are common in restructured organizations.

As the workforce changes and fewer people are left to do the work of a once larger

workforce, confusion concerning roles, and a lack of clearly defined expectations become

common. These stressors have been shown to be associated with lower levels of job

performance, less job satisfaction, and diminished organizational commitment across

many different worksettings (Michaels, Day, and Joachimsthaler, 1987).

Role Ambiguity

Role ambiguity is defined as the degree to which clear information is lacking with

regard to: 1) expectations associated with a role; 2) methods for fulfilling role

expectations and; 3) consequences of role performance (House and Rizzo, 1972). The

concept of ambiguity assumes a need for the availability of various kinds of information.

This information is required for adequate role performance. Thus, in order for a person to

conform to the role expectations held by members of his/her role set, expectations must

be clear. If employees are not clear as to what their roles are, as well as the methods to be

used to successfully complete these roles, ambiguity results. Expectations should be

communicated by members of the employee's role set. Members of the role set include

the people responsible for communicating organizational expectations necessary for the

attainment of organizational objectives. Role set members may include coworkers, spouses, supervisors, suppliers, and representatives.

Role Conflict

Role conflict is the degree of incongruence or incompatibility of expectations communicated to an individual by members of his or her role set (Kahn, Wolfe, Quinn, Snoek, and Rosenthal, 1978). Role conflict has also been defined as an incompatibility of demands, either in the form of conflict between organizational demands and personal values, problems of personal resource allocation, conflict between obligations to several other people, or conflict between excessively numerous or difficult tasks (Kahn, Wolfe, Wuinn and Snoek, 1964).

All of these factors have implications which relate to organizational downsizing. Due to the increased workload experienced when members of the workforce are let go, the remaining workforce is likely to experience increased role conflict and role ambiguity. Whether or not this occurs depends on how well management communicates the changes to employees, as well as how they define the new roles and responsibilities (Burke, 1988).

Organizational Commitment

Commitment is defined by Morrow (1983) as a multifaceted construct with performance and membership implications. Organizational commitment has been conceptualized most commonly in terms of organizations and how committed employees are to it. Research has found that more committed employees are less likely to experience

organization burn-out than employees who are less committed to the organization (Morrow, 1983). This finding suggests that increased organization commitment leads to lowered intent to leave the organization. Previous research (Jackson et al., 1987; Leiter, 1991; Mathieu & Zajac, 1990; Reilly & Orsak, 1991) clearly demonstrates an inverse relationship between commitment and organizational stress: less committed employees report greater levels of stress while more committed employees report lower levels of stress.

Organizational commitment and loyalty can produce important behavioral outcomes for firms. Although research results are complex, commitment has been associated with a wide range of employee behaviors (McKendall and Margulis, 1995). Studies have shown that organizational commitment is one of the strongest predictors of turnover and absenteeism. Committed people do not typically leave their organizations, either temporarily or permanently (McKendall and Margulis, 1995) and as a result companies may benefit by extra effort from their employees (Morrow, 1983).

During downsizing, as roles change and added pressures are placed on employees, it is important that they remain committed to their organization. If the issues of survivors of organizational downsizing are not addressed, the organization risks losing good organizational contributors.

When employees perceive downsizing as limiting their career growth, they become more likely to respond to outside offers (Isabelle, 1990). Another effect of organization downsizing on remaining employees is broken trust and a lessened sense of job security. As the company undergoes downsizing and employees see loyal coworkers

dismissed, their own sense of job security is undermined, and a psychological contract is threatened. Greenlaugh (1983) explains a chain of emotional and behavioral responses that can result from these dysfunctional outcomes. The first emotional outcome is fear. One consequence of fear is diminished organizational commitment, which leads to reduced effort, which in turn affects productivity and the attainment of organizational objectives (Greenlaugh, 1983). A second emotional response to the broken psychological contract is mistrust, which, when combined with perceived insecurity, inhibits open communications and strains interpersonal relations. Climates of mistrust engender secrecy, hidden agendas, defensiveness, and ineffective feedback. The "informed employee" becomes the dominant communication channel, often distorting information and reinforcing feelings of insecurity.

The emotional responses of perceived insecurity and mistrust conspire to undermine organizational adaptability because they increase employees' resistance to change (Greenlaugh, 1983). It becomes a vicious cycle whereby the dynamics of decline reinforce the status quo, making it difficult to meet the changes necessitated by the decline. The end result of this cycle is decreased productivity, higher turnover, and lowered job satisfaction (Buch and Alderidge, 1991). In addition to poor employee job satisfaction during and after organization downsizing, Koonce (1991) further reports management confusion, reduced worker productivity (at a time when workloads are higher), and a lack of commitment on the part of survivors.

Another important issue of concern is increased attrition. If survivors of workforce reduction perceive increased levels of stress and other negative impacts related

to the workplace, the likelihood that they will voluntarily leave the organization increases. This consequence could seriously affect organizations who have just spent considerable time and money in an effort to retain their most productive workers (Armstrong-Stassen, 1994).

Perceived Fairness

In the workplace, perceptions of fairness have been linked to job satisfaction, evaluations of superordinates and the organization (Tyler, 1986; Greenberg, 1987b), employer-employee relations, compensation systems (Greenberg, 1987), obedience to processes and decisions, trust in management, quality of worklife, absenteeism and turnover (Mowday, Porter, & Steers), loyalty and commitment (Tyler, 1986), and participation (Lind & Tyler, 1988 and Brett, 1986). Two theories which address perceptions of fairness in the workplace include distributive justice theories and procedural justice theories. Distributive justice is outcome based. It focuses on the fairness of the actual division of outcomes- how people react to unfair distributions of rewards and resources, and how they try to create fair ones (Tyler, 1986; Tyler and Lind, 1988). Procedural justice is process based. It refers to how people react to the procedure used to make decisions. Rather than focusing on distributions, the focus is on *how* a distributive decision is made (Brett, 1986).

In an examination of procedural effect, Greenberg (1987b) found that procedures have a profound effect on the perceived fairness of outcomes. A fair procedure was defined as an equitable one, and subjects were paid according to their performance.

Other research, stimulated by Thibaut and Walker's (1975) pioneering theory, has suggested that workers' perceptions of the fairness of the procedures used to arrive at a resource allocating decision also influence their reactions to the outcomes received. Workers' perceptions also affect their evaluation of the parties responsible for the allocation decision. Thus, regardless of the outcomes, if the procedure used to arrive at a decision is perceived as fair, the end decision will more likely to also be perceived as fair.

In discussing terminations resulting from acquisitions, Schwieger et al. (1987, p. 127) indicate that using a loss of attachment, lack of information, and a perception of "apparent managerial capriciousness" as the basis for making decisions on who will be terminated, causes anxiety and an obsessive need for survival. This in turn often leads employees to leave the company with bitterness and hostility. However, Schwieger et al.(1987, p.130) indicate that ultimately it was not the terminations that created this bitterness but rather the manner in which the terminations were handled. Those who remained expressed feelings of disgust and anger that their friends and colleagues were fired and they felt guilty that they were not the ones who were let go because they believed their coworkers performed at least as well or better than they did. A major factor influencing the effects of terminations on survivors is their perceptions of how fairly the decisions involving terminations were made.

In examining the reactions of survivors of layoffs, Greenberg (1990) found that survivors are in a good position to judge the fairness of layoffs both distributively and procedurally. Surviving employees were found to be more committed to the organization

when they perceived that the terminated employees were adequately compensated and equitably treated.

Perceived Guilt

The concept of guilt has been explored in a number of fields, including philosophy (Johnson & Johnson, 1977), theology (Izard, 1977), and psychology (Dougherty, 1986; Yinon, Bizman, Cohen, & Segev, 1976). Gaylin (1979) suggests that guilt "signals us when we have transgressed from codes of behavior which we personally want to sustain...feeling guilty informs us that we have failed our own ideals" (p. 52). Guilt is defined by Wolman (1973) as "the realization that one has transgressed a moral, social or ethical principle". Ghingold (1980) further contends that guilt is "an a posteriori emotional response which follows a particular thought or action". According to Reynolds and Salkovskis (1990), guilt is usually defined as a disagreeable emotional condition associated with the transgression of personal rules and morals. This state persists for some time unless equilibrium is restored by reparation, restitution or confession and forgiveness.

Organizational survivors often report feelings of guilt as a result of being kept on the job when other workers who were as qualified were let go (Schweiger et al., 1987). In addition to this, workers may feel some level of guilt as a result of their remaining on the job when less advantaged workers are terminated.

To date, the effects of the emotional response of guilt on organizational downsizing has not been researched. An investigation may reveal that guilt is associated

with increased turnover, lowered employee job satisfaction, increased levels of stress, and a perception that the downsizing process is unfair to employees.

Summary of Literature Review

Research has shown significant relationships between commitment and performance (Meyer, Paunonen, Gellatly, Goffin, Jackson, 1989), commitment and turnover (Porter, Steers, Mowday, & Boulian, 1974), stress and performance (Beehr & Newman, 1978), and stress and turnover (Parasuraman & Alluto, 1984).

With these factors in mind, a major contributor to the failure of most organizations to achieve their corporate objectives after downsizing may very likely be the failure to adequately and 'effectively' address the "people factor" throughout the process as it relates to surviving employees (Isabella, 1989). Research strongly suggests that survivors in the organization suffer adverse effects after downsizing has occurred, however, to date, these affects have not been widely researched (Van Sell, Brief & Schuler, 1981; Michaels, Day, and Joachimsthaler, 1987) as they relate to organizational survivors. Most research in the area of organizational downsizing has focused on the financial process of downsizing rather than the emotional human side. Once downsizing is complete, managers may believe that conditions are back to normal. Perhaps this is because managers feel that bringing up the issue of downsizing will cause negative feelings to resurface, thus making the situation worse.

Survivors of downsizing are generally left with key concerns or questions about their place in the newly restructured organization, expected performance standards, co-

worker status, extra work demands, the values of their expertise to the new organization, and the existence or lack of opportunities for advancement. These are further compounded by financial and job insecurities.

The present research is designed to extend previous research by assessing organizational survivors. Primarily, the study will examine five issues as they relate to organizational downsizing. These issues include: job satisfaction, role stress, commitment to the organization, perceived fairness, and perceived guilt as it relates to organizational downsizing.

HYPOTHESES

Hypothesis 1

One path model (Figure 1) has been developed to represent the hypothetical association among the major variables discussed in the previous review of literature. The model created was designed to represent the sequence of events as they occur in an organization following downsizing.

In this model, fairness is proposed as an independent variable having a direct effect on satisfaction, stress, and perceived guilt. Research by Thibaut and Walker's (1975) pioneering efforts has suggested that workers' perceptions of the fairness of the procedures used to arrive at a resource allocating decision also influence their reactions to the outcomes received. Related to downsizing, it was also found that it was not the terminations that created this bitterness but rather the manner in which the terminations were handled. Employees who remained with the organization expressed feelings of

disgust and anger that their friends and coworkers were fired and they also felt guilty that they were not the ones who were let go because they believed their coworkers performed at least as well or better than they did. As a result, stress will be predicted to be dependent on the fairness of the process used to determine severance as well as the level of guilt experienced by employees. Stress in turn will help predict the level of satisfaction experienced by employees. Research has shown that situations common in restructured organizations often foster confusion concerning new roles as well as a lack of clearly defined roles. These stressors have been shown to be associated with less job satisfaction (Michaels, Day, and Joachimsthaler, 1987). Satisfaction in turn will be hypothesized to predict the level of commitment experienced by employees. Research has found job satisfaction to be reliably related to increased turnover and absenteeism (Mobley, 1977; Muchinsky, 1977; Ross & Zander, 1957; Steers & Rhodes, 1978).

Hypothesis 2

As a result of downsizing the following relationships were hypothesized:

1) job satisfaction will decrease

2) role stress will increase and

3) commitment to the organization will decrease.

Furthermore, the following relationships between variables will be expected:

1) Job satisfaction will be inversely related to role stress. As the level of stress increases, the level of job satisfaction will decrease.

2) Job satisfaction will be directly related to commitment to the organization. As the level of commitment to the organization increases, the level of job satisfaction will also increase.

3) Job satisfaction will be directly related to perceived fairness. As perceptions of the fairness of the process used to downsizing increase, the level of job satisfaction experienced by workers will also increase.

4) Job satisfaction will be inversely related to perceived guilt. As the level of perceived guilt increases, the level of job satisfaction will decrease.

5) Role stress will be inversely related to commitment to the organization. As the level of stress experienced by workers increases their commitment to the organization will decrease.

6) Role stress will be inversely related to the perceived fairness of the process. As the perceived fairness of the downsizing process decreases, the level of role stress experienced will increase.

7) Role stress will be directly related to perceived guilt. As workers experience increased guilt associated with the process of downsizing, they will also experience increased role stress.

8) Commitment to the organization will be directly related to the perceived fairness of the process used in downsizing. As workers perceive the process of downsizing as being fair they will be more committed to the organization.

9) Commitment to the organization will be inversely related to perceived guilt. As workers experience guilt associated with the downsizing process, they will become less committed to the organization.

10) The perceived fairness of the downsizing will be inversely related to feelings of guilt. As workers perceive the process of downsizing as being fairly implemented, they will experience less guilt.

The following table depicts the expected relationships between the variables.

	Job satisfaction	Role stress	Commitment to organization	Perceived Fairness
Job satisfaction				
Role stress	-			
Commitment to organization	+	-		
Fairness	+	-	+	
Perceived Guilt	-	+	-	-

METHOD

Subjects

Surveys were distributed to 250 employees in a Customer Service Business Unit within a large West Coast utility company, 243 of the surveys were returned for a response rate of 97%. Only employees present on the day of surveying filled out the survey. Absent employees were not allowed a make-up date to complete the survey. The

positions included Meter Readers as well as Field Service Officers (FSOs). The Meter

Reader position responsibilities included taking readings from meters recording

electricity use. The FSO position included duties such as turning on and off customer

electricity and also dealing with service failures. The surveys were conducted on

company time at the beginning of the workshift and required approximately 15 to 20

minutes to complete. Respondents were bargaining unit employees and ranged in age

from approximately 20 to 65 years of age. Eighty-nine percent of the respondents were

male and 11 percent were female. Most of the respondents indicated the last downsizing

as having taken place between 1 and 7 months (see Table 1) prior to the implementation

of this survey.

Procedure

Organizational Commitment

Organizational commitment was measured using the Organizational Commitment

Questionnaire (Porter and Smith, 1970; items 1 through 15 in Appendix A). The OCQ is

a consistently reliable measure, with coefficient alpha ranging from .82 to .93. The

validity of the OCQ is evidenced by a negative correlation with intention to leave an

organization and a positive correlation with work-oriented interests (Cook, et. al, 1981).

For this sample, alpha was .86 for the retrospective pre- and .87 for the retrospective post-

ratings.

Job Satisfaction

Job Satisfaction was measured using the General Job Satisfaction Questionnaire (Hackman and Oldham, 1975; items 16 through 22 in Appendix A). The General Job Satisfaction Questionnaire has also been shown to be a reliable and valid measure. The internal reliability of this measure ranges between .76 and .77 . Convergent validity has been established by correlating the General Job Satisfaction Questionnaire with the Job Diagnostic Survey (Hackman and Oldham, 1975). This instrument measures specific satisfactions such as pay, job security, and satisfaction with supervision. Significant correlations were found. For this sample alpha was .80 for the retrospective pre- and .75 for the retrospective post ratings.

Role Stress

Role stress was measured by combining two reliable and valid scales. Both scales were developed by Rizzo, House, and Lirtzman (1970); (items 21 through 34 in Appendix A). Item-total correlations for role ambiguity (items 21 through 26) range between .78 and .81, while the internal reliability for role conflict (items 27 through 34) has been reported at .82. Correlations between the two measures have been reported at .25. For this sample, alpha was .83 for the retrospective pre- and .84 for the retrospective post-ratings.

Perceived Fairness

Items to measure the perception of fairness were modified from an existing scale initially developed to measure perceptions of fairness in the wage setting process (Douglass, 1990); alpha reported to be .91. Seven items were customized to fit the situation of fairness as it relates to organizational downsizing (items 35 through 40 in Appendix A). For this sample, alpha was .83.

Perceived Guilt

A perceived guilt scale was developed by the author (items 41 through 47) to assess the level of guilt experienced after organization downsizing. Items were developed through personal interviews with subject matter experts on the topic of downsizing. For this sample, alpha was .77.

Retrospective Scales

Three of the scales were modified to fit a retrospective pre- and post- measure. This idea was adopted from a study conducted by Tombaugh and White (1990) where respondents were asked to describe their feelings both "before" and "after" downsizing. The "before" response required participants to rate the item to indicate the extent to which it described the work situation <u>as the respondent remembered it</u>. The "after" rating required participants to rate the item to indicate the <u>current work situation</u>. Thus, two scores were calculated for each item in the survey with exceptions to the perceived fairness and guilt scales. While this type of measure does not represent a true

experimental paradigm, organizations do not typically announce impending workforce reductions while allowing researchers access to employees. Further, it is likely that current work-related attitudes are most affected by the situation as the survivor remembers it (and compares it to the current situation) rather than the way it might have been reported at the time.

In a study conducted by Gilger (1992), the validity of retrospective reports about the self, and parental reports about offspring, was tested by comparing survey responses to actual test scores. Analyses indicate that historical information on school achievement was adequately valid (r=.32-.72). This study suggests that adequate estimates of retrospective report validity can be obtained while avoiding expensive and time consuming longitudinal studies.

MEASUREMENT

The initial stage of the analysis was to determine the reliability of each scale since some of the items used were newly developed in addition to being used for the first time in a downsizing situation. Descriptives, reliability estimates, and correlations between variables were calculated. Based on the correlations between variables a correction for attenuation was performed using the correction for attenuation formula proposed by Ghiselli, Campbell, & Zedeck (1981). Using the corrected correlations, a covariance matrix was calculated. Based on the covariance matrix, EQS (BMDP Statistical Software, Inc.) was used to perform a structural equation analysis to determine if the proposed model was a good fit to the gathered data.

RESULTS

Descriptive statistics and reliability measures for each of the variables was calculated (see Table 2). Normality was tested using an imposed normal curve and a review of the skewness statistic. Commitment to the organization, stress, and guilt were all normally distributed while job satisfaction and perceived fairness both had slight, but non-significant, positive skews (see Appendix B). The intercorrelation matrix for the selected variables was also computed (see Table 3). Significant correlations existed between each of the variables with the exception of guilt. The correlations between guilt and the other variables approximated zero in every relationship. Job satisfaction, work stress, and perceived fairness were all significantly related to commitment to the organization (r=.77, .55, .46, respectively). Job satisfaction was also related to the level of stress (r=.48), and the perceived fairness of the process (r=.37), with stress also being related to the perceived fairness of the process used to determine severance.

t-tests using repeated measures were conducted to compare the "before" downsizing attitudes to the "after" downsizing attitudes. As hypothesized, survivors of downsizing noted a significant decrease in the level of commitment to the organization (t=19.02, p<.001) as well as to the level of job satisfaction (t=17.67, p<.001). A significant decrease in the level of stress (t=10.14, p<.001) following organizational downsizing was also identified.

The Hypothesized Models

Using EQS (BMDP Statistical Software, Inc.), relationships were examined

among five variables: commitment to the organization, job satisfaction, role stress,

perceived fairness, and perceived guilt. To assess the fit of the proposed model,

Generalized Least Squares (GLS) was performed. GLS, rather than Maximum

Likelihood, was chosen because it is considered a somewhat more valid analysis when

using a sample size less than 500 (Tabachnick & Fidell, 1996). In the hypothesized

model, the GLS normal distribution analysis indicated that all parameter estimates were

adequate and no special problems were encountered during optimization. Table 4

illustrates the goodness of fit summary for the model. Wald's (see table 5) and

Lagrange's multiplier Tests (see Table 6) were also conducted.

The obtained chi-square (df = 4, N = 243) of 17.95 was statistically significant

(p<.001) and large relative to the degrees of freedom, and, therefore, indicative of a poor

fit (Bentler, 1992). The Bentler-Bonett normed fitting index (NFI), Bentler-Bonett non-

normed (NNFI), and the comparative fit index (CFI) were 0.847, 0.674, and 0.870,

respectively. The Wald Test suggested that two of the free parameters be dropped. The

path between guilt and stress yielded a low standardized coefficient (.051) and failed to

reach significance ($\chi2$=.621, p=.431). In addition, the path between fairness and guilt

yielded a relatively low standardized coefficient (.109) and failed to reach significance.

This path was not dropped from additional analysis due to its importance in the model

and the finding that the refit model did not yield a greatly improved $\chi2$ value. The

Lagrangian multiplier (LM) Test suggested adding one univariate Lagrange multiplier to

the model to link fairness and commitment to the organization. However, this path was not significant so it was not added to the model. Fairness, as hypothesized, had direct impacts on stress (standardized coefficient =.292) and satisfaction (standardized coefficient = .312), with stress having a direct impact on job satisfaction (.292). Job satisfaction had a direct impact on commitment to the organization (standardized coefficient = .952) (see Figure 1).

In an attempt to find a better fit to the data, the parameter between guilt and stress was dropped from the equation. The analysis was then rerun without this parameter. Results of this run suggest that the model did not improve. The calculated chi square (df = 5, N = 234) remained significant, indicating a poor fit of the model to the data. Due to the lack of a significant improvement in the model, the modified model was not altered. Rather, perceived fairness was allowed to remain in the model with the justification being that dropping it from the model would significantly alter the original hypothesized relationships between variables.

DISCUSSION

This study was designed to assess the impact organizational downsizing has on survivors. The study provided limited statistical evidence for the hypothesized causal model presented in Figure 1. As hypothesized, fairness was shown to be valid predictor of stress. This is also consistent with a study conducted by Schwieger et al, (1987) who found that anxiety was caused from "apparent managerial capriciousness". These findings suggest that when managers present information in an inconsistent manner,

employees experience increased levels of work related stress. In addition to the hypothesized significant relationship between fairness and stress, it was also hypothesized that fairness would be a valid predictor of job satisfaction. This hypothesis was supported. Employees who viewed the downsizing process as being fair were more job satisfied than those who viewed the process as being unfair. This finding is also consistent with the findings of Tyler (1986); and Greenberg (1987b) who linked the perception of fairness to job satisfaction during evaluations of superordinates and the organization.

The perceived fairness of the downsizing process was also hypothesized to be related to the level of perceived guilt experienced by employees. This relationship, however, was not supported by the model which may be a result of the work situation. Because employees belonged to a bargaining unit they may not have felt guilty since the process was based on seniority. In this situation, those employees with the greatest amount of seniority were retained while those with the least amount of seniority were released.

In a study conducted by Schweiger et al (1987) employees experienced feelings of disgust and anger when their friends and colleagues were fired. They also felt guilty that they were not the ones who were let go since they believed their coworkers performed at least as well, or better, than themselves. In the present study, the relationship between guilt and stress was not supported by the data. This may be because the severance process was already determined by the agreement between the union and management. Since the employees belonged to the union, they had no option other than to accept the

process imposed upon them. As a result, employees did not feel guilty in relation to the perceived fairness of the process.

An inverse relationship between stress and job satisfaction was found. Further analysis of the items used to define stress indicate that the construct measured may have actually been more closely related to 'role responsibility'. Examples used in the measurement of this variable include: "I feel certain about how much authority I have", "I know that I have divided my time properly", "I know exactly what is expected of me", and "I work on unnecessary things". This explanation of the items used in the measurement of the construct, stress, may help explain the indirect relationship between stress and the other measured variables. These measured variables include: job satisfaction, commitment to the organization, and perceived fairness of the severance process.

A significant decrease in the level of job satisfaction, as well as in the level of commitment to the organization, was apparent after downsizing. A decrease in the level of stress experienced by workers after downsizing was also found. This finding does not support the hypothesis which stated that the level of stress would increase after downsizing; however, closer inquiry perhaps justifies this finding. As positions were eliminated, the workers occupying those roles with the most seniority had the ability to "bump" workers with less seniority. This resulted in workers with more seniority being moved from more technical and "prestigious" positions to positions requiring the performance of routine tasks. Perhaps a movement of this nature would not cause stress as was intended for this study. Rather, as stated earlier, these questions seemed to

capture stress as a task oriented phenomenon. In this instance, the task became easier for employees. Employee may have been more likely to experience stress as a result of the change rather than role conflict or role ambiguity. Stress related to change can, perhaps, be explained by the resistance to change by employees.

Limitations

Although self reporting and self ratings have been shown to have moderate validity (Gilger, 1992), self-ratings and retrospective recalls may still be affected by some biases such as self-serving or over-attribution (Ohbuchi & Takahashi, 1994). Another limitation to this study may have been the presence of the bargaining unit. Employees may not have felt guilt because they had, prior to the downsizing, already agreed to the rules to be followed in the event of terminations. Employees may have felt the process was fair because they had been involved in the process during contract negotiations.

Future Research

Future research in this area should focus on the relationship between the fairness of process and the perceived level of guilt, especially in the absence of a bargaining unit. Fixed rules and regulations set forth by the bargaining unit likely had an impact on the results gathered in this study. It would be expected that performance based severance would have a greater impact in relation to perceived guilt and perceived fairness. Severance based on this criteria is typically not found in the presence of a bargaining unit.

In addition, future research should look at additional variables which may impact survivors of organizational downsizing.

CONCLUSION

The objective of this research was to assess the impact downsizing has on organizational survivors. Results suggest that survivors experience a decrease in the level of job satisfaction and commitment to the organization after downsizing. The results also indicate that these changes are related to the perceived fairness of the process used to determine severance. This finding may be useful for future organizational development specialists who are charged with the duty of planning downsizing. Failure on the part of organizations to implement this process in a fair manner appears to be related to decreased levels of job satisfaction and ultimately, a lowered level of commitment to the organization. In addition to being implemented in a fair manner, the implementation process should also be conducted in a consistent manner. In the study conducted by Schwieger et al, (1987) "manager capriciousness" led to increased levels of work related stress, which is directly linked to job satisfaction and ultimately, commitment to the organization.

Appendix A:

Box Plots: Commitment to the Organization

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
AVGCOMA	234	100.0%	0	.0%	234	100.0%
AVGCOMB	234	100.0%	0	.0%	234	100.0%
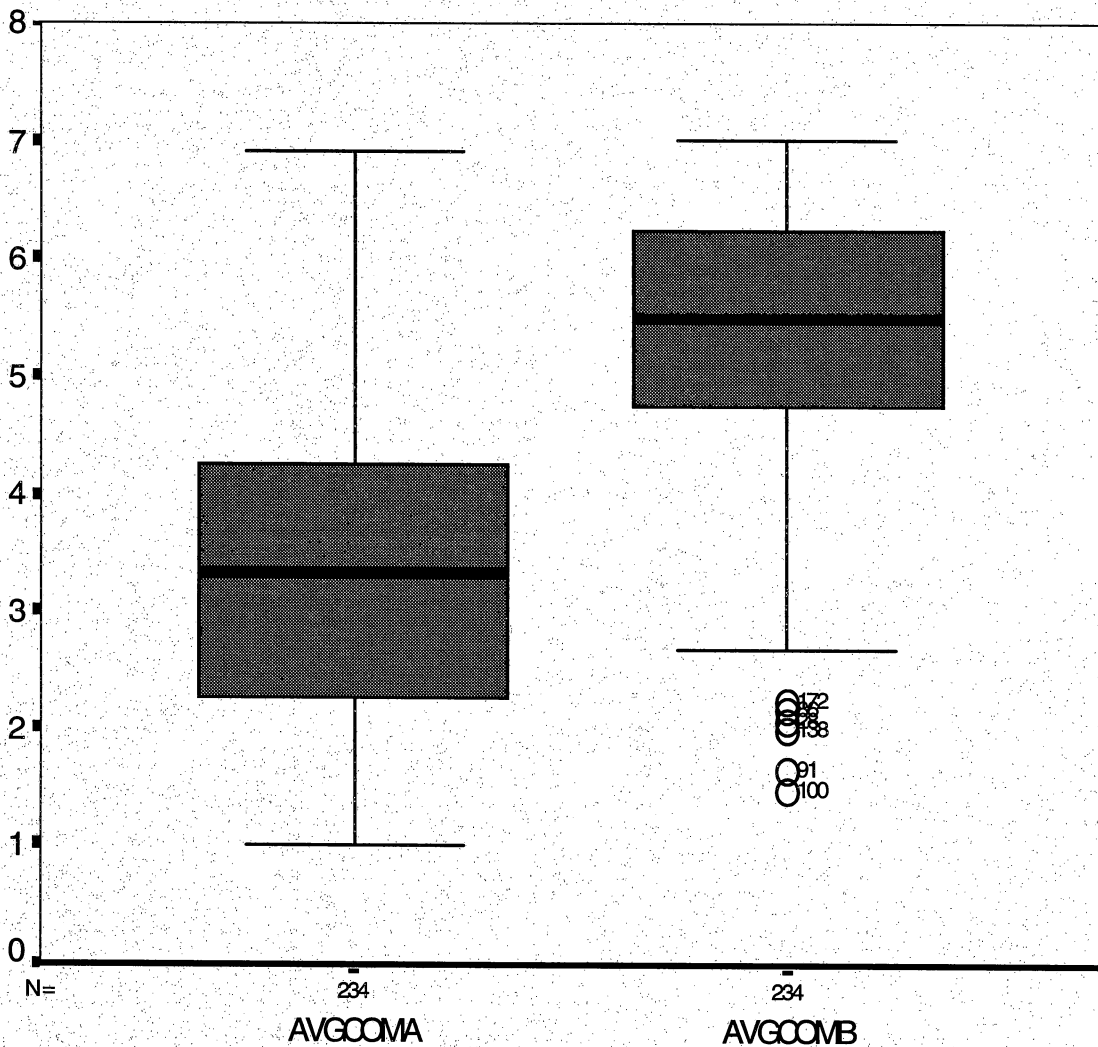
Appendix A:

<u>Box Plots: Job Satisfaction</u>

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
AVGJOBA	234	100.0%	0	.0%	234	100.0%
AVGJOBB	234	100.0%	0	.0%	234	100.0%
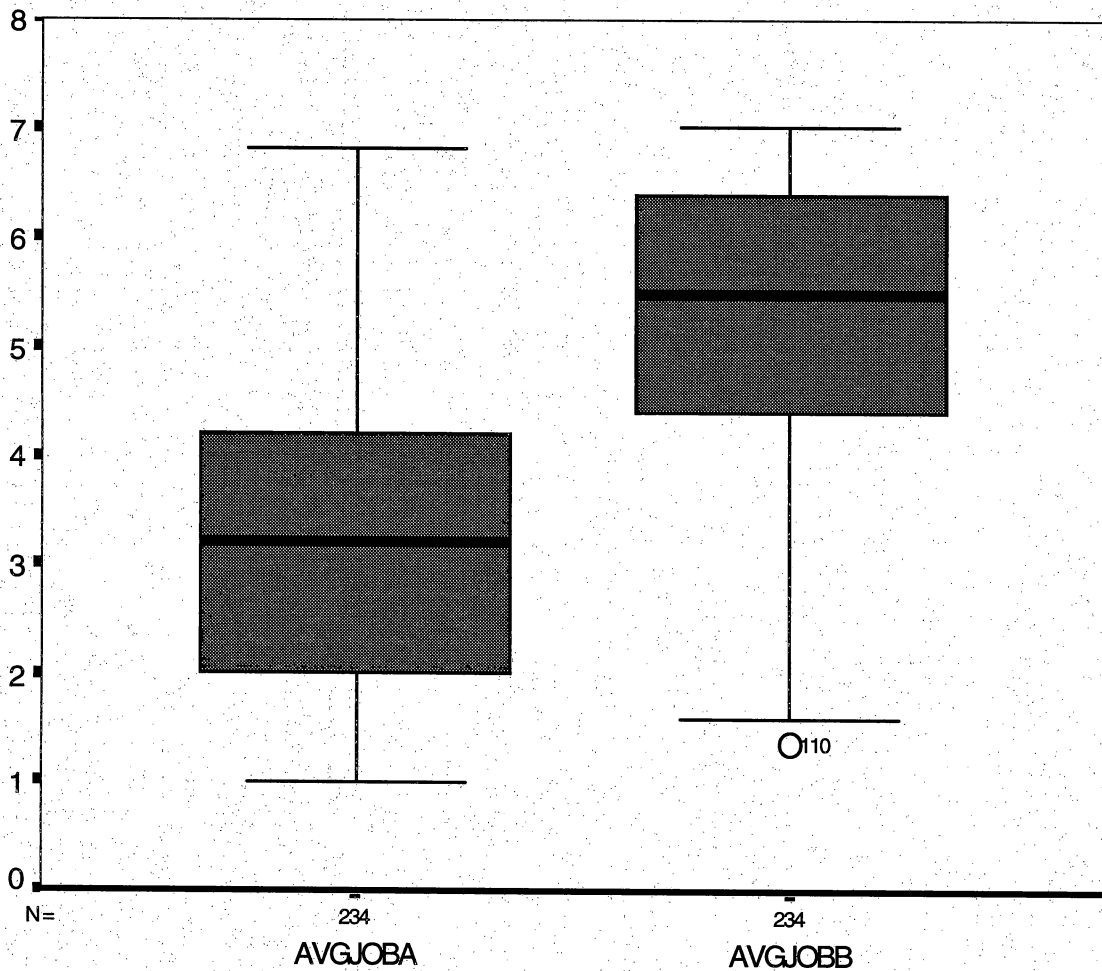
Appendix A:

<u>Box Plots: Role Stress</u>

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
STRESSA	234	100.0%	0	.0%	234	100.0%
STRESSB	234	100.0%	0	.0%	234	100.0%
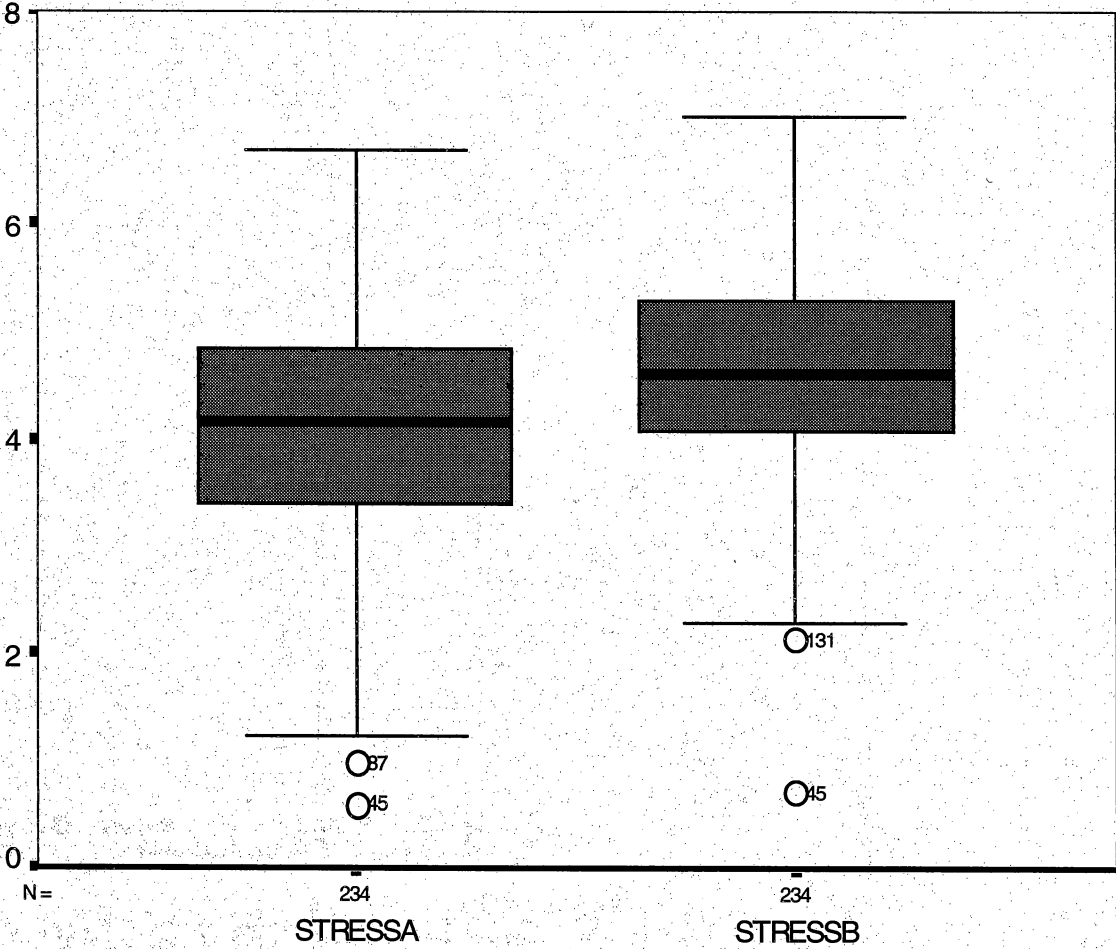
Table 1
Demographics

Variable	Frequency	Percent
Sex		
Male	209	89.3
Female	25	10.7
Years with Company		
less than 1	1	.4
1 to 3	7	3.0
3 to 5	7	3.0
5 to 7	68	29.1
7 to 9	25	10.7
9 to 11	28	12.0
11 to 13	28	12.0
13 to 15	26	11.1
15 to 17	7	3.0
17 to 19	5	2.1
19 +	32	13.7
Months in current position		
0	1	.4
less than 1	12	5.1
1 to 3	9	3.8
3 to 5	16	6.8
5 to 7	40	17.1
7 to 9	17	7.3
9 to 11	12	5.1
11 to 13	3	1.3
13 to 15	9	3.8
15 to 17	12	5.1
17 to 19	10	4.3
19 +	93	39.7
Level of responsibility compared to before downsizing		
0	10	4.3
more	133	56.8
less	91	38.9

Length of time reported to current supervisor

1 to 2 months	32	13.7
2 to 3 months	12	5.1
3 to 4 months	9	3.8
4 to 5 months	20	8.5
5 to 6 months	29	12.4
6 to 7 months	10	4.3
7 to 8 months	9	3.8
8 to 9 months	9	3.8
9 to 10 months	3	1.3
10 to 12 months	4	1.7
12 + months	97	41.5

Length of time since last RIF process

0	9	3.8
1 to 3 months	73	31.2
3 to 5 months	65	27.8
5 to 7 months	42	17.9
7 to 9 months	21	9.0
9 to 11 months	4	1.7
11 to 13 months	3	1.3
13 to 15 months	1	.4
15 to 17 months	2	.9
17 to 19 months	12	5.1
19 + months	1	.4

Table 2
Means, Standard Deviations, and Reliability Analysis

Variable	Mean		Standard Deviation	Alpha	
	Before	After		Before	After
Commit	5.11	3.36	1.16	.8605	.8721
Satisfaction	5.35	3.15	1.39	.7963	.7528
Stress	4.70	4.03	1.07	.8274	.8412
Fairness	2.52		1.40	.8272	
Guilt	3.55		1.21	.7722	

Table 3

Correlation Matrix

	Commitment	Satisfaction	Stress	Fairness	Guilt
1. Commitment	------				
r (uncorrected)					
r (corrected)					
2. Satisfaction					
r (uncorrected)	.7683**	------			
r (corrected)	.9511				
3. Stress					
r (uncorrected)	.5525**	.4872**	------		
r (corrected)	.6463	.6138			
4. Fairness					
r (uncorrected)	.3918**	.3679**	.2482**	------	
r (corrected)	.4610	.4663	.2972		
5. Guilt					
r (uncorrected)	.0833	.0624	.0058	.0918	------
r (corrected)	.1016	.0821	.0072	.1148	

Note. N=243. Corrected and uncorrected correlations are provided so that covariance matrices may be reproduced.

*p≤ .01.

**p≤.001.

Table 4

Goodness of Fit Summary

Model	χ2	df	p	Bentler-Bonett Normed Fit Index	Bentler Bonett Non-normed Fit Index	Comparative Fit Index	Number of Iterations
1	17.947	4	0.00126	0.847	0.674	0.870	9

Table 5

Wald Test

Model	Parameter	df	χ2	P
1	Guilt, Stress	1	.621	0.431
	Fairness, Guilt	2	3.386	.184

Table 6

Lagrange Multiplier Test

Model	Parameter	χ2	P	Parameter Change
1	Commitment, Fairness	0.843	0.359	0.019

Note N=243

*p<.05

Table 7
Perceived Guilt Scale

| Question	n	mean	SD
39. I feel guilty that co-workers who were as qualified as me were let go.	230	4.39	2.06
40. I feel guilty that I have a job and others don't.	232	3.35	1.92
41. I'm working harder because I'm concerned that I could be let do.	232	3.28	2.03
42. People who performed as well as me were let go.	232	5.35	1.81
43. Some people in my work group feel guilty that they weren't let go.	231	2.89	1.76
44. I feel bade that I'm still here when others have been let go.	232	3.00	1.83
45. I feel some level of guilt for being chosen to remain on the job over others.	232	2.58	1.70
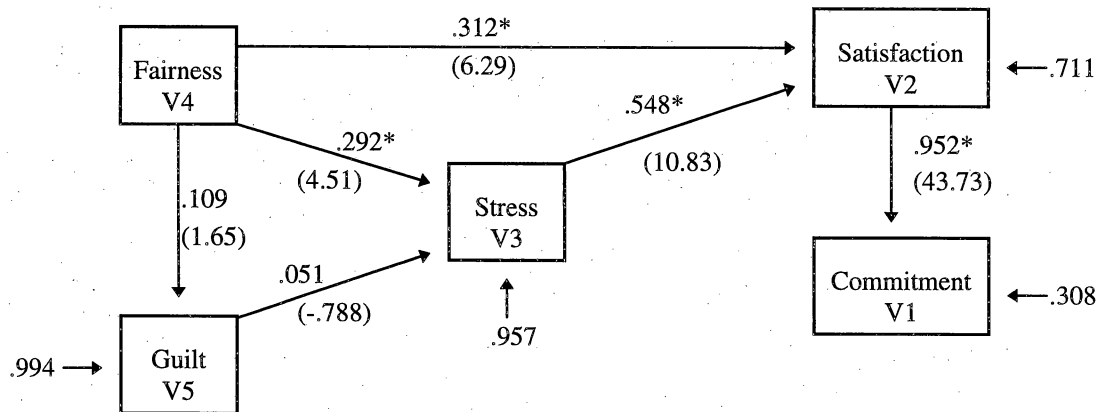
Figure 1. Resulting path coefficient and error terms from the structural equation path analysis of Model 1.
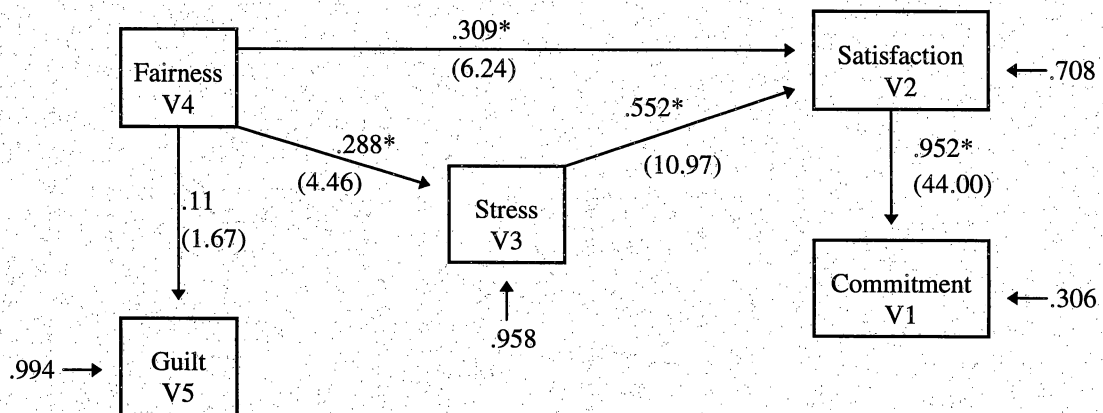
* Significant standardized coefficient

Figure 2. Resulting path coefficient and error terms from the structural equation path analysis of Model 1 after perspective parameters dropped (V5, V3).

* Significant standardized coefficient

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