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Running Head: DOWNSIZING: VICTIM AND OBSERVER PERCEPTIONS

Downsizing: Victim and Observer Perceptions of Procedural Justice and Retributive

Intentions

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March 30, 2001

Submitted in Partial Fulfillment of the Degree

Master of Science in Applied Psychology

Saint Mary's University

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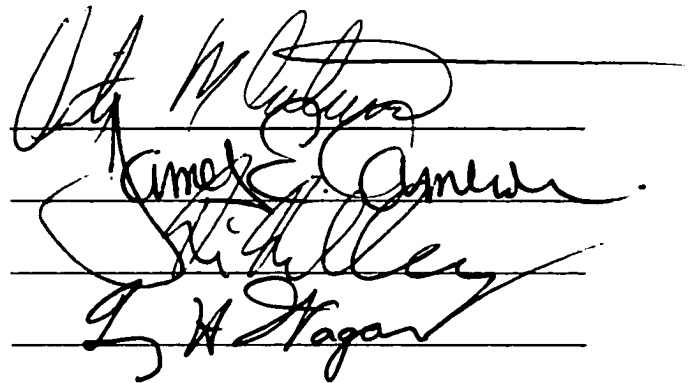
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Downsizing: Victim and Observer Perceptions of Procedural Justice and Retributive Intentions

Jane E. Veinotte
Submitted March 30, 2001

Abstract

These studies examined both victim and third party observer fairness judgements of the procedures used in the sale of a business unit and their retributive intentions toward the organization as potential employees and customers. Two aspects of procedural justice were studied: “voice” and “explanation”. In Study I, Victims of downsizing reported lower perceptions of procedural fairness and higher retributive intentions toward the organization mainly due to the lack of explanation provided for the procedures and opportunity to voice their opinions to managers. In Study II, third party observers (N = 332) were randomly assigned to four experimental conditions: Voice (no voice vs voice) X Explanation (no explanation vs explanation). Third party observers reported higher perceptions of procedural fairness when the victim of the downsizing was provided with an explanation or voice in the downsizing process. Observers also reported lower retributive intentions toward the organization as potential customers when the victim was provided with an explanation or voice. Providing victims with opportunities to voice their opinion also results in lower third party observer retributive intentions as potential employees.

Downsizing: Victim and Observer Perceptions of Procedural Justice and Retributive Intentions

The procedures carried out in organizational downsizing significantly affect the fairness judgements and reactions of victims (e.g., Brockner, Konovsky, Cooper-Schneider, Folger, Martin & Bies, 1994), and survivors (e.g., Brockner, DeWitt, Grover & Reed, 1990) of downsizing. The impact of downsizing on third party observers is a relatively new concern. Third party observers are those individuals who are not directly affected by the downsizing but who may still make fairness judgements of the situation (Skarlicki, Ellard & Kelln, 1998). Third party observers include potential customers of an organization as well as prospective employees. Few studies have examined the fairness judgements and reactions of both victims and third party observers in the context of organizational downsizing. The manner in which victims and third party observers assess and react to downsizing or restructuring has significant implications for both the theory and practice of human resources. Examining victim and observer reactions under a similar context provides an insight into the effects of the procedures used to implement the downsizing.

The present studies examine both victim and third party observer fairness judgements of the procedures used in the sale of a business unit and their retributive intentions toward the organization. The results of these studies will help us to understand the effects of downsizing procedures on potential employees and customers and to determine their behavioral intentions toward the organization.

Organizational Downsizing

Organizational downsizing has remained an ongoing trend since it became a popular practice for many organizations a decade ago. Individuals are frequently exposed to reports of downsizing and organizational restructuring in newspapers and the media (e.g., Hoare, 2000). Organizational restructuring is defined as any major reconfiguration of internal administrative structure that is associated with an intentional management change program (Mckinley & Scherer, 2000). Restructuring has become a major strategic alternative for many well-known Canadian organizations (e.g., Bank of Montreal, CIBC, Royal Bank, General Motors, High-Liner Foods, Serca Foods, PanCanadian Oil & Gas Comapany, CN Rail, KMart). Downsizing was initially undertaken by many financially failing organizations to survive competitive times (Burke, 1998). Today, many successful organizations have reduced the size of their workforce not only to survive financially, but to become more competitive, meet global market challenges, increase productivity (Cascio, 1998) and improve organizational efficiency (Cameron, 1994). Downsizing victims were initially blue-collar workers, although this has shifted primarily to white-collar professionals (Burke, 1998) of whom many are from the services sector (Sunder, 1998). A national study completed in 1992 indicated that fifty-three percent of Canadian organizations and forty-seven percent of Atlantic Canadian organizations permanently reduced the work force over a two-year period; fifty-nine percent of firms participating in a national study had downsized their work forces over a two-year period (Wagar, 1997). The percentage of organizations that downsize has steadily increased. Between 1993 and 1995 approximately seventy one percent of Canadian organizations downsized or restructured (Meyer, Allen &

Topolnytsky, 1998). More than half of the Canadian firms that have undergone some type of restructuring belong to trade, financial, educational, health and community service sectors (Sunder, 1998).

Global competition and technological changes are two major causes of organizational change (Sunder, 1998). In response to these two forces, the trend of downsizing is expected to continue in the future and will remain a common practice undertaken by many Canadian organizations in response to the emerging challenges (Bruce, 1998).

Consequences of organizational downsizing are not yet fully understood, although organizations have learned several important lessons. Most outcomes of downsizing appear to be negative. Organizations failed to achieve their performance and productivity goals (e.g., Cascio, 1993, 1998; Freeman & Cameron, 1993); employees showed a decline in performance (Konovsky & Cropanzo, 1991); individuals experienced increased fear, stress, burnout, job insecurity, lower self – esteem, and lower commitment to the organization (e.g., Mone, 1994; Konovsky & Brockner, 1993). Employees also experienced reduced job satisfaction and less favorable employer – employee relations (Wagar, 1998). Victims and survivors of downsizing witness destroyed careers and broken psychological contracts with their employer (Nelson & Burker, 1998). Managers who implemented downsizing, the downsizers, experienced role overload, search for meaning, social and organizational isolation, deterioration of personal well being, and conflict between work and family roles (Wright & Barling, 1998).

Ironically, Canadian organizations remain very optimistic about the benefits of downsizing and restructuring. A majority of sixty-three Canadian companies that had

undergone some kind of organizational restructuring between 1994 and 1995 reported increased revenue and productivity, increased customer satisfaction and product quality, and reduced costs (Sunder, 1998). In some cases, companies indicated that restructuring had created more jobs than were eliminated.

To summarize, Canadian organizations are adjusting to changes on a continual basis to achieve goals such as increased profitability, productivity, increased market share, and improved overall organizational efficiency. With the exception of a few studies, most of the empirical evidence suggests that downsizing results in negative consequences for victims, survivors and those individuals who implement the downsizing. However, very little is known about how the effects of the procedures used in downsizing affect the perceptions of individuals who are not directly affected by the downsizing – third-party observers (Skarlicki et al., 1998). Third party observers include potential employees and customers of an organization that has undergone restructuring. Exploration of the consequences of practices and procedures used during restructuring may lead to activities that have less of a negative impact on all those affected by downsizing.

Procedural Justice

Stemming from Thibaut and Walker's (1975) pioneering efforts, the fairness of the procedures used to determine the outcome an individual receives, independent of the favorability of the outcome, appears to influence the individual's perception of fairness of the outcome (e.g., Lind & Tyler, 1988; Tyler, 1987; Tyler, 1984). This concept is the "procedural justice" effect.

Much of the initial research concerning procedural justice was conducted outside of a business context (e.g., law, court; Tyler, 1987) and was influenced by Equity Theory (Adams, 1965). Equity Theory suggests that individuals expect the ratio of outcomes to their inputs to be fair. For example, a high performing employee might expect a high salary or a promotion. However, Equity Theory does not take into account an individual's perceptions of fairness based on the process used to determine the outcomes (Lind & Tyler, 1988; Folger, 1977). Equity Theory also neglects the larger social context in which the procedures occur (Schminke, Cropanzo & Ambrose, 2000). Equity Theory is concerned about what was decided, whereas procedural justice focuses on how the outcome was reached.

Although practices that allow employees some direct control over various aspects of their working conditions are becoming increasingly common (Greenberg & Folger, 1983) organizations have not been quick to adopt the concept of procedural justice. Nevertheless, procedural justice affects performance appraisals (e.g., Greenberg, 1986), managerial dispute resolution (e.g. Karambayya & Brett, 1989), employee reactions to pay raise decisions (Folger & Konovsky, 1989), collective bargaining outcomes (Giacobbe-Miller, 1995), drug testing (Konovsky & Cropanzano, 1991), potential leave policies (Grover, 1991) and strategy implementation (Kim & Mauborgne, 1993). Perceptions of procedural fairness also profoundly affect the reactions of survivors and victims of downsizing (e.g., Brockner, Wiesenfeld & Martin, 1995; Brockner et al, 1994; Brockner, Grover, Reed, Dewitt, 1992; Brockner & Greenberg, 1990; Rousseau & Anton, 1988), and third party observer reactions to downsizing (Skarlicki et al., 1998).

Aspects of Procedural Justice

Interpersonal variables may also influence perceptions of procedural justice (Schminke et al. 2000). The fairness of the interpersonal treatment that one receives from a decision maker is known as interactional justice (Bies & Moag, 1986). The concept of interactional justice was first viewed as distinct from procedural justice. Bies and Moag (1986) suggested that the concept “interactional justice” should be distinguished from procedural justice because procedures refer to the structural quality of the decision process, whereas interactional justice refers to a social exchange between individuals. Nonetheless, these two constructs, procedural and interactional justice tend not to be separated. They have, until recently, been treated as different manifestations of the same construct (e.g., Brockner & Wiesenfeld, 1996; Tyler & Bies, 1990; Greenberg, 1990). There is ongoing dispute whether interactional and procedural justice have distinct structural antecedents (Schminke et al. 2000). James (1993) suggested that procedural justice should be seen in a broader social context that includes both interpersonal treatment and formal decision processes.

There are several aspects of procedural justice. Thibaut and Walker (1975) examined the distribution of control in decision making (e.g., voice). Individuals perceived procedures as being fair when they had input into the decision making process and when they had decision control over a choice. Leventhal (1980) identified six rules by which individuals assess the fairness of procedures. These rules include the ethicality, consistency, lack of bias, accuracy, representativeness and correctability of the decision-making process. Interpersonal aspects of procedural justice include the motives of decision makers, adherence to ethical standards, and concern for an individual’s rights

and welfare (Bies & Moag, 1986). Greenberg (1990) differentiated the structural characteristics (e.g., formal policies and procedures) and the interpersonal characteristics of procedural justice in the organizational context, which he referred to as the adequacy of explanations for layoffs and the level of respect individuals received throughout the downsizing

The present study examines two aspects of procedural justice: (a) whether individuals perceive that the reasons underlying decisions were adequately explained, and (b) whether individuals perceive that people directly affected by the decisions had “voice” or input in the process. The explanation aspect of procedural justice is important in determining victims’ reactions to layoffs. Adequate explanations reduce the employee’s tendency to perceive procedural injustice when organizations downsize (Bies & Shapiro, 1988; Shapiro, 1991; Brockner, DeWitt, Grover & Reed, 1990; Folger, Rosenfield & Robinson, 1983). Victims of a layoff who do not receive a plausible explanation perceive the layoff as more unfair than did individuals who were provided with an explanation (Rousseau & Anton, 1988). Contrary to Rousseau and Anton (1985), Konovsky and Folger (1991) did not find any evidence that explanation had a significant effect on victims’ reactions to a layoff. The manner in which decisions were communicated, however, positively affected victim’s reactions. The effect of adequate explanations may be limited to situations in which the negativity of the situation is mild (Konovsky & Folger, 1991).

The clarity of the explanation provided for the layoff may also have an effect on survivor reactions. Retail employees undergoing layoffs reported on the clarity of their manager’s explanations for the organization’s actions (Brockner et al, 1990). When an

employee's need for information was high (e.g., uncertain why the layoff occurred; high importance of the layoff outcomes) the employee reacted more favorably when managers provided clear explanations. Similarly, honest and direct communications with employees reduce negative outcomes in the context of mergers (Schwerger & DeNisi, 1991).

The lack of procedural fairness has also shown negative effects on victims, survivors, and lame duck survivors (those individuals who are waiting to be laid off). Advanced notice and interactional justice (e.g., explanation) produce a sense of procedural justice. When procedural justice is perceived to be low, victims, survivors, and lame ducks have greater negative reactions to the extent that outcomes were negatively perceived. However, when procedural justice is perceived to be high, the perceived negativity of the outcomes has no effect on reactions (Brockner et al. 1994).

Managers and non-managers who survive downsizing may have different perceptions of the process. Supervisors are more likely to perceive explanations for the cutbacks as fair, than do technical workers (Armstrong-Stassen, 1993). Supervisors may have more access to information concerning the reason for the cutbacks and therefore, may perceive the explanation to be adequate. Managerial communications that help workers to understand the events in a divestiture enhanced employee's perceptions of procedural justice, thus positively affecting their attitudes (Gopinath, 2000).

Third-party observer perceptions of procedural fairness of a layoff may also have consequences for an organization (Skarlicki et al., 1998). Observers, who read a newspaper article that described a bank layoff in which the layoff victims were provided with an adequate explanation for the layoff and a voice in the decision making process,

were more likely to view the layoff procedures as fair, than when explanation and voice were not provided.

Providing individuals with adequate explanations for an organization's behavior throughout the downsizing process is an important determinant of victim, survivor and third party observer reactions to downsizing. It is expected that third party observers and victims will show higher levels of perceptions of procedural fairness when the victims of downsizing are provided with adequate explanations for downsizing procedures.

The "voice" aspect of procedural justice, called the "process control effect" by Thibaut and Walker (1975) and the "voice effect" by Folger (1986), are opportunities that allow people to provide input into the decision making process. Thibaut and Walker (1975) demonstrated that individuals perceive themselves as being treated fairly when they have voice or input into the decision making process, even if the outcomes were unfavorable. When individuals are unable to provide decision makers with input, they perceive the procedures as unfair (Folger, 1977). Individuals who are given the opportunity to express their views or provide input in a decision believe that they will be better able to control the outcomes they receive, thus leading to higher perceptions of procedural justice.

Procedural justice and outcome favorability may interact in affecting survivors' reactions to job layoffs (Brockner, Wiesenfeld & Martin, 1995). Using a measure of procedural justice based on Thibaut and Walker's (1975) notions of process control and decision control (e.g., voice or input), Leventhal's (1980) structure components (e.g., consistency), and Bies and Moag's (1986) notion of interactional justice (e.g., adequate explanation), Brockner et al. (1995) showed that perceptions of procedural justice and

decision frame (e.g. decisions that are framed or identified as being either gains or losses) significantly interacted to affect survivor's trust and support for the organization. Consistent with previous research, when procedural justice was high (e.g., opportunity to voice views), outcome favorability had no effect on survivors reactions.

Although most explanations of procedural justice are based on instrumentality (e.g., Thibaut & Walker, 1975), others describe procedural justice in terms of symbolic and informational outcomes. Tyler (1987) proposed the "Value-Expressive" perspective, which assumes that individuals want to have voice in the decision making process because they value having a chance to state their case. The instrumental perspective proposed by Thibaut and Walker (1975) states that individuals value having voice to influence the outcome; whereas the value-expressive model (Tyler, 1987) suggests that individuals simply value being listened to. Lind, Kanfer, and Early (1990) investigated the effects of instrumental and non-instrumental participation on individual's fairness judgements. Control over influencing a decision was an important factor in generating voice effects; however, perceptions of procedural fairness increased when individuals had an opportunity to voice their opinion even when they could not influence the decision. These results provide evidence that both instrumental and non-instrumental aspects are involved in producing voice effects.

Davy, Kinicki, Scheck and Sutton (1991) provided further evidence of the importance of procedural fairness in layoffs. Davy et al. (1991) assessed survivors' fairness judgements of a layoff decision making process. Providing employees voice in the decision making process positively affected survivor's perceptions of procedural justice. Voice also affects the fairness judgements of layoff procedures made by third-

party observers (Skarlicki et al., 1998). An organization's customers, potential employees, and members of the general public learned about a layoff from a newspaper article. When third-party observers perceived the layoff victim as having input into the layoff procedures, they assessed the procedures as being more fair than when they perceived victims as having little or no input in the decision making process.

Contrary to these findings Thibaut, Friedland and Walker (1974) found that individuals were less accepting of a decision when they had voice than when they did not. However, these results may reflect social influence processes. Social influence is similar to the basic Asch conformity paradigm (Asch, 1952), which involves a break in the uniformity of group pressure that is placed upon an individual whose opinion differs from the decision maker's, thus facing the individual with a unanimous opinion of only one person (Greenberg & Folger, 1983). Thibault et al.'s (1974) participants knew each other's opinion, thus causing a break in unanimity. A break in unanimity by a single "ally" results in a much greater tendency for individuals to maintain their own opinions when they have no allies.

The downsizing process involves a series of events in which victims, survivors, and observers of the downsizing make judgements about the fairness of the downsizing procedures. Providing individuals with the opportunity to voice their opinions or allowing them to have input in the decision making process is an effective strategy for enhancing perceptions of procedural justice, particularly in the context of selling a business unit. Providing victims with an opportunity to voice their opinions to the decision-makers should result in higher levels of perceptions of procedural fairness for both victims and third party observers.

Retributive Justice

“Retributive justice” is used to explain how individuals react to unfair or rule breaking behavior. Individuals attribute blame to someone when accidents or unfortunate outcomes occur and when they feel that the individual should be sanctioned (e.g., Alicke, 1992; Shaver, 1970; Walster, 1966). In terms of downsizing, Skarlicki et al. (1998) stated

“Observers who perceive a layoff as unfair may feel that the employer has violated not only the equity rule (that employees should lose their jobs only when it is deserved) but also the procedural rule (that layoffs should be conducted in a fair manner); Brockner et al (1994)”

Moreover, Skarlicki et al. (1998) proposed that potential employees and customers who perceive the procedures used in organizational downsizing organization as unfair, may develop retributive intentions toward the organization. Third party observer perceptions of the fairness of layoffs are negatively related to retributive intentions, both as a customer and as a potential employee (Skarlicki et al., 1998). The justice manipulations (voice and explanation) in Skarlicki et al’s study, however, did not directly affect third-party observers’ behavioral intentions. Other aspects of procedural fairness such as consistency, or ethicality (Leventhal, 1976) may have contributed to the observers’ perceptions, in addition to voice. Observers’ perceptions of fairness may be a better predictor of their behavioral intentions than the specific procedural aspects themselves (Skarlicki et al., 1998). This possibility remains to be investigated.

These potential effects of procedural fairness on third-party observers’ perceptions of downsizing and retributive intentions have not been thoroughly examined.

Many organizations are restructuring and undergoing changes to increase their competitiveness and to meet customer needs. As a result of restructuring however, many jobs have become eliminated and productive workers laid off. Organizations do not adequately assess the manner in which their potential employees and customers perceive the procedures used and their reaction to the elimination of jobs. For example, in announcing 1450 layoffs the Director of Public Affairs for the Bank of Montreal stated, “We’ve got to fight stronger to maintain our customer base. You’re up against a tremendous force and you need to build your scope to compete”, referring to an influx of U.S. and other international financial service providers (Hoare, 1999). Instead of maintaining the customer base, the opposite may occur if customers deem the layoff procedures used by the bank as unfair and breaking procedural rules. Customers across the country are increasingly aware of the extent of organizational downsizing. People consider the fairness of an organization when making consumer and employment choices (Skarlicki & Nadler, 1994). In the case of the Bank of Montreal, rather than maintaining their customer base, customers may be motivated to avoid the organization. Customers may deem the layoffs of the bank as unfair or unnecessary and may take their business elsewhere as a means to “punish” the organization. In addition, attracting potential knowledge workers is becoming a survival challenge for many organizations. Potential employees of the bank may view the procedures used to downsize as unfair, and not seek employment with the organization or refuse a job offer.

In sum, managerial communications (explanation and voice) may affect the retributive intentions of victims and third party observers. Providing victims with adequate explanations and an opportunity to voice their opinions to the decision-makers

should result in lower levels of retributive intentions toward the organization by third party observers. The lack of adequate explanations and opportunities to provide voice to the decision-makers should also result in higher retributive intentions among victims of the downsizing.

Study I

Context

This study examines the sale of a business unit in an eastern Canadian organization. The organization's decision to sell the non-core business activities resulted from a restructuring plan designed to enable the organization to become more flexible, increase the customer base, and to be more customer responsive. Management identified two non-core business units as activities that required additional support to grow.

The publicly stated reason for the sale was as follows: "selling the unit is consistent with the organization's internal restructuring toward the mandate of technology commercialization, and it was recognized that the infrastructure within the new company would be better able to provide the unit with more complete and cost effective service than the organization could offer". The organization sold the business activities under the following conditions: (a) all staff with more than five years tenure would receive jobs and benefits; (b) service to existing customers would continue; (c) the activity would continue to grow in Nova Scotia; and (d) the services developed to date would remain intact. Under the conditions of the proposal, the buyer assumed responsibility for all full time employees in the unit. Full time employees received recognition of their full seniority and benefits remained the same; however, many of the staff affected by the sale, herein after referred to as "victims", lost long term service

awards. The loss of long term service award for one victim was estimated to be as high as twenty thousand dollars. Apart from the dissatisfaction associated with losing long term service awards, a majority of the victims expressed an overall feeling of dissatisfaction with the manner in which they were informed of the downsizing. Over the duration of the sale of the business unit, the organization provided employees affected by the sale with an explanation and the employees were given an opportunity to voice their opinions when deciding outcomes that would have an impact on them (e.g., deciding between potential buyers). Despite these efforts, victims of the downsizing expressed feelings of an overall dissatisfaction with the procedures used in the sale, which left top management questioning whether they used the best procedures to handle the process. Management was also concerned about third party observer perceptions of the procedures used to downsize the organization. A major goal of the organization is to significantly increase the client base, however if customers perceive the organization as “breaking procedural rules”, their retributive intentions may be strong. Moreover, the surviving employees are nearing retirement, therefore the need for innovative, knowledge workers will increase significantly within the next few years. If potential future employees deem the organization as treating employees unfairly, they may seek jobs in other organizations before considering this organization, thus affecting organizational competitiveness.

The situation facing this organization is only a small indication of the larger problems associated with downsizing for many organizations. Organizations are encountering survival challenges such as attracting and retaining highly skilled workers and customers. Understanding victim and observer perceptions and reactions to the procedures used to communicate the downsizing will enable managers to develop and

implement the most effective human resource strategies – namely those strategies that will have a positive impact on the victims, potential customers and prospective employees of an organization.

Purpose

The first study used qualitative methods to investigate whether victims perceived the procedures used in the sale of the business unit as fair, and to determine their behavioral intentions as potential employees and customers of the corporation.

Study I: Summary of Hypotheses

HI: Victims of downsizing who have not been given an adequate explanation for the downsizing will perceive the process as one that is unfair.

HII: Victims of downsizing who have not had a “voice” in the downsizing decision will perceive the process as one that is unfair.

IIII: Victims of downsizing who have not received adequate explanations and who have not had “voice” in the process are more likely to express the intentions of seeking retribution against the organization.

Method

Participants & Procedure. Ten of the fifteen victims of the downsizing (9 males, 1 female) were interviewed to determine their perceptions of procedural fairness of the sale of the business unit and their retributive intentions toward the corporation. The human resources department provided demographic information on each victim. The average age of the victims was 36, ranging from 29 to 47 years. Years of service ranged from 5 to 23

years. All of the interviewees were full time employees of the organization and all were guaranteed positions in the new company.

The interviewees were initially contacted by the Human Resources Director of the organization who explained the general topic of the study, provided background information about the investigator (e.g., name and university) and determined if they wished to be contacted by the investigator to participate in the study. Once the interviewees gave their consent to proceed, they were contacted and given additional information on the general nature of the study. Interviewees were contacted either by telephone or in person on-site at the organization. Sixteen, open-ended, structured questions assessed (1) the adequacy of explanation managers provided the interviewees about the sale, (2) the opportunities they were given to voice their opinions about the sale to decision-makers, and (3) other general information about the sale (see Appendix A).

Following Skarlicki et al. (1998), perceived fairness of the procedures used in the sale of the business unit was assessed by asking victims to indicate their agreement with the following modified statements: “Generally, the procedures used by the organization in the sale of the business unit were fair”, and “The organization was concerned with being fair when it sold the business unit”. The items were modified by changing the word “layoff” to “sale of the business unit”. Response scales for the items consisted of a 7 point likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree) (see Appendix A).

This study also measured interviewee intentions to be a potential employee and intentions to be a customer of the organization. The item used to measure potential employee intentions was “If an appropriate job in this organization were offered to me, I

would not accept the position”. Items that were used to measure customer retributive intentions included and “I would have a problem recommending this organization to a friend or relative” and “Because of the way this organization treats its employees, I as a customer would prefer to do my business elsewhere”. Respondents were asked to rate the four items on a 7 point likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree) (see Appendix A). The interviews ranged between, approximately, 1.5 and 2 hours in duration.

Data Analysis Strategy

The structured interview data were recorded in shorthand and later transcribed. The analysis identified a series of common themes and the frequency of interviewees who expressed each theme. Themes were identified by grouping common statements made by interviewees. The interview questions were designed to obtain information about the major themes (e.g., voice & explanation); however, sub-themes were also identified based on the number of victims who expressed each sub-theme during the interview. The mean and standard deviation of interviewees’ responses to the procedural fairness and retributive intentions items were also determined.

Results

The means and standard deviations of victim fairness judgements and retributive intentions toward the organization are presented in Table I. Interviewees perceived the procedures used in the sale to be mildly unfair ($M = 3.13$, $SD = 1.05$; statements were rated on a 7 point likert type scale). Lower fairness ratings indicate lower perceptions of procedural fairness. Interviewees showed the highest average retributive intentions as a potential employees of the organization ($M = 4.95$, $SD = 1.95$), however, the average

response was neutral with respect to customer retributive intentions ($M = 4$, $SD = 2.31$). Higher ratings on retributive intention items indicate that interviewees are more likely to show retributive behavior toward the organization.

Table I. Means and Standard Deviations of Victims' Fairness Judgements and Retributive Intentions.

Independent Variables	N	Mean	SD
Fairness Judgments	10	3.13	1.05
Retributive Intentions (As a potential employee)	10	4.95	1.95
Retributive Intentions (As a potential customer)	10	4.00	2.31

*Note: Items were rated on a 7-point likert type scale, 1 = strongly disagree to 7 = strongly agree. Lower fairness judgements indicate that the perceptions of procedural fairness were low; Higher ratings on the employee and customer retributive intention variables indicate that victims are more likely to show retributive behaviors toward the corporation.

Table II presents the various themes from the interviews as well as the number of interviewees who expressed each theme during the structured interviewing process. The five major themes include I: Explanation, II: Input, III: Behavior & Actions of management, IV: Retributive Intentions, and V: Future Stability of the Organization. Various related sub-themes were also identified. Sub-themes include issues such as the adequacy of explanations that were provided for the downsizing, opportunities to voice opinions, lack of trust, retributive intentions, and the stability of the organization (see Table II for a complete list of sub-themes). Each sub-theme is accompanied by a rating that indicates the number of interviewees who expressed the theme. In presenting these themes, samples of direct quotations from victims have been provided to represent their opinions and experience in the downsizing.

Table II. Themes Derived from Structured Interviews with the Victims of Downsizing.

Themes	Number of Victims Expressing Theme
Theme I: Explanation	
Explanation provided for downsizing	10
Information provided regarding job security	10
Inadequate information provided regarding salary, pension, and benefits	7
Unclear explanations provided	4
Inadequate explanations provided	10
Inaccurate information provided	7
Perception of hidden agenda	7
Management was not open, honest and up-front	10
Theme II: Input	
Opportunity to voice suggestions	2
Suggestions & opinions not valued by corporation	10
Suggestions not acted on	10
No input or control over decision making process	10
Theme III: Behavior & Actions of Management	
Acting on best interest of the employees	3
Acting on best interest of the corporation	7
Lack of trust for management	5
Theme IV: Retributive Intentions	
Retributive intentions as a potential employee	8
Retributive intentions as a potential customer	6
Theme V: Future Stability of the Organization	
Not recommend the corporation to a friend as a workplace due to unstable future	5

N = 10

Procedural Fairness Judgements*Theme I: Explanation*

One evident theme is the lack of communication that occurred between management and victims throughout the sale. All respondents indicated that the CEO held a meeting to officially announce the sale of the business unit; however, they indicated that they initially learned of the sale through rumors and co-workers. Overall, victims believed that management attempted to provide an explanation for the downsizing as well as explain the details of the sale by holding regular staff meetings.

However, it wasn't the quantity of meetings that victims deemed important, but rather the quality and accuracy of the information they received. The victims repeatedly stated that management provided vague and meaningless explanations to questions regarding issues that were of most concern to them (e.g., the reason for the sale, pension information, buyer information, etc.). Often, victims expressed the view that new information seldom came to light despite the number of meetings held to discuss the progress of the sale. Victims became very concerned when they received no response to letters they sent to management containing their questions. The lack of an adequate explanation from management created feelings of frustration and anger among victims. This was a contributing factor that elicited uncooperative behaviors from them. Victims stated that they would have had positive and trusting attitudes if managers had been open, up-front, and truthful in the early stages and throughout the downsizing.

“The organization could have improved the manner in which they handled the sale just by being honest and up-front with the information. We (*victims*) knew all along that the unit was going to be sold, so when the CEO was asked up-front about the sale and possible buyers, he shouldn't have lied to our faces. If management had been honest we would have willingly taken a participatory role in the sale.”

Finally, victims reported that there was a perception of a 'hidden agenda' by management.

“They (*management*) had already sought out potential buyers long before the sale was announced. They have their

own hidden agenda and personally, I think that the sale was very political and that is why management had to be so secretive.”

To summarize, victims indicated that the information provided throughout the downsizing was explained clearly; however, the information and explanations were perceived as inadequate and inaccurate. Moreover, victims believed that management was not open and up-front with the information, leading to a perception of a hidden agenda.

Theme II: Input into Decision-Making Process

The degree of input into the decision making process was also a factor that affected victims’ fairness judgements. Management’s pledged intention of including victims in meetings and the decision making process was only partially fulfilled. Management decided to include victims only in determining and rating essential criteria on which potential buyers would be evaluated. The top three criteria were (a) a financially stable company, (b) located in the metro area, and (c) salary, benefits, and pension remain the same. Based on these criteria three eligible companies were short-listed as serious buyers. Following the selection of buyers, victims were not given an opportunity to provide input in future decisions. Furthermore, management was no longer receptive to victims’ suggestions or opinions voiced in meetings.

“Management went as far as becoming angry and short tempered when an individual asked a question regarding the pension at a meeting. After that I wasn’t going to ask any questions.”

There were several other important issues related to the degree of input management allowed victims. First, victims believed that their involvement in the criteria selecting and short-listing activities took place only to create the ‘illusion’ that management was seeking their input. If management really had intended to obtain input in the decision making process, their actions were not perceived by victims to be consistent with that intention. Second, victims felt that they were excluded from providing input into decisions on issues they highly valued and which significantly affected them (e.g., negotiations with potential buyer).

“We (*victims*) should have been involved in the negotiation process with the buyer because we are the experts in the field. Management does not have enough knowledge of this type of business to negotiate with the buyer.”

Third, management did obtain victims’ input initially, however the suggestions were never acted on or implemented.

“Management always said they would act on our suggestions, but they never did – unless the suggestion fit in with their original plan.”

All of these behaviors carried out by management contributed to the fairness judgements made by victims. In sum, this study found that involving victims in only a portion of the decision making process did not result in victims believing that they had voice or input. In addition, victims want to provide input into decisions that were important to them, as well as have their suggestions acted on.

Theme III: Management Behavior & Actions

The victims also raised issues related to the behavior and actions of management, particularly with respect to (a) trust for management, and (b) whether they felt that management acted in the best interest of the employees or the corporation.

“I always felt that there were three separate groups involved in this sale: the employees, management, and the buyer. I never believed that management was on our (employee) side and I didn’t feel that we could trust anything they told us after they lied to our faces and denied that the sale was going to occur.”

“I don’t believe that the corporation acted on our best interest – from the start they had a plan and if the things they did for us didn’t benefit the organization, then it wouldn’t have happened.”

“The corporation did not act on our best interest, they acted purely on what they perceive as the organization’s best interest. For example, one employee lost \$20,000 service award; we still have questions about why the organization chose this particular company that never operated in this type of business. I think it (*procedures used in the sale*) is

due to reasons other than acting in our best interest; I think it is political.”

Victims believed that management had a plan from the beginning and that it was structured in a manner that would convince victims that they had input and control, while at the same time manipulating victims to do exactly what management had planned. They feel that the alternative choices (*selection of potential buyers*) were so unfeasible that they would have no choice but to select the buyer that management preferred.

“Management even went so far as to begin negotiations with a completely inappropriate company so employees would refuse the offer and it would appear as though they were in control of the decisions that were made.”

It is apparent that victims perceived management as manipulative and deceptive, and as a result they used management’s actions and behaviors as the basis for many inferences about the processes. Therefore, managers must become aware that their behaviors and actions have an impact on how victims will perceive the fairness of their actions.

Theme IV: Retributive Intentions

The victims discussed their retributive intentions from the perspective of both a potential employee and customer. Many of the victims interviewed agreed that if an appropriate job in the corporation was offered they would not accept the position. Of these victims, some expressed the view that they would not accept the position because of the unfair procedures used in sale of the business unit. Similarly, many of the victims stated that they would have a problem recommending the corporation to a friend as a

potential employer. The victims expressed two main themes when justifying their responses: (a) perception of unfair procedures used by management and (b) the perceptions of an unstable future of the corporation. In addition, victims also based their decision to recommend the corporation as an employer to friends on the fairness of the procedures used in the downsizing.

Respondents frequently described the unfair procedures that were used throughout the sale and indicated that they would not accept an appropriate position within the corporation as a result of the unfair treatment.

“I have no respect for management after the way they handled the sale, and I would not accept a position in this corporation.”

“A position in this corporation would not be my number one choice, and if I had to accept it I would certainly look another job elsewhere.”

“No, I would not accept the position. Ever since the CEO and his handpicked executive team arrived five years ago, this place was no longer a good place to work...(when probed to explain the response the victim continued by stating) Because of the way they (management) treat the employees.”

In contrast, some victims would agree to accept an appropriate position within the organization, and believed that management was justified in the manner they executed the downsizing.

“I would accept the position. I had a very good career at this corporation and management treated me well up until the new executives arrived several years ago. I still like the corporation, as well as the other employees that I worked with. I don’t feel that management has anything personal against me, it was just a business dealing and I can understand from their point of view why they (*management*) did what they did.”

Victims’ decision to recommend the corporation to a friend was also partially based on whether the procedures used in the downsizing were fair. Referring to the procedures used to sell the business unit:

“I would not lend my name in a positive reference in anyway because I would not want to imply that I endorse the behaviors of management that occurs” (referring to the procedures used to sell the business unit).

Even the victim who expressed that they would recommend the corporation to a friend stated

“I would not have a problem recommending this corporation to a friend; however, I would make sure that

they were well aware of how management treated us, and then allow them to make an informed decision.”

Several victims stated that they would not consider being a potential customer of the organization. They believed that the organization did not deserve their business due to the way they were treated during the sale, and therefore, would not be consumers of their services in the future.

“I would not use this organization’s services in the future.... I’d go to other companies before I would go to this one... They treated us unfairly from day one and I wouldn’t use their services if they paid me to”

Other victims expressed no retributive intentions toward the organization and stated that they would consider being a future customer.

“Business is business. They only did what they had to do and I don’t hold it against them. Yes, I would use their services.”

Theme VI: Future Stability of the Corporation

Victims repeatedly expressed the view that they were uncertain of the future state of the corporation and believed that further downsizing would occur. Several respondents believed that accepting a position in the corporation would only buy time before they would become a victim of downsizing again.

“You would have poor foresight if you accepted a position here. I personally don’t think that they corporation will

exist in four years. I think there will be a small group of individuals located in...”

“I don’t really have anything against the corporation as a place to work, but I wouldn’t accept a position here because of the unstable future of the corporation. It’s only a matter of time before more sales occur.”

Finally, victims indicated that they would not recommend the corporation to friends or family as a future employer due to the perceived instability of the positions within the corporation.

“There is no security for anyone in this place and I would really have a problem recommending this organization to a friend because of the lack of job security.”

“I would not recommend this organization to a friend because I fear there is a hidden agenda, and the future of this corporation is extremely unstable. I would not want to see my friend go through the same thing we did.”

In summary, the victims involved in this study partially based their decision of future employment, or their recommendation of the corporation to a friend, on the extent to which they perceived the procedures used in the downsizing as being fair, and whether they perceived a stable and secure future of the corporation.

The interviewees were asked to list ways that management could have improved the manner in which the downsizing was executed. Table III provides a list of those

behaviors that they believed management could have used to improve the entire downsizing experience. Victims believed that managers should have provided in-depth explanations about contract terms and issues regarding the sale, such as the reason for the sale, the manner in which the sale was communicated to them, and the progress throughout the sale. Victims wanted to be involved in contract negotiations; they believed that managers were secretive and withheld critical information about their future.

Table III. Victims' Suggestions for Improving the Downsizing Process.

<ul style="list-style-type: none"> • Management should have ensured that contracts were fully explained to all involved employees • Management should provide an in depth explanation as to why the sale was occurring. The explanation provided was too vague. • Employees should have not have learned about the sale through other employees or clients. The message should have come directly from management. • Management should have offered long term employees (23 years+) a compensation package for their loyalty and hard work for the corporation. • Management should have made an effort to place qualified employees in other available positions within the corporation, rather than telling employees not to apply. • Management should have been open, honest and up-front about the sale. All trust for management was lost when they initially denied the sale. • Management should not have been secretive about the progress of the sale. The employees were aware of closed meetings being held, and the employees felt they should have been included in all meetings that would affect their future. • Management should have included employees in the negotiation meetings with the buyer. The employees felt that management was not able to represent them due to their lack of expertise in the field.

***Note:** Downsized victims are referred to as employees in this table.

Discussion

Most victims perceived the procedures used in the downsizing to be unfair. This is consistent with the results of previous procedural fairness research (Konovsky & Folger, 1991; Brockner et al., 1994), which suggests that providing victims with an adequate explanation for the downsizing and with an opportunity to have voice in the decision making process are essential factors in the victims perceptions of procedural fairness. Victims were generally unsatisfied with the explanations provided by management for issues that occurred throughout the downsizing that significantly affected their future (e.g., the reason for the sale, pension, contracts, and status of negotiations). Victims valued an adequate explanation for several aspects of the downsizing process in addition to a reason for its occurrence. Victims repeatedly indicated that managers did not provide answers to their questions, and seldom shared new information. This general view contradicted manager's perception that they provided adequate information. Managers believed that they were keeping employees informed with up to date information. These opposing perceptions are only one example of miscommunication that may occur between managers and employees in many organizations. Managers often believe that they are effectively communicating messages to employees; however, employees may be receiving mixed messages, vague information, or insufficient information. Victims value extensive amounts of information and explanations for issues that are of concern to them. The lack of an explanation leads victims to mistrust management's actions and intentions, and creates retributive intentions toward the organization. Over-communicating is impossible. The fact that managers provide adequate explanations symbolizes to employees that they are being treated fairly (Tyler & Bies, 1990). Treating individuals in

such a manner causes them to be more likely to judge the downsizing process as fair (Hopkins & Hopkins, 1999).

Victims were also dissatisfied with the extent to which managers involved them in the decision making process. When decisions are made that may significantly change an individual's environment, allowing an individual to have voice in those decisions, when possible, is critical. Managers initially provided victims with several opportunities to provide input into critical decisions. The opportunities to provide input positively affected victim perceptions of fairness; however, throughout the process of the sale, managers stopped asking victims for their input. Although the reasons for this are not known, the impact was quite significant. Victims also felt a total loss of control over the decisions that were made throughout the sale. Victims expressed the need to be involved in all stages of the sale. They believed that they were the experts of the field; therefore they should have been involved in the entire decision making process (e.g., sale negotiations). They want to believe that management valued their opinions and suggestions. When management decides not to allow employees input or voice in the decision making process, they should carefully consider the impact those decision will have on victims' fairness judgements.

Retributive Intentions

Victims reported higher retributive intentions toward the corporation as a potential employee and customer due to insufficient explanations provided by managers and to the lack of opportunity to provide input into the decision making process. Several of the victims stated that they would not consider employment with the organization partly due to the unfair procedures used in the sale of the business unit. Victims also

stated that they would not recommend the organization as an employer to friends.

Victim's behavioral intentions, however, were not completely retributive in nature. They were also concerned about the perceived instability of the organization's future. Most of the victims felt that the organization would become leaner and flatter within the next several years. Both the unfair procedures and perceived instability of the organization contributed to the behavioral intentions among victims as potential employees.

Victims' responses were divided when asked whether they would consider being a customer of the organization. Those who would not conduct their business with the organization attributed their behavioral intentions to the unfair treatment they received during the sale. The remaining victims did not express retributive intentions as a customer, and felt that the manner in which they were treated would not deter them from using the services of the organization in the future.

In sum, the procedures used to implement the sale significantly affected the fairness judgements and retributive intentions of victims. Victims reported they did not receive adequate explanations or sufficient opportunity to voice their opinion to management. Lack of explanation and voice resulted in lower perceptions of procedural fairness among victims, thus supporting Hypothesis I and II. The unfair procedures lead victims to develop retributive behavioral intentions toward the organization as potential employees and to some degree as customers, supporting Hypothesis III.

Victims suggested several ways that managers could have significantly improved the downsizing process. Most of their suggestions relate to explanation and voice factors. Victims clearly indicated that explanation and voice are among the most critical factors that are necessary during downsizing. Other critical factors include compensation (e.g.,

pensions, buy-out packages) and job security (e.g., future employment with buyer).

Victims believed they had the right to be involved in the decision making process and to be informed throughout the entire process. Victims perceived managers as secretive and dishonest. The lack of voice and explanation throughout the process had a significant role in determining whether victims would perceive the procedures as fair, or develop retributive intentions. Improving the adequacy of the explanations and increasing the opportunities in which victims can provide their input would have improved the overall perceived fairness, thus lower retributive intentions among victims.

Study II

Purpose

Study II examines the manner in which third party observers perceive and react to the procedures used in a situation similar to the sale that was examined in study I. This study also attempted to replicate Skarlicki et al's (1998) research on third party observer perceptions of a downsizing and their behavioral retributive intentions as potential employees and customers of the organization. Examining victim and observer reactions under a similar context provides an insight into the effects of the procedures used to implement the downsizing.

Study II: Summary of Hypotheses

HI: Third party observers who believe that victims of downsizing have been provided with adequate explanations for the downsizing procedures will perceive the procedures as fair and just.

HII: Third party observers who believe that victims of downsizing have been provided with an opportunity to voice their opinions to decision-makers will perceive the procedures as fair and just.

IIII: Third party observers who believe that victims of downsizing have been provided with adequate explanations or an opportunity to voice their opinions to the decision-makers will express less retributive intentions toward the organization.

Method

Participants. Third-party observers ($N = 332$) included students ($n = 212$) enrolled in undergraduate studies at a university in Eastern Canada and members of the general public ($n = 120$). The average age of the students was 22.29 ($SD = 7.33$); including 52 males and 160 females. The average age of participants from the general public was 34.18 ($SD = 15.19$); with 36 males and 84 females. Only 18 participants reported being a victim of downsizing (8 students, 10 members of the public).

Procedure & Design. Students were recruited from the psychology department's subject pool. Members of the general public were recruited through contact in public areas such as in shopping malls and on public transportation.

Participants were equally and randomly assigned to one of four experimental conditions determined by a 2 x 2 design: Explanation (explanation vs no explanation) X Voice (voice vs no voice). Participants carefully read a news article written for this study. Different versions of the news article manipulated the four conditions (see Appendices B – E). Participants then completed an attached questionnaire designed to

measure observer perceptions of procedural fairness, retributive intentions as an employee and retributive intentions as a customer (see Appendix F).

The short news article (approximately 350 words) described the procedures used during the sale of a business unit in an organization. Each version of the news article included a brief description of the organization, the service it provided, and a statement addressing the sale of the business unit. This information remained constant in all four versions of the news article. To manipulate the communication conditions, hypothetical quotations taken from victims were embedded within each press release. In the explanation condition, a victim was quoted as stating “The president and upper management explained all of the details of the sale to employees. We knew from the beginning that we were guaranteed our jobs in the company that bought our business unit”. In the no explanation condition, a victim was quoted as stating “The president and upper management didn’t explain the details of the sale to employees. We didn’t even know if we were guaranteed another job in the company that bought our business unit”.

To manipulate the voice condition, a victim was quoted as stating “ The president asked us for our input when deciding which company to sell the business unit to, and we also had input in deciding which benefits we would keep”. In the no voice condition, a victim was quoted as stating “The president didn’t ask any of us for our input when deciding which company to sell the business unit to, and we had no input in deciding which benefits we would keep”.

Questionnaire. Following Skarlicki et al. (1998), the questionnaire used in this study included the following measures, which were modified by replacing “layoff” with “sale of the business unit”(see Appendix F).

Procedural Fairness. Respondents indicated their agreement with the following items:

“Generally, the procedures used by the company in the sale of the business unit were fair”, “The company was concerned with being fair when it sold the business unit to another company”. Response scales for the items consisted of a 7 point likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree). The correlation between the items was moderate ($r = .54$). The alpha coefficient of Skarlicki et al.’s four item scale was 0.92

Retributive Intentions. Two scales measured retributive intentions of both potential employees and customers. The items that were used to measure potential employee intentions included “If an appropriate job were offered to me in the company that sold the business unit, I would not accept the position” and “I would look at other companies before applying to this one”. The two items were moderately correlated ($r = .49$). Items that were used to measure customer retributive intentions included “Because of the way this company treats its employees, I as a customer would prefer to do my business elsewhere” and “I would have a problem recommending this organization to a friend or relative”. The two items were strongly correlated ($r = .74$). Respondents were asked to rate the four items on a 7 point likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree). The alpha coefficient of Skarlicki et al.’s (1998) five item employee retributive intention scale was .68, and .81 for the two item customer retributive intention scale.

Manipulation Check. Two items measured the voice manipulation: “The employee had an opportunity to express her opinions and concerns to management during the sale of the business unit”, and “the employee had an opportunity to provide input into the decisions

made during the sale of the business unit". The correlation between the items ($r = .71$) was adequate compared to the reliability estimate ($\alpha = .70$) of the two item scale used by Skarlicki et al (1998). Two items measured the explanation manipulation: "MulTECH provided the employee with an explanation and a reason for the sale of the business unit", and MulTECH made an effort to explain the details of the sale to the employees". The correlation between the two items ($r = .66$) was moderate and similar to the reliability estimate of the scale used in Skarlicki et al's research was .65.

Demographics. Participants reported their age and sex and indicated whether they were a victim of downsizing.

Data Analysis Strategy

Two-way analysis of variance was used to investigate whether the explanation and voice manipulations had significant effects on the dependent variables. Correlation analyses were also conducted to further investigate the hypotheses.

Results

The means, standard deviations, intercorrelations between variables, and sub-scale item correlations for the measured variables are presented in Table IV. Correlations between the variables showed a significant positive relationship between observers' perceptions of procedural fairness and both the voice and explanation variables. Both communication variables (voice and explanation) were negatively related to future employee and customer retributive intentions. No significant differences were found between the student and public samples on the variables of interest. There were no age or sex differences.

Table V. Means and Standard Deviations of Voice and Explanation Manipulation Checks by Condition.

Condition	n	Voice		Explanation	
		M	SD	M	SD
No Voice – No Explanation	83	5.04	2.93	6.57	2.82
No Voice – Explanation	83	4.80	2.20	10.04	2.77
Voice – No Explanation	83	9.57	2.32	6.46	2.68
Voice – Explanation	83	9.96	2.68	10.35	2.86

Third Party Observers' Perceptions of Procedural Fairness

The mean and standard deviation of observers' perceptions of procedural fairness, retributive intentions of potential employees, and retributive intentions of potential customers by condition are presented in Table VI.

Table VI. Means and Standard Deviations of Third Party Observer Perceptions of Procedural Fairness, Retributive Intentions of Future Employees, and Retributive Intentions of Customers by Experimental Condition.

Condition	n	Procedural Fairness		Retributive Intentions of Future Employees		Retributive Intentions of Customers	
		M	SD	M	SD	M	SD
No Voice – No Explanation	83	7.71	2.91	8.04	2.95	9.11	3.34
No Voice – Explanation	83	8.86	2.65	8.27	2.72	8.41	2.81
Voice – Explanation	83	9.99	2.54	6.98	2.88	6.79	2.89
Voice – No Explanation	83	8.35	2.83	7.81	2.94	7.69	2.99

N = 332

Observers' perceptions of procedural fairness of the downsizing were affected by both voice $F(1, 328) = 8.12, p < .01$, and explanation $F(1, 328) = 20.56, p < .001$ (See

Table VII). The interaction between voice and explanation on observers' perceptions of procedural fairness was not significant. Third party observers, who believed victims were provided with an opportunity to express their voice, had significantly higher perceptions of fairness ($M = 9.12$, $SD = 2.80$) than when they did not believe victims expressed voice ($M = 8.31$, $SD = 2.83$). Similarly, observers showed significantly higher perceptions of procedural fairness when they believed victims were provided with an explanation ($M = 9.42$, $SD = 2.65$) than when they did not believe victims received an explanation for the downsizing ($M = 8.06$, $SD = 2.87$).

Table VII. Effects of Voice and Explanation on Third Party Observer Perceptions of Procedural Fairness.

Effect	df	MS	F	Sig
Voice	1	60.73	8.12	0.005
Explanation	1	153.84	20.56	0.000
Voice x Explanation	1	8.37	1.12	0.357
Error	328	7.48	-----	-----

N = 332; n = 83

Retributive Intentions of Future Employees

Potential employee retributive intentions toward the corporation were significantly affected by the level of voice downsized victims received $F(1, 328) = 5.79$, $p < .05$ (See Table VIII). Third party observers who received the No Voice condition had significantly higher retributive intentions ($M = 8.15$, $SD = 2.83$) toward the corporation than observers in the Voice condition ($M = 7.39$, $SD = 2.93$). The predicted main effect

of the explanation variable and its interaction with voice did not have a significant impact on potential employees' retributive intentions.

Table VIII. Effects of Voice and Explanation on Potential Employee Retributive Intentions

Effect	df	Error	F	sig
Voice	(1,328)	47.83	5.79	0.017
Explanation	(1, 328)	9.53	1.15	0.340
Voice x Explanation	(1, 328)	23.33	2.83	0.094
Error	(1, 328)	8.26	-----	-----
N = 332; n = 83				

Retributive Intentions of Potential Customers

Both the voice and explanation variables had a significant effect on potential customers' retributive intentions toward the corporation, $F(1, 328) = 21.04$, $p < .001$, and $F(1, 328) = 5.77$, $p < .05$ respectively (See Table IX). The interaction between voice and explanation on customers' retributive intentions was not significant. Observers in the No Voice condition ($M = 8.76$, $SD = 3.09$) reported significantly higher retributive intentions toward the corporation than observers in the Voice condition ($M = 7.24$, $SD = 2.97$). Similarly, observers in the No Explanation condition ($M = 8.40$, $SD = 3.24$) reported significantly higher retributive intentions than those in the Explanation condition ($M = 7.60$, $SD = 2.95$).

Table IX. Effects of Voice and Explanation on Customer Retributive Intentions.

Effect	df	MS	F	Sig
Voice	(1,328)	191.28	21.04	0.000
Explanation	(1, 328)	52.48	5.77	0.017
Voice x Explanation	(1, 328)	11.77	1.29	0.771
Error	(1, 328)	9.09	-----	-----

N = 332; n = 83

Discussion

Procedural Fairness

Similar to Skarlicki et al's (1998) results, the justice manipulations (voice and explanation) predicted observer fairness judgements; an observer's perceptions of procedural fairness were higher when the victims of downsizing were provided with an explanation or voice than when they were not. Observer fairness judgements were highest when both voice and explanation aspects were present and lowest when both were absent, supporting Hypothesis I and II.

Retributive Intentions

Observers expressed significantly lower retributive intentions as potential employees when victims of the downsizing were provided with adequate explanations and an opportunity to voice their opinions in the decision making process. However, the main effects of the "explanation" manipulation did not have its intended effect on employee retributive intention. This finding was similar to Skarlicki et al's (1998); they

suggested that observers perceptions of fairness may be a better predictor of behavioral intentions rather than individual aspects of procedural justice. Observers may perceive downsizing procedures as fair even if victims receive only one aspect of procedural fairness (e.g., accurate information, consistency; Leventhal, 1980). Including only one aspect of procedural justice (e.g., voice) in the downsizing procedures may be sufficient to elicit positive fairness judgments from third party observers.

Voice and explanation aspects had significant main effects on potential customer retributive intentions. Potential customers of the organization expressed higher retributive intentions when victims of the sale were not provided with an explanation or the opportunity to voice an opinion. On average, retributive intentions were lowest when both explanation and voice were provided. The two justice aspects (voice and explanation) did not significantly interact to cause an effect on potential customer retributive intentions toward the organization.

General Discussion

These studies examined victim and third party observer fairness judgements of the procedures used in the sale of a business unit, and their behavioral intentions as potential customers and employees of the organization. The results contribute to our theoretical and practical understanding of procedural fairness in organizational downsizing.

Procedural Fairness

Consistent with previous research on the fairness judgements made by layoff victims and survivors (e.g., Brockner et al., 1994), victims and third party observers were more likely to perceive the procedures used in the downsizing as fair when the victims of the downsizing were given an opportunity to provide input into the downsizing

procedures and received adequate explanations from management. Victim and third party observer perceptions and reactions to downsizing may be effectively managed by ensuring procedural fairness when implementing organizational downsizing.

Retributive Intentions

Perceptions of justice have a significant impact on employee attitudes and behavior (e.g., Lind & Tyler, 1988; Brockner et al, 1994). Gopinath (2000) suggested that managerial communications affect employee attitudes and behavior over and above their indirect effect through perceptions of fairness. Consistent with Gopinath's suggestion, the attitudes and behavioral intentions of the recently downsized victims were affected by the manner in which managers communicated throughout the sale of the business unit. In addition, communication variables (voice and explanation) were also significant predictors of potential employee and customer retributive intentions.

These findings have significant implications for the strategic human resource practices of the organization, particularly recruiting and selection strategies. The organization involved in this study practices a promote-from-within strategy to give present employees the first opportunity to apply for vacant positions. Based on the majority of the victim responses, they would not apply or accept appropriate positions within the corporation. If the organization is no longer able to depend on recruiting candidates from within, costs associated with external recruitment may rise. This may become very expensive for the corporation considering the high costs that would be associated with finding and attracting external highly skilled workers, as well as potential training costs of new employees and the loss of employees who are familiar with the organization's culture and strategies (Schwind, Das, & Wagar, 1999). The organization

may also face adverse effects on their external recruiting strategies as well. Adverse publicity regarding downsizing decreases an organization's ability to recruit qualified employees (Gannon, 1971). Victims are unwilling to informally help their former employer recruit new employees when they attributed their job loss to the last employer (Baik, Hosseini, & Ragan, 1987). Due to the nature of the core positions within the corporation involved in the present study, candidates were often recruited by current employees through word-of-mouth. Current employees often know other individuals who possess similar skills and abilities (Catano, Cronshaw, Wiesner, Hackett & Methot, 2000), which enables them to identify and possibly attract these individuals to work in the corporation. Victims and current employees have the ability to significantly influence an individual's perception of the corporation and their decision to become an employee. Individuals or potential employees may have retributive intentions toward the corporation as a result of perceived procedural unfairness of the downsizing. Therefore, the individuals may look at other organizations before considering employment with this corporation. Highly skilled employees are very selective about determining which company they will work for and fairness is an important consideration in deciding between potential employers. Victims and employees communicate with current and potential clients of the corporation, which may result in negative information about the downsizing procedures spreading by word of mouth to clients as well. Finally, based on the findings of third party observer retributive intentions as a customer in this study, future customers of the organization may also decide to conduct their business elsewhere as a result of the perceived unfairness of the procedures used to sell the unit.

The procedures used to downsize have significant impacts on factors that are external to the organization, in addition to the well documented internal impacts on increased job security, fear, reduced job satisfaction, stress, and lower organizational commitment (Mone, 1994). These internal impacts may be partially attributed to the manner in which the downsizing was communicated to employees (Smeltzer & Ziner, 1992). Organizations must begin to recognize possible external impacts caused by the downsizing including retributive intentions of potential employees and customers. Managers must realize that not only does the manner of communicating the downsizing affect survivor's reaction, but it also affects potential employee and customer reactions. Managers should carefully plan a communication strategy that will have a positive impact on victims, survivors, potential employees, and potential customers of the organization.

Applications

The organization that was investigated in this study is continuing with its restructuring plan. Management is currently discussing the sale of another business unit and there are several recommendations for planning the future sale that they may take into consideration. Managers who are responsible for implementing the downsizing must be trained. Often, managers are not trained in downsizing practices and they are still expected to successfully implement downsizing. Managers resort to using their own judgment to decide the best way to communicate to employees. Providing managers with training for organizational downsizing will enable them to plan strategies and respond to employee concerns more effectively. Managers will be able to effectively develop strategies that will allow victims more input in the decision making process. Managers will also be able to plan communication strategies that will supply victims with adequate

explanations for the downsizing. Saunders and Leck (1989) surveyed a large number of Canadian organizations to identify formal procedures and vehicles available to employees to express voice. Some of the vehicles for employees to provide their input include (a) suggestion programs that offer employees an opportunity to provide input, (b) participative management systems that encourage employee involvement, (c) open door policies, (d) question and answer newsletters, and (e) senior management visits where employees can openly ask questions about strategies or practices. Through training and adopting these practices managers may improve victim and third party observer overall perceptions of procedural fairness, thus reducing retributive intentions. Management must carefully develop a plan outlining how to communicate decisions and information about future downsizing. Victims in this study indicated that it was impossible for management to over-communicate; victims would have responded more positively to openness and adequate explanations. Understandably, management may have been hesitant to provide too much information for fear of lost productivity during the sale, or legal implications. Most organizations, however, have an active grapevine that enables employees to be informed, in some cases inaccurately, of what management is doing. Without adequate and accurate information, the negative perceptions and reactions associated with downsizing may be amplified ("Creating a Resilient Organization," 1994). These negative perceptions were consistent across all victims of the recent sale.

Managers may minimize victim and observer negative perceptions and behavioral intentions by providing adequate, honest, and ongoing explanations throughout the upcoming sale. The perception of adequate explanation, however, may be quite different for managers, victims and observers. Managers may believe the information that is

communicated is clear and adequate. Victims and observers may perceive the same information quite differently. It is critical that managers understand individual needs for information, monitor whether these needs are being met, and modify the communication strategy accordingly to meet these varying needs.

Victims provided recommendations to management on ways to improve the manner in which they implement future sales. Firstly, managers should ensure that individual contracts are fully and carefully explained to all those involved. The lack of explanation in the recent sale created stress among the victims, not fully understanding what was being agreed upon in the contract. Managers may alleviate stress in the future by taking action to ensure contracts are well explained. Secondly, managers should also ensure that victims involved in the future sale do not become aware of the sale from any sources other than management. This will reduce rumors that quickly circulate throughout the organization as well as create the perception that management is being open and honest with employees. Finally, managers should not continue to hold closed meetings if they made a commitment to involve victims in all meetings regarding the sale. Similarly, if commitments are made to involve representatives in negotiations, these commitments should be upheld. If the communication strategy involves providing victims with adequate explanation and voice in the procedures, then managers should not carry out any actions or behaviors that undermine the strategy, thus decreasing perceptions of procedural fairness.

To summarize, management may significantly improve the fairness judgements made by subsequent victims and observers by providing the victims of the downsizing with an adequate explanation and voice in the decision making process. This should lead

to a reduction in retributive intentions toward the organization and an increase in the likelihood of achieving the goals of the organization.

Limitations

This study has several limitations that must be addressed to provide an accurate account of the findings. First, the sample of third party observers consisted of undergraduate students enrolled in an Eastern Canadian University and members of the general public travelling on public transportation. This sample may not generalize to a broader population.

The experimental aspect of this study involved the downsizing of an Information Technology company to determine third party observer perceptions of procedural fairness and retributive intentions. The observers may have deemed the downsizing as necessary or they may have perceived the downsizing as fair if it were downsized for different reasons (e.g., bankruptcy). For example, when downsizing occurs as a response to dealing with bankruptcy, observers may perceive the downsizing as just, thus their fairness judgements and retributive intentions may be affected. Research should investigate observer reactions to downsizing that has taken place to meet the differing strategic goals of the organization.

The lack of public awareness of downsizing is also a limitation. Observers may not be fully aware of the circumstances involved in downsizing. Media reports may only provide observers with a brief description of the procedures involved in downsizing, therefore, observers may base their fairness judgements on incomplete or inaccurate information. Observers may not fully understand how downsizing is implemented or the procedures that are used. This limits the conclusions that can be drawn about observer

fairness perceptions; observers may make judgements about what they perceive to have happened based on segments of information rather than on a complete account of the facts. Knowing all of the facts involved in the sale and reasons underlying various procedures may affect observer fairness judgements. In order for an organization's procedures and practices to be perceived as fair, it is important to increase public awareness of the downsizing by ensuring accurate reports of the downsizing are provided to the media.

Future Research

First, this study examined the retributive behavioral intentions of downsized victims and third party observers. Future research should determine the actual retributive behavior of victims and third party observers and whether they would carry out their retributive intentions toward the corporation. Secondly, research should determine if third party observers and victims would continue to express their retributive intentions under different circumstances. For example, would third party observers look for other employers if they were unemployed, or in a competitive labor market? Would potential customers go out of their way to find another company for a service or product? These are important questions that require future research. Finally, research should determine what other organizational behaviors will affect third party observer perceptions and intentions. If managerial communication throughout downsizing significantly affects third party observer perceptions and retributive intentions, what other behaviors or organizational factors will affect them? Answers to these important questions will provide insight for organizations that are committed to increasing and retaining customers as well as attracting potential employees.

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Interview Questions

1. How and when did you become aware that your business unit was going to be sold to a new company?

2. Who communicated this information to you? (Co-workers, Supervisor, Director, CEO, etc.)

3. Did your (supervisor, director, CEO) explain the details of the sale (for example: why the business unit was being sold? When the sale would occur?)

4. Did your (supervisor, director, CEO) provide you with information about job security?

5. Did your (supervisor, director, CEO) provide you with adequate information regarding your salary, benefits, and your pension?

6. Was the explanation delivered in a manner that was clear and well understood by you?

7. Was the explanation adequate? Were you left with questions and concerns about your future?

8. Were you kept informed with accurate information throughout the process of the sale?

9. Do you feel the organization made every effort to ensure that you were provided with accurate and up to date information regarding the sale?

10. Were you given the opportunity to voice your opinions in the decision making process for the sale of the business unit? (For example: which company the business unit would be sold to; if you would receive a buyout package or become employed in the buyer company; the benefits you would receive; other)

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slightly textured appearance and is set against a dark background.

11. Do you feel your opinions were valued by the organization?

[illegible]

15. How could the organization have improved the manner in which they handled the sale? Positive/Negative behaviors.

16. What does the change in ownership mean to you personally?

17. Generally, the procedures used by the organization in the sale of the business unit were fair.

1	2	3	4	5	6	7
Strongly Disagree				Strongly Agree		

18. The organization was concerned with being fair when it sold the business unit.

1	2	3	4	5	6	7
Strongly Disagree				Strongly Agree		

19. If an appropriate job in this organization were offered to me I would not accept the position.

1	2	3	4	5	6	7
Strongly Disagree				Strongly Agree		

20. I would have a problem recommending this organization to a friend.

1	2	3	4	5	6	7
Strongly Disagree				Strongly Agree		

21. Because of the way this organization treats its employees, I as a customer would prefer to do my business elsewhere.

1	2	3	4	5	6	7
Strongly Disagree				Strongly Agree		

MulTECH SPINS OUT RESEARCH & DEVELOPMENT SECTOR: What does this mean for employees?

By Moira Mill
Canada Press

Halifax

MulTECH is pleased to announce the sale of their three Research & Development sectors – software, hardware, and Internet technology to Vercom Technological Research & Development Services. Vercom is Canada's leading technological research network.

The sale will have major implications for 20 employees, who will no longer remain employed by MulTECH. "Our company could no longer afford to keep the Research & Development sector open, therefore we had two options: close the unit and layoff the employees, or reposition the unit and the employees within another company. We chose the latter", says VP Jack VanHugh.

Vercom is undergoing a massive restructuring, the result of which is expected to be an even stronger company. "We can't stay in the business", says Dr. Strong "and Vercom is the best candidate to carry on and grow theses services".

Sarah Seaburg, who will now be working for Vercom, stated "I know that we all could have been layed off, and I am happy that I still have a job to go to,

but I found out about this sale over a year ago and I'm still devastated. My family and I had just made plans to build a new house before the sale was announced and it was scary thinking about how we are going to afford it, not really knowing what was in the future for us". Seaburg further stated "The president didn't ask us for our input when deciding which company to sell the business unit to, and we had no input in deciding which benefits we should negotiate for". "However, the president and upper management did explain the details of the sale to employees. From the beginning, we knew that we were guaranteed another job in the company that bought our business unit.

A spokesperson for MulTECH stated "We feel the company acted in the best interest of the employees involved". "This sale will provide diverse career opportunities for existing staff, provide the proper environment in which to develop broader servicing to the client base and allow the Company to focus their energies full time on the technology entrepreneur and strategic partnerships".

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Vercom is undergoing a massive restructuring, the result of which is expected to be an even stronger company. "We can't stay in the business", says Dr. Strong "and Vercom is the best candidate to carry on and grow theses services".

Sarah Seaburg, who will now be working for Vercom, stated "I know that we all could have been layed off, and I am happy that I still have a job to go to,

but I found out about this sale over a year ago and I'm still devastated. My family and I had just made plans to build a new house before the sale was announced and it was scary thinking about how we are going to afford it, not really knowing what was in the future for us". Seaburg further stated, "The president and upper management didn't explain the details of the sale to employees. We didn't even know if we were guaranteed another job in the company that bought our business unit. However, the president did ask us for our input when deciding which company to sell the business unit to, and we also had input in deciding which benefits we should negotiate for". A spokesperson for MulTECH stated "We feel the company acted in the best interest of the employees involved. This sale will provide diverse career opportunities for existing staff, provide the proper environment in which to develop broader servicing to the client base and allow the Company to focus their energies full time on the technology entrepreneur and strategic partnerships".

Appendix F

Please mark an X in the box which most accurately describes your answer to the following questions. Read the questions carefully and answer as honestly as possible.

	Strongly Agree	Agree	Mildly Agree	Neutral	Mildly Disagree	Disagree	Strongly Disagree
#1. The employee had an opportunity to express her opinions and concerns to management during the sale of the business unit to another company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
#2. The employee had an opportunity to provide input into the decisions made during the sale of the business unit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
#3. MulTECH provided the employee with an explanation and a reason for the sale of the business unit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
#4. MulTECH made an effort to explain the details of the sale to the employee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
#5. Generally, the procedures used by the company in the sale of the business unit were fair.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
#6. The company was concerned with being fair when it sold the business unit to another company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
#7. If an appropriate job was offered to me in the company that sold the business unit, I would not accept the position.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
#8. I would look at other companies before applying to this one.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
#9. Because of the way this company treats its employees, I as a customer would prefer to do my business elsewhere.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
#10. I would have a problem recommending this company to a friend or relative.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Age _____

Sex (Male/Female) _____

Have you been the victim of a downsizing within the past two years? ☐ Yes ☐ No