Implementing strategic change of downsizing as an investment strategy: A study of UK based firms

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I declare that this thesis is entirely my own work and that I have referenced others' ideas and concepts in the text and in the bibliography as required.

To

My Dear Father ♥

Abstract

Downsizing is a widely known phenomenon and has been studied by the researchers quite frequently. This research project treats downsizing as a form of strategic change and focuses on how integrated human resource practices and role of change agent can contribute to the success of downsizing strategy. By success, it is meant here the level of return earned by investing in downsizing strategy. This study considers the economic perspective of downsizing and study downsizing as investment strategy. The idea on which this research is based is that organisations downsize to manage their investments in assets. The most common assets an organisation possesses are capital and financial assets. Downsizing may include change in human assets, physical assets, both human and physical assets. Organisations investment in strategic change of downsizing in expectation of greater financial benefits as compared to the initial costs associated with the downsizing. It is a deductive study with objective stance and positivist philosophy. Methodologically, the use of survey strategy and a combination of analytical procedures including: univaraite, bivariate and multivariate analysis demonstrates that integrated strategic human resource practices and the role of change agent are actually major contributors to earn higher level of returns on downsizing strategy. The findings of the study show that it is not always possible for a well-designed or modified communication strategy – where communication strategy is a part of strategic human resource practices – to communicate organisational downsizing to its stakeholders. The study makes contribution to the body of knowledge theoretically and on the practical side, it contributes to create awareness about the effects of strategic human resource practices and role of change agent at the time of downsizing.

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List of Acronyms

Acronym	Meaning
ATM	Automated Teller Machine
CIPD	Chartered Institute of Personnel Development
CWD	Control of Workplace Decisions
DSF	Dynamic Structural Framework
EMCC	European Monitoring Centre on Change
ERM	European Restructuring Monitor
EU	European Union
FIS	Fluidity in Information Sharing
HR	Human Resource
R&D	Research and Development
RBV	Resource Based View
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
S&P	Standard and Poor
SHRM	Strategic Human Resource Management
SPSS	Statistical Package for the Social Sciences
SWOT	Strength, Weaknesses, Opportunity, Threats
UK	United Kingdom

Chapter 1 Introduction

1.1 Introduction

One cannot open a paper or visit an online website these days without seeing notice after notice of corporate layoffs. Downsizing, which constitutes the planned elimination of positions or jobs, has had and will continue to have profound effects on organisations, managers at all levels, employees, labour markets, customers, and shareholders. Unfortunately, when an organisation is confronted with the need to reduce costs, many of the executives who saw their employees as their “greatest assets” see those assets as ripe opportunities for cutting costs. With ever-growing frequency, companies today find themselves forced to re-engineer and resize their operations in order to meet competitive challenges. Yet all too often, the results in practice fall short of the promises on paper, in part because the impact of such changes on the remaining workforce is seriously underestimated. A lot of organisations invest their efforts in helping the downsized employees to move on. During the recent years downsizing has been noticed in multinationals as well namely Coca Cola Hellenic, Cadbury Unilever, Citigroup, British Airways, Dell, Wal-Mart's Japanese subsidiary Seiyu and so on.

Downsizing is the interventions aimed at reducing size of the organisation (Cummings and Worley, 2014). Downsizing is the most popular radical management strategy since 1980’s (Tsai and Yen, 2008). Laying off is an act part of downsizing process. It includes the removal of employees from work temporarily or permanently. Downsizing is the result of strategic choice made by the managers it may be triggered by the external environmental condition or internal reorganisation. (Chadwick, Hunter et al. 2004)

Distinction made by (McKinley et al., 2000) between the organisational downsizing and organisational decline is that downsizing is an intentional proactive management strategy, whereas decline is an involuntary environmental or organisational phenomenon. Decline results in the erosion of resource base of the organisation. (McKinley et al., 2000)

Downsizing has been studied as a rare event in the evolution of stock price. In Corporate America during 80s, the largest layoffs were executed by weak companies who were losing market share to foreign firms or had large drops in demand for their products. One source estimated that downsizing has eliminated more than 43 million jobs in the United states since 1979 (the New York Times, 1996) A 1995 Wall Street journal article reported that according to figures from U.S Bureau of labour statistics, 10.1 million American workers were displaced or last their jobs between 1989-92 (Gerlin, 1995).

Downsizing through employee attritions and layoffs, is becoming a wide spread, common business practice (Cameron, Freeman and Mishra 1991, Casio, 1993 Tonbay, 1993) Reports in the popular business press have several quotes from top US managers that state or strongly imply that downsizing should be integrated into strategic decision marking (Richman, 1993, Labin, 1994) and in some Cases, layoffs are undertakes in anticipation of future economic downturns (Greenerblg, 1991 Cascio, 1993) this suggest downsizing perceived as a positive proactive activity.

Downsizing is reality more than a theory. This study will result a positive change in behaviour and approach about the theory. Therefore, downsizing as an investment strategy needs attention to examine future return and financial out puts. This aspect of downsizing exercise does not appear to be examined.

1.2 The central concepts of the study: a brief overview

This research focuses on the concepts of integrated human resource practices and the role of change agent in implementing the strategic change of downsizing. Downsizing in this research is first treated as strategic change and then treated as investment. This concept of treating downsizing as investment is based on the idea of investment presented by scholars, for example, Van Horne, (1992) and Sanwal, (2007). Sanwal, (2007), argues that anything which is discretionary can be considered as investment. On the other hand a more comprehensive definition is given by Van Horne, (1992) who states that strategy used to allocate funds among assets or a plan for investing and managing an investment portfolio is known as investment strategy. The important aspect is the allocation of funds among assets and it is widely known that assets of a business also include human assets. Turning the attention to the phenomenon of downsizing, which is defined as an intentional reduction in workforce, the link between downsizing and investment can be made. Human assets are part of business asset portfolio and downsizing effects this portfolio of assets. This is further elaborated in the later parts of the thesis however; based on the brief description given here it can be understood how downsizing is regarded as investment strategy.

Looking at the associated outcomes with any investment, the only and widely employed outcome of an investment is known as return earned on investments (ROI). Therefore, organisations expect to earn a positive return on downsizing strategy. Return earned by the strategy is the dependent variable in the current research project. Downsizing on its own cannot achieve the targeted objectives therefore the factors which can contribute to the positive return on the downsizing strategy are identified from the literature (see chapter 3). Based on the literature available on strategic management, change management and downsizing, the two critical factors are employed in the framework of this study. The two critical factors as mentioned earlier are strategic human resource practices and the role of change agent. By strategic human resource management practices it is not meant that they are the routine practices instead organisations pay special attention to some specific human resource practices for example, communicating about the event of downsizing, compensation system at the time of downsizing, trust and empowerment level of the survivors at the time of downsizing. The study focuses on those specific strategic human resource practices and the role a change agent plays during the implementation of strategic change of downsizing.

For the outcome of investment, return on investment is in focus. The key financial health indicators of a firm are used to serve this purpose. However the financial health indictors cannot portray a reliable picture if they are measured at one point in time. To deal with this issue, the focus is on pre downsizing and post downsizing organisational performance. A three year time frame has been chosen for the purpose of this study. This means that financial health of the firm is analysed three years prior to implementing downsizing strategy and three years after the implementation of strategy. Three years' time frame has been selected as the study targets to measure the outcome of downsizing strategy in short term. The prior performance of the firm serves as the yardstick and the future return level can be assessed on its basis. This can be viewed on a continuum to make it easier to understand.

Pre- statues	**Base Year**	**Post- Statues**
2005-2007	**2008**	**2009-2011**

1.3 Defining key terms

Following are few key terms defined specifically for the present research.

Downsizing: A set of activities, designed to improve organisational efficiency, productivity and/or competitiveness. It represents a strategy that affects the size of the firm's workforce and its work processes.

Strategic change: Restructuring of an organisation that is typically performed to achieve an important objective. For example, a strategic change might include shifts in an organisation's policies or organisational structure etc.

Return on downsizing strategy: Overall financial benefits associated with the event of downsizing i.e. financial benefits measured using accounting measures of financial performance.

Strategic human resource practices: An approach to develop and implement human resource strategies that are integrated with downsizing strategy and support its achievement.

Change agent: Change agent is defined as the manager leading or facilitating the implementation of downsizing strategy.

1.4 Research gap

Downsizing has been studied by the researchers quite frequently. A portfolio of strategies which have been studied by different researchers and used by organisations during downsizing includes cost cutting, productivity improvement and profitability, competition, technological changes, mergers and acquisitions, business process reengineering.

Summing up, downsizing has been studied by a number of researchers considering the economic, institutional, socio cognitive, strategic human resource and psychological breach of contract perspective. However, the previous studies considering economic perspective appears to be lacking in explaining the phenomenon of downsizing as investment strategy. This study considers the economic perspective of downsizing and studies downsizing as investment strategy.

1.5 Major argument of the research

The key argument for this research work is that organisations downsize to manage their investments in assets. The most common assets an organisation possesses are capital assets and the financial assets. Downsizing may include change in human assets, physical assets, both human and physical assets. Organisations are engaged in downsizing as they expect to have greater financial benefits in future. This argument leads to the research question to be investigated in this study.

1.6 Objectives of the research

This research work has the following objectives to be achieved:

1. To assess the economic utility of downsizing when it is used as investment strategy.
2. To analyse the financial benefits associated with implementing strategic change of downsizing.
3. To measure the return earned by implementation of downsizing strategy in the presence of integrated strategic human resource practices.
4. To measure the return earned by implementation of downsizing strategy in the presence of effective role of change agent or manager leading the change.

1.7 Main research question

What is the economic utility of downsizing when it is used as investment strategy?

Sub questions

- How effective human resource strategic practices contribute to the level of return earned by implementing downsizing strategy?
- How effective role of managers leading implementation of downsizing strategy contribute to the level of return earned by implementing it?

1.8 Context of the study:

As claimed by Yu and Park (2006), the major stream of the downsizing literature focuses on experiences in North America and the findings of these studies have limited applicability to the international perspectives. It is due to the fact that there are noticeable differences in national human resource management and industrial relations systems across national boundaries (Bamber et al., 2010).

Limited number of studies focuses on the effects of downsizing strategy in the context of countries outside North American region. For example, Suarez-Gonzalez (2001) analysed effects of downsizing in the context of Spanish firms, and Lee (1997) compared the impact of downsizing on stock markets on US and Japanese firms. Yu and Park (2006) further declares that the wide literature on downsizing does not provide an overarching understanding of the diverse experiences of multinational and indigenous firms in parts of the globe other than North America. Therefore, this study focuses on the context of United Kingdom and targets the firms operating in the UK.

1.9 Expected contribution of the research

The study is an effort to make an empirical and practical contribution to the body of knowledge. The study focuses on the phenomenon of downsizing as an investment strategy making it a different interpretation of the phenomenon. On the practical side, the study is expects to create awareness about the effects of strategic human resource practices and role of change agent at the time of downsizing when it is used as an investment strategy and intends to help managers decide upon the implementation of downsizing. The findings from this research can be of greater importance for the policy makers involved in downsizing as they are based on facts and figures regarding the outcome of the implemented strategy.

1.10 Outline of the research thesis

The research thesis is divided into total of eight chapters. The individual titles of all eight chapters are self-explanatory; however each chapter is briefly introduced to give a clearer idea.

The thesis starts with the introduction that is Chapter 1. The very first chapter states the rationale for the study and the existing research gap in the body of knowledge. It describes the research objectives, research questions, the context of the research and the expected contribution of research. More precisely the first chapter – chapter 1 is a snapshot of the whole research project.

Chapter 2 reviews the literature relevant to the given research. It assesses the different schools of thought on the phenomenon of downsizing which helps to understand the complexities associated with the downsizing strategy. The review of literature further focuses on the body of knowledge relating to the performance of organisations that chooses to implement downsizing as a restructuring strategy. The chapter gives a considerable attention to the most profound views regarding downswing as a restructuring strategy and the after math of this strategy in the form of financial performance. The whole chapter is dedicated to the knowledge concerning downsizing.

Chapter 3 presents the conceptual framework of the current research. The chapter initially focuses on the concepts and theories relating to strategic change management, strategic human resource practices implemented for managing organisational change and the role of change agent in the successful implementation of change. It reviews the existing frameworks related to integrated strategic human resource management practices and the role of change agent in implementing downsizing strategy. Concept of strategic change, types of strategic change, strategic management process, models of strategic human resource management and theories on implementing strategic change are reviewed in this chapter to clearly conceptualise downsizing as a specific type of strategic change. Furthermore, this review of key concepts helped to conceptualise other factors which are responsible for earning a positive return on downsizing strategy, for example, integrated strategic human resource practices and the role of change agent. This review also formed the basis upon which conceptual framework for the research has been built which facilitated in operationalisation of concepts in the later part of the research process. Research hypotheses are developed in the same chapter and provide a brief explanation of the dependent and explanatory variables which are the integral part of the developed hypotheses.

The title of Chapter 4 is “research design and methods”. As the title suggests, the chapter features the research design and methodology of the given study. The chapter covers a number of areas from the philosophical positioning of the study to the research strategy and data collection instruments. It uncovers the complexities involved in the forthcoming step of data collection. The chapter starts with presenting philosophical positioning and the rationale for adopting the specific position. The chapter reveals the adopted research design and research strategy for the study. A range of aspects relating to research methods including sampling, data collection technique, sources of data, questionnaire design, identification of total population, unit of analysis, the respondents of the research etc. are discussed in detail. The chapter also incorporates the issues of validity and reliability of data. Control variables are identified in the same chapter and the issue of operationalisation has been addressed for all variables. Operationalisation of variables is the prerequisite of data collection and one cannot proceed with data collection without operationalising the dependent and independent variables.

Chapter 5 gives considerable attention to the data collection it’s processing and presentation. It starts with explaining the informal and formal pilot study. Data collection instrument which is questionnaire in this research has been updated after the pilot study. The basis on which questionnaire was modified and how it was modified is explained. The process of actual data collection on large scale has been put into understandable language. Data preparation for analysis has been widely covered in this chapter. The chapter explains the utilisation of different techniques on raw data to make it ready for formal data analysis.

Chapter 6 details the formal data analysis using key statistics. The analysis is divided into three groups. The chapter gives a review on the composition of data and then deals with the analysis. Three groups of analysis detailed in this chapter are univariate analysis, bivariate analysis and the multivariate analysis. Univariate analysis is the analysis including descriptive statistics, bivariate incorporates correlations and cross tabulations, multivariate analysis includes the estimation of binary probit regression models. The results are presented and interpreted with respect to each hypothesis.

Chapter 7 discusses the results and findings of the survey in relation to the research questions raised in Chapter 1. The key characteristics of the organisations' strategic human resource management practices and the role of change agent are examined. The examined organisations are only UK based that announced and implemented the downsizing strategy in year 2008. The chapter discusses the findings on the organisations' strategic human resource management practices – return and role of managers during the implementation process – return taking into account the previous research. It also looks for the evidence of strong and clear organisations' strategic human resource management practices and role of managers during the implementation process factors that influence the return on the strategy in short term.

Finally, Chapter 8 concludes the whole research thesis. The research objectives, questions and hypothesis raised at the beginning of the study are discussed and conclusions are made based on the findings of the research. In final section of the chapter, limitations of the research are reviewed, contributions made to the body of knowledge are detailed and directions for future research are suggested.

1.11 Conclusion

This first chapter has served as an introduction to the whole research in the form brief description of the research topic and full thesis. The chapter briefly touches on the original idea behind the research project by briefly mentioning the key concepts used in the research. In the final section of the chapter a description about each chapter included in the thesis is given. In the next chapter, a detailed literature on the phenomenon of downsizing has been reviewed and described.

Chapter 2 Literature Review

2.1 Introduction

It was in the mid-1970s when Charles Handy, a professor in Managerial Psychology at the London Business School, first predicted that the technological revolution just beginning to make its force felt in the marketplace would transform the lives of millions through a process he termed “downsizing”. Few people were listening or paying attention (Dening, 1996). At the conclusion of 1997, the Conference Board of Canada, in reviewing the economy of 1997, predicted that the last few years of this century promise to deliver the best economic performance in 20 years (Wright, 1997). Earlier in that year, the Board had hosted a conference entitled “Positioning for growth: management’s new challenge”, where the leaders of the Canadian business community met to strategize on how to seize the opportunity provided by the new economic growth (Wright, 1997). The corporate strategy of downsizing that affected millions of lives in the industrialized world between these two events listed above will be reviewed, examined, and discussed in this chapter.

2.2 Downsizing explained

Downsizing is one of the common changes faced by organisations. Downsizing is mainly treated as a form of organisational restructuring and is generally regarded as a transformational, midrange or second-order change. Downsizing is the intentional process of permanently reducing staff numbers in an organisation and has been a prevalent change practice since late twentieth century (Palmar et al., 2009).

According to Thomas (2013) one in seven Brits have lost their job since 2008. One prediction, about United States is that by 2015 a further 3.3 million U.S. jobs will be outsourced to countries such as India (Thottam, 2003). In late 2000s, a large number of organisations announced job cuts including Viacom's MTV Networks, the large railway companies of Union Pacific, CSX Transportation, Bayer AG, AstraZeneca, Airbus, Hershey Co., Daimler Chrysler, and Alcatel-Lucent etc. (Becker, 2007; Boyd, 2007; Michaels, 2007; Marquez, 2007). It is evident from the wide information available that downsizing is showing no sign of letting up even today.

Types of downsizing

There are three major approaches to downsizing, which includes retrenchment, downscaling, and downscoping (DeWitt, 1998). The reasons firms undertake any of mentioned type of downsizing approach are varied. As recognised by Palmer et al., (1997) these reasons include restructuring, closing of a business unit, selling of a business unit, cost reduction, cost savings, increased productivity through greater efficiency and effectiveness, surviving the external pressures, coping with recessions and economic downturns, technological change, increased competitive pressures due to greater globalization of business.

In some cases, multiple strategies may be associated with downsizing in addition to a simple cost-reduction approach. For example, in the event of experiencing a downturn an organisation may cut its workforce and invest in new production plants at the same time. Cutting workforce is with the objective of reducing cost whereas, investment in new production plants is with an aim to restructure the business and cater the increasing demand in specific areas (Lavelle, 2002 and Praxair, 2001). DeWitt (1998) and Palmer et al. (2009) explain the three different types of downsizing as follows:

Retrenchment: To sustain or improve productivity, the firm centralise its operations and this initiative is known as the retrenchment strategy. It is executed by reengineering the organisational practices and the removal of unnecessary jobs and facilities. This form of downsizing is responsible to increase the economies of scale and helps to maintain a competitive advantage.

Downscaling: This type of downsizing strategy is done by permanently altering the employment levels and the tangible resource capacity. Downscaling is responsible for reducing the economies of scale and competitive market share of the firm.

Downscoping: This type of downsizing strategy is constituted by limiting the overall scope of the firm. This happens when the firm divests activities or markets in which it operates. This is done by reducing the vertical and/or horizontal differentiation in order to implement the downscoping strategy.

Downsizing is one of the cost cutting methods among various other alternatives available. Human capital costs are variable expenses and believed to be more easily reduced (Cascio, 2002). Companies may approach downsizing as a last resort because it mainly involves the reduction in levels of workforce. For example, Charles Schwab and Company, when hit with a major downturn in commission-based revenue in 2001, decided to use downsizing as a last resort to restructuring the company and cutting costs. The company needed to change its structure because it had increased its workforce during the boom years and found itself with an excess of staff (Cascio, 2002). By the end of 2003, Schwab reduced its workforce by 25 percent as well as significantly decreased staff bonuses in order to arrest the declining fortunes of the company.

Literature recognizes that downsizing by itself will not necessarily lead to gains in productivity where it is not associated with other changes in business strategy. Downsizing needs to be linked with multiple business related strategies to gain or improve the productivity level. For example, the research in the early 1990s by Cascio, (1993) indicated that expected increases in profits did not occur in two out of three cases through cost cutting by downsizing. Initially, with the announcement of downsizing, there was a rise in share prices but then they fell, trading at or below the market value over a span of two years.

McKinley et al., (1995) advises that downsizing can be a financially costly change process for organisations. For example, the calculated cost of retrenching a single employee in United States was very high (approximately $7,000). In addition to this, the Chartered institute of personnel development (CIPD), United Kingdom also calculated the cost of making an employee redundant for a firm. The average cost of redundancy per employee ranges from more than £7,000 to more than £16,000, depending on the type of organisation and other factors. This cost can be more than £16,000 per employee (Taylor, 2009; Pitcher, 2009; CIPD, 2009 and HR Director, 2012). A press release by CIPD in 2012 further affirms the high cost of downsizing strategy. According to the press release, the redundancies since start of jobs recession in year 2008 cost UK employers £28.6 billion (CIPD, 2012).

As emphasised by researchers (McKinley et al., (1995); Robinson, (1996); Morrison and Robinson, (1997) Robinson and Morrison (2000); Rust et al., (2005); Zhao et al., (2007); Arshada and Sparrow (2010); Smissen et al., (2013) Kiazad et al., (2014) etc), the process of downsizing can have significant social and psychological effects on employees including those who remain and those who leave the organisation. For these reasons, Rigby, (2002) claims that the smartest organisations make sure they are addressing the right issues in the right ways before they abandon jobs and explore other alternatives first before downsizing their operations. If an organisation decides to go down the downsizing path, it confronts a number of challenges in the process of implementing this change. A range of these challenges follows in the next section.

Challenges of Downsizing

Employee retention: An organisation can suffer the loss of important and skilled employees if it chooses to go for downsizing. When the survivors of downsizing see their peers leaving, they become uncertain about their future at the company. This uncertainty may lead to the exit of employees because they can start looking for other options to secure their future. It is highly likely that a company experience decline in its productivity in the absence of these valued members of the organisation (McKinley et al., 1995).

Hard landings: Hard landing is a state wherein the organisation experience sharp decline in productivity. Hard landings are associated with the downsizing strategy and they occur because core competencies are lost or underutilised by organisations. The reason behind this is that the core competencies were linked to key people who were lost in the downsizing. If an organisation wishes to manage downsizing effectively then it would need to identify core competencies that will need to be retained the preserved core competencies ensures the stabilisation of the pace of downsizing. (Nutt, 2004)

Minimising political behaviour and loss of teamwork: An argument presented by Marks, and DeMeuse, (2005) is that downsizing can lead to the loss of teamwork. This occurs because, during downsizing, political gaming increases with employees lobbying to retain their positions. Managers tend to focus on the productivity of their team only at the expense of the organisation overall; and networks are utilised to draw in owed favours.

Survivor syndrome: McKinley et al., (1995); Appelbaum et al., (1997); Appelbaum and Donia, (2000); Travaglione and Cross, (2006); Hall, (2012); many others draws out the attention towards the survivor syndrome associated with downsizing. The employees that remain with the organisation following downsizing may suffer survivor syndrome, where they question the reasons behind the occurred change. The survivors may feel guilty that they remain while some of their valued work colleagues have been made jobless, and may suffer from low morale doubting whether they are likely to be the victims of downsizings in the organisation. They feel disassociated from the organisation; particularly when they are not involved in the planning and goal setting for any subsequent organisational restructuring program. Therefore, managing survivors successfully is a major challenge associated with downsizing (Cascio, 2002).

Communication: During the time of downsizing, if the firms are not open about their market situation they face then the future of their remaining employees becomes uncertain because of communication gap. Cascio, (2002) Kaye and Greist, (2003) Communicating future vision and strategy to all stakeholder including shareholders, employees, and other constituents becomes an important concern at the time of implementing organisational change of downsizing (Gurin, 1998).

Due Diligence: Reactive, unplanned, forced and non-selective downsizing can lead to various issues for companies. Such issues are; whether the downsizing that occurred was really necessary and why it was that some people were retained and others were made unemployed. Organisations implementing downsizing as change strategy needs to pay appropriate attention to such issues because they can lead to further deterioration in relationships between employer and employees following downsizing (Cascio, 2002).

Cultural adjustment: Significant cultural change is required for restructuring an organisation through any means and especially downsizing. For example, it is highly likely that subcultures are broken up through downsizing and informal networks that were previously established to implement organisational work may be disrupted. A key post downsizing challenge for change managers is to pay attention to reintegration of culture with new strategic directions (Parks, 2002).

Choice of restructuring technique: As argued by (Cascio, 2002), downsizing is not always the most appropriate and effective way to begin a restructuring program. Many companies do not appear to strive for other initial alternatives to this method. Considering other alternatives and deciding whether to use a substitute method is a major concern that needs to be evaluated by the managers before deciding upon downsizing strategy.

Downsizing is the interventions aimed at reducing size of the organisation (Cummings and Worley, 2014). Downsizing is the most popular radical management strategy since 1980's (Tsai and Yen, 2008). Laying off is an act part of downsizing process. It includes the removal of employees from work temporarily or permanently. Downsizing is the result of strategic choice made by the managers it may be triggered by the external environmental condition or internal reorganisation (Chadwick, Hunter et al. 2004)

One source estimated that downsizing has eliminated more than 43 millions jobs in the United states since 1979 (the New York Times, 1996). A 1995 Wall Street journal article reported that according to figures from U.S Bureau of labour statistics, 10.1 million American workers were displaced or lost their jobs between 1989-92 (Gerlin, 1995).

These members suggest that downsizing through employee attritions and layoffs, is becoming a wide spread, common business practice (Caneran, Freeman and Mishra 1991; Casio 1993; Tonbay 1993) Reports in the popular business press have several quoes from top US managers that state or strongly imply that downsizing should be integrated into strategic decision marking (Richman 1993; Labin 1994) and in some Cases, layoffs are undertaken in anticipation of future economic downturns

(Greenerblg 1991; Cascio 1993). This suggests that downsizing perceived as a positive proactive activity.

Downsizing is reality more than a theory. This study will result a positive change in behaviour and approach about the theory. Therefore, downsizing as an investment strategy needs attention to examine future return and financial outputs. This aspect of downsizing exercise does not appear to be examined.

2.3 Definitions of downsizing

A large number of definitions can be found on the term downsizing in the literature. A few of them are:

- Downsizing is defined in the popular press as a situation in which a firm cuts down its workforce tremendously (higher than 10% of active full time employees) as a measure to improve, profits, regardless of the financial position of the firm.
- The term “downsizing” was coined to describe the action of dismissing a large portion of the firm workforce in a very short period. Downsizing refers to deliberate decisions to reduce the work force that in tern improve organisational performance. (Koz Lowski, Chao, Smith and Headland, 1993)
- A definition of downsizing by Huber and Glick, (1993) is a set of activities undertaken on the part of management, designed to improve organisational efficiency, productivity and/or competitiveness. It represents a strategy that affects the size of the firm’s workforce and its work processes.

Key attributes of downsizing per Huber and Glick (1993 a; 1993b).

1. Downsizing is intentional.
2. Downsizing usually involves, although is not limited to, reduction in personnel.

3. Downsizing is focused on improving the efficiency of the organisation
4. Downsizing affects work processes knowingly or unknowingly.
5. Possible consequences are overload, burnout in efficiency, conflict and low morale.
6. Positive outcomes may occur such as improved productivity or speed.

This definition by Huber and Glick clearly considers all three approaches of downsizing which are retrenchment, downscaling and downscoping. The other definitions neglect the important approach of downsizing i.e. downscoping. In this case firm not only cuts jobs but reduce diversification and start concentrating on the core business. This research will cover all the three approaches of downsizing.

The last point is the most problematic for shortsighted management where no contingency plans have been made for inspiring and leading a demoralized workforce to continue to perform, or where caught by surprise by customers leaving for the competition because a hitherto unknown or unmeasured value- added program left the company along with downsized workers (Evans et al., 1996). These researchers illustrate different types of downsizing:

- Across the board cutbacks — where each department or division in a company is expected to reduce personnel or budget by a fixed percentage.
- Early retirement and voluntary turnover — to entice employees to leave the company of their own free will by the removal of penalties from early application for retirement pension plan benefits, or a universal offer of a “buy-out package”.
- Delayering the organisation — where one or more horizontal slices of the organisation are eliminated.

- Contracting out— or outsourcing of non-core activities of the company,
- Eliminating product lines or divisions — where a company decides to divest itself of a set of businesses or programs.

Each of the above types of downsizing meets Huber and Glick's (1993a, 1993b) key attributes of downsizing (see above — intentional, involving personnel reduction, improving the efficiency of the organisation, and affecting work processes knowingly or unknowingly), and help to differentiate company strategies vis-a-vis downsizing. Some authors, however, go to great lengths to draw fine distinctions between "downsizing", "rightsizing", "resizing", "layoffs", and "decline", to name a few of the euphemisms applied by business leaders and business writers, as discussed by Mentzer (1996) who comments, in reference to the lexicon of the downsizing phenomenon, that this can be partially attributed to a "strong desire to distance oneself from labels that connote failure". However, there are positive results to some downsizing activities which will be explored and evaluated.

2.4 Investment and investment strategy

It is stated (Van Horne, 1992) that capital investment is the allocations of capital to investment proposals whose benefits are to be realized in the future because the future benefits are not known with certainty, investment proposals necessarily involve risk.

Strategy used to allocate funds among assets (stocks, bonds, cash equivalents, human capital, plant etc) or a plan for investing and managing an investment portfolio (all the investments owned) is known as Investment Strategy. Investment strategy acts as a guide for the investor to help select the investment portfolio. An investment strategy should be based on some key factors such as economic growth, inflation, interest rates, funds available for investment, future needs, risk etc.

Anything which is discretionary can be considered as investment. (Sanwal 2007). All cash outflows that occur at the initial stage of the downsizing plan is regarded as the investment. (Birati and Tziner 2000)

Corporate portfolio management is refereed as investment optimization at American Express. Corporate portfolio management and financial returns are naturally related.(Sanwal 2007)

A vast variety of related literature is available on internet, different international magazines, Journals and Books of foreign writers and research scholars but this only covers the relevant part of it. During the course of literature review some research articles of journal on downsizing discussing various aspects and causes has been reviewed.

2.5 Downsizing explained as investment strategy

The major argument is that organisations downsize to manage their investments in assets and their most common assets are capital assets (including human and material assets) and the financial assets. Downsizing includes changes in human assets, physical assets, and at times in both human and physical assets. Organisations engage in downsizing in the expectation to have greater financial benefits in comparison to the initial costs associated with the downsizing. But the actual results may differ from the expectation. This necessitates empirical research to be investigated.

All cash outflows that occur at the initial stage of the downsizing plan is regarded as the investment. (Birati and Tziner, 2000) The firm expects to earn a return on the amount invested. During the initial stages of downsizing, extraordinary direct cost are incurred. The explanation of Direct cost of downsizing is addressed later in this chapter.

2.6 Revisiting implementation of downsizing

An important question that is under current discussion in the downsizing literature concerns the pace and sequence of implementing downsizing strategy (Pettigrew et al., 2001). The view that radical or fundamental change has to occur quickly in order to create the necessary momentum to overcome inertia has come under examination. Also the sequence in which change should occur is under scrutiny. Should downsizing be implemented across the organisation simultaneously to minimise resistance or implemented in some sections and then others? If the latter view is considered acceptable, another set of change management questions arises regarding whether the emphasis first up should be on either the core or the peripheral functions of the organisation (Amis et al., 2004).

In their longitudinal study, (Amis et al., 2004) concluded that swift change throughout organisations is not only insufficient to bring about radical change, but may even affect them negatively. The short bursts of change, followed by steadier change steps, allow time for trust to be built up and enhance working relationships. Furthermore, they suggest that it is important to focus the initial bursts of change on the high-impact decision-making areas required for the change since these will have a lasting symbolic value and highlight the message that the changes will be long lasting. High-impact changes need to be implemented by managers with sensitivity since they are likely to be the most argumentative and create resistance. “If they are not carefully planned and introduced, they are likely to decrease its probability of success.

2.7 Reasons or motivation of downsizing

The reason can be proactive or reactive one. Reactive reason means downsizing is a response to organisational bankruptcy or the economic downturn / recession (Ryan and Macky 1998). Downsizing is termed as the proactive if it is implemented as human resource management strategy (Chadwick, Hunter et al. 2004)

The reason behind choosing the downsizing strategy showed shifts in different periods. Until the end of 1980s some of the main reasons behind the choosing downsizing strategy were organisations' Decline, loss in profit, (greenhalgh et al., 1988, McCure et al., 1988, Love and Nohria, 2005) intention to increase competitive advantages and developing technologies (Tsai and Yen 2008).

In 1990s the main reasons were trends of mergers and acquisitions and the pursuit of economies of scale (Hirschman, 2001, Tasi, 2001). Since 1993 business process reengineering (Champy, 1996), the relocation of internal skills to meet environmental changes outsourcing strategy, the high frequency of hiring temporary employees (Cascio 2002), three external institutional forces, i.e. constraining, imitation, and learning. (Mckinley, 1995, 2000), social factors (irrational external social forces (institutionalization, social networks /irrational internal social forces i.e. organisational culture, traits of the leaders, (Budros 1999, Lamertz and Baum 1998, Mentzer 1996) and socio-cognitive process (McKinley, Zhao et al. 2000) came into prominence.

2.8 Perspectives on downsizing

In the literature we can find four different perspectives on downsizing, which are focused by the researchers repeatedly they are:

- Economic Perspective
- Institutional Perspective
- Socio-cognitive Perspective
- Psychological contract Perspective
- Strategic Human resource Perspective

Economic perspective

According to economic theory, organisational downsizing has a positive impact on the financial performance of a company as it eliminates redundancies, streamline operations and reduce labour costs.(De Meuse, Bergmann et al. 2004). Economic perspective assumes that the managers choose downsizing strategy with a probability of generating effective financial outcomes. The motivation behind this strategy is the reduction in the costs and the improvements in financial performance. (McKinley, Zhao et al. 2000) The long term effect of corporate downsizing has affected the way organisations are managed. Companies downsize to cut cost, improve efficiency and to maintain a profit level acceptable to their shareholders (Dereh G. Choy 1985).

Future costs are always more predictable than the future revenues and payroll expenses are the fixed cost of a firm. Other things remaining same, cutting payroll will reduce the total expenses of a firm (Cascio and Wynn 2004). Research done at the firm level has proved that downsizing firms were not able to improve profits generally and significantly (Cascio, Young et al. 1997).

Investors care about downsizing, since it contains severe implications for the short term profitability and even the long terms growth of a company through a downsizing, the management inadvertently (or perhaps deliberately) signals to investors what the future health of the firm is. Downsizing helps the firms to survive. Downsizing began as the strategy of sickly corporations shedding whereas in the face of a weak demand but soon strong firms looking to boost shareholders value even further adopted the policy.(McKinley et al. 2000)

Institutional perspective

Social environment is constituted by institutional norms and rules. Organisations, being the part of this social environment, follow those institutional norms and rules. According to institutional perspective downsizing can be driven by isomorphism

(McKinley et al. 2000). In social science isomorphism is the similarity of processes or structure of one organisation to those of others. It can be an independent development or can be an imitation. Mainly there are three types of isomorphism i.e. coercive, mimetic and normative. (Scott 2001)

Socio-cognitive perspective

Another perspective is the socio-cognitive perspective and it argues that the decision of implementing downsizing is made by managers based on the abstract mental models. These models consider downsizing effective because these models are developed through social interaction (McKinley, Zhao et al. 2000).

Psychological contract perspective

Psychological contract perspective argues that downsizing can be perceived as a breach of contract between the employer and employee. According to the researchers (for example, Morrison and Robinson, 1995, 1997; Robinson, 1996; Robinson and Rousseau, 1994; Rousseau 1995) contract breach exists when promises made to an employee by an employer at the time of contract are not fulfilled. The concept of contract breach (Rousseau 1995) is defined as a perception that the contract between an employer and an employee has been breached by the employer. This affects the relationship between the employer and the employee and leads to the changes in employee performance. It is critical to organisational performance and productivity. (Sronce and McKinley 2006)

Strategic human resource perspective

The key assumption of strategic human resource perspective is that managers are uncertain about the specific choices of human resource management practices. The uncertainty is about the relationship between the chosen HRM practices in implementing downsizing and the costs and benefits of these practices. This perspective argues that best human resource practices are required to implement downsizing effectively. Strategic Human Resource management perspective suggests downsizing hinder the long term competitive advantage. (Chadwick, Hunter et al. 2004)

The study considers the economic perspective of the phenomenon as it is critical to any firm. The economic perspective directly deals with the issues of cost reduction and profitability and efficiency improvement. Whereas the psychological contract and strategic human resource perspectives consider the uncertainty about the choice of strategies that should accompany downsizing. The socio-cognitive perspective relies on the abstract model which doesn't always lead to positive results. Institutional perspective which considers norms and rules overlooks the real picture of the firm. Rules and norms can help any organisation in decision making but the actual decision requires consideration of internal and external factors affecting the firm. It can be the case when an organisation has other alternatives and it decides upon downsizing just because it appears to be institutionalized.

2.9 Views on downsizing

The literature has a wide variety of views of downsizing which can be summarised. A summary of views on downsizing appeared in literature are jotted down in the Table2.1.

A paper by Kathleen Garrett Rust (1999) explores some of the complex factors that influenced decisions to downsize in the 1990s. Specifically, the model developed in this study explores various causes of downsizing in the investor-owned electric utilities industry. Given the contradictory reports of financial and productivity gains as outcomes of downsizing (Mentzer, 1996; Cascio, Young, and Morris, 1997), I propose that other causes of downsizing play a prominent role. In essence, I argue that ideological forces influence decisions to downsize in addition to other reported variables, such as cost reduction or "competitiveness".

The consequences of downsizing as they affect the organisation and its employees have been the main focus of academic literature on downsizing (McKinley et al., 1995). A second stream of related literature concentrates on describing how to reduce unintended consequences of downsizing by utilizing the practices of firms that have downsized “effectively”. The majority of papers that concentrate on the consequences of downsizing focus on how surviving employees are affected (Brockner et al., 1985; Brockner et al., 1987; Brockner, 1988), though there are at least five studies in the management literature that examine the organisational effects.

These papers have analysed the structural effects of downsizing (DeWitt, 1993), the effects of organisational downsizing on product innovation (Dougherty and Bowman, 1995), the effects of workforce decline on the symmetry of structural changes (Sutton and D’Aunno, 1989; McKinley, 1992) and the relationship between downsizing and organisational redesign processes (Freeman and Cameron, 1993). Several publications concentrate on how to “reduce the trauma” of downsizing (Noer, 1993) by enabling survivors to «overcome their reactions to the situation and recommit to being productive and motivated» (Rice and Dreilinger, 1991; Ropp, 1987) or discuss the abandonment of job security as part of the psychological contract (O’Reilly, 1994; Leana, 1996) Many descriptive articles on downsizing target a practitioner audience with advice on implementation (Cameron et al., 1991), while academically oriented articles investigate the consequences of downsizing for organisational performance (for example, Cascio, 1993; DeWitt, 1993). Another line of academic research focuses on workforce reactions to downsizing and the work performance of layoff survivors (for example, Brockner et al., 1985; Brockner et al., 1987; Brockner, 1988) and on the role employees’ trust plays as a mediator of the relationship between managerial beliefs and actions and subsequent

Table 2.1 Views on downsizing meaning

Author	Views on Downsizing
(Filipowski,1993, weakland, 2001)	a way of life
(Cascio, 1993)	elimination of jobs
(De Meuse et al., 1994)	organisational euthanasia
(Downs, 1995)	miracle cure
(Flamholtz, 1995)	management theory
(Allen, 1997)	changing workplace phenomenon
(De Vriesand Balazs, 1997)	wonder drug
(Gittins, 1997)	management fad
(Nelson, 1997)	Panacea (hypothetical remedy for all ills or diseases)
(Beylerian and Kleiner, 2003)	watchword
(Appelbaum et al., 1997, Sahdev, 2003)	strategy
(Mishra and Mishra 1994)	Reorientation strategy
(Littler et al, 1997)	phenomenon
(Ryan and Macky, 1998)	HR strategy
(Harrington, 1998)	improvement methodologies
(Gettler, 1998)	management initiative
(lecky, 1998)	mantra
(Miller 1998)	myth/religion/corporate killer of the American dream
(Luthans and Sommer, 1999)	practice of the month
(Fisher and White, 2000)	reorganisation strategy
(Makawatsakul and Kleiner, 2003)	cycle of failure
(Beylerian and Kleiner, 2003)	plague
(Farrell and Mavondo 2004)	convergent strategy/ adaptive or single loop learning strategy
(Chadwick et al., 2004)	strategic initiative
(Mirabal and DeYoung, 2005)	strategic intervention
(Tsai and Yen, 2008)	a neutral process within an organisation’s life cycle
(Gandolfi, 2009)	complex, multifaceted phenomenon
(Littler and Gandolfi, 2008)	a change management strategy has been adopted for more than three decades
(Gandolfi and Littler, 2012)	misunderstood aspects of business life

Source: Prepared based on Gandolfi, (2006) and additional literature.

Mone (1997) advice on how to overcome adverse effects (downsizing outcomes) of downsizing has been well publicised in the 1990s. Practitioner-oriented articles have described best practices for managing downsizings or layoffs (Cameron et al., 1991; Cameron, 1994; Feldman and Leana, 1994) while others stress the role that mutual trust within a top management team plays in effective downsizing strategies (Mishra and Mishra, 1994). Other articles concentrate on perfecting the "art" of managing workforce reductions (Tomasko, 1987) and offer advice on the "right way to downsize" (Heenan, 1991, p. 4). Overall, these articles focus on downsizing as a common taken-for-granted event in organisations that fail to consider why downsizing occurs in the first place.

Dewitt (1998) discussed three approaches of Downsizing i.e. retrenchment, downscaling and downscoping. Retrenchment includes closure of redundant jobs and facilities and maintaining or even augmenting the output by re-engineered processes. It focuses on centralization and specialisation of production. Downscaling only includes reduction in the number of employees to align supply with demand means output required by keeping the physical assets idle. This does not affect the firm's boundaries which mean there is no change in the product line and market scope. This helps the organisation to meet the cyclical or seasonal demands. Down-scoping includes reduction in number of employees plus the physical assets. This results in the overall decrease of output and shrinking of firm's boundaries it reduces the diversification and strategically reforms on the core business. Firm may likely to reduce the horizontal scope or the vertical scope.

Previous studies on downsizing that focused individuals includes studies about Individuals' perceptions about the psychological contract, Individuals' reactions about and Individuals' efforts during and after downsizing (Chadwick, Hunter et al. 2004)

2.10 Empirical research on downsizing

This section discusses the findings of empirical research on downsizing activities. In my review of the literature, I found that early studies concentrated on discovering the financial aspects or trends that surround downsizing events (Worrell et al., 1991; De Meuse, Vanderheiden and Bergmann, 1994), while the later works begin to explore additional theoretical perspectives (McKinley et al., 1995; Mentzer, 1996; Budros, 1997; McKinley et al., 1998). One common methodological trend throughout these works is the repeated use of downsizing and/or layoff announcements as the unit of analysis, though there are exceptions (for example, Mentzer, 1996). An early 1990's study looked at the strategic implications of organisational layoffs by investigating how the securities' market reacted to the announcements of 194 layoffs in large firms over a nine-year period, 1979-87. These researchers found that the documented reason for the layoff greatly affected the securities' market reaction to the layoff.

Their results suggest that "managers should not fear adverse stock reactions if a layoff is attributable to consolidation and restructuring purposes" (Worrell et al., 1991) as opposed to reasons of financial distress. This suggests that the securities market may tend to react favourably to layoffs related to restructuring as opposed to layoffs related to financial downturns. De Meuse et al. (1994) examined several measures of organisational firm performance for 17 Fortune 100 firms making workforce reductions in 1989. They found that the performance of these firms decreased as compared to a group of Fortune 100 firms not making such reductions. One should keep in mind, however, that 1989 was a year of recession; therefore the performance of both groups should have been affected. Cascio et al. (1997) examined the financial consequences of employment change decisions over a 15 year period using data from companies in the Standard and Poor's 500. The authors conclude that the research did not produce evidence that downsizing firms, defined as firms in which the decline in employment was greater than 5 percent over a one-year period, were generally and significantly able to improve profits. This empirical evidence confirms much of the anecdotal evidence in the practitioner literature on downsizing (Cameron et al., 1991; Cascio, 1993) and other empirical studies (see Worrell et al., 1991; De Meuse et al., 1994; Cascio et al., 1997) that suggest downsizing generally does not improve performance.

Though the lack of empirical support for the virtues of downsizing is significant, few authors have taken steps to understand why downsizings attributed to improving organisational performance continue. The following continues the discussion of the empirical works concentrating on those that introduce other theoretical views. Budros (1997) introduces classic organisation theory and institutional theory as explanatory underpinnings of downsizing. He views downsizing as being affected by three distinct forces:

1) Events associated with the “new capitalism

2) Institutional forces

3) Adopter traits.

Using a logistic regression model, he analysed the respective effects of the independent variables on the probability of downsizing. His results show that for publicly traded firms, deregulation, economic peaks, takeover attempts, firm size, adoption effects and a “commercial culture” have positive effects on downsizing while market share and profits per employee (productivity) have negative effects. Budros suggests that «the institutional imagery surrounding publicly traded firms stresses efficiency and the bottom line, encouraging downsizing» (p. 21). Findings for the adoption effect show that downsizing rates accelerate as the percentage of firms with downsizing programs increases. He attributes this trend to the evolution of downsizing from a “socially dubious act” to one that represents “business-as-usual”. The analysis discloses that downsizers are motivated by no economic factors and that they receive no economic rewards, such as improved organisational reputation and positive reactions from stockholders, thus strengthening survival prospects through the display of legitimated practices.

Another empirical study conducted by Mentzer (1996), tested three competing models of downsizing: the “rational” (economic efficiency) approach, the asymmetrical/hysteretic approach and the institutional approach. Using ordinary least squares analysis, he tested the impact of corporate performance on the propensity to downsize with the extent of downsizing as the dependent variable (to test the causes of downsizing). In a second set of regressions, he tested the impact of downsizing on future corporate performance, with the extent of downsizing as the principal independent variable (to test the consequences of downsizing). He found no consistent relationship in the determinant of downsizing or in the consequences of downsizing. The time period of interest and the length of that period may affect this inconsistent relationship (Mentzer, 1996). The results may be sensitive to the degree of environmental uncertainty. Overall, these empirical studies (for example, Mentzer, 1996; Budros, 1997) offer tentative support for the institutional approach to downsizing.

Financial cost and performance: positive outcomes

In this section the positive outcomes of downsizing will be reviewed. These will be presented in two sections, one dealing with the effect on human resources (improved worker competencies, efficient use of employees’ capabilities, and prospects for career development); the other dealing with the effect on the organisation or the business (Wall Street effect”, improved revenues and high profits, improved productivity, optimized structure, and increased competitiveness).

Human resources

Improved worker competencies.

Downsizing has been used as the driver in creating a more collaborative or team orientation to work processes (Church, 1995). By focusing a downsizing effort around progressive human resources management practices, including a philosophy of using existing human resources more effectively, the downsizing event can be a catalyst to implementing an organisational culture that emphasizes teamwork and respect for people. This entails such well-known best practices as involving employees in decision making; linking compensation to performance; and providing appropriate training. As Church (1995) points out, these practices are already well researched and proven; a large body of evidence indicates that these practices are associated with increases in productivity and improved long-term financial performance. The challenge for management is to find the will to implement them in a cohesive, systemic manner during a downsizing. The training of employees in conjunction with downsizing is critical to success. A study on corporate downsizing, job elimination and job creation corroborates this. a clear correlation of increased profits and productivity with increased training budgets during and following a downsizing effort.(Appelbaum et al 1999)

Efficient use of employees' capabilities

McIntyre (1994) observes three forces in the business environment that complement and encourage downsizing, and the resulting trend to outsourcing to obtain services:

• cost containment, which forces restructuring to streamline operations;

• the strategic examination of core business capabilities, which generates a fundamental rethinking of what is the essence of each business unit and how it fits in the whole;

• the realization that identifying and having access to the best ideas, people, and technology does not necessarily entail ownership of the resources.

In outsourcing arrangements that are true "strategic alliances", the focus can shift from cost-cutting to maximizing overall benefits to each partner. Nevertheless, as Evans et al. (1996) note, the lower overhead and lower labour costs of the spun-off companies enable them to be cost-effective and profitable. One principal result of downsizing within an outsourcing initiative, however, is in allowing the human resources within corporations to be more specialized and focused — whether it be on janitorial services or knowledge work. “What differentiates companies now is their intellectual capital, their knowledge, and their expertise — not the size and scope of the resources they own and manage” (Corbett, 1995).

Prospects for career development

In the knowledge sector, downsizing can have a positive effect on both the employees who have been downsized and those who remain behind after the downsizing has been completed. In a special report on small business, Evans (1997) claims that downsizing creates new opportunities for entrepreneurs to replace services formerly performed by employees. The article highlighted that the small business administration reported more than 8,000 new small businesses were created in 1996, suggesting that corporate downsizing is one factor fueling that growth.

Peter Drucker, in Post-Capitalist Society (1994), comments: In the 1980s and 1990s, during the traumatic restructuring of American business, many thousands of knowledge employees lost their jobs. Their company was acquired, merged, spun off, liquidated, and so on. Yet within a very few months, the great majority found new jobs in which to put their knowledge to work. Laid-off technicians, professionals, and managers found that they had the “capital” their knowledge.

Within the companies that are downsizing, the span of control and the type of work are also changing for those knowledge workers who remain. For example, in discussing the changing role of the professionals in major Canadian companies, McIntyre (1994) points out that corporate trainers are spending more time on higher-order skills, such as consulting with their internal clients in identifying business issues, determining the appropriate interventions required, and brokering the services required with outside suppliers. This role has sgnificantly changed from earlier surveys, where trainers spent most of their time on more traditional duties such as program design and delivery. These services are now supplied by contractors.

Organisational factors

“Wall Street effect” One of the most positive outcomes of downsizing from the point of view of boards of directors, senior management, market analysts, and of that most critical of groups — stockholders — has been the tendency of the share price of downsizing companies to rise significantly (Atwood et al., 1995). The rationale behind this is the reduction in payroll and other expense costs, and in the anticipated performance gains from increased productivity and competitiveness, all of which are extremely attractive to market analysts and stockholders age.

There is recognition by the analysts that improved business results are not always achievable in the short-term, as in the examples just discussed. Significant immediate expenses are often incurred in large scale downsizing, such as for plant closings and severance pay. Nonetheless, this is positioned as a short-term hit leading to a longer-term financial improvement. The example of the Times Mirror Co., where a US$299 million loss was brought about by cutting 2,200 jobs and closing a major journal (New York Newsday) would be made up by the reduction in expenses of US$115 million yearly. Savings were expected to be realized in only a few years. (Atwood et al., 1995). Improved revenues and high profits. The Institutional Investor (1995) reports in CFO Forum that in a survey of chief financial officers of US corporations, nearly 75 percent of their companies had undergone downsizing or some other cost-cutting measures within the last three years, and that it has “plainly paid off’ for the companies (based on quarterly surveys of a universe of 1,600 chief financial officers):

• Approximately 90 percent of the CFOs state that their company’s profits rose as a “direct result” of downsizing;

• More than 50 percent saw a rise in productivity;

• Nearly 22 percent believe that both productivity and morale improved after downsizing.

On the question of whether US companies had gone too far with downsizing and now suffer from corporate “anorexia”, 18 percent said “yes”, but 82 percent said “no”. It is clear that downsizing has met the expectations of the majority of chief financial officers in the USA from their own particular perspective.

Improved productivity

Downsizing can and does lead to productivity gains, primarily as part of processes such as business process reengineering (BPR). As Vargas (1996) points out, downsizing is merely the means, not the goal: the true goal is to increase output with fewer resources or do more with less. While the lure of using downsizing to “improve productivity” is strong, the positive correlation of downsizing to productivity only appears when management is effective in implementing significant operational changes, such as through business process reengineering. As Vargas (1996) ominously concludes, “The danger is for organisations to arbitrarily cut personnel under the umbrella of ‘BPR’ and assume an increase in productivity.”

The two keys to success of BPR are enabling technology and empowered employees. Employees, especially, must be and feel rewarded for being part of the reengineering process, and not simply putting themselves out of a job. When human resource cuts become viable after the BPR effort, positions, not individuals must be eliminated. When the positions of competent, loyal employees are cut, every effort must be made to find work elsewhere in the organisation; otherwise, generous separation packages and quality out- placement services must be implemented which often erode the publicized savings of BPR and downsizing rendering it less than a success. The continued support of the remaining workforce (survivors) is critical to the ongoing success of the reengineering process. If management downsizes without achieving a corresponding productivity increase, a potentially critical situation can evolve. Failure to change overall objectives and tasks while eliminating staff can force employees at all levels, from senior management to unionized staff, to act in negative, counterproductive or unethical ways to keep up with output expectations. To summarize some of the above data, successful downsizing as part of a business process reengineering project must lead to improved productivity. Downsizing cannot just be an excuse for an organisation looking to reduce fixed payroll costs. On the other hand, using BPR as an excuse to cut jobs will alienate the group of people key to its success, the employees, and ensure its ultimate failure in the long-term.

Optimized structure

Many organisations have suffered from excess staffing in the past predominantly in the middle management ranks. The delayering of organisations, moving from vertical to more horizontal structures, has gone a long way in correcting this problem. The resulting improved communications and lower cost of doing business has further resulted in improved productivity (Colby, 1996). Colby warns about making the reductions in number of employees on the basis of seniority or other methods rather than by assessing each employee's contribution to the organisation. Based on Drucker's comments (1994), Colby (1996) notes that in knowledge businesses, the company assets walk out the door every night. If downsizing targets the wrong resources, any cost reductions can be overshadowed by the loss of knowledge critical to the business's success Evans et al. (1996) further note that as middle management is removed from the decision making process, two things can happen:

(1) Senior managers take on the decision-making responsibilities;

(2) The decision-making is decentralized to lower-level employees.

Either one of these options can have positive effects, depending on the needs of the business and the organisation. If senior managers were under-utilized prior to the downsizing, the centralization of decision-making can make them more productive. On the other hand, when decentralized to the appropriate level, decision-making gets closer to the customer where it belongs. Furthermore, the newly empowered employees, if properly trained and developed, can make more effective business decisions and gain enhanced job satisfaction in the process.

Increased competitiveness

Hite (1999) discusses the unpopularity of downsizing in the American workforce. Downsizing is the necessary fallout from the technological revolution and also from being part of the global economy. Hite (1999) advises against the potential knee-jerk reaction of erecting trade barriers as an oft-proposed way to return to post-Second World War prosperity. This would be extremely short-sighted and would result in reciprocal trade barriers with even worse consequences for American workers. Hite (1998) argues that American business is not downsizing and moving production offshore out of choice but as a survival strategy in the global economy.

While sympathizing with the pain that downsizing creates, Hite (1999) sees it as a stimulus to improve competitiveness and states: “Each one of us needs to have something to sell that cannot be found in overseas labour markets and that employers are willing to pay a premium to get.”

2.11 Costs of downsizing

During the initial stages of downsizing, extraordinary direct costs are incurred which can be regarded as implementation costs. The prominent implementation or direct cost are the severance packages, early retirement packages, the outplacement services (Mirabal and DeYoung, 2005) and the administrative processing cost(Gandolfi 2008) adapted from Littler et al. (1997), Gettler (1998), Gandolfi (2001)

Downsizing can be evaluated by preparing a cost benefit analysis, which will help the management outline the short term financial implications of downsizing as well as will shed light on the long term savings or losses (Appelbum, 2001)

Financial Cost and Performance: Negative Outcomes

In this section the negative outcomes of downsizing will be reviewed. The section is presented in two parts: one dealing with the effect on the human resources (survivors' syndrome) and the other dealing with the effect on the organisation or the business (financial failure, decreased international competitiveness, decreased stock prices, legal costs, downsizing without a strategic plan nor defined approaches, decreased innovation and creativity, decreased productivity, decreased profitability, decreased quality! broken relationships with customers, negative organisational impact, and finally downsizing metrics).

Human Resources: Survivors' Syndrome

The survivors' syndrome manifests itself by decreased management credibility, decreased employee morale, increased absenteeism, and increased turnover. It is considered by Labib and Appelbaum (1999) to be the "major factor that contributes to the failure of most organisations to achieve their corporate objectives after downsizing". The term "survivors' syndrome" was first used by the psychiatrist Niederland in 1968 referring to survivors of the Holocaust and other catastrophes. The observed disorders are recognized as severe pathologies and are referred to as post-traumatic stress disorder under the category of mental illness (Dupuis et al., 1996).

Although not as severe in corporate downsizing as in major tragic and traumatic events, "corporate" survivors' syndrome has proved to be no less physically or mentally devastating. Traditionally, downsizing survivors were thought to be grateful to keep their jobs and, therefore, were expected to be more productive (Clark and

Koonce, 1997). In the wake of downsizing, however, the survivors actually fear for their jobs, have a growing mistrust of the company, have little understanding of what management is doing, or of what their role will be in the company's future. For example, it was estimated that credibility in senior management ranks dropped by 35 percent, according to a study of the American Society for Training and Development (Clark and Koonce, 1997). David Noer, a leading expert on the impact of major upheaval on individuals, identified the most typical symptoms of the survivors' syndrome in his timely book Healing the Wounds (1993): fear, insecurity, uncertainty, frustration, resentment, anger, sadness, depression, guilt, injustice, betrayal, and mistrust (Dupuis et al., 1996). Ignoring survivors' problems can be costly for downsizing organisations. The typical post-downsizing consequences of decreased morale, increased absenteeism, and increased turnover have a significant financial impact. A study conducted by the American Management Association and SIGNA of 300 large and mid-size firms found that it was not just laid-off workers who felt these consequences. Among all kinds of medical-related claims, claims for stress-related disorders mental health and substance abuse, high blood pressure, and other cardiovascular problems showed the greatest increase. Workers at downsizing companies also remain disabled longer (average disability: 155 days, 28 days more than then their colleagues at non-downsized firms) (Cohen, 1997). The same survey reveals that although the supervisory staff comprise 5 to 8 percent of the American workforce, this group is at a greater risk of being laid off and of developing a stress related disability. For the five-year study period, the stress related self-reported disabilities had increased significantly by 100-900 percent. According to the US Census Bureau statistics, the disability costs were rising steadily by at least 8 percent a year for the same period. If this pace continues, total US disability costs could exceed $340 billion by the year 2000 (21 percent up from 1991) (Cohen, 1997).

Organisational factors

Financial failure

The severance pay expenses from downsizing can be enormous and the turnover related expenses are also substantial: Aggregated, these expenses can be significant as a major financial expense with no prospect of recovery. This point is supported also by Downs (1995) who cites Dow Chemical's experience with laying off managers. According to Dow Chemical's CEO, layoffs of managers are "horribly expensive ($30,000 to $100,000) and destructive to shareholders' value" (Downs, 1995). Clark and Koonce (1997) contend that 68 percent of all downsizing efforts are not successful. Companies that downsized and restructured specifically to become more profitable and efficient realize neither outcome. It was believed that the survivor's syndrome added to the lack of traditional career planning as the main underlying causes for the diminished productivity and morale dominating the restructured corporations. According to a recent study by Wyatt Worldwide, cited by Nelson (1997), only 46 percent of the companies surveyed met their expense-reduction goals after downsizing, less than 33 percent met profit objectives, and only 21 percent enhanced shareholders' return on investment. Furthermore, layoffs are a "quick fix" that usually do not work (Cameron, 1994). The real problem, according to Cameron (1994) and Noer (1993), is that the companies were simply reducing head count, indifferent to "how they are going to move forward in their new leaner and meaner environment and ignoring the most important element of downsizing — the survivors" (Nelson, 1997).

Decreased international competitiveness

In a rush to downsize to respond to the new economic realities, many companies underestimated the threat of becoming less competitive internationally. They cut crucial resources and, consequently, decreased their competitive potential compared to their counterparts in Europe and in Japan. Moreover, they jumped into the “deep waters” of downsizing earlier than Europeans or Japanese and thus experienced the first negative impact of reorganisation. The foreign companies, although also hit by the same recession, were not so keen in cutting so many staff. They, rather, applied a more “social” approach by stressing productivity and innovation, and were strongly supported by their governments in doing so. For example, the Japanese government intervened in the form of investment in innovation; European Community governments succeeded in balancing the business and market by regulating the destructive side of competition (Werier, 1993). The results for American corporations were devastating in terms of lost market share and unrealized profits. One such example was the news in 1997 that Boeing Co. had been overtaken by its European arch-rival Airbus Industry in the run for airplane orders. Thus, the European air consortium has secured its long dreamed of goal — 50 percent of the civil airplane world market. As a major reason for Boeing’s defeat, the specialists examined “the trouble with replacing workers laid off during the doldrums of the early 1990s” (Financial Post, 1997).

Decreased stock prices

The last section (positive outcomes of downsizing) discussed what was termed the “Wall Street effect”, i.e. that almost every announcement of impending layoffs yields immediate increase in stock prices. Unfortunately, there is another interesting facet of that effect which is referred to as “mass performance management” which implies that “nothing else gets a company’s name in the paper more quickly than an announcement of a layoff” (Downs, 1995). It appears that most senior managers were aware of the usually positive reaction immediately following a decision to downsize, and they could presumably use it as a means of achieving short-term positive results. But, could this be counted on in the long-term? Wayne Cascio, one of the major researchers in the field of economic impact of HR activities, has analyzed the problem using a Mitchell and Co. study of 16 major firms that cut more than 10 percent of their workforce between 1982 and 1988. It turns out that, two years after the initial stock price increase, ten of the 16 stocks were quoting below market by 17 percent to 48 percent and 12 were below the comparable companies in their industries by 5 percent to 45 percent. Cascio concluded that these are results of "the impact of downsizing on the day-to-day functioning of organisations" (Cascio, 1993).

Legal costs

Legal costs due to the risks of neglecting or violating labor and civil legislative acts can be substantial. The risk is relatively high when taking into account the size and the hastiness of many downsizing initiatives. Some of the risks described by Atwood et al. (1995) are: discrimination by age, race, gender, handicap and disability, breach of contract, lack of advance termination note, employee benefits improperly terminated or withheld, and tort claims. Surprisingly, many corporations tend to underestimate the cost of litigation arising from the above.

2.12 Downsizing without a strategic plan

Cameron (1994) contends that "the real problem for downsizing is that many companies don't plan for downsizing" (Nelson, 1997). Cascio (1993) further elaborates on unplanned layoffs examining an American Management OJ Association poll of 1,142 downsized companies, noting that:

• nearly half of the corporations in the poll were "badly" or "not well prepared" for the dismantling, and had not anticipated the kinds of problems that subsequently developed;

• more than half began downsizing with no policies or programs (retraining or job re-deployment) to minimize the negative effects of cutting back;

• rushing to produce a short-term effect, many ignored the "massive changes" in organisational relationships that result from downsizing;

• middle management and lower level staff were misused and alienated because most of the top managers "have put the concerns of their employees and subordinates at the very bottom of their priority list: corporate America neglected the downside of downsizing".

An elementary example is offered concerning the possible impact of extensive reduction to headquarters staff on the corporate planning and future — impaired strategic planning and heavy losses. Cascio (1993) goes even further in analysing why anticipated cost savings had not been realised in many cases. He outlined the following reasons:

- replacement of staff functions with expensive consultants
- the expertise needed by subsidiary business units and supplied formerly by laid-off headquarters staff
- headquarters staff was recreated by hiring independent trainers and planners, savings of training were realised by replacement of line managers by staff specialists

"The net result of this reshuffling was that some severed employees will be hired back permanently, and others will return on a part-time basis as consultants. One executive recruiter estimated that downsizing companies wind up replacing 10 to 12 percent of those they dismissed previously" (Cascio, 1993). The modem word for this phenomenon is "upsizing". An article appealing in the 8 June, 1996 issue of The Economist reported that while 250,000 job cuts had been announced for the first five-month period of 1996, some of the most enthusiastic downsizers of the 1990s — IBM, Bell South, Boeing, Chase Manhattan, and Sears — were planning to hire together well over 50,000 employees.

The absurdity of manoeuvres like these can be illustrated by the example of a Fortune 100 company that laid off a bookkeeper making $9 an hour to hire him back later as a consultant for $42 per hour. This case reveals another interesting facet of downsizing: some companies were trying to mask the actual impact of downsizing on labor costs by account gimmicks, since consultants were paid from subsidiary accounts and, thus, the reported results look better than they actually are (Cascio, 1993).

Research cited in Baillie (1995) suggests that some decisions to downsize were so spontaneous and unplanned to be even faddish. It is argued that many organisations, fearing economic uncertainty, simply repeated each other's actions in an attempt to feel secure. The same opinion is shared by Mentzer (1996) who refers to this action as the "institutional approach", by analogy to the institutional theory, explaining that the followers in an industry tends to copy the practices of the leader. This approach as well as the rational and asymmetric theories will be examined.

Downsizing has been both a boon and a bane, boon for those organisations which had been successful in their implementation largely through instinct (Appelbaum, 1999). However, most have realized the hard way that downsizing is not the cure-for all the evils that afflict organisational effectiveness and profitability. Different approaches and rationales have been used for its justification at different times. Hardy (1989) and Marks (1992) have described downsizing as a strategy employed primarily in response to economic pressure. This rationale suggested as the rational approach operates on the premise that organisational downsizing leads to higher profitability. The asymmetric approach or hysteretic approach postulates despite the acknowledgment of organisational need to downsize, management chooses not to respond either appropriately or promptly to the environment. This approach presumes an asymmetry in the impact of growth and downsizing on the organisation (Mentzer, 1996). The third defined institutional approach is related to the deliberate intent on part of the decision maker to downsize as a direct consequence of cognitive processes, such as what colleagues are doing (IVlentzer, 1996).

Mentzer (1996) has further postulated that for organisations using a rational approach, which operates on the premise that downsizing leads to higher profitability, downsizing has been related to poor economic performance as the cause and to improved performance as the consequence in the future. However, those following the asymmetric approach believe there is an absence of attribution of downsizing to economic performance. However, the third hypothesis to justify downsizing followed by corporations suggests they imitate the behaviour of other more visible corporations under conditions of uncertainty about the future course of action. In this case there is usually no relationship between corporate performance as the cause of the downsizing and the improved performance as a result of downsizing. Empirical data studies have not defined a clear predominance of a particular approach being followed. However, there is a strong case for explaining the data on the basis of the institutional approach, i.e. executives following each other under conditions of uncertainty.

An increasing share of workforce reductions is strategic or structural in nature, and is not a reflection of short-term market conditions. job cuts are ascribed, in whole or in part, to an actual or anticipated business downturn; Of those that did cite an actual or anticipated business downturn among their rationales for downsizing, majority of firms say that the problem is not general to the national economy, rather it is particular to industry few results show that it is general to their regional economies. . Eight percent said it was general to their regional or local economies; and some says it is particular to the firm. It is important to note, however, that organisations are likely to perceive the situation differently and follow different approaches under different environmental conditions based on the existing economic environment. Under conditions of economic turmoil the organisation considers the problem as strategic and pursues an approach of divesting unprofitable units and will suffer from financial losses and as a consequence will tend to downsize quickly throughout the firm (Cameron et al., 1987). On the other hand, under a growing economy the perception of non-profitable operations will be perceived to be of an operational nature, and the unprofitability will be in terms of stagnation rather than declining profits. Consequently, organisations tend to downsize slowly and the process of downsizing itself will be specific to those units suffering from stagnation (Harrigan, 1980).

Decreased Innovation and Creativity

A very common effect of downsizing is the decreased innovation and creativity potential of newly "lean" companies. In some cases, the cuts are so deep that crucial skills for the long-term growth are inevitably lost. Massive cuts, unfair termination practices, uncertainty, and absence of trust and motivation tend to alienate the most valuable for the company's future skilled employees who are actually the survivors of the downsizing:

The best and brightest employees will often leave the organisation, and yet, it is precisely these skilled individuals with their energy and their creativity that the organisation needs if it is to survive. The costs of hiring new employees are enormous for an organisation that had lost not only its best people, but along with them, their special know-how and expertise (Dupuis et al., 1996).

Cutting R&D spending and losing valuable human skills and expertise can have a very serious impact on the competitiveness of a company depending on innovation. The costs of such policy can be measured in lost market share, decreased volume of sales, higher cost of goods sold, and lost customers. As an example:

While many stock-market analysts have praised the cost-cutting efforts of Eastman Kodak's downsizing program ... at least one has warned that saving money will not be enough to restore the company to its earlier growth pattern. Kodak will need a better flow of new and innovative products (Atwood et al., 1995).

Moderate productivity

Every two-in-five downsizing companies report increased productivity as their ultimate goal according to a Louis Harris Labour Force 2000 survey of over 400 American corporations (Mirvis, 1997). The survey also revealed that firms that cut back for the sake of cost control experienced many more post-downsizing problems than those that downsized for purposes of increased productivity. An interesting relationship between productivity and insecurity levels presented in Figure 1 implies that the culmination in productivity occurs at moderate optimal levels of insecurity Management (Dupuis et al., 1996).

Worker productivity following job cuts increased immediately in 40 percent of 1O,U the firms that increased training versus 33 percent whose training budgets stayed the same and 26 percent that cut training. The AMA director of management studies commented on the results: These correlations really make sense when you remember that two-thirds of reported job eliminations are connected to organisational restructuring and a half to reengineering of business process. Workers who receive training are far more likely to improve their productivity, which in turn leads to increased profit. The research suggested that no evidence of a broad-base rise in productivity among the restructuring companies had been discovered so far

Decreased profitability

A study on profitability conducted by Mentzer did not find any proof of a positive relationship between downsizing and profitability: "across-the-board cuts may create the illusion of bold, courageous management but not necessarily bolster the company's future profitability" (Mentzer, 1996). Cascio further explains the psychology behind pursued profitability in the following way: Cutting costs by cutting people appeals to many executives because there are really only two ways for their companies to become more profitable: either increase revenues or cuts costs. Further, the future costs are more predictable than future revenues. ER represent cost (30-80 percent of general and administrative costs), so to become more profitable it seems logical to reduce those costs through decreasing the number of employees. This is view of employees as “units of production” — costs to be cut, rather than assets to be developed (Church, 1995). Cascio has also identified the following typical relationships for companies applying cut-and-slash tactics in pursuing economic growth:

- in the year that downsizing was reported, profit margins declined in direct proportion to the number of redundancies;
- two years after the announcement of redundancies, profit margins and return on equity declined in direct proportion to the size of the reductions in workforce;
- firms making redundancies ended up with lower profit margins and return on equity and market-to-book ratio for the three years after the downsizing announcement than non-downsizing equivalent firms
- companies that didn’t announce redundancies outperformed those that did
- redundancies had no effect on increasing profits (Baillie, 1995).

There is no strong evidence to support the argument that major employment downsizing has actually increased the profitability of a company. In fact, there is a myth that downsizing makes companies more profitable. In a study, Cascio et al. (1997) examined the impact of downsizing on profits and stock Downsizing: prices over a 15-year period in order to determine whether companies that have measuring the engaged in major employment downsizing have been able to improve their financial performance as measured by the return on assets and the total returns on common stock (Cascio et al., 1997). Cascio gathered information on all the companies included in the Standard and Poor's 500 between 1981 and 1992 from a sample of 537 companies that he studied over the years, measuring the changes in profitability of the companies against the employment changes (a total of 5,480 occurrences).

To investigate the impact of changes in number of employees on financial performance of firms in the year of a downsizing event (base year) and in two succeeding years (years 1 and 2), Cascio also extracted data for the years 1980, 1993 and 1994 (Cascio et al., 1997). In order to distinguish between the impacts of employment changes (increases and decreases) and the pure employment changes and asset acquisitions or divestitures, Cascio then categorized the companies into four mutually exclusive categories:

(1) Employment downsizers: companies in which the decline in employment was greater than 5 percent and the decline in plant and equipment was less than 5 percent (722 occurrences of 13.21 percent).

(2) Asset downsizers: decline in employment of more than 5 percent and a decline in plant and equipment that exceeded the change in employment by at least 5 percent (88 occurrences or 1.6 percent).

(3) Combination downsizers. reduction of the number of employees by more than 5 percent but cannot be defined as assets or employment downsizers (226 occurrences or 4.11 percent).

(4) Stable employers: changes in employment between ± 5 percent (2,568 occurrences or 46.9 percent). The remaining companies (34.2 percent of the total occurrences) were upsizers and three more categories were defined for them:

(1) Assets up-sizers: increase in employment of 5 percent or more and an increase in plant and equipment that exceeded the change in employment by at least 5 percent (833 occurrences or 15.2 percent).

(2) Employment up-sizers: increase in employment was greater than 5 percent and the increase in plant and equipment was less than 5 percent (287 occurrences or 5.2 percent).

(3) Combination up-sizers: increase in employment of more than 5 percent but cannot be qualified as assets or employment up-sizers. The results obtained by Cascio et al. (1997) are quite surprising and challenge the existence of such a myth. On the average, downsizers were less profitable in the base year (year of downsizing) than either the up-sizers or stable employer. The downsizers had an average return on assets of 12.92 percent as compared to 16.74 percent for the up-sizers for the base year. When compared to their industries, the results were even less favourable with an average industry- adjusted return on assets of —0.19 percent while the up-sizers' average industry- adjusted return was +2.48 percent. Furthermore, the returns on assets of 18 5 employment downsizers decline for the base year and years 1 and 2. It is only by the end of year 2 that the ROA of employment downsizers was slightly higher than their industries' but still below the level of stable employers. Only assets downsizers showed a significant increase in their profitability relative to stable employers and their industries by the end of year 2 (Cascio et al., 1997). What is striking about this study is that downsizing has a negligible impact on profitability when compared to the size of the layoffs. While employment downsizers reduce their workforce by an average of 10.5 percent, they failed to increase their return on assets and experienced a very slight decline in those returns from the years prior to the downsizing and year 2. By the end of year 2, employment downsizers were able to attain an ROA that was only three-tenths of 1 percent above their industry average,

which is not significant considering the high percentage of layoffs. Combination employers even after reducing their workforce by an average of 16.89 percent by the end of year 2 were unable to improve much, showing results slightly better than the employment downsizers. Employment downsizers do not seem to be able to turn around the situation and improve their financial performance. No matter how many employees they lay off, they always seem to be behind stable employer. Nevertheless, companies continue to downsize, assuming that downsizing will automatically increase profits (Cascio et al., 1997).

Decreased quality

Downsizing and quality many times appear to be dichotomous concepts. Cost concerns take immediate results priority to quality concerns, customer satisfaction, and employee Downsizing: empowerment, responsibility, and loyalty. This negative relationship occurs because most firms use a “seat-of-the-pants” approach to downsizing. Costs of failure increase in the attributes that are likely to result from a reduction in workforce is associated with a decrease in total quality in organisations. The negative attributes inhibit participation, teamwork, empowerment, suggestions for improvement innovation and a focus on customers (Atwood et al., 1995). According to the 1996 American Management Association Survey there is a strong correlation between quality improvements in products and services and increased profits — but only 26 percent of respondent firms cutting jobs since 1990 report short-term quality improvements, and only 35 percent report long-term quality improvements.

Negative organisational impact

Cameron et al. (1987) identify 12 negative attributes of organisations that emerge along with the decline that occurs with shrinking markets and increased competition (an unintentional reduction in size). These negative attributes have been labeled the "dirty dozen", by Huber and Glick (1993a, 1993b) who question whether the same attributes occur in firms that are intentionally reducing size through downsizing. Cameron (1994) studied closely the organisational effects of downsizing, and the analysis suggests that across-the-board "grenade-type" approaches are linked to organisational dysfunction. Organisational ineffectiveness, lack of improvement and high scores on the dirty dozen attributes, all are present when workforce reduction strategies such as layoffs, attrition, and buy out packages are used alone. The lack of development of an advanced quality culture combined with stagnant quality improvement is associated with the negative organisational performance indicators listed in the "dirty dozen".

Downsizing metrics

Some recent statistics concerning downsizing are worthy of commentary. Sixty-three percent of the firms that eliminated jobs reported concurrent job creation in other divisions, functions, or localities, up from 60 percent in the survey period. Due to concurrent job creation, 27 percent of the firms that eliminated jobs realized a net gain in employees over the 12 months. Cascio (1991) helps to shed some light on the dynamic tension between downsizing and concurrent or subsequent job creation by presenting some variables and formulae to estimate separation costs associated with this enigmatic process. Cascio (2010) estimated that separation costs for an employee would include:

- Cost of the exit interview i.e. financial value of the interviewer's time and departing employee's time.
- Administrative cost of removing an employee from the payroll, termination of the benefits and return of the company equipment.
- Severance pay: compensation, if any, paid to the departing employee,

However, new employees are hired to replace the employee whose departure has caused the shortfall in the workforce or when the downturn in economy changes to an upturn. Therefore, the costs associated in rehiring would include:

Direct cost of worker rehiring

- Advertising costs in the media, the cost of processing applications, conducting interviews, final selection and the medical exams and orientation.
- Training costs for the employee including cost of disseminating information, organisational socialization, introduction to the norms and roles within the organisation as well as imparting organisational values and performance requirements.
- Even after suitable training during the transition stage, the employee will function at a reduced level of productivity than the previous employee. This may result in additional costs in losses due to lost customers to competitors as a direct consequence of inability to provide services/goods in time or extra payment as overtime to workers or outsourcing costs when trying to maintain the original level of service.
- The above costs can be classified into direct and indirect costs:

  Direct costs include:

  - Direct cost of worker rehiring.
  - Cost of acquiring the new employee including advertising and selection procedure.
  - Direct cost for new employee.
  - Expenditure required for socialising the newcomer until fully operational

Indirect costs include:

- o Overtime paid to the employees for compensating for the shortfall in output.
- o Loss of production/customers resulting from the loss of employee.
- o Effect on the employee morale for survivors.

Organisational turnover rate: :

- Factor incorporating the organisational turnover rate.
- Furthermore, it is important to estimate the direct cost of hiring a new worker
- present value of the difference in cost of employing old and new workers
- Total remunerations paid to the new worker = remunerations being paid to the downsized employee
- Cost of borrowing for the employer (i.e. interest rate).

Based on Cascio (2010), Tziner and Birati (2000).states total cost of an employee turnover due to the downsizing as:

Downsizing cost = F + A + S

Rehiring costs = (C + S + T + U +0+ F + M) (1 + J)

While it is important to determine the variable to consider in contrasting job creation/downsizing, it is also crucial to estimate costs associated with the demoralization of the survivors. This is factored into the overall cost by the factor M which is an indirect cost. The demoralization usually manifests itself in the withdrawal behaviour of the employees towards both the employer and the workplace. Its symptoms appear in the form of withdrawal behaviour used to retaliate against the perceived inequity towards the other employees who were forced to quit their jobs. The usual resentful behaviour is manifested in absenteeism and lateness on behalf of some of the resentful employees (the survivors). Usually, other employees will follow suit in order to be congruent with the general work group ethic (Tziner and Birati, 2000). Besides absenteeism, the employee, when present at the work site, may not give his/her optimum performance partly due to the resentment and partly due to the perception that they are inadequately remunerated for the extra effort they are forced to perform in view of the downsized organisation or if they believe that the peer pressure to perform is extremely weak (Tziner and Birati, 2000). A major factor that contributes to the failure of most organisations to achieve their corporate objectives after downsizing is that they do not adequately and effectively address the people factor throughout the process as it is related to surviving employees. Research strongly suggests that survivors in the organisation also suffer adverse effects after downsizing has occurred. Isabella (1989) identified key concerns that focus on career questions after a downsizing. It was found that survivors are usually not informed or are misinformed about many issues, such as their place in the newly structured organisation, expected performance standards, the key people in existing networks either leaving or changing, extra work demands, the value of their expertise to the new organisation, and the existence or lack of opportunities

Downsizing: for advancement. These are further compounded by financial and job measuring the insecurities being discussed in this aspect of the article (Appelbaum et al., costs of failure 1997, 1999). This survivor syndrome is defined by some human resource professionals as being the "mixed bag of behaviours and emotions often exhibited by remaining employees following an organisational downsizing" (Doherty and Horsted, 1995). Downsizing has become an organisational fact of life, and many surveys have confirmed that the survivors are often ignored before, during and after the corporate streamlining. Yet it is the survivors who will be the linchpins of future profitability (Moskal, 1992). The employees who lose their jobs during an organisational downsizing go through an emotionally wrenching experience (Spaniel, 1995). Yet the co-workers who remain with their employers have similar reactions.

Today's survivors can be tomorrow's disgruntled, unproductive workers or tomorrow's team players, enthusiastic about being part of a community at work that values their contributions (Strandell, 1995). In assessing downsizing, Isabella (1989) describes downsizing as a personal, not bottom line, issue for many who survive it, despite the corporate rationale and corporate savings. These behaviours may affect the financial performance of the organisation in the revenue foregone as a result of the inability to provide goods and services on time or the higher cost incurred by the organisation for outsourcing the job to an outside contractor. This is already factored into the total cost of downsizing as the factor attributable to the demoralization experienced from the downsizing fallout. One also need to factor in absenteeism as well as increased overtime directly attributable to downsizing demoralisation as indirect costs. In this case, the effect on employee morale for survivors would be the direct cost of demoralization (Tziner and Birati, 2000). It is precisely the impact on those terminated as well as the survivors that the costing of demoralization needs to be evaluated.

The justification of the downsizing process can now be evaluated quantitatively per the above. Perhaps massive layoffs could be justified if they enhanced organisational functioning. Yet layoffs do not necessarily solve the problems for which they are the proposed solutions. A recent study of Fortune 500 organisations engaged in layoffs showed that the more severe the layoffs, the worse the organisation's long-term profit margin and return on equity. If the giants are negatively affected, can smaller organisations with fewer resources escape similar negative effects (Barling, 1995). Even if we know that organisations will experience ongoing changes, more companies must focus strategically on the survivors to boost productivity. It is a fact that survivors are talented people/resources whose knowledge, experience and skills need to be developed as fully as possible to ensure that the organisation's new "lean and mean" management can reach its objectives.

Human capital research and development are the key areas to ensure that organisations will meet the coming challenges (Appelbaum et al., 1997, 1999).

Table 2.2: Financial effects of downsizing

Researcher and Year	Findings of the Study	Conclusions Drawn
Zemke (1990)	A study conducted in 1989 and repeated in 1990 reported by the Philadelphia outplacement firm Right Associates. HR executives from 500 downsized firms articulated that the implementation of downsizing did not generate financial gains, but had in fact negative economic effects on the firm -25 % in 1989 and 28 % in 1990. Managers also reported significant aftershocks following downsizing.	No financial gains Negative economic effects Significant aftershocks
Worrell et al., (1991)	Examined the impact of downsizing reaction following announcements on stock returns for a sample of downsizing 194 firms that announced layoffs during the period announcements of 1979-1987. They examined the stock returns of companies for the period from 90 days prior to the announcement of the downsizing in the Wall Street Journal to 90 days after the announcement. There was a significantly negative market reaction to the announcements with the cumulative loss in stock value being about 2 % of the value of the equity of the firms. For firms that provided restructuring and consolidation as the reason for the layoffs, there was a 3.6 % increase in stock value over the 180-day test period, while firms citing financial distress as the reason for downsizing, stock values declined an average of 5.6 % over the same period.	Negative market Declining stock values post-downsizing

Researcher and Year	Findings of the Study	Conclusions Drawn
De Meuse, Vanderheiden, and Bergmann (1994)	Conducted a large downsizing study of Fortune 100 companies measuring their financial performance over a five-year period, that is, two years prior to the announcement, the year of the announcement, and two years after the announcement. Statistical tests revealed no significant positive relationships for any of the financial variables. De Meuse et al. (1994) concluded that empirical evidence did not support the contention that downsizing leads to improved financial performance.	No improved financial performance
Clark and Koonce (1995)	Carried out a US study revealing that approximately 68 % of all surveyed downsizing, restructuring, and reengineering efforts did not generate financial gains and benefits.	68 % of firms failed to improve financial
Downs (1995)	Studied the financial implications following downsizing and reported that the severance pay expenses from downsizing, in particular, can be enormous. Downs (1995) cites Dow Chemical is experience with manager layoffs in the 1990s as horribly expensive and destructive to shareholders value (Appelbaum et al., 1999).	Severe negative financial implications following downsizing
Estok (1996)	Watson Wyatt Worldwide carried out a study of 148 major Canadian firms showing that 40 % of downsizing efforts did not result in decreased expenses, and that more than 60 % of firms did not experience an increase in profitability.	40 % of firms failed to decrease expenses 60 % failed to increase profitability
Cascio, Young, and Morris (1997)	Studied financial data from the Standard and Poor (S&P) 500 between 1980 and 1994 examining5,479 occurrences of changes in employment in terms of two dependent financial variables. They reported that firms engaging in downsizing did not show significantly higher returns than the average companies in their own industries.	No higher financial returns after downsizing

Researcher and Year	Findings of the Study	Conclusions Drawn
Clark and Koonce (1995)	Reported that 68 % of all downsizing activities had shown to be financially unsuccessful in that firms that downsized and restructured specifically to become more profitable and efficient realized neither outcome. They concluded that downsizing outcomes were tremendous disappointments (Williams, 2004) that have fallen well short of expectations.	68 % of firms reported unsuccessful financial results after downsizing Downsizing seen as disappointments
Cascio (1998)	Examined 311 S&P 500 firms that had downsized between 1981 and 1990 and concluded that downsizing per se did not lead to improved financial performance.	Downsizing failed to produce positive financial results
Lecky (1998)	A major Australian study conducted by the Queensland University of Technology disclosed that a mere 40 % of firms achieved an increase in productivity and only half accomplished a decrease in overall costs following downsizing.	60 % of firms failed to improve productivity 50 % failed to decrease costs
Kirby (1999)	Reported that several longitudinal studies in Australia have shown a consistently negative financial picture in that six out of ten downsized firms have failed to cut overall costs or increase productivity.	60 % of firms failed to cut costs 60 % of firms failed to increase productivity
Appelbaum, Everard, and Hung (1999)	Cited a Mitchell and Co. study of 16 North American firms that had cut more than 10 % of their respective workforces between 1982 and 1988. It was shown that two years after the initial stock price increase, ten of the 16 stocks were quoting below market by 17-48 % and 12 were below the comparable companies in their industries by 5-45%. Appelbaum et al. (1999) concluded that such results depicted the true financial impact of downsizing on firms.	Firms cutting more than10 % of workforce underperformed non-cutters in terms of stock price.
Morris, Cascio, and Young (1999)	Studied the financial performance of the SandP 500 index subsequent to changes in employment from 1981 to 1992. The key indicators	Firms with stable employment outperformed firms

Researcher and Year	Findings of the Study	Conclusions Drawn
	constituted overall profitability and the stock market performance. The tabulation showed that firms with stable employment consistently outperformed companies with employment downsizing. Also, firms that upsized (i.e., employment increases exceeded 5 %) generated stock returns that were 50 % higher than those of stable and downsized workforces firms in the year that they upsized, and cumulative stock returns that were 20 % higher over a period of three years. Morris et al. (1999) concluded that a consistently positive correlation between downsizing and improved financial performance could not be established. Rather, empirical evidence suggested that downsizing was unlikely to lead to improvements in a firm ís financial performance.	with downsizing Firms that upsized outperformed firms with stable and downsizing No correlation between downsizing and improved financial performance
Griggs and Hyland (2003)	Washington DC-based Watson Wyatt Worldwide conducted a study of 1,005 firms in 1991 and reported that widely anticipated economic and organisational benefits for downsized companies failed to materialize. Empirical evidence suggested that a mere 46 % of downsized firms were able to cut overall costs, fewer than 33 % increased profitability, and only 21 % were able to report satisfactory improvements in shareholders ROI.	54 % of firms failed to cut costs 66 % failed to increase profitability 79% failed to show satisfactory ROI
De Meuse, Bergmann, Vanderheiden, and Roraff (2004)	Conducted one of the most systematic longitudinal analyses of financial performance of downsized firms. The study examined the long-term relationships of downsizing on five measures of financial performance from 1987 until 1998. It was found that downsized firms performed significantly poorer up to two years	Downsized firms underperformed non-cutters up to 2 years after announcement Firms cutting more than10 % of

Researcher and Year	Findings of the Study	Conclusions Drawn
	following the announcement. Beginning with the third year, none of the differences reached statistical significance. When analyzing the magnitude of downsizing, thedata revealed that firms that had downsized asmall number of employees (i.e., up to 3 %)performed significantly better in the announcement year, while firms that downsized more than 10 % of the workforce significantly underperformed firms laying off less.	workforce underperformed firms with less downsizing
Macky (2004)	Reported that a New Zealand study, comprising 45 firms listed on the stock exchange and 110 non- listed companies employing 50 or more people, showed that firms that had downsized between 1997 and 1999 financially under-performed firms that had not engaged in downsizing. Macky (2004) concluded that despite the widespread use of downsizing, there was still little convincing research to show that downsizing produces the financial benefits expected by managers.	Non-cutters outperformed downsized firms financially No correlation between downsizing and improved financial performance

Source: Adapted from Gandolfi,(2008)

Some degree of downsizing was inevitable over the time period covering the late 1970s to mid-1990s. This downsizing was driven by technological advances, business process reengineering, and a trend of cost-cutting brought on by economic downturn and a globalization of the economy (Hite, 1999; Appelbaum et al., 1999)

Downsizing can have extremely beneficial outcomes. From the employee perspective, a downsizing effort that strips layers of redundancy from the company can provide countless opportunities for those ready, willing, and able to seize them: teamwork (Church, 1995), increased training opportunities (American Management Association, 1996), new small business ventures (Evans, 1997), and job enrichment (Mcintyre, 1994), to name a few. From an organisational or business perspective, the gains are potentially even greater. The so-called Wall Street effect is well known by even small investors (Atwood et al., 1995), where stock prices have a tendency to rise dramatically on the announcement of a downsizing effort. From a management perspective, increased productivity, profitability, and market competitiveness are hard to argue against (International Investor, 1995). Nevertheless, poor implementation of downsizing strategies by unprepared and unskilled managers working in a vacuum of political leadership have made the downsizing experience worse than it needed to be for countless people (Appelbaum et al., 1999).

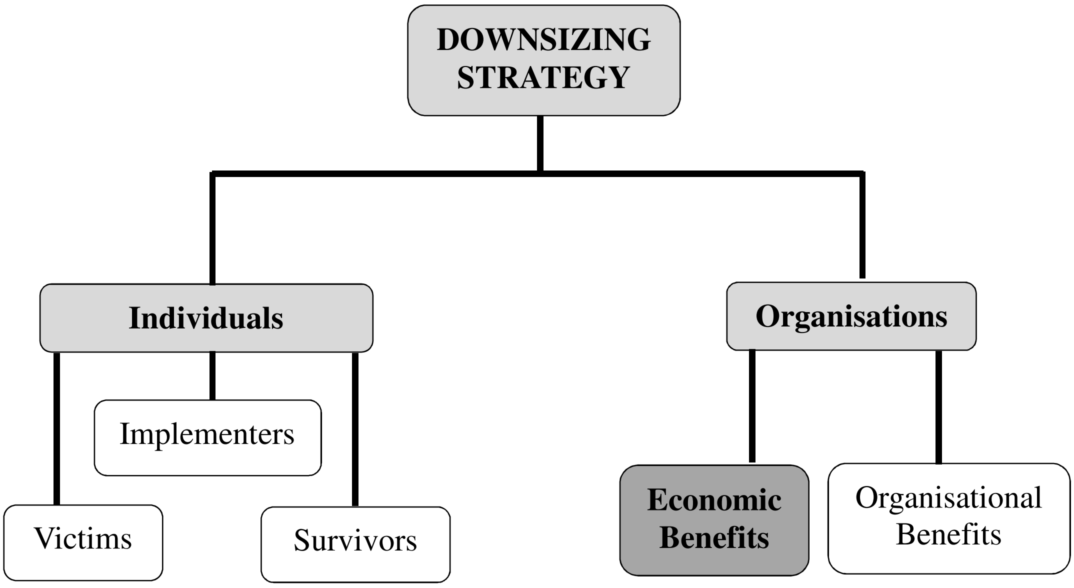
Downsizing can have significant negative outcomes. The negative effect on the human element is, perhaps, the most obvious. Even the term commonly used, “survivors’ syndrome”, evocative of the Holocaust and other tragedies, indicates the severity of the damage. And, surprisingly, this affliction describes the physical and mental state of the employees who remained after the downsizing and, thus, available for measurement and scholarly comment. Much less is written about the countless numbers of former employees who simply faded into obscurity. (Appelbaum et al., 1999) This is another problem whether driven by laid-off or surviving employees, the negative financial impact of downsizing is significant.

A study conducted by AMA and SIGNA on 300 large and mid-size firms reported many kinds of medical-related claims, especially claims for stress-related disorders mental health and substance abuse, high blood pressure, and other cardiovascular problems. Workers at downsizing companies also remained disabled 28 days more than then their colleagues at non-downsized firms (Cohen, 1997). Supervisory staff seemed to be at greater risk of being laid off and of developing stress related disabilities and, for the five-year study period, the stress related self-reported disabilities rocketed by 100-900 per cent. Leaving aside the tragedy of the human element in downsizing, the cost of failed downsizings is significant in itself. Clark and Koonce (1997) contend that 68 per cent of downsizing efforts are unsuccessful, given that companies tend to downsize with the goal of being more productive and profitable, however attain neither. Huber and Glick (1993a, 1993b) define one of the key attributes of downsizing as affecting work processes knowingly or unknowingly. It is in this latter point that many managers fail by not anticipating problems or by a straightforward lack of systemic thinking. The Wall Street effect also turned out to be fleeting in many cases, with Cascio (1993) reporting that two years after the initial stock price increase, ten of the 16 stocks in a study were quoting below stock market by 17 percent to 48 percent and 12 were below the comparable companies in their industries by 5 percent to 45 percent. No evidence of a broad-base rise in productivity, the very reason that many companies state as their ultimate goal in downsizing, has been discovered so far among restructuring companies. In fact, the overall negative attributes of downsizing to organisations are overwhelming: short- term crisis mentality, resistance to change, decreased morale, loss of trust increasing conflict, and lack of leadership are just a few of the indications of organisational ineffectiveness cited by Atwood et al. (1995).

Many of the negative effects of downsizing, reported above, could have been avoided. Many organisations that choose to implement downsizng simply ignore good management practices (strategic planning, training, transparent communication, employee involvement, etc.) and the extremely important human element and its relation to productivity. The result they failed to achieve long-term positive results (Appelbaum et al, 1999). Other research cited in Vargas (1996) contends that, with the appropriate strategic planning and rigorous management application, there can be a positive relationship between downsizing and productivity. After reviewing the literature on downsizing a caution has been found that some organisations arbitrarily cut personnel under the guise of business process engineering and expects that productivity will increase.

Blanchard (1995), as do the Japanese, proposes salary cuts in management ranks as an alternative to downsizing. Only after every level of management from the executive suite to first-level supervisors, have taken a reduction in compensation should a company consider reductions of employees. This wisdom flies in the face of the current practice of paying large bonuses to senior executives who have downsized thousands of jobs. Blanchard (1995) also suggests that employees become "business partners", with access to financial information, in order to be more in tune with their organisations, with the end result of becoming greater contributors to the organisation. Other alternatives to downsizing to be considered are those implemented by companies such as Dow Chemical who abstained from a hiring blitz when business improved, or 3M, who began major changes without a mass layoff of employees when its net income dropped by 12 percent. Hewlett-Packard also underwent significant changes in its structure while avoiding massive layoffs with the implementation of its "excess" program. These companies understood that downsizing costs in dollars and morale, and it is too high a price to pay (Downs, 1995). Although there can be some positive outcomes to a downsizing project, especially if it is applied following a strategic plan and utilising progressive human resources practices. Of special note is the tremendous toll exacted on the human element. It is recognised that downsizing was inevitable over years due to technological advances, business process reengineering, and a trend of cost-cutting brought on by economic downturn and a globalization of the economy. Nevertheless, poor implementation of downsizing strategies by unprepared and unskilled managers, working in a vacuum of political leadership, made the experience worse than it needed to be.

Figure 2.1 A snapshot of available literature on downsizing



Source: Author developed for this research

2.13 Conclusion

The chapter provided a detailed review of widely available literature on downsizing and enabled to understand the complex issues central to the issue of downsizing.in the next chapter before developing the conceptual framework further review of literature is required to conceptualise other critical factors.

Before proceeding to next chapter a snap shot of literature has been prepared based on the knowledge gathered during the process of literature review. This snapshot provides the basis for conceptual framework in next chapter.

There are a variety of studies available on downsizing strategy and Figure 2.1 provides a summarise view of downsizing studies Figure 2.1 highlight the focus of the widely available research on downsizing. Studies of downsizing strategy can be grouped into two categories. The focuses of the studies are either on individuals or the organisation as a whole. The available streams of literature are split into further categories. The stream of literature with primary focus of the individuals is split into three streams. These studies are focused on implementers of downsizing, the victims of downsizing or the survivors of downsizing. On the other hand the studies with the primary focus on organisation as whole are split into two categories. This focus of the study can either be on economic benefits or the organisational benefits. It is inferred from literature review that this research study primarily focuses on organisation as a whole and further to this the economic benefits are focused by this piece of research. In the chapter, further review of literature on other critical factors are carried out by keeping in mind the position in literature where this research is going to stand.

Chapter 3 Conceptual Framework

3.1 Introduction

The chapter deals with the development of fundamental conceptual framework for the given piece of work. In this chapter, the major concepts which are relevant in developing the conceptual model and the development of hypothesis are outlined. In the beginning, a detailed explanation of concepts is given, distinction and interlinking between the various concepts is highlighted. Further, a clear understanding of how these concepts are related and critically linked to one another is developed. Understanding of the major concepts forms the basis of hypotheses development and in the final section of the chapter hypotheses for this piece of research are stated in clear words. Further to this the chapter also identifies the major variables under investigation for the specific piece of research.

3.2 The concept of strategy

The concept of strategy is no different than any other concept in the field of management and there exists many different approaches to strategy but not a single one is universally accepted (Stacy, 2003). Strategy is the selected approach to achieve specified goals in the future (Armstrong, 2014). Chandler (1962) defined strategy as the determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals.

The pioneer in defining the term strategy was Chandler who presented his concepts in his book published in 1962. However, this field has been evolved with the passage of time (Burnes, 2014). According to Burnes (2014), strategy is a type of plan and it can be defined as a plan of action stating how an organisation will achieve its long term objectives. Dessler (2014) and Rothaermel (2012) defines strategy as a long-term plan for balancing internal strengths and weaknesses of a firm with external opportunities and threats to maintain a competitive advantage. In simple words it is what an organisation intends to do to achieve its objectives.

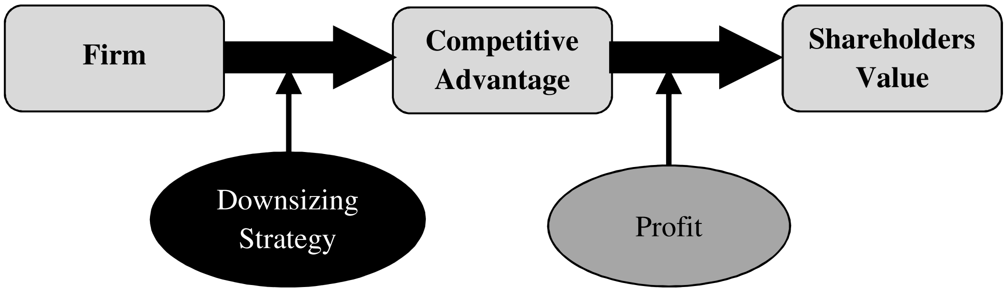
Armstrong (2014) highlights the three essential characteristics of strategy. First, it is forward looking because it is about deciding where an organisation wants to go and how it intends to get there. As explained by Boxall (1996) that a strategy should be understood as a framework of critical ends and means, it can be said that a strategy is concerned with both ends and means.

The second characteristic of strategy is the recognition that a firm's capacity to function effectively depends on the quality and quantity of its resources and their potential to deliver results. Simply, it is the dependence of organisational capability on its resource capability and is widely known as the resource-based view as described later in this chapter.

The third characteristic of strategy is that it aims to achieve strategic fit. This means that an organisation needs to develop functional strategies such as human resource strategies to achieve congruence between them and the business strategies within the context of its external and internal environment.

Based on the concepts of strategy, explained above, downsizing is forward looking, it deals with balancing the organisational capability and its resource capability (human resources) and finally it aims to achieve strategic fit. Downsizing is used as a strategy for creating a balance between internal and external environment to maintain a competitive advantage. The competitive advantage helps a firm to generate higher levels of profit which in turn contribute in creating shareholders value (see Figure 3.1).

Figure 3.1: Downsizing strategy and competitive advantage



Source: Author developed for this research

3.3 Models of strategy

Organisations can adopt a variety of approaches in order to competitive advantage over their rivals (Johnson et al., 2011; Joyce and Woods, 2001). Recognising the work of Teece et al., (1997) and Teece (2009), mainly, there are only three basic models or types of strategy that a firm can adopt in practice. These three types of models are:

- The competitive force model
- The resource based model
- The strategic conflict model

There exist many more strategy models, as shown by Mintzberg et al., (2005), and others, however, the above mentioned three models are the most popular models among all (Burnes, 2014).

3.3.1 The competitive force model

The competitive force model and the strategic conflict model emphasise on the exploitation of market power. Competitive force approach was pioneered by Porter in 1980s and he presented a five force framework of competitive forces. The competitive force model asserts that the essence of competitive strategy formulation is related to its environment in which the company is competing Teece et al., (1997). Porter argues that the determinants of a firm's profit potential are the five competitive forces i.e. the bargaining power of buyers and sellers, the threat of substitute products or services, the threat of new entrants, the bargaining power of suppliers and the intensity of competitive rivalry. Porter believes that organisations needs to take into account these five factors while developing its strategy and a firm's ability to improve its profit levels is dependent on its ability to influence the competitive forces (Porter, 2008).

Porters work has also attracted a lot of criticism (O'Shaughnessy, 1995; Speed, 1989; Miller, 1992; Mintzberg et al., 2005; Ghemawat, 2008) because the choice of competitive forces in the model appears to be arbitrary and without justification. There is no indication as how to assess the relative power of competitive forces and how they interact. The model is also regarded as too narrow and inflexible as it can leave the organisations exposed to rapid changes in the marketplace. Rather than organisations focusing on single variable of cost or differentiation, they need to be competitive on a range of variables. Also this school of thought ignores the political nature of the organisations as it is biased towards the big businesses only and has very little to say to medium and small size businesses. Hamel and Prahalad (2010) and Hamel and Prahalad (1994) criticise the model and claims, on the bases of evidence, that unique resources of firms are more useful to create a competitive advantage as compared to the competitive forces present outside the firms. Therefore, the other models of strategy are gaining more attention instead of the competitive force model.

3.3.2 The strategic conflict model

The publication of Carl Shapiro's in 1989, "The Theory of Business Strategy," announced the emergence of a new approach to business strategy, if not specifically strategic management Teece et al., (1997). The central view of this approach is that a firm can manipulate the market environment to achieve increase in profits. Porter (1980) also acknowledged the strategic out-manoeuvring but did not fit this concept in his work. An organisation is able to increase its profit by using strategic conflict model only if it is smart enough to deceive or out-manoeuvre its rivals. This is done by influencing the actions and behaviours of its competitors or rivals (Burnes, 2014). It utilises the tools of game theory to analyse the nature of competitive interaction between the rival firms. The main driving force of work in this tradition is to reveal how a firm can influence the behaviour and actions of competitor firms and consequently the market environment. Examples of such moves include investment in capacity, research and development (R&D) and advertising (Dixit, 1980; Gilbert and Newbery, 1982; Schmalensee, 1983) and to be effective, these strategic moves require permanent commitment. A key idea is that by manipulating the market environment, a firm may be able to increase its profits. In short, where competitors do not have deep-rooted competitive advantages, the moves and countermoves of competitors can often be usefully formulated in game-theoretic terms. However, the doubt still exists that how organisations can utilise this model when the advantage of rival firm is built on its organisational attributes which cannot be readily replicated.

Indeed, this model as well is biased towards the big businesses and largely ignores the medium and small size businesses The criticism to the strategic conflict model is that it has a focus on limited external factors and does not take into account other wide range of internal as well as external factors which contribute to the competitiveness of an organisation. Therefore, its usefulness becomes limited and it can only be appropriate in situation where there is an even balance between the rivals in an industry (Teece et al., 1997).

3.3.3 The resource-based model

Resource based view (RBV) is an approach for achieving competitive advantage. This approach emerged in 1980s and 1990s and the major contributors in this area were Wernerfelt (1984); Wernerfelt (1995); Prahalad and Hamel (1999); Barney (1991); and others. The followers of this view argue that, instead of looking at competitive environment for competitive advantage, the organisations should look inside the company to find the sources of it.

Furrer et al., (2008) claim that the focus of the resource based model is on the relationship between the resources of an organisation and its performance. The resource based model stresses on the use of organisational resource which are superior or unique and can allow firm to lower its costs or better products (Fahy, 2000). These resources include tangible assets, intangible assets and capabilities of individuals or groups (Amit and schoemaker, 1993; Wernerfelt, 1995). These resources are deeply embedded in the organisational process and it is very difficult for other firms to replicate them. They are not considered as free standing assets and cannot be quickly obtained or disposed of by firms (Ordanini and Rubera, 2008). Proponents of resource based model claim that the two critical assumptions of resource-based model of strategy are that the organisational resources are heterogeneous and immobile. By heterogeneous it is meant that resources, an organisation owns, differ from one firm to another which helps firms to employ different strategies and outweigh their competitors. The second assumption is that resources are immobile and cannot move from one company to another, at least in short-run. This immobility does not facilities, companies to imitate competitors' resources and implement the same strategies.

(Fahy, 2000; Ordanini and Rubera, 2008) claims that the influence of resource base strategy model has grown considerably for more than two decades. The phrase "stick to the knitting" by Peters and Waterman (1982) as acknowledged by Hax and Majluf, 1996) serves as a wisdom tool for today's organisations. The phrase simply means that organisations need to discard those business activities which do not build on their core competences and instead can hold on to valuable, rare, inimitable resources that will result in sustained superior performance (Furrer et al., 2008)

Flesher and Bensoussan (2003) criticise the resource based model as there lack of empirical support for this model and the definitions of resources are ambiguous and complex. To them resource based strategy model is simply a repetition of good old SWOT analysis. The competences take long to develop as compared to the quickly changing environment and any beneficial may likely to be resulted accidentally and not because of deliberate actions of managers. According to RBV model sustained competitive advantage can be achieved more easily by utilising internal rather than external environmental factors as compared to other views (Rothaermel, 2013). Rothaermel (2013) further states that this assumption can be correct to some degree however there isn't a definite answer to which approach to strategic management has more importance. There are effects of industry, firm and other effects explain firm's performance. Around 45% of superior organisational performance can be explained by firms internal factors effects (resource based model) whereas nearly 20% by external factors (competitive force and strategic conflict models) and the remaining 35% can be explained by other factors, for example; unexplained variance, corporate parent, the year effect etc. This indicates that the best approach is to look into both internal and external factors and combine different views to achieve and maintain competitive advantage.

3.3.4 Summarising the three strategy models and status of downsizing strategy

Burnes (2014) summarises the three strategy model as follows:

- The competitive forces model tends to have a medium term focus. This model is outward facing and is concerned with the identification and occupation of a defensible market position to achieve higher levels of profits than its rival firms in the industry.
- The strategic conflict model is also out ward facing however, it tends to have a short term focus but at the same time a number of its tactics do have long term implications. This model is mainly about out manoeuvring the competitors.
- The resource based model is the only model available with a focus on internal factors of the firm. It tends to have a much longer term focus as compared to the other two models. Its proponents believe that organisations need to build strategic competences in an anticipation of future market needs.

There are some key points to consider about the different types of strategies. Firstly, all different types of strategies have their own weaknesses as well as strengths. Secondly, whilst one strategy is applicable to some situations, there will be many others where its applicability will be very limited. Therefore, as Coyne and Subramaniam (1996) maintain and Burnes (2014) continues to preserve the same opinion, managers needs to familiarise themselves of the available strategic approaches and can use the ones best suited to their circumstances. Given the summary of three strategy models, it is clear that resource based model is the only available model which focuses on the internal factors of the firm whereas other models are mainly concerned with external environmental forces. As extensively discussed in the previous sections of this research, downsizing involves managing organisational resources especially, the human resources. Downsizing strategy involves cutting back on number of employees as well as the activities are undertaken. The strategy deals with the internal factors present in the organisation; therefore, to match the requirement of the given circumstances of the current research resource based view can be best fit. The idea behind the proactive downsizing strategy is to strengthen the organisation from within when the external factors of the environment are posing a threat to organisational its current profits or future survival.

3.4 Levels of strategy

Burnes (2014); Johnson et al., (2008); Bowman and Ambrosini (2007); Jones (2010); Furrer (2010); Lynch (2011) and many others state that there are three basic levels of strategy for strategic decision making in any organisation:

- Corporate level strategy
- Business level strategy
- Functional level strategy

Corporate level strategy: It defines the type of business the company is in and involves setting the overall structure, systems and processes of the firm. It concerns the direction, composition and coordination of the different businesses and/or activities that comprise a diversified organisation.

Business level strategy: It assists the organisation to identify its competitive advantage and select key success factors as well as decide on how to compete. For example, large organisations tend to comprise of a wide range of sub-businesses and offers a diverse range of products and services.

Functional level strategy: This level of strategy facilitates coordination between various departments or areas (finance, marketing, manufacturing, human resources, research and development etc.) of the organisation in order to achieve organisational objectives.

3.4.1 Summarising the three strategy levels and status of downsizing strategy

Johnson et al., (2008); Bowman and Ambrosini (2007); Jones (2010); Burnes (2014); and many others maintain that the three levels have their own distinct concerns and each level employ different strategic tools, techniques and approaches to assist them. Nevertheless, it is important to mention that all three levels are interrelated. It has been traditionally assumed that the corporate level strategy sets the direction for each of its constituent business level strategies and the constituent business level strategies set the direction for the functional level strategies. However, Johnson et al., (2008); Mintzberg (1994) and Lynch (2007) recognise that the nature of interaction between these different levels of strategy is iterative and dynamic. Therefore, it can be said that the process of developing different level of strategies is not always the top-down process rather it can be bottom-up process.

Burnes (2014) broadly divides the corporate level business strategy into six basic types. Among the strategies of stability, growth, portfolio extension, retrenchment, harvesting and combination; retrenchment strategy is one than involves the process of downsizing. The general aim to cut back on numbers employed and activities is to match expenditure to projected income of a firm and refocus organisation to be prosper in future. Therefore, in the light of the above discussion, downsizing strategy clearly is a corporate level strategy. As recognised by Johnson et al., (2008); Mintzberg (1994) and Lynch (2007) and endorsed by Burnes (2014) that the three levels of strategy interact in iterative and dynamic fashion. Thus, the organisations opting for downsizing strategy will need to develop the strategies for other levels depending upon its areas of operations and how diverse it is in nature. The discussion of literature clearly implies that the strategies developed at different levels are interrelated and complement each other, therefore ideally in the given research, the organisations under study are required to incorporate all three levels of strategy to ensure the success of chosen downsizing strategy. In addition to this, all developed strategies for different levels in the process of downsizing flow from the resource-based model of strategy discussed earlier.

3.5 The concept of strategic fit

According to Garlichs, (2011), strategic fit indicates the degree to which an organisational resources and capabilities are matched with the opportunities available in the external environment. The matching takes place through strategy, therefore, it is very important that the organisation has the actual resources and capabilities to execute and support that strategy. Strategic fit can be used actively to evaluate the current strategic situation of a company as well as opportunities (Armstrong, 2011). Grant (2013) affirms that strategic fit is related to the resource-based view of the firm. The resource based view suggests that the key to organisational success is not only through positioning and industry selection but rather through an internal focus which seeks to utilise the company's unique portfolio of resources and capabilities. A unique combination of resources and capabilities can eventually be the source to gain competitive advantage. However, it is very important to distinguish resources from capabilities. Anything that has an enabling capacity is known as a resource and resources are generally regarded as the inputs to production processes of a firm. On the other hand, capabilities describe the accumulation of learning the company possesses. Resources can be classified both as tangible (financial and physical) and intangible (reputation, culture, human resources etc.).

3.6 Strategic management

Boxall and Purcell (2003), defines strategic management as a process of strategy making, of forming and, if the firm survives, reforming its strategy over time. Johnson et al. (2008) described strategic management as a phenomenon to understand the strategic position of an organisation, make strategic choices for the future and translating strategy into action. The purpose of strategic management is to elicit the present actions for the future for the organisation and become action vehicles by integrating and institutionalising mechanisms for change (Kanter, 1984).

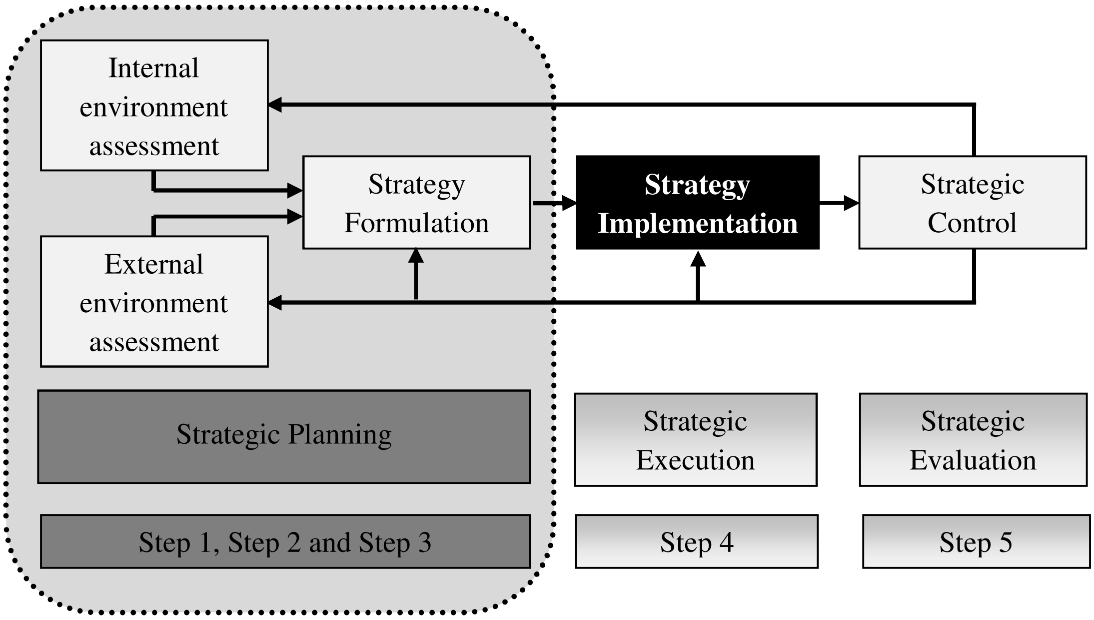
3.6.1 Strategic management process

Strategic management is the process of identifying and executing the mission of an organisation by matching its capabilities with the demands of its environment (Dessler, 2014; Rothaermel, 2013; Lynch, 2011). A good example to quote here is of Ford Motor Company when it was facing huge financial and market share losses. The company needed a new strategic plan in the time of fierce competition when the costs were higher than competitors and there was unused plant capacity responsible for draining profits. Ford's managers developed a new strategic plan which involved closing a dozen plants and terminating large number of employees. At Ford Motor Company, the strategic plan was developed for how the company will match its internal strengths and weaknesses with external opportunities and threats (SWOT analysis) in order to maintain a competitive advantage. The essence of strategic planning is to look at the current status of a business, the desired future status and the way to attain that desired future status. The manager then formulates specific strategies, including human resources and other, to take the company from where it is to where he or she wants it to be. A strategy constitutes a course of action and Ford's strategies included closing plants and terminating employees which more formally is known as downsizing.

By looking at the comprehensive work done in the field of strategic management, for example, Dessler (2014) and Rothaermel (2013) and many others it can be said that strategic management process is comprised of two components, that is, strategy planning and strategy implementation. There are five tasks involved in a typical strategic management process:

1. Evaluating the firm's internal strengths and weaknesses
2. Evaluating the firm's external opportunities and threats
3. Formulation of strategies or courses of action
4. Implementation of the strategy
5. Evaluation of the performance of strategy

Figure 3.2: Strategic management process



Source: Author developed using available literature on strategic management process for example, Dessler (2014); Rothaermel (2013) and others

The first three out of five tasks of strategic management process are part of strategic planning (see Figure 3.2) In its simplest sense, strategic planning is remarkably simple because it involves the assessment of internal and external environment, decision on the future mission and goals, formulation of a strategy for getting there, and execution of the plan. The overall strategic management process and the five steps included in this process can be further understood with the help of the diagram (see Figure 3.2). The shaded area with a dashed line boundary includes the first three steps and is shown as the strategic planning process. Strategic planning is the integral part and when combined with the other two steps, that is, the strategy implementation and the strategic evaluation forms the whole strategic management process. This research is focused on the third phase (as highlighted in the Figure 3.2) of the process which is the strategy implementation. The focus of the research is highlighted in the diagram the other four phases are beyond the scope of this particular piece of research. However, all phases of the strategic management process are briefly explained in order to make the foundations for the further discussions. The entire five steps strategic management process is as follows:

Step 1: Perform Internal review of environment: As widely stated in literature, for example, Fine (2009); Helms and Nixon (2010); Dessler (2014); Lynch (2011) and others, managers begin their strategic planning by systematically analysing their environments in which organisation is operating. Managers start by analysing internal environment and the strategic plan should provide a direction for the firm that makes sense, in terms of the internal strengths and weaknesses it possesses.

Majority of the managers use SWOT analysis (alternatively SWOT matrix) to assist strategic internal environment assessment. The very famous SWOT analysis technique was developed by Kenneth Richmond Andrews of Harvard business school during the mid-20th century (Burnes, 2014). This involves using the top two segments of the SWOT chart shown in Figure 3.3. These segments of the chart or matrix are used to compile and organise the process of identifying the strengths and weaknesses of a firm.

Figure 3.3: Understanding SWOT analysis chart

S **Strengths**	**W** **Weaknesses**
• Firm's Advantages for example; Things; a firm is good at	• Firm's Disadvantages or limitations for example; Things; a firm need to improve
O **Opportunities**	**T** **Threats**
• Chances to improve performance for example; New trends; a firm can take advantage of	• External trouble for the business for example; Strong Competition; a firm can feel pressure of

Source: Fine (2009); Helms and Nixon (2010); Dessler (2014) and others.

Step 2: Perform External review of environment: It has been revealed by many authors including Fine (2009); Helms and Nixon (2010); Hill and Jones (2015); Dessler (2014), an organisation performs review of its external environment as a part of strategic management process. The opportunities and threats present in the external environment that a firm faces are methodically evaluated by the managers. Considering the two segments present at the bottom of the SWOT chart the managers assemble and classify the opportunities and threats possessed by a firm.

Figure 3.4: Making use of SWOT analysis

		External Environment	
		O **Opportunities**	**T** **Threats**
Internal Environment	**S** **Strengths**	How a firm can utilise its strengths to benefit from opportunities?	How a firm can use its strengths to minimise the impact of threats?
	W **Weaknesses**	How a firm can ensure its weaknesses will not stop it from opportunities?	How a firm can fix weaknesses that can make threats have a real impact?

Source: Fine (2009); Helms and Nixon (2010); Dessler (2014) and others.

In general, the SWOT analysis enables organisations to use their strengths to overcome weaknesses, and their opportunities to overcome threats (Fine, 2009). A SWOT analysis is the best way to focus on business strategies in ways that will drive optimal business growth and profits. Organisations take time and think through their strengths and weaknesses, and the market opportunities and threats from an objective perspective (Helms and Nixon, 2010). Once a firm has identified its strengths, weaknesses, opportunities and threats, it then uses them to prioritise its various business strategies and focus, by using the questions in the chart shown in Figure 3.4.

Step 3: Strategy formulation: As defined earlier, a strategy is a course of action and it is formulated to achieve the strategic goals. It shows how the organisation will move from the business it is in at the present time to the business it wants to be in future (as laid out by its vision, mission, and strategic goals), given the firm's strengths, weaknesses, opportunities and threats (Dessler, 2014). The strategies bridge the gap between where the company is now and where it wants to be tomorrow. The best strategies are formulated concisely for the manager to express in easily communicated phrases (Hill and Jones, 2015). Keeping the strategy unambiguous and concise helps ensure that all employees share that strategy and are able to make decisions that are consistent with it.

Step 4: Strategy implementation: Implementation of a strategy means translating the strategies into actions and results (Sadler, 2003). For example, actually hiring or firing people, building or closing plants and adding or eliminating products and product lines. The strategy implementation step of the strategic management process involves drawing on and applying all the management functions which include; planning, organizing, staffing, leading and controlling (Dessler, 2014; Lynch, 2011).

Step 5: Strategic control: The process of assessing progress towards strategic goals and taking corrective action as needed (Dessler, 2014; Lynch, 2011). Managers of a firm carefully consider the influencing factors to come up with an optimal strategy, however, it does not mean that every strategy will be able to succeed or produce the desired results. Therefore, managing strategy or strategic control is an ongoing process. The ever changing environment, for example, market trends, competitors' innovations, technological innovations etc. plays an important role in the success of strategy (Hill and Jones, 2015). Managers need to make adjustments to a chosen strategy according to the changing business conditions in order to achieve the desired results. This is known as performance evaluation or strategic control which helps to keep the company’s strategy up to date.

3.6.2 Steps in strategic management process and downsizing

Every firm must choose its boundaries in which it wants to be in. This includes the products it will sell, where it will sell them and how its products or services will be different from the one that its competitors’ offer. A firm always analyse the given aspects in relation to its strengths, weaknesses, opportunities and threats in order to make the process of strategic management successful. Limiting the discussion to the issue under consideration in the given research, it is extensively acknowledged that downsizing may involve limiting any form of organisational resource. Human resources are widely known organisational resource that is affected during the implementation of downsizing strategy. Human resources of an organisation can be considered as strengths or as weaknesses in a given situation. Organisations do not want their human resources to become their weakness at any point in time. For example, during an economic downturn organisations may recognise their human resources as their weakness as it entails high cost. During this time every organisation needs to analyse its strengths, weaknesses, opportunities and threats. As mentioned earlier in this chapter, an important point to consider is that strengths and weaknesses lies within the organisation internal environment whereas, opportunities and threats are part of external environment. Hence, strengths and weakness are the controllable factors and managed by organisations in order to deal with opportunities and threats which are uncontrollable factors. As outlined in Figure 3.4, strengths can help an organisation to benefit from the available opportunities whereas; weaknesses can stop it from opportunities. Also, strengths of an organisation help to minimise the impact of a threat whereas, weaknesses can be responsible for threats to have a real impact on an organisation. Therefore, in the given scenario of downsizing, it can be said that a firm will cut down its human resources so that it cannot stop it from utilising opportunities or cannot let them be responsible for threats to have a real impact on the firm.

Managers choose downsizing strategy — courses of action such as removal of unnecessary jobs and facilities or reducing the vertical and/or horizontal differentiation (retrenchment, downscaling, downscoping) — to get the company from where it is today to where it wants to be tomorrow. As discussed earlier, the ultimate target of downsizing strategy is to gain competitive advantage and create higher levels of shareholders value. Figure 3.1 depicts the role of downsizing strategy in achieving these targets in a simplistic form. Moreover, the management gurus, Bennis (2009) and Bert Manus articulate, that a leader must first develop a mental image of a possible and desirable future state for the organisation to choose a direction. This image is called a vision and it may be as vague as a dream or as precise as a goal or mission statement. The same needs to be done when leaders want to go for the option of downsizing strategy. The mission statement acts as a tool to communicate; what an organisation is, what it does and where it wants to head to. Based on the situation analysis during the recession time, the organisation makes decisions about its future and redefines its mission statement if needed. Based on the redefined mission the managers translate that mission into strategic goals to operationalise that mission. As is the case in the given research downsizing strategy is explained in terms of what exactly does it mean, for each department, in terms of how it will help the organisation to survive in difficult times? The example of Ford Motor Company (as described in section 3.6.1 of this chapter), can be used. To guide managerial action during the implementation of downsizing strategy, the firm needs goals in terms of things like building shareholder value, maintaining higher rates of return, building a strong balance sheet and balancing the business by customer, product, and/or geography.

3.6.3 Strategy implementation with respect to downsizing

As illustrated in Figure 3.2, the focus of this research is on the implementation phase of strategic management process. Therefore, the scope of future discussion is limited to the implementation of downsizing strategy. A well specified strategy is of very little value if its implementation is weak. The implementation of a strategy involves decisions about organisational structure, resource allocation and the level of acceptable risk. Other critical factors in relation to the implementation phase of strategy are leadership as well as the managerial skills (Sadler, 2003) and overall human resource strategies (Cameron, 1994) of organisation, particularly when the adoption of a specific strategy involves organisational change. Limiting the discussion to the scope of the given research, downsizing is the strategic organisational change which organisations strive to implement successfully in order to achieve desired organisational objectives. Therefore, it is clear that the two factors, namely the leadership/managerial skills and the human resource practices, are crucial to the successful implementation of downsizing or any other change strategy.

3.7 Types of strategic changes

There are different types of organisational change and can be distinguished as first-order and second-order change, or continuous and discontinuous change, or incremental and transformational change (Palmar et al., 2009). To begin with, different types of change approaches are outlined. In the later section, downsizing is highlighted as a specific type of change and the implications are drawn out of this discussion for the manager of organisational change.

3.7.1 Distinction between different types of strategic changes

A common distinction in the change management literature is between first-order, incremental, continuous change and second-order, transformational/revolutionary, discontinuous change. To understand the distinction between different types of organisational strategic changes, the metaphor of a floating boat, as employed by Bate (1994), is used. In a situation of winds and tides, if a boat has to remain at the same point in the sea then it has to remain in movement in the water. This can be regarded as the first-order change because one has to change to stay the same. In case of second-order change, movement of the boat is directed towards taking it beyond the original spot in the sea at which it started. Bate (1994) further argues that one has to move or change in order to arrive at a new position. In terms of the scale of change, first-order change is regarded as small-scale, whereas second-order change is regarded as large-scale (Palmar et al., 2009).

As stated by Johnson et al. (2008), it is argued in the literature that for any organisation it is beneficial for it if it changes incrementally. In majority of situations, strategy development in an organisation is incremental however; occasionally it could be transformational change. Researchers, for example, Nadler and Tushman (1995); Johnson et al. (2008) further develop the distinction between incremental and discontinuous change by incorporating another dimension. This dimension specifies the organisational change as either a reactive change or a proactive change. Reactive change takes place in reaction to the changes in the external environment in which organisation operates whereas proactive change is a preventive measure in anticipation of changes in the external environment. This dimension initiates the four categories: tuning, planned transformational or reorientation, adaptation, and forced transformational or re-creation. The two major types of changes and the role of management for each type are illustrated in the Figure 3.5 below.

Figure 3.5: Types of strategic changes

Management Role		Incremental change/ Continuous change	Transformational change/ Discontinuous change
	Proactive/ Planned	**Tuning** Improving, enhancing, developing, First order change	**Planned transformational** Reorientation
	Reactive/ Unplanned	**Adaptation** Internally initiated	**Forced transformational** Recreation, Second order change

Nature of Strategic Change

Source: Nadler and Tushman, (1995) Johnson et al. (2008); Palmer et al. (2009)

The following sections focus on the two different types of organisational changes and also include the explanation to the sub categories of change (tuning, adaptation, planned transformation and forced transformation) in the each of the two categories.

3.7.1.1 Incremental, continuous, first-order change:

The type of change, which can be handled within the existing paradigm and the routines of the organisation, is regarded as incremental change. It is argued in the literature that incremental realignment needs to be managed proactively. The organisation, keeping in touch with the environment and anticipating needs for change, can manage change proactively by fine tuning the current ways of organisational operations. Some argue that it is not always easy for organisations to anticipate need for change in advance therefore; organisations react to the external pressures of environment. In such a situation managers adapt the existing paradigm and the current ways of operations rather than opting for major strategic changes (Johnson et al., 2008; Daft, 2013).

Tuning: Tuning is a type of incremental change which is proactive and planned in nature (see Figure 3.5). In anticipation of changes to the external environment, incremental changes are made to fine-tune the organisation. Fine tuning involves adjustments or modifications to enable a better fit between the organisation and the environment. For example, the first installation of automatic teller machines (ATM) by a bank was an incremental change in which the bank attempted to gain a competitive edge on its competitor banks by providing more flexible banking.

Adaptation: Adaptive change is a reactive, unplanned incremental change. Adaptive changes are made incrementally by other organisations in reaction to changes (see Figure 3.5). Using the previous example, the catch-up response of other banks to install automatic teller machines (ATM) following the bank's lead which installed the ATMs first was an adaptive change.

Newman (2000) states that incremental, continuous or first-order change can involve adjustments in organisational systems, processes, or structures, but it does not involve fundamental change in organisational strategy, core values, or corporate identity. According to Bate (1994) maintenance and development of the organisations requires the first-order changes and these changes are designed, almost paradoxically, to support organisational continuity and order.

Some organisations preoccupy the transformational, second-order change without paying sufficient attention to the importance of first-order adaptive changes (Palmar et al., 2009) (Fox-Wolfgramm, 1998). Significant changes can be made to organisations by individuals at the local level. There are two interrelated positions that point to how significant changes can be made to organisations. Individuals in the organisation can exercise their initiative and they can have impact on organisational routines.

Frohman (1997) debates that the overall impact on organisations of small-scale changes and the role of personal initiatives in identifying and implementing small-scale changes has been ignored. The initiatives of individuals are very important for achieving lasting change even if large scale change is introduced. For example, organisations are operating in a time when technology breakthroughs provide only a limited competitive advantage and the only characteristic that is proprietary about technology is lead time, and that's a function of the individual's ability to create or exploit a technology for organisational objectives (Newman, 2000).

Frohman (1997) further contends that the most important to organisations is their people who, at a local level, are able to identify relevant, innovative organisational changes. He maintains that managers continue ignoring the bottom-line impact of smaller, local organisational changes and, in many organisations, do not nurture the conditions that allow the emergence of personal initiative. People who bring about local organisational changes are those who go beyond their jobs, strive to make a difference, are action-oriented, and focus less on teamwork and more on results. However, he points out that although such people are able to be easily identified by other staff in their organisation, they are often not seen by managers as high-potential individuals in terms of progression through the company. He suggests that personal initiative directed towards local change can possibly occur when attributes from each of three organisational types; that is, strong leadership, bureaucratic systems and teamwork; are balanced. Such organisations are able to provide space for personal initiatives that are directed towards organisational objectives.

According to the claim of Feldman (2000); it is a belief of organisations that, routines are a source of stability in organisations and therefore need to be fundamentally disrupted to produce change. Feldman (2000) presents a different view of this belief, that organisational routines can be treated as the source of change in organisations when they are enacted by the people working in organisations who place their own interpretations and actions on how the routines should occur. Two organisational internal dynamics drive routines toward continuous change. One is where past outcomes fall short of plans; another is where achievement of outcomes opens up new opportunities.

In support of this position, the work of Burgelman (1994) can be mentioned, who maintains that Intel evolved its product mix as a result of changes in internal routines and decisions made by middle-level managers, and not by the managers who were following the decisions of top managers. The study of organisational routines in the residential life section of a university by Feldman (2000) found that actions associated with routines such as hiring, training, and budgeting evolved over time in response to the interpretations and actions of individuals involved in carrying them out. In this manner, routines involve both stability and change. For example, in relation to the hiring routine, there was stability over time in the way in which people were screened and interviewed. However, the process of submitting applications became centralized over time. The elements of the routine have not altered in this case, but how they are accomplished has changed.

3.7.1.12 Transformational, discontinuous, second-order change:

Transformational change is a change which cannot be handled within the existing paradigm and routine of the organisation. (Daft, 2013; Nadler and Tushman, 1989, 1990, 1995) According to Newman (2000) transformational, discontinuous or second order change is radical, and fundamentally alters the organisation at its core. Second-order change does not involve organisational development instead it involves transforming the nature of the organisation (Bate, 1994). Organisations do react to the external environmental pressures or external competition. There are circumstances when transformational change is needed by the organisations because the incremental change has been proved to be inadequate or one of the prominent examples of those circumstances is the decline in profit, other could be the threat of takeover to the firm (Johnson et al., 2008).

Various organisational changes such as downsizing, restructuring, and reengineering are regarded as transformational change. This type of change is designed to fundamentally alter the basic nature of the organisation (Reger et al., 1994). In a study conducted by Palmer and Dunford (1997) on organisational changes, they found eight commonly occurring recommendations for major organisational change in order to cope with hypercompetitive business environments. The eight commonly occurring recommendations included: delayering (reduction in the number of vertical levels within the organisation), networks (involving internal and external strategic alliances), outsourcing (obtaining by contract those activities in which the organisation has no distinctive competence), disaggregation (dividing the organisation into smaller business units), empowerment (providing employees with the authority, resources, and encouragement to take actions), flexible work groups (created for specific purposes that are disbanded or reformed upon completion of the task), short-term staffing (people are contracted to the organisation for a short period of time to work on specific tasks), and reduction of internal and external boundaries (for encouraging communication and resource sharing).

Whittington et al. (1999), in their survey of organisations in Western Europe, identified a similar range of changes in which organisations are engaged. The identified range of changes in the study was further divided into changes in organisational structures, organisational processes, and organisational boundaries. As identified by Whittington et al. (1999), the changes in organisational structures were: delayering (removal of expensive middle management to enhance information flows and speed of response), decentralization (empowering cross-functional teams and groups), operational strategy (effective use of knowledge, increase profit and increase response times) and project-based structures (to improve flexibility). The changes in organisational processes, and the rationales for entering into them, were: information technologies (to intensify interactions in the new economy), electronic data interchange (to enhance the flow of information, flexibility, and participation), human resource practices (enhancing commitment and motivation to engage with new practices), horizontal networking (enhancing communication exchanges and cross-boundary career paths), and organisational integration (to encourage corporate identity). Finally, the changes in organisational boundaries included: downscoping (to increase strategic flexibility and enable greater focus on objectives), outsourcing (removing low-value activities and obtaining them by contract) and networks /alliances (to increase access of organisation to external skills and competencies by strategic alliances).

It can be inferred that the above mentioned recommendations of organisational changes by different authors are similar. The only difference is in the categorisation. They are commonly regarded as second-order or transformational changes. These types of changes are needed to produce a fundamental reorientation of an organisation so that it can survive the highly competitive changes in the business environment. This can include situations of privatisation of public sector organisations, as happened extensively all over the world. For example, during the period 1983 to 1987 in United Kingdom, a range of state-owned enterprises had to adopt radically different ways of operating after they were moved from public into the private sector (Caves, 1990; Miller, 1995; Bogdanor, 2012).

According to Ashkenas et al. (1995) and Palmer et al. (2009), number of commenters has been cautioning managers in taking radical change actions of getting rid of old organisational practices such as hierarchy, formalisation, or centralisation and replacing them with new, more flexible organisational practices. Rather than replacing the old with the new, the two should be integrated. This implies that, during the times of environmental change of organisations, the prescriptions for how organisations should be changed in order to meet the emerging requirements of environments need to move beyond enthusiastic steps to careful consideration of current organisational strengths and future requirements.

3.7.1.2 .1 Types of transformational change

Transformational change can be of different types as they are not the same order of magnitude. As mentioned earlier, Nadler and Tushman (1995) clearly distinguished between planned transformation (frame-bending or reorientation) and forced transformation (frame- breaking or re-creation).

Planned transformation

Planned transformation can be stated as reorientation strategy. It is an anticipatory, proactive, planned discontinuous change that involves major modification of the organisation but by building on past strengths and history of the organisation (see Figure 3.5). Formally, it is regarded as frame bending. (Nadler and Tushman, 1995) For example, during a period of deregulation and international competitive pressures, if a multinational organisation radically changes, restructures its business units, makes new acquisitions, installs a new management team, promulgates a new set of values, and changes the company's strategy to reorient it towards global markets.

Forced transformation

A forced transformational, reactive and unplanned, discontinuous second-order change that involves frame breaking is regarded as recreation strategy (see Figure 3.5). In simple words, it is the major upheaval where the organisation breaks with past practices and directions (Nadler and Tushman, 1995). A good example of forced transformational change can be of a multinational manufacturing organisation where swift decisions are taken to re-create the company in order to survive, including redefining its scope, changing its past strategy of manufacturing, and changing its foreign operations as well.

3.7.1.2 .2 Type 1, type 2 and type 3 transformational change

Flamholtz and Randle (1998) further such distinctions by distinguishing among three types of transformational change. According to them the three different types of transformational change are; type 1, type 2 and type 3.

Type 1 transformation involves the conversion of an entrepreneurial to a professional management structure, for example, the transformation of Apple Computers (1976), an entrepreneurial firm to Apple Inc. (1977), a professional firm. Type 2 transformation involves the revival of already established companies. In order to operate more effectively, the organisation focuses on how to rebuild itself but remains in the same market. A good example of type 2 transformation can be Compaq Computers. In the early 1990s, the company faced a challenge of changing environment, including changes in customer needs. In response to this, the company reengineered its operational systems, downsized, lowered its purchase and production cost levels and placed more emphasis on teamwork. The focus was to enhance organisational effectiveness by introducing turnaround change. Type 3 transformation occurs when there is a visionary change and the organisation fundamentally changes the business in which it is involved. An example of this type of change is the change in Starbucks Coffee from a local roaster and importer of coffee beans to a string of national company-owned coffee retail stores. Starbucks Coffee did not initially sell coffee as a drink). There is always an option of compound transformations. This option can be exercised when an organisation needs to simultaneously tackle multiple transformations, for example, Disney in the 1980s carried out both a professional (type 1 transformation) and a visionary transformation (type 3 transformation).

Based on the above discussion it can be inferred that the type of transformation is dependent on organisational factors that is changing. The factors associated with such transformations are organisational environment, business concept, building blocks of organisational success, and organisational size etc. Specific to the given research work, the most relevant factor is the size of the organisation. Change in the size of organisation can lead to the possibility any of the three types of transformational change. Rapid growth requires type 1 transformational change where organisation needs to expand its workforce in order to effectively cope with expansion. In case, an organisation is aiming to revitalise itself by adjusting the factor, organisational size, then it is likely to reduce its workforce. As discussed extensively that reduction in the workforce is known as downsizing; therefore, it can be said that downsizing is the type 2 transformation. Considering the factor of organisational size, type 3 transformation may involve increase or decrease in the work force of the organisation.

3.7.2 Downsizing as a transformational change

A transformational change is designed to be organisation-wide and is enacted over a period of time. Transformational change is radical and often drastic, and differs from developmental (small incremental steps) or transitional (dismantling the old state and rebuilding the new in a series of transition steps). It involves discontinuity, a shift in assumptions and a willingness to work with complexity. Transformational change requires a shift in mind-set, behaviour and ways of working together. Change management, and cultural change, are inherent parts of a successful transformation process (Anderson and Anderson, 2001).

Transformational change usually stems from pressures in the external environment, and requires a radical shift in behaviour. It must be led by the organisation's leaders with a focus on leadership, mission, strategy, culture and values. The in-depth explanations given to explain and differentiate between various types of transformational changes can lead us to explain downsizing as a transformational change. As explained in the earlier parts of the work, downsizing in simplistic words is known as reduction in the number of employees. The number of employees in an organisation is reduced with an aim to improve overall productivity of the organisation. The classification given by Flamholtz and Randle (1998) downsizing can be regarded as type 2 transformational change. However, other authors, for example, Nadler and Tushman (1995) and Johnson et al. (2008) present transformational change in two different forms, that is, planned transformation and forced transformation (see Figure 3.5).

Basing the argument on the given explanations to these two different types of transformational change it can be inferred that downsizing can either be a planned transformational change or a forced transformational change. The planned transformation and the forced transformation involve reorientation and recreation of organisation respectively. Downsizing can either be implemented with an aim to proactively reorient or to reactively recreate the organisation. Judge and Holbeche (2011) also validate downsizing as the transformational change because it is a strategic change and implemented for the transformation of an organisation keeping in mind short term as well as long term organisational goals.

Transformational change requires whole system approaches. This means getting the whole system in the room (that might be employees customers and partners) to make sense of where they are now, generate ideas about how to change, and work together to implement it. As outlined by Anderson and Anderson (2001), making true transformational change requires a change to four key areas:

- the **organisation** and its vision for itself
- the **people** who are part of that organisation
- the **services** which the organisation delivers
- the **processes** which are involved in the delivery of the services

Referring to the four key areas which involve organisation itself, its people, its services and its processes it can firmly support the notion that downsizing is a form of transformational change. The discussions in the wide literature available on the concept of downsizing and as outlined in the previous chapters that downsizing has three major approaches, that is, retrenchment, downscaling and downscoping. These approaches mainly involves alterations in its vision, workforce, its services and its process, therefore, by looking at the commonalities between the two it can be claimed that downsizing acts a transformational change.

3.8 Five factor theory of strategic change

Pettigrew and Whipp, (1991) outlined the five central factors to effectively manage change for competitive success. All these five factors are interrelated (see Figure 3.6) and are effective in managing strategic as well as the operational change. This five interrelated factors in the model include: environment assessment, leading change, linking strategic and operational change, human resources as assets and liabilities, and coherence of purpose in the management of change (Lynch, 2007). The basis of, presenting five interrelated factors is the substantial empirical research of four different industries for the successful management of strategic change (Pettigrew and Whipp, 1991). Andrew Pettigrew and Richard Whipp's five factors theory provides a practical way to take the facts from a strategic change situation and structure them to highlight the important items (Liu, 2009). Based on work of Pettigrew and Whipp (1991); Johnson and Scholes (1999); Johnson et al. (2011) and many others, the definition and brief elaboration of the five factors are as follows:

Environmental assessment: It provides the facility for monitoring the internal and external environment of an organisation through various open learning methods. The environmental assessment is neither the responsibility of a specific department of a firm nor it occurs in a structured manner. Instead, it is an ongoing process and any strategy emerges from the way a company, at all levels, processes information about its competitive environment.

Human resource as assets and liabilities: Integration of human resource management policies with strategic change process is responsible for successful management of strategic change. Human resource management factors are crucially concerned with the success of a strategic change as they can significantly facilitate the strategic change. The employees should have the feel that their organisation believes them and have faith in them.

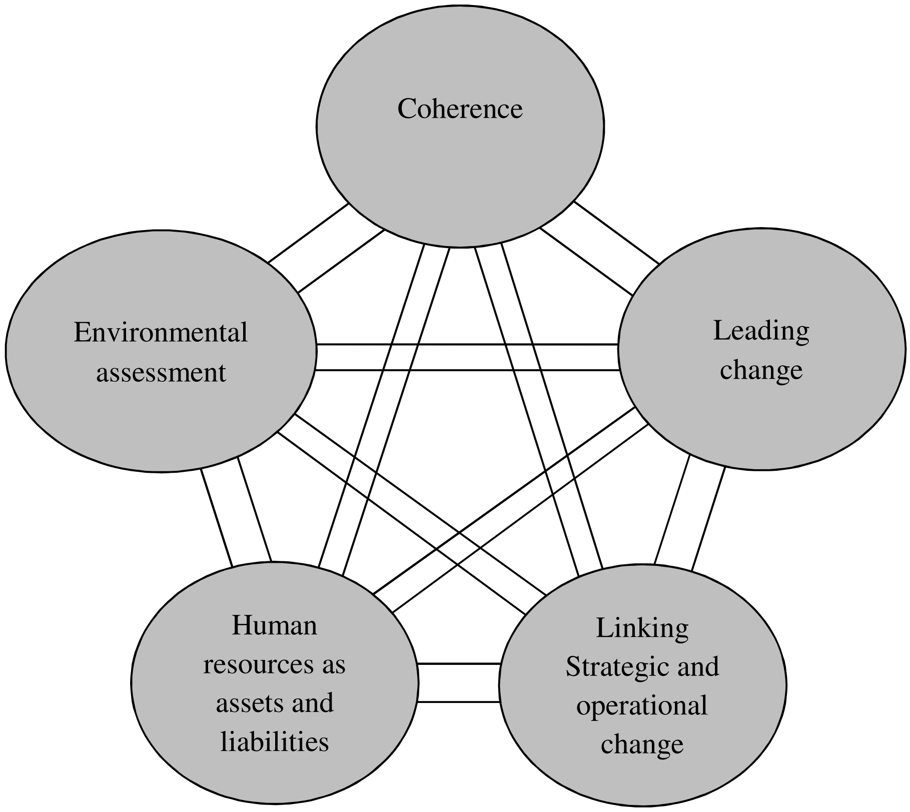
Overall coherence: Strategic change is more likely to be successful if it is coherent across all aspects of the firm. The change strategy should be consistent with organisational goals and organisational internal and external environment. The strategy should be feasible in terms of organisational resources and able to create competitive edge. Overall coherence means that organisation needs to be able to hold the organisation as an effective and efficient entity while simultaneously implementing the change.

Leading the change: Leading the organisational change, concerns with the creation of a climate for the change. For the successful implementation of a change strategy, the agenda should not only be for change but also for the right direction, vision and values. To develop a climate for organisational change is critical to the success of implemented change and the responsibility lies on the people who play their part in leading change.

Linking strategic and operational change: Organisations which are able to link strategic change with operational change are more likely to implement the change strategy successfully. The idea is to bundle the different operational activities and this powerful technique can even lead to new strategic changes. This factor can prove to be effective in case of incremental change where change can occur on continual basis in the everyday aspects of organisations. To bridge the gap between change strategy and operational activities becomes much more difficult in case of transformational change. It is because transformational change occurs in one or few major steps and not in a continual fashion.

The famous five factors theory of strategic change by Pettigrew and Whipp (1991) is shown in the Figure 3.6:

Figure 3.6: Five factor theory of strategic change – I

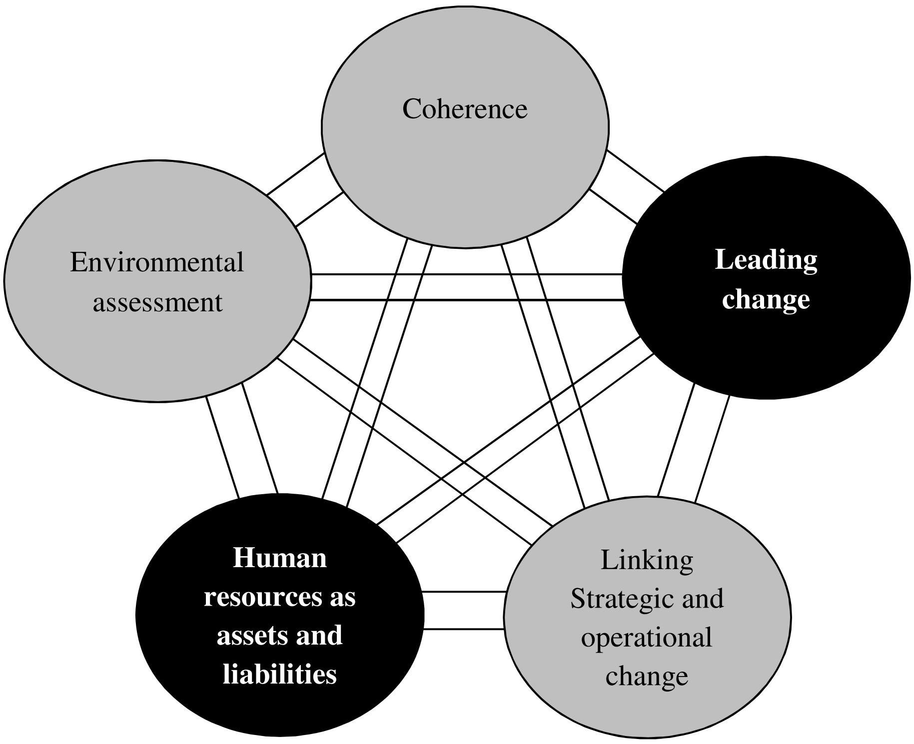


Source: Pettigrew and Whipp (1991)

3.8.1 Five Factor theory of strategic change in the context of given research

As it was mentioned initially in the chapter that the given research deals with the implementation phase of the strategy therefore, this research is centred on only two factors from the popular theory presented by Pettigrew and Whipp (1991). These factors include: Human resources as assets and liabilities and leading change. The reason of this research to be focused on only two factors is: firstly, these two factors are the critical factors during the implementation phase of the strategic change. Secondly, the literature says that the human resource practices are the most critical in the implementation of downsizing. Thirdly, the role of a manager using his skills and abilities is the key to the success of any strategy implementation. Another aspect of disregarding the three factors is that the environmental assessment factor is the part of first steps of strategic management process whereas, the other two factors (coherence and Liking strategic and operational change) belong to the strategic control process which is the last step of strategic management process (for strategic management process see section 3.6 of this chapter). Hence, these factors cannot be useful for considering in the implementation stage and are beyond the boundaries of this particular piece of research where implementation of downsizing strategy is being studied – see Figure 3.7 where focused factors of the five factor theory are highlighted.

Figure 3.7: Five factor theory of strategic change – II



Source: Pettigrew and Whipp (1991)

The argument is that how different practices to implement downsizing can affect the financial performance indicators of the organisation. The research will highlight the fact whether or not the implementation process in the presence of critical factors of theory of strategic change helps organisation to improve financial performance and in turn earns a positive return on the downsizing strategy. The two critical factors from the five factor theory of strategic change forms the two constructs of this particular research, and are explained further in the following sections.

3.9 Constructs of the framework and hypotheses development

The first important construct of the framework is the success of the downsizing strategy in the form of financial performance. It is formally regarded as return earned on downsizing strategy for the purpose of this research. Furthermore, as explained in the previous section, the two critical factors from the five factor theory of strategic change presented by Andrew Pettigrew and Richard Whipp, in 1900s are the most crucial to the success of implementing downsizing strategy therefore; they form the part of framework of this research. The three major constructs of this piece of research are as follows:

- Return earned on downsizing strategy
- Strategic human resource practice
- Role of change agent(s)

3.9.1 Downsizing and return earned

Yu and Park (2006) claims that the previous research on downsizing has mainly focused on micro individual issues such as the effect of downsizing on departing employees or the survivors of downsizing. The macro organisational issues such as firm level of performance are important issues to investigate and a number of researchers have recently looked into the impact of downsizing on firm performance

(Suarez-Gonzalez, 2001; Chen et al., 2001; Chalos and Chen, 2002; Cascio and Young 2003; Worrell et al., 1991; De Meuse et al., 1994; Cascio et al., 1997; Lee 1997; Hallock, 1998; Espahbodi et al., 2000). Chadwick et al. (2004) argued that the majority of the studies established that there was negative or no impact from implementing downsizing on financial performance of organisations. However, strategic human resource management literature indicates a variety of meanings for the term organisational performance.

Negative results of organisational performance by implementing downsizing strategy have mainly come from studies focused on capital market outcome, such as stock prices (for example, Worrell et al., 1991; Cascio et al., 1997; Lee, 1997; Hallock, 1998; Chen et al., 2001; Chalos and Chen, 2002; and others). Moreover, there are some possible shortcomings associated with the previous literature. The use of capital market outcomes, as a measure of firm performance, has a serious limitation because external factors other than downsizing may affect capital market performance of firms. In addition to this, downsizing strategy tend to be implemented by firms in the times of financial difficulty, therefore, the stock market would react negatively to downsizing as a sign of poor performance in those firms. Strategic human resource management literature (for example, Rogers and Wright, 1998; Dyer and Reeves, 1995), emphasises on the four types of measurements for a firm's performance related to downsizing. These include: (a) human resource outcomes (for example; employee turnover, absenteeism and job satisfaction etc.) (b) organisational outcomes (for example; productivity, quality, service, etc.) (c) financial accounting outcomes (for example; return on assets (ROA), profitability, etc.) and (d) capital market outcomes (for example; stock price, growth etc.).

Yu and Park (2006) assert that downsizing would directly impact organisational outcomes, followed by financial accounting outcomes and capital market outcomes.

The higher levels of outcomes are likely to be influenced by the factors present in the external environmental of the organisation. The general consensus among researchers in previous literature (for example, Chadwick et al., 2004) is that organisational performance after implementing downsizing is as likely to improve as it is to suffer after downsizing, both in the short run and the long run. The empirical results of studies using organisational outcomes and financial accounting outcomes have produced mixed results. De Meuse et al. (1994); Suarez-Gonzalez (2001) and Cascio and Young (2003) found a negative impact of downsizing on financial performance of the firms. On the other hand, Espahbodi et al. (2000) and Chen et al. (2001) found a positive effect of downsizing on financial performance. Therefore, these mixed results in the available literature calls for more empirical evidence to further develop understanding of the effect of downsizing on financial performance of the firm (financial accounting outcomes). For that reason, the present study requires the focus on the financial outcomes.

Different measures such as stock prices (Hallock, 1998; Worrel et al., 1991) and several financial accounting outcomes (Cascio et al., 1997; De Meuse et al., 1994) maybe used to examine financial performance for example; profit margin (i.e., profits/sales), return on assets (profits/assets), return on equity (profits/stockholder equity), asset turn over (sales/assets) and market-to-book ratio (market value/stockholders' equity). There are some dominant studies which focus on the financial consequences of downsizing. Gandolfi and Hansson (2011) reviewed the major stream of literature on downsizing until year 2009 and identified the ten studies relating to financial consequences of downsizing. A number of different financial outcomes have been studied by researchers specific to the case of downsizing. These include; return on stock (Worrell et al., 1991); financial indices, return on assets (ROA), return on equity (ROE), asset turnover, market to book ratio (De Meuse et al., 1994); return on assets (ROA), return on stock (ROS) (Cascio et al., 1997); profitability, stock market price (Morris et al., 1999); stock market price (Appelbaum et al., 1999); return on assets (ROA), return on equity (ROE), EBDIT margin (Dawkins et al., 1999); operating performance (Espahbodi et al. 2000); Sales, return on assets (ROA), cost of sale (COS) (Chalos and Chen, 2002), profit margin, return on assets (ROA), return on equity (ROE), asset efficiency, market to book ratio (De Meuse et al., 2004), High/Low absorbed slack (HAS/LAS) (Love and Nohria, 2005) and many others. It is important to note here that the most common financial indicators are the few major financial indices. Consequently, this research focuses on the major financial indices to measure the return earned by firms after implementing downsizing. Return on investment (ROI), the one and the only measure of investment, is employed to determine the level of gain earned by implementing downsizing which is regarded as the investment strategy.

The most critical accounting measures of the financial performance of any organisation are employed to gauge the success of downsizing strategy. The four most critical accounting measures of financial performance of the firm are the value of the firm, the profitability of the firm, the liquidity of the firm and the level of financial risk present in the firm (Hirt and Block, 2011; Friedlob and Welton, 2008). For the purpose of assessing the level of return earned on implemented downsizing strategy the ratio analysis are taken into consideration. Ratios are the most useful mean to compare one figure with another because it expresses the relationship between lots of amounts easily and simply (Dyson, 2010). Dyson (2010) argues that hundreds of ratios can be produced and there is no standard system for grouping ratios into different categories. It is the matter of choice for the researcher to limit the number of ratios to adopt for a specific analysis. According to Gitman and Zutter (2014) financial ratios are calculated and interpreted to analyse and monitor the performance of the firm. In addition, ratios are used to monitor the firm's performance from one period to another. Ratio analysis is not just a simple calculation of a given ratio but the interpretation of the ratio value is more important. A meaningful basis for comparison can be used to interpret it as high or low and good or bad. This research focuses on ratios for assessing profitability, liquidity of the firm and the level of financial risk present in the firm. The four major indicators of return included in the framework are described briefly.

Value of the firm: Value of the firm is defined as an economic measure which reflects the market value of a whole business (Fridson and Alvarez, 2011). Value of the firm is one of the fundamental concepts used in valuation of business, financial modelling, accounting, portfolio analysis, etc. It states the total claims of all claimants for example, creditors (secured and unsecured) and share/equity holders (preferred and common).

Profitability of the firm: Profitability indicates how well management is using resources of company to earn a return on the funds invested. Creditors as well as stockholders are concerned with the profitability of the firm because it determines the company's ability to make principle and interest payments and ability to pay dividends (Porter, and Norton, 2014). Porter, and Norton (2014); Dyson (2010) and many others contend that the profitability is concerned with the income generated by a business within a specific period therefore the integral part of the profitability ratios are the income of the firm.

Liquidity of the firm: Liquidity indicates the ability of a firm to satisfy its short term obligations as they come due (Gitman and Zutter, 2014). The ease with which a firm can pay its bills is represented by the liquidity (Dyson, 2010). Liquidity level of a firm indicates the solvency of the overall financial position of a firm. Because a common antecedent of financial distress and bankruptcy is low or declining liquidity of a firm, therefore, the ratios concerning liquidity can signals the cash flow problems and future business failure (Gitman and Zutter, 2014).

Financial risk present in the firm: Financial risk present in the firm can be identified by the total amount of debt present in the firm or more specifically by the financial leverage of the firm (Gitman and Zutter, 2014). Financial leverage is the magnification of risk and return through the use of fixed cost financing, for example, debt and preferred stock. In simple words, the more debt a firm uses in relation to its total assets, the greater its financial leverage or risk. Although higher risk is widely associated with higher level of return but stakeholders pay close attention to the firm's ability to repay its debts (Gitman and Zutter, 2014).

3.9.2 Strategic human resource practices

According to Armstrong (2014), an approach to develop and implement human resource (HR) strategies that are integrated with business strategies and support their achievement is regarded as strategic human resource management (strategic HRM or SHRM). Dessler, (2014) refers to SHRM as the formulation and execution of HR systems that produce the employee competencies and behaviour that a company needs to achieve its strategic goals. Mabey et al. (1998) defines it as the process of developing corporate capability to deliver new organisational strategies. Boxall (1996) describes SHRM as the interface between human resource management (HRM) and strategic management. As stated by Schuler and Jackson (2007), SHRM is primarily about systematically linking people with the firm.

Baird and Meshoulam (1988) pointed out the need of strategic perspective to human resource management. Human resource practices, procedures and systems are developed and implemented based on organisational needs in order to accomplish business objectives, that is, a strategic perspective to human resource management is adopted. Wright and McMahan (1992) explicated that it is essential to integrate the field of HRM with the strategic management process through the development of a new discipline referred to as strategic human resource management.

Based on the opinions presented by many authors, it can be inferred that SHRM is a set of HR systems designed to produce or improve the employee competencies and behaviour. The effective employee competencies and behaviour are crucial for a company because they are needed to achieve its strategic targets.

3.9.2.1 The conceptual basis of strategic HRM

Armstrong (2014) asserts that the essence of SHRM is conceptual and it is a general concept of achieving an ideal fit between HR and business strategies. SHRM takes the longer-term view of where HR should be going and how to get there as well as it strives to develop and implement the coherent and mutually supporting HR strategies. This means that members of the HR function needs to adopt a strategic approach on a day-to-day basis and operate as part of the management team. It, therefore, ensures that HR activities add value to business strategies and support their achievement on a continuous basis. In simple words strategic human resource management is influenced by the concepts of strategic management and strategy. The concepts of strategic management and strategy are covered in the earlier sections of this chapter. Also, downsizing strategy is explained in the light of same concepts.

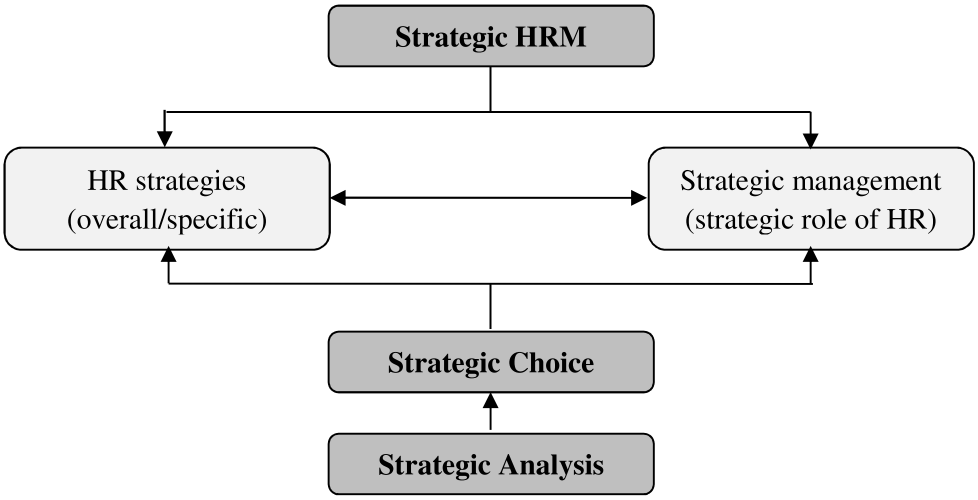
3.9.2.2 The nature of strategic human resource management

Strategic HRM defines the way organisation's goals will be achieved through people by making use of HR strategies and integrated HR policies and practices. It is based on two key ideas, that is, the resource-based view and the need for strategic fit. The resource based view and strategic fit are explained earlier and in addition to that; both concepts with respect to SHRM are described later in this chapter.

Van Buren et al. (2011) critique the shift from employee focus to strategy focus in the role of HRM. In their study they review the importance of strategic role of HRM.

Ongoing analysis within the field of SHRM generally focuses on how HRM can add strategic value and contribute to superior organisational performance. Major academic debates have developed around how the HRM function can establish credibility and elicit employee behaviour that then lead to sustainable competitive advantage for example, Armstrong (2005); Cascio (2005); Lawler, (2005) and others.

Figure 3.8: Strategic human resource management model



Source: Armstrong (2014)

Armstrong (2011) explains that strategic human resource management is not just about strategic planning, or about the formulation of individual human resource strategies. It is an approach underpinned by certain concepts rather than a set of techniques. The main concern of SHRM is with integrating business and human resource strategies so that the latter contribute to the achievement of the former. The organisational context and existing HR practices are analysed to decide on strategic plans for the development of overall or specific HR strategies. Strategic human resource management is about both HR strategies and the strategic management activities of HR professionals (see Figure 3.8).

3.9.2.3 Aims of Strategic Human Resource Management

To achieve sustained competitive advantage, strategic HRM aims to generate organisational capability by ensuring that the organisation has the skilled, engaged, committed and highly-motivated employees. According to Alvesson (2009), strategic HRM is about managing the employment relationships for all employees in such a way so that they contribute optimally to the achievement of organisational goals. There are three main objectives of SHRM and they are as follows:

1. To achieve integration both vertically and horizontally, that is, the vertical alignment of human resource strategies with business strategies and the horizontal integration of human resource strategies.
2. To provide a sense of direction in a turbulent environment to meet the business needs and the individual and collective needs of its employees by the development and implementation of rational and practical human resource policies and programmes.
3. To contribute to the formulation of business strategy by drawing attention to ways in which the business can benefit from the advantages provided by the strengths of its human resources.

3.9.2.4 The resource-based view of SHRM

Armstrong (2014), states that the philosophy of SHRM is underpinned by the resource-based view to a very large extent. This states that it is the range of resources in an organisation, including its human resources, that produces its unique character and creates competitive advantage. The resource-based view is founded on the ideas originally presented by Penrose in 1950s. Penrose (2009) asserts that the firm is an administrative organisation and a collection of productive resources. She points out that the resources are a bundle of potential services. It was expanded by many other authors (for example, Wernerfelt, 1984; and Barney, 1991 etc., see resource based model explained earlier), that strategy is a balance between the utilisation of existing resources and the development of new ones. A resource is defined as, anything that has an enabling capacity (Hunt, 1991).

3.9.2.5 Strategic fit and SHRM

The terms strategic fit; integration and congruence are used to describe the same phenomenon. The concept of strategic fit stresses that, it is necessary to achieve congruence between the business strategies of a firm and the human resource strategies (when developing them) within the context of its external and internal environment. This notion of strategic, sometimes described as the matching model, is fundamental to SHRM. As stressed by many authors, including: Wright and Snell (1998); Schuler (1992) and others, that the primary objective of SHRM is to promote a fit with the demands of the competitive environment and it is mainly about integration and adaptation. Its concern is to ensure:

- External fit or vertical integration – full integration of human resources management with the strategy and strategic needs of the firm.
- Internal fit or horizontal integration – coherence of HR policies across policy areas and across hierarchies.
- Adjustment, acceptance and use of HR practices by line managers and employees as part of their everyday work.

3.9.2.6 Perspectives on SHRM

Delery and Doty (1996) takes into account the concepts of the resource- based view and strategic fit, and contends that, HR strategies differs from one strategy to another which means that different organisational strategies require adoption of different HR practices. The HR strategies may differ from organisation to another organisation because every organisation is unique in its own sense and the HR strategies relevant for one organisation might not be suitable to the other organisation. The organisations with higher integration between their HR strategies and their business strategies should enjoy superior performance. Delery and Doty (1996) identified the three different HRM perspectives:

1. The universalistic perspective – this takes into account the relationship between individual best practices and performance of a firm. Some of the HR practices are regarded as best practices and all organisations should adopt them.
2. The contingency perspective – this takes into account the concept of vertical fit. HR policies must be consistent with other aspects of the firm to be an effective organisation.
3. The configurational perspective – this is a holistic approach and emphasises the importance of the pattern of HR practices. It is concerned with how the pattern of HR practices is related to the organisational performance.

The typology of HRM perspectives provided the basis for the most commonly used classification of HRM approaches. Based on the three different perspectives there are three HR approaches and were used by Richardson and Thompson (1999). The terms "best practice", "best fit" and "bundling" are adopted for the universalistic, contingency and configurational perspectives respectively.

Best practice: The basic assumption of this model is that there is a set of best HRM practices that are universal. They are universal in the sense that they are best in any circumstances, and that adopting them will lead to superior organisational performance. Examples of some of the best practices given by Pfeffer (1998) include employment security; selective hiring; self-managed teams; high compensation contingent on performance; training to provide a skilled and motivated workforce; reduction of status differentials; sharing information.

Best fit: This model stresses that an organisation's HR strategies should be aligned with the context and circumstances of the organisation (Armstrong, 2014). This is the process of vertical integration or external fit between the organisation's business and

HR strategies. This model seems to be more realistic as compared to the best practice model.

Bundling: Bundling emphasises the development and implementation of several interrelated HR practices, so that, they can complement and support each other (Armstrong, 2014). Bundling is perceived in terms of horizontal integration or internal fit, and is also referred to as the use of complementarities. Richardson and Thompson (1999) proposed that a firm with bundles of interrelated HR practices should have a superior level of performance, if it achieves high level of competitive strategy fit. Armstrong (2014) argues that strategic human resource management is a holistic approach which views an organisation as a total system and addresses what needs to be done across the organisation as a whole. Therefore, bundling is an important aspect of SHRM because it is not interested in the isolated programmes and techniques but concerns the interrelated bundles of HR strategies.

Since employee performance is a function of both ability and motivation, Dyer and Reeves (1995) notes that, it makes sense to have practices aimed at enhancing both. Thus there are ways in which employees can acquire needed skills and incentives to enhance motivation. Their study created a link between the human resource practices and higher levels of business performance. High-performance systems are based on the principle of bundling because they group various HR practices together to produce synergistic effect which increase their impact.

3.9.2.7 SHRM and Implementing Downsizing Strategy

SHRM is a general concept of achieving a perfect fit between HR and business strategies. In the given research downsizing strategy needs to be integrated with HR strategies for ensuring its positive outcomes. Organisations opt for downsizing as a proactive measure to gain or maintain the competitive advantage therefore; SHRM can play a vital role in achieving organisational objectives. SHRM will ensure that

HR activities will add value to downsizing strategy and support its achievement. In simple words strategic human resource management is influenced by the concepts of strategic management and strategy.

As explained earlier successful implementation of downsizing strategy calls for internal fit. One of the critical factors to the success of a strategy is its human resources and the effective management of available resources are crucial to the success of downsizing strategy, thus necessitating the horizontal integration. The configurational perspective of SHRM is most relevant to the implementation of downsizing strategy. Based on this bundling approach should be put into practice for implementing downsizing strategy in order to achieve positive results. A number of HR strategies complement each other and allow successful implementation of downsizing strategy. Chesters (2011) regards the HR strategies as the statements of a firm's collective endeavour therefore; it can be said that integration of multiple HR strategies can produce synergy and thus increase the positive impact of downsizing strategy.

Strategic Human resource practices to implement the downsizing strategy are critical to its overall return. Downsizing has been a pervasive managerial practice for the past three decades. Over the years, a firm's standard response to finding itself in financial difficulty was to reduce its workforce. While there is ample evidence suggesting that downsizing activities rarely return the widely anticipated benefits, there is also a sobering understanding that downsized firms are forced to deal with the human, social, and societal after effects of downsizing, also known as secondary consequences. Research shows clearly that the human consequences of layoffs are costly and particularly devastating for individuals, their families, and entire communities. While workforce reductions cannot always be avoided, there are compelling reasons why downsizing-related layoffs must nonetheless be seen as a managerial tool of absolute last resort (Gandolfi, 2008b). According to Vernon (2003) and George (2004) that implementing human resource strategic practices that are aligned with the relevant factors above should allow for a more successful downsizing.

Caldwell (2001) supports the argument that the transformational change has a dramatic effect on HR practices across the whole organisation. As explained earlier, downsizing has been highlighted as a transformational change in this piece of research and in the light of Caldwell (2001) idea, downsizing strategy needs to be supported by HR practices. This can be done by refining the existing HR practices or specifically designing new HR strategies to complement successful implementation of downsizing.

Purcell (2001) made the point that human resource strategy is like strategy in any other area of organisation. It is about taking strategic decisions; more specifically, it is about continuity, change and appropriateness in the circumstances, but anticipating when the circumstances change. In the light of given argument it can be suggested that when the circumstances of organisation change and firms opt for downsizing strategy, the organisations should adopt an appropriate mix of human resource strategy to complement the chosen downsizing strategy. It is necessary that the business and managers should perform well in the present to succeed in the future as dictated by Fombrun et al. (1984). The purpose of the appropriate mix of HR strategies is to articulate what an organisation intends to do in the longer term to ensure that they contribute to the achievement of business objectives.

The evidence in a study (Nixon et al., 2004) on downsizing strategy supports the resource-based view and suggested that managers can minimise or eliminate the negative effect of downsizing by using the complementary implementation strategies. Nixon et al. (2004) stresses that as human resources are a critical determinant of firm performance, therefore, managers must carefully select those to be discarded and protect those most valuable to the firm's competitive advantage. When downsizing strategy is accompanied by effective managerial actions, then the firm experience positive performance outcomes. Therefore:

H 1: The greater the use of integrated strategic human resource practices by firms that choose to implement downsizing as restructuring strategy, the greater the level of return earned on implemented downsizing strategy by the firms.

Communication Strategy

Communication strategy is a system used by an organisation to transfer the message from one person to another. In the case of this particular research it is the strategy used to notify all employees about the implementation of downsizing as a change strategy (Redman and Wilkinson, 2013). There could be a number of ways to notify them about the change and this plays an important role in the results achieved by the implemented strategy. Cascio (2009) suggests that employees need to be told by their immediate supervisors, who have been trained to deliver a consistent message that they are being laid off. Cascio (2009) further highlights some bad examples of notifying employees about downsizing, which include: notifying via e-mail, notifying via postal letter, disabling security badges, by passing responsibility to HR or to an outsider, such as an external agent (outplacement consultant). These can affect the success of implementing downsizing strategy and should be avoided by the firms. In line with suggestions given by Cascio (2009), it can be inferred that some other communication means like social media (facebook, twitter, Instagram, etc.) also needs to be avoided. Redman and Wilkinson (2013) indicate that in most accounts, communication strategy plays a critical role to the success of downsizing strategy. Employees need to have a clear understanding of the rationale for downsizing and the strategy is communicated on a continual basis without any breaks in the communication as this can lead to rumours. Communication can help in smoothing implementation of downsizing strategy.

HR's responsibility is to ensure that victims of downsizing are treated with the same kind of dignity and respect they received when they were employed. Also, the layoffs should be fair i.e., based on seniority or on job performance. Cascio (2009) recognises that if the communication is steady, transparent and truthful and organisation demonstrates by its actions that layoffs are not a first resort but a last resort then all employees will respond to downsizing with acceptance and will even gratitude for efforts by their employer. Firms should worry about stress and productivity issues among those who survive the downsizing. Cascio (2009) refers to a SHRM study of January 2009 which found that 65 per cent of survivors of downsizing worry about being laid off within the next six months. Commonly occurring adverse reactions among survivors (though not all of them appear in every case) as supported by a considerable body of research (for example, Cascio, 2009; Redman and Wilkinson, 2013) include: decreases in employee job satisfaction, commitment, morale, confidence, trust in management, loyalty; increases in anger, guilt, stress, anxiety, tardiness, absenteeism, intentions to quit and actual quits; disruptions in social networks that harms the organisational learning; and reductions in employee creativity, innovation and customer service. Any of these reactions adversely effects the organisation the very time when it needs employee commitment, innovation and creativity etc. to achieve intended organisational objectives.

Stress, productivity, morale and trust issues among survivors arise due to uncertainty and can be successfully managed if management reduce the uncertainty by an effective communication strategy. Cascio (2009) highlights that, more than 75% of the survivors' negative thoughts are triggered by ineffective, less or no communication. Senior management needs to be more visible to improve trust of survivors moreover, managers need to communicate effectively with surviving employees to improve their productivity, morale and decrease stress level. Appelbaum and Donia (2001a) differentiated between the survivor and organisational outcomes of a downsizing strategy. Like many other researchers they indicated decrease in employee morale, reduced employee motivation and risk taking, decrease in organisational productivity as organisational outcomes.

Dahl (2011) suggests that the employees of organisations that change have increased risk of receiving stress-related medication. Nyasha et al. (2014) advocates that downsizing is a process of change that should be considered carefully by the leadership of the organisation and the reasons for implementing downsizing must be clearly understood by all participants, especially the survivors. The task of managing survivors would be easier if the leadership recognises the special needs of survivors and provides the emotional support they deserve as well as ensure continuous and honest communication. Chadwick et al. (2004) also confirm the effectiveness of downsizing strategy by using extensive communication. Communication plays a very important role in creating and fostering trust and empowerment, therefore, Appelbaum and Donia (2000) assert that it is one of the best tools available to a downsizing organisation. Cameron (1994) prescribes the best practices on how to deal with survivors before, during and after downsizing. His perception includes communication as one of the critical factor. Tucker et al. (2012) also suggests effective communication for improving trust in management during implementation of major organisational change.

It is evident from the discussion above that the importance of communication has been endorsed by many scholars. Adequate communication prior to the downsizing event and acknowledgement of survivors' emotions are very important for the success of downsizing strategy. Focus should be on communication strategy which is capable of facilitating the issues related to survivors' emotions. Communication strategy designed for coping outcomes of downsizing strategy can be verbal, non-verbal, direct, indirect or symbolic because every action made by organisation conveys a message to the employees. It can include steps taken to improve morale, productivity and decrease stress levels. Therefore, this research considers that communication strategy can play a vital role in the success of the downsizing objectives. Therefore:

H 1a: The greater the use of communication system specifically designed by firms that choose to implement downsizing as restructuring strategy, the greater the level of return earned on implemented downsizing strategy by the firms.

Compensation Strategy

All forms of rewards going to employees and arising from their employment are referred to as employee compensation (Dessler, 2014). Bamberger et al. (2014); Simerson (2011); Dessler (2014) and many others emphasises that compensation in any form acts as an important motivator and it plays its role in rewarding people for achieving desired organisational results. Money is widely known as a powerful source of motivation. But it is also said that money can only motivate people until their next monetary reward is due. Achievement of the desired behaviours is important in order to enhance the organisational effectiveness. In turn, this increases the level of productivity and contributes to the organisational success. More specifically, compensation strategy can reinforce the desired organisational culture.

The compensation system must reflect the strategic objectives of a business. The business must clearly define the objectives of the organisation so that they can be achieved by using compensation strategy. The compensation strategy needs to be communicated to everyone soon after a decision is taken because good decisions may fail to achieve results due to poor communication. By providing the right compensation package the employees can be motivated and they stay to help in organisational progress. Redman and Wilkinson (2013) argue that the acid test of support for redundant employees is the level of compensation given to them. The compensation mainly includes the severance pay or other financial support.

The two components of a compensation system, as indicated by Dessler (2014), are direct financial payments and indirect financial payments. The examples of direct financial payments include wages, salaries, incentives, commissions and bonuses, whereas, the indirect payments include benefits like employer paid insurance, paid annual holidays and health care benefits etc. In line with the work of Dessler (2014) other researchers (Gandolfi, 2008a; Makawatsakul and Kleiner, 2003; McCune et al., 1988 and others) have asserted that the effectiveness of compensation strategy at the time of implementing downsizing strategy is measured using items; such as severance pay or early retirement packages, outplacement programmes offered, accrued holiday pay and counselling services offered etc. Cascio (2009) suggests the steps companies should take to preserve morale among survivors of downsizing. According to him the severance pay, health care benefits for few months and outplacement programmes should be included in the compensation strategy for achieving desired organisational performance in long run. Departing employees should be treated fairly and humanely because this can serve as a signal for survivors that might reveal how they are likely to be treated if they lose their job. Dessler (2012) points out the determinants of the total compensation that are paid to people. The four basic factors are:

1. Legal – important prevailing compensation laws
2. Union – influence of unions on compensation decisions

3. Policy – the companies' policies regarding compensation; for example, pay for performance, wage rate at least 15% above the prevailing market wage, locality based wage, overtime pay policy etc.
4. Equity – the employees are able to judge that they are paid fairly, both internally and externally.

Consistent with Dessler (2012) the four basic determinants of a compensation strategy should be considered for complementing organisational downsizing strategy. Regulatory pressures on downsizing makes compensation packages such as severance pay, the most widely used income protection programme for the unemployed (Holzmann and Vodopivec, 2012). Compensation packages are provided to workers on termination of employment. This programme is motivated by human resource management concerns because it is employed with an aim to preserve the morale of remaining workers and avoid potential damage caused by departing workers if they are not appropriately compensated (Muñoz-Bullón, and Sánchez-Bueno, 2014). Muñoz-Bullón, and Sánchez-Bueno (2014) outlines the economic rational of the compensation packages at the time of firing employees; it serves as an employment protection mechanism that arises from the costs of separation that mandated severance and brings to job separations. Firing costs emerge from the mandated benefits, the permitted causes (usually on economic grounds) and ruling by the courts on what is a fair dismissal. Although, the considerable research suggests negative efficiency effects of mandatory severance pay as well. However, this research follows the economic rationale of the compensations system and proposes that compensation system is responsible for the positive return on implemented downsizing strategy. Therefore:

H 1b: The greater the use of compensation system specifically designed by firms that choose to implement downsizing as restructuring strategy, the *greater the level of return earned on implemented downsizing strategy by the firms.*

Empowerment of Survivors

Empowerment is one of the common practices that managers use to try increasing motivation and efficiency of workforce (Wilson, 2014). Empowerment is the personal sense of control in the workplace as manifested in beliefs about the employee–employer relationship (Spreitzer, 1995; Thomas and Velthouse, 1990). A universal conclusion in the empowerment literature is that an empowered workforce leads to achieve a competitive advantage. Empowering employees can help the organisation to achieve the real goals for example, motivated workforces and the associated profits (Conger and Kanungo, 1988; Forrester, 2000; Quinn and Spreitzer, 1997; Sundbo, 1999; Thomas, 2000; Matthews et al., 2003).

Various definitions of empowerment can be found in the literature (for example, Leslie et al., 1998; Randolph, 1995; Spreitzer, 1995; Thomas and Velthouse, 1990; Wilkinson, 1998; Spreitzer, 1997). Literature defines empowerment in two general perspectives i.e. relational and psychological (Matthews et al., 2003). Relational empowerment is the top-down treatment as well as mechanistic (Matthews et al., 2003; Conger and Kanungo, 1988; Quinn and Spreitzer, 1997; Wilkinson, 1998). Literature emphasises that relational empowerment occurs when within the same hierarchy higher levels of management share power with the lower levels (Matthews et al., 2003; Siegall and Gardner, 2000; Spreitzer, 1997; Wilkinson, 1998). The psychological perspective of empowerment has a deep focus on the employee's perception of empowerment (Spreitzer, 1995, 1997; Thomas and Velthouse, 1990). Psychological empowerment is also known as organic or bottom-up processing (Matthews et al., 2003). Researchers say that empowerment is achieved only when psychological states produce a perception of empowerment within the employee (Mishra and Spreitzer, 1998; Quinn and Spreitzer, 1997; Wilkinson, 1998).

The present research agrees with the concept of empowerment presented by Matthews et al. (2003) and Quinn and Spreitzer (1997) which argues that one perspective of empowerment is not certainly better than the other. According to Quinn and Spreitzer (1997), a possible reason of empowerment programs to fail is because decision makers of organisation are divided on how they identify the best way to empower employees. The decision makers employ either the relational or the psychological approach (Quinn and Spreitzer 1997). Therefore, it is suggested that, elements must be drawn from both perspectives to develop a true empowering program (Matthews et al., 2003). Matthews et al. (2003) proposed three organisational factors that are conceptually linked to facilitation of employee empowerment, i.e.:

1. Dynamic structural framework (DSF),
2. Control of workplace decisions (CWD) and
3. Fluidity in information sharing (FIS).

Based on the available literature (Conger and Kanungo, 1988; Randolph, 1995; Quinn and Spreitzer, 1997; Wilkinson, 1998; Siegall and Gardner, 2000), Matthews et al. (2003), gives conceptual definitions of DSF, CWD and FIS. DSF occurs when a company provides a clear set of modifiable guidelines that supports employee decision making both procedurally and behaviourally in a changing work environment. CWD occurs when employees are allowed to give their input into all aspects of their professional career. FIS is linked to the macro-organisational facilitation of empowerment, and it occurs when all information relating to the company is accessible to all individuals working in the company.

Following a reduction in force, empowerment has been considered as an effective strategy (Mishra and Spreitzer, 1998) that offers survivors a sense of hope and control and it lowers levels of job related strain (Spreitzer et al., 1997). If the workload is increased, following a downsizing, empowerment can act as a coping resource to reduce burnout and maintain job satisfaction among survivors of downsizing (Andrews et al., 2014). A large stream of literature on survivors' work-related attitudes and behaviours subsequent to downsizing (Brockner, 1998; Brockner et al., 1987; Cascio, 1993; De Varies and Balazs, 1997; Armstrong-Stassen, 1998; Ryan and Macky, 1998; Orr et al., 1999; Wager, 2001 and others) have documented evidence of decline in organisational commitment, loyalty and trust as well as feelings of job insecurity and intention to quit. The most serious threat to the effectiveness of the downsizing strategy is posed by employees' intention to quit because it leads to voluntary turnover of high performing survivors if unimpeded with appropriate organisational interventions. Thus, this can hinder the success of downsizing strategy (Mueller et al. 1989; Mone, 1994; Spreitzer and Mishra, 2002) and instigates the need for a conscious and structured organisational approach, for example, empowerment to deal with survivors' adverse reactions (intention to quit leading to voluntary turnover) to downsizing.

Ugboro (2006) validates the theoretical conceptualisation that a sense of empowerment and an enhanced coping capacity facilitates constructive responses of employees when organisations choose to implement downsizing strategy. His study highlights the role of empowerment as a strategy that strengthens self-efficacy or confidence of employees in accomplishing task objectives. Niehoff et al. (2001), found positive relationship between job enrichment, empowerment and employee loyalty in a downsizing environment. Spreitzer and Mishra (2002) assert that empowerment facilitates survivors' commitment which, subsequently, leads to a lower level of voluntary turnover among survivors in the years following downsizing. Kuo et al. (2010) pointed out the significance of employee empowerment. Increased employee empowerment serves as a mean for higher employees' commitment toward the company. Downsizing – business practice aimed at reducing overhead expenses with the goal of enhancing performance – is responsible for debilitating employees' commitment (Brockner, 1998; Brockner et al., 1987; Cascio, 1993; De Varies and Balazs, 1997; Armstrong-Stassen, 1998; Ryan and Macky, 1998; Orr et al., 1999; Wager, 2001 and others). This implies that the less the employees feel empowered; the less their commitment to the organisation.

Empowerment enhances survivors' assessments of their capacity to cope with any threat Mishra and Spreitzer (1998). Niehoff et al. (2001) indicates that empowerment acts as a mechanism which allows survivors to handle the stress associated with downsizing. During downsizing everything seems out of control however empowerment gives the surviving employees control over their work. Control over one's job can contribute to fix downsizing related issues and can lead to superior organisational performance in succession of downsizing. Spreitzer and Mishra (2002) suggest that empowerment safeguards the employees against the threat associated with a downsizing initiative because it makes the survivors feel better able to cope. Erosion of empowerment is likely to occur during the times of downsizing and lead to lower levels of organisational performance in future. Empowered survivors are responsible to make or keep the organisation competitive in future. Therefore, the level of empowerment and the post downsizing organisational performance seems to be directly related. Therefore:

H 1c: The higher the level of empowerment of survivors by the firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.

Organisational Trust of Survivors

Trust is the willingness of one party to be vulnerable to another party (Schoorman et al. 2007). Measure of trust in the organisation and leaders can predict the subsequent sales, profits, and employee turnover in the organisations (Davis, Mayer, and Schoorman, 1995, Davis et al., 2000). Behaviours and work-related attitudes of survivors, following downsizing, have been extensively studied (Brockner, 1998; Brockner et al., 1987; Cascio, 1993; De Varies and Balazs, 1997; Armstrong-Stassen, 1998; Ryan and Macky, 1998; Orr et al., 1999; Wager, 2001; Spreitzer and Mishra, 2002; Saunders and Thornhill, 2003 and others) with evidence of decline in organisational trust other critical factors for example, organisational commitment, turnover intention, organisational satisfaction etc.

It is evident in literature (Saunders and Thornhill, 2003; Hopkins and Weathington, 2006 and others) that there are strong links between organisational trust and other factors including procedural justices, organisational commitment and organisational satisfaction. Procedural justice strongly influences the trust levels of employees. Employees' perceptions about the fairness of the interpersonal treatment received during implementation of change strategy can contribute to increase or decrease in the level of trust. If employees' perception about fairness of procedures is positive then it can help maintain or even improve the level of trust. On the other hand, if the employees lose trust in the organisation and it lead to lower levels of commitments and satisfaction.

Hopkins and Weathington (2006) demonstrated the importance of employees' trust for organisations. Conducting downsizing in a fair and unbiased manner can help maintain the trust of employees and make them feel that their organisation is looking out for them and their interests. An unspoken agreement between the employer and the employee is regarded as a psychological contract which begins early in an employee's career with organisation (Robinson, 1996). This contract is the foundation of the organisational trust and when this contract is breached it creates lack of trust. The widely accepted studies by Aryee et al. (2002) and Robinson (1996) explain the concept of trust. Trust is one's expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favourable or at least not detrimental to one's interest (Robinson, 1996). The definition of trust by Aryee et al. (2002) reflects concern for others' interests, reliability, openness and competence.

Downsizing influence the trust an employee has for the organisation. A negative impact on trust will occur if employees perceive procedures as less fair. The amount of trust and morale employees have for their employer commonly declines as the consequence of downsizing (for example, increased workload and job insecurity) become evident to the survivor. Employees are likely to feel threatened and engage in destructive or withdrawal behaviours if they believe that their employer is not concerned with the impact downsizing has on them (Mishra and Spreitzer, 1998). Brockner (1990) noted that some actions, such as effectively communicating employees know why a downsizing is necessary, can maintain or promote trust in the organisation.

Hopkins and Weathington (2006) demonstrated that employees' perception of organisational decisions and their reactions to those decisions are influenced by the amount of trust they have in their employers. Individual perception about the organisation influenced by the actions an employer takes, therefore organisations should carefully decide on the approach to communicate and conduct downsizing strategy.

Scholarly research has been investigating several effects of downsizing, including lack of trust and organisational commitment. Marques et al. (2011) developed their research model on the existing literature and indicated that downsizing survivors – or the individuals who remain when others exit a firm – have lower levels of trust higher and lower organisational commitment post-downsizing. Downsizing directly affects organisational trust and can lead to lower individual as well as firm performance. Therefore individuals' trust needs to be improved or maintained in order to ensure positive trend in organisational performance. Dirks and Ferrin (2001) argues that the level of trust has a direct effect during the time of downsizing and high levels of employee trust are likely to have a direct positive impact on organisational performance even if organisation is in a weak situation (for example, downsizing). If the employees trust their employer even after implementing downsizing then it is highly likely that organisation achieve the improved organisational performance.

Therefore:

> *H 1d: The higher the trust level of survivors in the firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.*

3.9.3 The Role of change agent(s) and downsizing strategy

Every organisational change strategy has to be managed by someone regardless of its type and level. The person who takes responsibility for ensuring that change takes place is regarded as a change agent. People who takes the responsibility of facilitating change are referred to by a variety of titles, however, for sake of simplicity's the title 'change agent' can be used (Burnes, 2014). The concept of the change agent originated with Kurt Lewin's organisational change model developed by Kurt Lewin back in the 1940s. However, with the passage of time different views of the role of change agent can also be perceived, as different perceptions of change have emerged.

Caldwell (2003) notes that managers working on different levels needs to become the change agents, also, the internal and external management consultants as catalysts for change are becoming very popular. However, these developments appear to have made the picture more confused regarding the role and competences of the change agent.

The Planned approach offers a well-developed change process and provides a guideline for the behaviour and attributes of change agents for analysing organisations and managing change (Cummings and Worley, 2014). On the contrary, Clarke (1994) argues that the activity of leading change is not driven by an expert, but an increasingly important part of every manager's role. The major drawback of this perspective is that it does not pay attention to or ignores the specialist skills necessary to manage the different types of change Buchanan and Boddy (1992) suggested a model of the expertise of the change agent which identifies the skills and competences necessary to achieve successful change. Their model includes five clusters: goals; roles; communication; negotiation and managing up and lists total fifteen competences under each cluster. Their work picturised the change agent as a highly skilled and well trained operator who possess an in-depth knowledge of change tools, the personal qualities and experience to use them. Many scholars (for example, Mirvis, 1988; Weick and Quinn, 1999; Schuyt and Schuijt, 1998; Dunphy and Stace, 1993 and many others) focuses on the crucial role played by skills of a change agent.

Caldwell (2003) takes the issue further and called contingency model of change agency which recognises that different change situations require different types of change agent. The contingency model introduced by Caldwell (2003), after an extensive literature review, identifies four groups of models of change agent. These four different types of change models highlight the possibility of attempting to construct a generic change agent who can operate in any situation. They are as follows: Leadership models (change agents are senior managers responsible who identify and deliver strategic or transformational change), management models (change agents are seen as middle-level managers or functional specialists who are responsible for delivering or supporting specific elements of strategic change programmes or projects), consultancy models (change agents are external or internal consultants who can operate at any level as needed) and team models (change agents are seen as teams that operate at various levels in an organisation and which are composed of the requisite managers, employees and consultants necessary to accomplish the particular change project set for them). The type of change agent identified by earlier scholars may fit into some of these models but not all of them. Caldwell has made an attempt to direct academics and practitioners away from old school of thought and it is everyone's responsibility to identify behaviours and competences necessary for each type of change situation.

To define the role of management, serious attempts were made by Henri Fayol in 1916 and he stated the key functions of managers (Burnes, 2014). Based on Fayol's work, various scholars (for example, Yukl, 2012) have described the important managerial roles. A change agent is responsible for playing an important managerial role therefore; it is linked to the principles of management presented by Henri Fayol. In terms of effectiveness, an effective change agent is one who achieves what is required of him during the time of change as the organisation under goes transformation. The effectiveness of a change agent is determined by key attributes, skills or competences that change agent need to possess in order to have a desired effect.

In line with the models presented by Caldwell (2003) the leadership and the management models can be the right fit for this research. The change agent can be a leader or a middle or functional manager. Yukl (2012) observes a continuing controversy about the difference between leadership and management. To distinguish between leader and a manager, Nahavandi (2014) comments that managers have short-term perspectives and focus on routine issues within their own departments or groups whereas leaders have long-term and future-oriented perspectives and provide a vision for their followers that looks beyond their immediate surroundings.

According to Yukl (2012) there is little empirical evidence for the view that people can be separated into managers or leaders. In addition to this, many scholars who distinguish between management processes and leadership processes assume that managers and leaders are same type people (Bass and Bass, 2008; Hickman, 1992; Rost, 1993; Yukl, 2012 and others). Vroom and Jago (1988) specifically asserts that managers possess managerial as well as leadership skills and they swap between these skills depending on the situation. The concept of leader and manager still remains elusive (Burns, 2014) and it becomes fragmented with the increasing number of research on the topic (Barker, 2001). Therefore, for the ease of data collection Yukl (2012) and Vroom and Jago's (1988) view is taken into to consideration and the change agent in the given scenario can either be a manager or a leader.

Gilley et al. (2009), summarises the available change models. According to them, Lewin's change model presented in 1951 consists of simple three step process unfreezing, movement, and refreezing. Unfreezing, movement and refreezing include evaluation and preparation of a firm for change, engaging in change, and anchoring new ways and behaviours into the daily routine and culture of the firm. During 1900s more extensive, multistep frameworks for change management have evolved. The multistep models (for example, Kotter, 1996 and Ulrich, 1998) include leadership, employee involvement, rewards, communication etc. and suggest the importance of leadership and vision, creating guiding coalitions, communicating, motivating and empowering others, and solidifying new approaches in the culture of firm. Gilley et al. (2009) criticises the models and agrees to the point that the role played by leaders and managers in driving change is very important.

Possessing skills in change management assist in bringing about successful organisational change and to modify one's management style or organisational functions, the inability to motivate others to change, poor communications skills, and failure of management to reward or recognize individuals who make the effort to change are referred to as barriers to success (Gilley, 2005; Kotter, 1996; Ulrich, 1998). Appelbaum et al. (1999) stress on the importance of good management practices (strategic planning, training, transparent communication, employee involvement, etc.) Many downsizing companies simply ignore the extremely important human element and its relation to organisational productivity. Consequently, they failed to achieve long-term positive results as anticipated by organisations in succession of implementing downsizing (Appelbaum et al., 1999). Vargas (1996) claims that downsizing is a very personal and emotional experience for people caught up in the events. It is a misconception of managers who believe that those who survived downsizing will feel relieved and grateful that they survived to keep their jobs (Gilley et al., 2009).

Based on the available literature (for example, Gilley et al., 2009; Cascio, 2002, Appelbaum et al., 1999; Johnson and Scholes, 1999; Buchanan and Boddy, 1992 and many others) on downsizing and change management it can be inferred that the role of change agent is measured by the skills used by the agent i.e. interpersonal, negotiation and team building skills. To implement downsizing successfully requires the use of a varied set of skills in order to deliver the right messages, motivate recipients to take action and create willingness for change along with a sense of urgency. Therefore:

H 2: The greater the use of integrated leading skills by the manager/(s) leading change within those firms that choose to implement downsizing as restructuring strategy, the greater the level of return earned on implemented downsizing strategy by the firms.

Nikolaou et al. (2007) claim that the research on the competences and skills of change agent is very limited which mainly consists of theoretical research. One of the major efforts in identifying the skills of a change agent was done by Buchanan and Boddy (1992). Their work has been recognised by many scholars (for example, Johnson and Scholes, 1999; Nikolaou et al., 2007 and others). Buchanan and Boddy, (1992) list competencies of effective change agents as clarity of specifying goals, team building activities, communication skills, negotiation skills and influencing skills to gain commitment to goals. Based on the key competences of a change agent presented by Buchanan and Boddy, (1992), this piece of research incorporates the three groups of skills which are further elaborated briefly.

Interpersonal Skills

The goal directed behaviours used in face to face interactions to bring about a desired state of affairs are known as interpersonal skills (Hayes, 1991). Strong interpersonal skills are mandatory for good change agents and they must provide employees with abundant and relevant information with regard to impending change(s). It is important to justify the appropriateness and reasons behind change. Change agents are required to address questions and concerns of employees as well as explore ways in which change might affect recipients in order to increase acceptance and participation (Green, 2004; Rousseau and Tijoriwala, 1999). Employees' acceptance of change and their participation in it depends on their perception of personal benefits associated with the change (Gilley, 2005). Communication is an essential part of any change related programme in the organisation (Armstrong, 2014). The most common and important method of communication involves face to face interaction. The quality and accuracy of the communication depends on the skill of the person who is responsible to communicate.

Turning the focus from change strategy in general to specifically downsizing strategy, it can be said that the success of implementing downsizing is dependent on the skill of the change agent(s) involved and on their commitment to doing it well. According to Buchanan and Boddy (1992) change agents personal enthusiasm is important in expressing plans and ideas. The interpersonal skills of a change agent should contribute by stimulating motivation and commitment in others. In a nutshell, interpersonal skills across the range, including listening, collecting appropriate information and identifying the concerns of others etc. plays a vital role in achieving desired outcomes of downsizing strategy. Interpersonal skills are expected to demonstrate positive correlations with attitudes to downsizing and overall organisational performance in a downsizing situation. Therefore:

> *H 2a: The higher the level of interpersonal skills of manager(s) leading change within those firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.*

Negotiation Skills

Change agents conduct or take part in negotiations with trade union representatives or officials. Armstrong (2014) emphasises that in order to do well in negotiating process a manager requires considerable skill. Reaching the most advantageous position in discussion with another party through a process of offer and counter-offer is known as negotiation process. In simple words, it is a process in which two parties (for example, management and the trade union) get together with the aim of getting the best deal possible for members of both parties (Cohen, 2002). Negotiation can be a zero-sum game because what one side gains the other loses. Therefore, negotiations involve a conflict of interest and there is scope of conflict which has to be managed to achieve amicable agreement between both parties. In pay negotiations unions want the highest settlement they can get; management wants the lowest. Negotiators try their best to end up on friendly terms, whatever differences of opinion have occurred on the way.

Based on the belief of Armstrong (2014) about general negotiation process it can be inferred that change agent must possess required skills and abilities to be effective in process of negotiations. Change agents should be effectively able to interact, communicate and empathise with others. In addition to this, their ability to be analytical (the ability to assess the factors affecting negotiating stance) and flexible (making realistic moves) during the process is key to the success. In line with the study of Buchanan and Boddy (1992) in terms of negotiation skills a change agent must be able to sell plans and ideas to others by creating a desirable and challenging vision of future. Furthermore, it is essential for a change agent to be able to negotiate with key players for organisational resources, for changes in procedures and to resolve any conflict which arose during the process of implementation of downsizing. It is proposed that the more the change agent is able to negotiate the more it is likely to successfully implement downsizing and achieve desired results for an organisation. Therefore:

> *H 2b: The higher the level of negotiation skills of manager leading(s) change within those firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.*

Team Building Skills

Team building is about improving motivation, communication, support and trust within a team (Parcon, 2008). This helps to improve the team performance and in turn the overall organisational performance is expected to be improved. Armstrong (2014) explains the key issues central to the successful team building. Effective change agent will make sure that the team is well organised and the team members are clear about what is expected from them as a team. Change agents assist the members of the team to work well together to achieve commitment and motivation of the team. In addition to this change agents are able to resolve conflict between team members and build flexible team which is capable of carrying out different tasks. Change agents play their role to improve the performance of team through regular coaching and mentoring. Furthermore, it is the responsibility of a change agent to empower team to take greater responsibility for setting standards, monitoring performance and taking corrective action and this in turn can help the team to be able to manage its own performance to a greater extent during the time of organisational change.

Buchanan and Boddy (1992) emphasise that team building competency of a change agent is critical to the success of implementing a strategic change. A change agent needs to be able to bring together key stakeholders and establish effective working groups. Defining and delegating respective responsibilities clearly to the team members is one of the important aspects of team building skills. Given the arguments present in the literature, as discussed, team building skills of the change agent(s) are expected to contribute positively during the implementation of change strategy and as a result the organisation is expected to have positive overall return on the implemented downsizing strategy. Therefore:

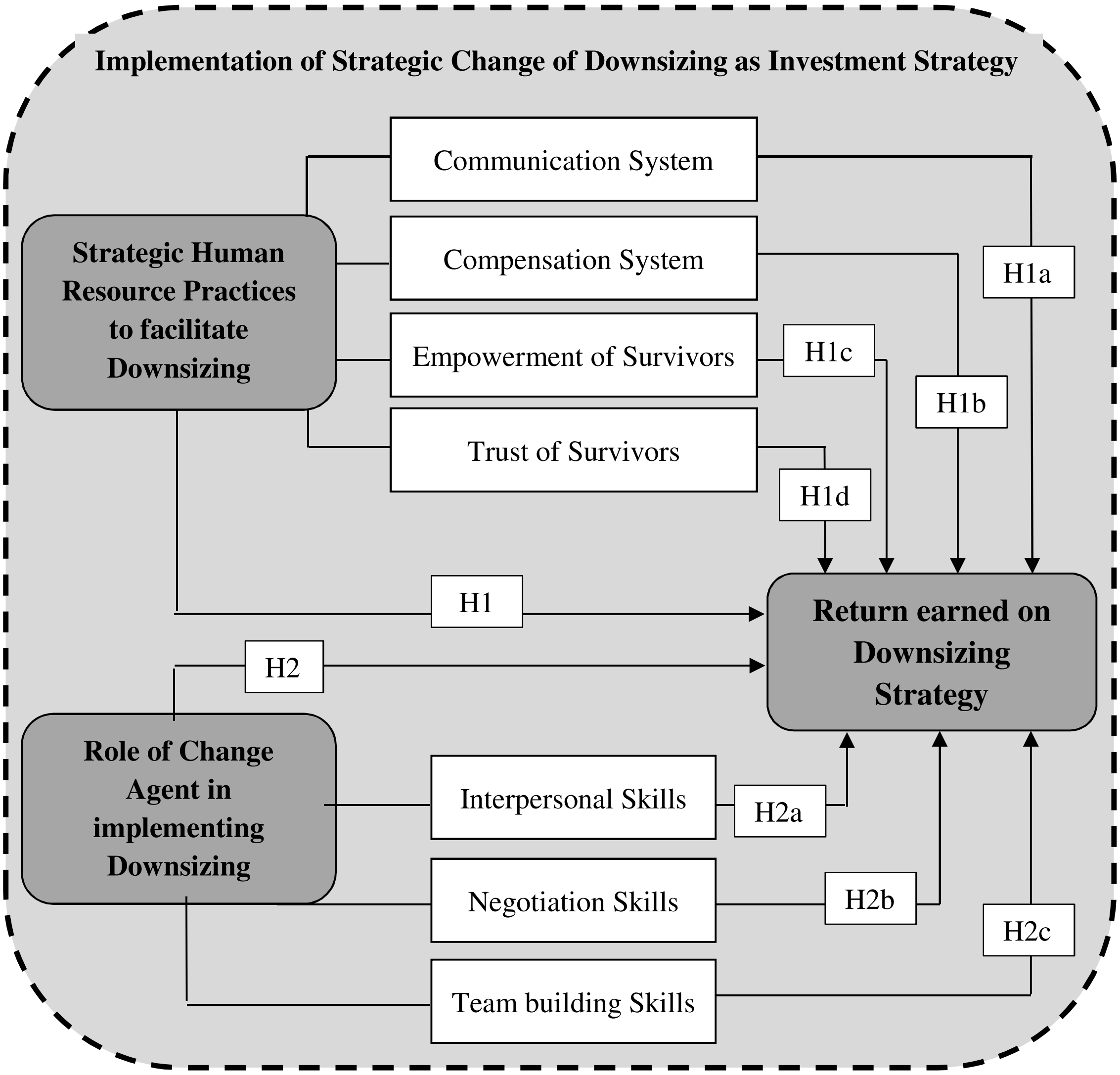
> *H 2c: The higher the level of team building skills of manager(s) leading change within those firms that choose to implement downsizing as*

restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.

3.10 The conceptual framework and hypotheses: a brief

Figure 3.9 helps to clearly identify the main explanatory variables and the dependent variable. In the model presented in Figure 3.9 integrated human resource practices and role of change agent are shown as independent variables whereas, return on the downsizing strategy is the dependent variable. The only and widely employed outcome of an investment is known as return earned on an investments. The dependent variable is included in the model based on the same idea. The highlighted independent variables can more specifically be regarded as explanatory variables as the level of return is expected to be explained by these variables. The solid straight lines with the arrow heads illustrate the relationship between variables present in the frame of work. There are nine relationships in total shown in the conceptual framework. Each relationship is then converted into meaningful statements to develop hypotheses for the research project. There dashed line forms the boundary to the highlighted variables and represents the environment in which these variables are being studied. There is a chance of interferences from the outside environment therefore dashed line is selected to represent this. The shaded area represents the situation when an organisation has employed strategic change of downsizing with an aim to improve or achieve future benefits. In simple words it can be said that the targeted relationships are being studied under the context when organisations opt for implementing downsizing strategy as strategic change. The other factors (control variables and error terms) that may influence the return level of organisation are dealt with in the later chapters.

Figure 3.9: The Conceptual Framework



Source: Author developed for this research

To sum up the linkage of interrelated concepts specific to this research Figure 3.9 can be used. The Figure 3.9 helps to visualise the research concepts in a snapshot. After stating the hypotheses in clear words a hypothesised model has been developed in order to better envision the linked major concepts and sub concepts.

The conceptual model for this research is drawn upon the argument developed throughout the chapter. The argument presented in the chapter clearly outlines the three major constructs for the research. In the framework return earned by the downsizing strategy is expected to be dependent on the adopted human resource strategic practices and the way downsizing as a strategic change has been led by management. As described in the earlier sections of the chapter, literature clearly supports the role of these constructs in the process of any strategy implementation. The two independent explanatory constructs emerged from the literature are the strategic human resource practices and the role of change agent in the implementation process of downsizing strategy. The presence of these two factors is expected to affect the relationship between downsizing and the return earned by implementing it.

The conceptualisation of different constructs related to downsizing in the chapter has led to the development of hypotheses for this piece of research. Based on the framework presented above a number of hypotheses are identified for the purpose of carrying out this particular piece of research. Each of the hypothesis developed for the piece of research are directional hypothesis. Every hypothesis clearly gives the direction of the relationship.

3.11 Variables to be investigated

For any explanatory research there are two important types of variables involved. After giving a detailed explanation to the underlying theory of the framework, hypotheses are developed. Each hypothesis predicts a relationship between the variables under investigation. Hypotheses for this piece of research are developed by incorporating various explanatory variables and a single dependent variable which is the return earned on downsizing strategy. The explanatory and dependent variables are outlined as follows.

3.11.1 Explanatory variables

The detailed discussion of each construct and associated variables are given in the earlier parts of this chapter. To present in a snapshot the explanatory variables involved in this piece of work are: strategic human resource practice which includes communication system, compensation system, empowerment level of survivors, and trust level of survivors as the sub variables. The second set of hypotheses uses role of change agent/agents as the explanatory variable which includes interpersonal skills of manager leading change, negotiation skills of manager leading change and team building skills of manager leading change as the sub variables.

3.11.2 Dependent variable

Return earned on downsizing strategy is regarded as the dependent variable in all the constructed hypotheses for the current piece of research. Explanation to the concept of return associated with downsizing strategy can be found in the earlier section of this chapter.

Every independent and dependent variable is operationalised to make it measurable by the critical items. The issue of operationalising the variables is dealt with in the proceeding chapters.

3.12 Conclusion

This chapter has explained how downsizing can be examined as a change strategy. As it is visualised as an investment strategy in the given research therefore, return which is the only measure of any investment is chosen for assessing its success. In addition to this, the role of integrated strategic human resource practices and the role of change agent has been conceptualised and their contribution at the stage of implementing downsizing strategy is explained. The conceptualising of mentioned concepts has facilitated the development of hypotheses for the purpose of this research. It has been established in this chapter that integrated human resource practices by firms and leading skills by the manager/(s) leading change within those firms that choose to implement downsizing strategy contribute to the higher levels of return earned on implemented downsizing strategy.

Chapter 4 Research Design and Methods

4.1 Introduction

Every research requires a specific design and methods to achieve its objectives and answer the major research question(s). Therefore, this chapter highlights some of the very important aspects of research design, and the methods for the given research. The need to produce this chapter before the data collection is because it is essential for every piece of quantitative research to have a structured research approach where every single aspect of the design is well defined and logically developed. It is not possible to apply any analysis technique to any kind of variable, therefore, the analysis technique has to be matched to the types of variables used (Abrahamson et al., 2009).

The size and nature of the sample also imposes the limitations on the kinds of techniques to be used for the analysis purpose (Bryman and Bell, 2011). The chapter details the research philosophy, research design, the approach used and the employed research strategy. In the later part of the chapter the selected data collection techniques for the primary as well secondary data are stated. Issues concerning reliability and validity are then outlined in detail. The chapter also sheds light on the characteristics of population and respondents and briefly proposes the basic statistical technique to be used for the purpose of analysis in the later part of the research project.

4.2 Research philosophy

4.2.1 Ontology

Ontology concerns the nature of reality or social entity and it explains the assumption a researcher makes about the way world operates and his commitment to particular views (Bryman and Bell, 2011; Saunders et al., 2012). The current research concerns with the objectivism aspect of ontology or in other words the ontological position of this research is objectivism. This is because this research takes the position that the social entities exist in reality external to the social actor(s) and they are not able to influence them. It implies that the external facts are beyond the reach or influence of social actors. A social phenomenon is not dependent on social actors (Bryman and Bell, 2011). The other aspect of ontology i.e., subjectivism does not matches the current research because it asserts that the creation of social phenomena is influenced by the perceptions and consequent actions of social actors.

4.2.2 Epistemology

Epistemology concerns the acceptable knowledge in the field of study (Saunders et al., 2012). There are two possibilities in any research; a research either focuses on observable phenomena to collect credible data or focus on the details of situation to assigns subjective meaning to it (Saunders et al., 2012). Given research concerns with an observable phenomenon and results are expected to be generalised. Therefore, this piece of research work adopts the positivist philosophical world view. It adopts the stance of natural scientist because the researcher acts as the resources researcher where data is considered on needed resources. This is because this research work deals with the observable reality or the reality is represented by the objects that are considered as real. The end product will have the ability to be generalised as a law. According to Gill and Johnson (2010), this stance calls for the highly structured methodology to facilitate the process of replication and quantifiable observations that can be used for statistical analysis. Based on, Gill and Johnson (2010) a highly structured methodology is used to facilitate the use of statistical analysis for the purpose of this research. This is highlighted in more detail in the later part of the chapter.

4.2.3 Axiology

Axiology concerns with the adopted view of the role of values in any research (Saunders et al., 2012). The current research is undertaken in a way where the researcher is independent of the data and maintains an objective stance. The researcher is separate from the research therefore it is conducted in a value-free way. Another possibility is that the researcher is actually part of what is being researched or can influence the interpretation of results by his/her beliefs and it is not possible to separate the researcher from the research. In this case the research maintains the subjective stance. However, the current research adopts the positivist philosophy therefore; the second possibility is not true for it.

4.3 Nature of research design: explanatory

The research objectives posed earlier for this specific research contribute to specifying the nature of the research. Saunders et al, (2012) state that exploratory studies deal with the discovery and exploration of a topic of interest. On the other hand the descriptive or explanatory research is conducted to gain an accurate representation of persons, events or situations whereas; the explanatory research design establishes causal relationship between variables. The emphasis of this research is on studying downsizing strategy and explaining the relationship between different variables. In the current study, integrated human resource practices and the role of change agent are expected to contribute in the level of return earned by implemented downsizing strategy. In simple words the research proposes that the level of return earned by implemented downsizing strategy is dependent on the integrated human resource practices and the role of change agent. This implies that the current research is explanatory in nature and therefore calls for a quantitative research design.

4.4 Research approach: deductive

The research project involves the use of a theory. That theory may or may not be made explicit in the research design. The extent to which the theory is made clear at the beginning of the research design is concerned with the research approach used. If the theory is explained in the beginning of the research and hypotheses are developed to test that theory then the underlying research approach is deductive. In case of inductive approach data is collected and theory is developed as a result of the data analysis (Saunders et al., 2012). The deductive approach is explained in more detail because a theory has been tested by a given research.

A research approach is always attached to one of the research philosophies and the deductive approach involves positivism (Saunders et al., 2012). Saunders et al., (2012) argue that the underlying logic of deductive approach is that when the primes are true, the conclusion must also be true. This approach generalise the results from general to specific because the collected data is used to evaluate the hypotheses related to an existing theory. As a result this approach contributes in either falsification or verification of the existing theory.

Blaikie (2010), like many other authors, gives guidelines to an effective deductive approach. He confirms that research that adopts deductive approach starts by putting forward a hypothesis based on the existing body of literature and ends by either falsifying or verifying the selected theory. One of the important characteristics of deduction is the search to explain the causal relationships between concepts and variables. Gill and Johnson (2010) mention that the deductive research uses a highly structured methodology. Use of highly structured approach is very important issue to ensure reliability. In addition to this, another important characteristic of deduction is the need of operationalising the concepts so that they can be measured quantitatively (Saunders et al., 2012). Finally, for the purpose of generalisation it is necessary to carefully select the sample. In summary the important characteristics of a research that adopts deductive approach are:

- Explanation of causal relationship between concepts
- Use of highly structured methodology
- Operationalisation the concepts for the purpose of measurement
- Use of appropriate sample size to facilitate generalisation of results.

This particular piece of research adopts the deductive approach because the theory is developed at the beginning. The theory has been developed by reading available academic literature and the strategy has been designed to test the theory. A number of hypotheses were constructed based on the argued theory. The above mentioned important characteristics of the deductive approach have been carefully considered while designing this research. The research starts by giving detailed explanation to the causal relationship between concepts with the help of existing literature and the development of hypothesis have occurred. In succession to this a highly structured methodology is proposed for the purpose of analysis. The concepts under consideration are operationalised for the purpose of measurement and a census has been adopted for the purpose of data collection to facilitate generalisation of results. Use of methodology, operationalisation of concepts and census for data collection are explained later in this chapter.

4.5 Research design

A design for research study is the plan for collecting evidence that is used to answer the research question (Saunders et al., 2012; Vogt, 2007). After identifying the variables in a problem situation and developed the theoretical framework a relevant design of the research is required in order to gather the whole required data which could be analysed to reach a solution (Sekaran and Bougie, 2013). A research design is based on the following six major factors: purpose of the study, type of investigation, extent of researcher interface, time horizon and the unit of analysis (Sekaran and Bougie, 2013). The purpose of this particular study, as discussed in the earlier part, is to test the hypothesis. The type of investigation in this particular study is causal and the extent of researcher's interface is minimal as this study is conducted in the natural organisational environment and the respondents within the organisation are only required to answer some questions which are included in the questionnaire. Thus, the settings for the study are regarded as non-contrived settings where the level of interference in the life of subjects of study is not high.

The study is the one shot study as the data is gathered just once not over the period of time. The research design calls for the organisational level of analysis and organisations are treated as the unit of analysis. The level of interference in the life of subjects of study is not high. This study concentrates to study the level of return earned by the organisations after their financial investment in the strategic activity of downsizing. This research aims to examine the relationship between different variables and the focus is on testing the theory. The variables are proposed to measure numerically and analysed using statistical techniques. Data is required to be collected in a standard manner from each organisation and each organisational response is treated as the individual data. The above explanation of the research design clearly indicates that the basic type of research design used for this piece of research is the quantitative design.

4.6 Research strategy: survey

A strategy is a plan of action to achieve a desired goal (Griffin, 2012). Therefore, it can be said that research strategy is the plan of action to answer the research question. The research strategy is the methodological link between the research philosophy and the choice of methods to collect and analyse data (Denzin and Lincoln, 2011). The choice of research strategy is guided by the research objectives. Survey strategy is frequently used to answer who, what, where, how much and how many questions. It helps to collect quantitative data which can be analysed using statistical techniques. Survey strategy has been employed using the questionnaire technique to collect standardised data from a sizable population. A major advantage of survey strategy is that it is a highly economical way to collect data as well as it is generally perceived by people as authoritative and is easy to explain and understand. The major disadvantage is unlikelihood of collecting wide ranging data because there is a limit to the number of questions to be included in a questionnaire.

Based on the explanation in the section of research design, it is evident that the suitable strategy for this particular piece of research is survey. The survey is a popular and a very common research strategy in the field of management and business (Saunders et al., 2012). It is applied if the researcher is using the deductive approach which is the case in this particular piece of work. Survey strategy allows collecting large amount of data in a very cost effective way (Saunders et al., 2012). The current research is explanatory in nature and employs deductive approach therefore the most suitable available research strategy is survey. The given research mainly requires quantitative data to achieve the research objective and answer the proposed research question. The qualitative type of data can also be collected with survey strategy which later can be transformed into quantitative to serve the statistical analysis. Survey strategy can serve as feasible strategy for the given research because it is low cost strategy both in terms of time and money. A large number of respondents can be targeted even if they are geographically dispersed. The characteristics of respondent are discussed later in the chapter.

The limitation to the number of questions, in the questionnaire, has been dealt by examining the secondary data source which is the company annual reports where they publish the organisations information about its key decisions made and some important strategies which organisation choose to implement. And also the financial statements of the company were studied to extract the required information.

4.7 Sources of data

Data can be collected from two types of sources that is, primary source and secondary source. Data collected using primary source is called primary data whereas; data collected using secondary source is known as secondary data (Saunders et al., 2012). The type of data which is collected specifically for a research project being undertaken is regarded as primary data. On the other hand, data that were originally collected for some other purpose or other research project is regarded as the secondary data (Saunders et al., 2012).

The current research project aims to achieve its objectives by collecting primary as well as secondary data. It is due to the fact that the data for the dependent variable and control variable can be collected using secondary sources, for example, published documents and the annual reports of the businesses. However, for the independent explanatory constructs including integrated human resource practices and the role of change agent, data can only be made available for this research project if it is collected in primary form.

4.8 Data collection method

Data collection method is dependent on the type of data required and the source used for collection. As mentioned earlier, the current research project involves collecting both primary and secondary data. The data for the independent explanatory is collected using primary sources whereas; data for dependent variable and control variable is collected using secondary sources. Therefore, more than one method is employed for data collection purpose. For primary data, questionnaire is used because questionnaires are used to collect the data when it is known what exactly is required for the given piece of research and measurement of variables of interest is clear. In the mentioned situation it is considered as the most efficient instrument for data collection. For secondary data specific documents of the firms are used.

4.8.1 Primary data collection: questionnaire

There are three possible techniques to conduct a survey research strategy that is, use of questionnaire, structured interview, or structured observation. Questionnaire is used to collect primary data for this piece of research. Questionnaire is a method of data collection in which each respondent is asked to respond to the same set of questions in pre-determined order (DeVaus, 2002). Saunders et al., (2012) argues that questionnaire is the most suitable data collection instrument for a descriptive or explanatory research. As the current research is explanatory or analytical in nature, therefore, it calls for the use of questionnaire for data collection.

As per Ghauri and Gronhaug (2010) prior definition and conceptualisation of theories based on existing literature are important for designing a questionnaire. Before designing the questionnaire for this research relationships between different variables are clearly defined and the distinction between the dependent and explanatory variables was made. Furthermore the requirements for the statistical analysis were well thought through. A questionnaire has been designed solely for the purpose of this research by using reviewing the existing literature in depth to create, adopt, or adapt existing scales of measurement. The questionnaire is designed to collect primary data on the independent explanatory constructs including the integrated strategic human resource practices (communication system, compensation system, empowerment of survivors and trust of survivors) and the critical role of change agent/manager (interpersonal skills, negotiation skills and team building skills) in the process of implementing strategic change of downsizing.

4.8.1.1 Type of questionnaire

There are a number of alternatives to the type of a questionnaire. Saunders et al. (2012) emphasises that the choice of questionnaire is influenced by various factors. These factors include characteristics of the respondents, importance of reaching a particular respondent, minimising the chance of contamination or distortion of responses, the response rate, type of questions and the number of questions. The available choices for the type of questionnaire, as mentioned by Saunders et al. (2012) are divided into two major categories:

- Self-completed questionnaire – completed by respondents,
    - Internet mediated questionnaire – sent electronically to respondents,
    - postal or mail questionnaires – posted to respondents and returned by post after completion
    - Delivery and collection questionnaires – delivered by hand to each respondent and collected later,
- Interviewer completed questionnaires – responses recorded by interviewer
    - Telephone questionnaires – questionnaire undertaken using the telephone
    - Structured interview – interviewer physically meet respondent and ask questions face to face

The type of questionnaire used for collecting data is the self-completed questionnaire and further to this, it is mainly the postal questionnaire. However, in some cases it is the delivery and collection questionnaire. The choice of the type of questionnaire is dependent on the geographical location of the respondent. The second type has been chosen to speed up the data collection process by targeting the geographically assessable organisations. The research required to split the questionnaire into three sub questionnaires due to the type of questions asked. For example, the questions about trust and empowerment level of survivors cannot be answered by the managers. The most suitable individuals to provide the best answers are the employees themselves. Each questionnaire is further highlighted in the data collection chapter and the argument about the respondents can be found in a later section of this chapter, dealing with respondents. Additionally, Table 4.2 presents a clearer picture of the same. The three questionnaires developed for this piece of research are given in appendix 2.

4.8.1.2 Type of data variable

According to Dillman (2011) three different types of data variable can be collected through questionnaires. These include opinion, behaviour, and attribute variables. In the current research the two major types of data variables, that is, opinion and attribute, are included which necessitated the use of questionnaire to collect primary data. According to Saunders et al. (2012) opinion variables record the feelings or beliefs of respondents about something, behavioural variables contain data on what respondents have done in past, do now or will do in future whereas, attribute variables contain data about the characteristics of respondents. The independent explanatory variables (from primary sources) in this piece of research are behaviour variables.

4.8.1.3 Individual questions

The individual questions included in questionnaire are designed based on the type of data needed to answer the research question. The questionnaire is designed to mainly collect data on independent explanatory variables used in the current research. Based on suggestion by Bourque and Clark (1992) the questions in the questionnaire were adopted, adapted or specially developed to be used for this research. Open ended questions allow the respondent to give answer in their own way whereas, the closed ended questions provide respondents a number of alternative answers to choose from (Fink, 2012; DeVaus, 2002). The questionnaire includes both open and close ended questions. Very few open ended questions are used to collect data on the organisational or respondent characteristics, for example, the incorporation date of the organisation. The majority of questions are the closed ended or forced choice questions because they are usually quicker and easier to answer as well as require minimal writing (Saunders et al., 2012). To measure the empowerment and trust of survivors within the organisation, existing scales of measurement found in the literature were adopted (discussed in detail later in the chapter). Rest of the questions to measure other required variables have been developed with the help of the existing rich literature on downsizing. The type of individual questions used in the questionnaire is the rating type because the opinion of the respondents was required to be collected data for independent explanatory variables (behaviour variables).

4.8.1.4 Types of variables measurement

To assign a number to a variable or to express an observation as a number is known as the measurement (Vogt, 2007). As errors in the measurements cannot be eliminated but they can be reduced by choosing the good measurement technique and it is possible to measure the amount of error (Vogt and Johnson, 2011). In literature, typologies of levels of measurement can be found and the most commonly used typology is nominal, ordinal, interval and ration (NOIR) which was created in 1950s. Nominal measures are just the categories or names ordinal measures are ranks interval measures whereas a ratio measure has a true zero point and also have the equal distance between two points. The higher level of measurement contains more information and it is possible to convert the higher level of measurement into lower level but the opposite is not possible (Neuman, 2013). Out of the four types or levels of measurement, ordinal is chosen to carry out primary data collection using questionnaires in this research work because the ordinal type of measurement categorises the responses on a scale and it is feasible to measure the opinion of the participants (Sheskin, 2011).

4.8.1.5 Measurement scales

Scale is a coherent set of questions or items in a scale that serves as an indicator of a construct or concept (Corbetta, 2003). Individuals or subjects of the research can be distinguished from one another on the variables with the help of a scale. Scale could be fine-tuned one to differentiate subjects with various degree of sophistication or it could be a gross one to help broad categorisation of subjects on the given variables. In the current research the type of variables included in the questionnaire is categorical. Therefore, among the four types of scales, ordinal scale is used to develop the questionnaire and the sub type of scale is the Likert's five point scale.

Likert scale is frequently used by the rating questions (Saunders et al., 2012). Likert style rating scale helps to measure the agreement or disagreement of a respondent to a statement. The respondent is asked how strongly he or she agrees or disagrees with a statement. According to Sekaran and Bougie (2013) Likert scale is a 7-point, 5-point or any number point scale with the specific anchors for example, a seven point scale can be; strongly disagree (1), disagree (2), somewhat agree (3), neither agree nor disagree (4), somewhat agree (5), agree (6), strongly agree (7). The anchors may vary from one questionnaire to another depending on the questions asked. The questionnaire designed for this piece of research employs Likert style scale because the individual questions are rating type and aims at measuring the opinion of the respondents. In this case, a five point scale is used in the questionnaire with the commonly used anchors: strongly disagree (1), somewhat agree (2), neither agree nor disagree (3), somewhat agree (4), strongly agree (5). This makes all questions pre-planned with coding rules for data entry and analysis.

4.8.2 Secondary data collection: documentary

The possible variety of secondary data as classified by many researchers (e.g. Saunders et al., 2012), include documentary, survey and multiple source data. Documentary data can be further divided into text and non-text types. Documentary text data include text material, for example; business reports, public reports, minutes of meetings etc. Examples of non-text data include voice and video recordings etc. survey based secondary data is one which is originally collected for some other purpose using the survey strategy and the multiple source data is compiled from documentary and survey data (Saunders et al., 2012).

4.8.2.1 Type of secondary data

Secondary data can be numeric (quantitative) or non-numeric (qualitative) in nature it is available in raw or compiled form (Saunders et al., 2012). Raw data is available with little or no processing whereas compiled data is in the form of a selection or summary.

Saunders et al. (2012) argues that documentary secondary data are frequently used in the type of research projects where primary data is also collected. As mentioned earlier, the current research is designed to collect data for elements of dependent variable and control variables from secondary source. Therefore, the current research requires the use of text type documentary data and is in the numeric form mainly except for one control variable it is available in non-numeric form. The three control variables, as discussed later in the chapter, are size of the firm, age of the firm and type of the firm. This data is sourced from organisations' websites and annual reports of the organisations participating in research. Secondary data for type of the firm is non-numeric (qualitative) in nature whereas, for size and age of the firm, data is available in numeric (quantitative) form.

To achieve the research objectives annual financial statements of the selected firms are required. Seven years (year 2005 – year 2011) of financial statements were used to extract the required data. Data to measure the elements of dependent construct which includes value of the firm, profitability of the firm, liquidity of the firm and financial risk present in the firm is available in the annual financial statements of every firm. This is further explained in the later parts of this chapter.

In case of public limited firms the annual accounts are available to general public. They can either be found on the websites of individual companies or can be requested in printed form directly from the companies directly. However, for the private limited companies the accesses to the annual accounts are restricted as they are not available free of charge to general public. The annual reports are available with the Companies House, UK. The main functions of Companies House, UK are to: incorporate and dissolve limited companies, examine and store company information delivered under the Companies Act and related legislation, and make this information available to the public. The annual reports of the firms included in the research are downloaded from the website of Companies house by paying a charge. There are some other databases, for example, DueDil, UK where these reports can be found but in order to improve the validity of the data the original source which is Companies House, UK in this case is preferred. The secondary data collected for dependent and control is treated as raw data. For control variables the collected data is later categorised and coded to make it usable for data transformation and its analysis (see later parts of this chapter and chapter 5). For dependent variable, the figures extracted from the financial statements are later used to measure or calculate the relevant financial ratios. The ratios are then categorised and coded for transforming data and its analysis (see later parts of thesis).

4.8.2.2 Types of variables measurement

To express an observation as a number is known as the measurement (Vogt, 2007). Errors in the measurements can be reduced by choosing the good measurement technique (Vogt and Johnson, 2011). As mentioned earlier, the most commonly used typology created in 1950s for levels of measurement is nominal, ordinal, interval and ration (NOIR). Nominal measures are just the categories or names ordinal measures are ranks interval measures whereas a ratio measure has a true zero point and also have the equal intervals have the equal distance between two points. According to Neuman (2013), higher level of measurement contains more information therefore where possible higher levels of measurements are chosen. To carry out secondary data collection for size of the firm, age of the firm and for financial figures from annual reports, ratio is chosen as level of measurement. It is because the data is available in numeric form and ratio type of measurement has a true zero point. For other secondary data i.e. type of the firm, nominal type has been used as it can categorise the responses in two categories. (Sheskin, 2011).

4.8.2.3 Measurement scales

Scale is used to distinguish subjects of the research from one another on the required variables (Corbetta, 2003). Based on Saunders et al. (2012); Sekaran and Bougie (2013) and others, ratio scale is used to collect major secondary data except for one control variable (type of the firm) where nominal scale is used as it is dichotomous type of variable. Ratio scale is frequently used for numeric (quantitative) type of data therefore; it serves the purpose for this research.

To provide a snapshot of research design and methods table 4.1 has been developed.

Table 4.1: Research Design and Methods: A Snapshot

Research Characteristics	Characteristics Specific to this Research
Philosophy	Positivism
Approach	Deductive
Methodological choice	Quantitative
Strategy	Survey
Data Collection technique	Questionnaire

Source: Author developed for this research

4.9 Universe and population of the study

In this case the universe of the study is all firms that announced and implemented downsizing. From this universe a population has been selected. The population is all firms that implemented downsizing in year 2008 and are based in United Kingdom.

4.9.1 Identification of population for the study

The data set for this piece of research is collected from European monitoring centre on change (EMCC) which is the part of Eurofund. Eurofund is formally known as the European foundation for the improvement of living and working conditions was established in 1975 by Council Regulation to contribute to the planning and design of better living and working conditions in Europe. Eurofound is a tripartite European Union agency, whose role is to provide knowledge in the area of social and work-related policies. European monitoring centre on change (EMCC) was established in 2001. EMCC is an information resource established to promote an understanding of changes in work, employment and restructuring.

The EMCC's mission is to highlight the economic and social developments that drive change in European labour markets. Its key focus is on the employment, restructuring and the labour market trends. One of the major roles of EMCC is to provide up-to-date news and analysis on company restructuring and relevant policy initiatives through the European restructuring monitor (ERM). Since 2002, the European Restructuring Monitor (ERM) has been monitoring the employment impact of large-scale restructuring events in the EU Member States plus Norway. The ERM offers a searchable database of restructuring events based on announcements in national media sources. A searchable database of fact sheets on restructuring cases, updated almost daily, is obtained for the purpose of this study. Restructuring cases include both business expansion and downsizing. For the purpose of research the cases of downswing in the year 2008 are extracted from the searchable database of fact sheets because the focus of the study is only downsizing. The information available in The European Monitoring Centre on Change (EMCC) provides a summary of downsizing announcements outlining the reason and some other major concerns.

The List of United Kingdom based companies, available in the EMCC, who announced and implemented downsizing is used as the population for the study. The announcements and implementation in the year 2008 are taken into consideration because the study calls for the measurement of three year after effects (year 2008 – year 2011) of implemented downsizing strategy. The approach is similar to the approaches taken into consideration by other researchers (for example, De Meuse et al., 2004).

The advantage of relying on European monitoring centre on change (EMCC) is that it is a sophisticated organisation and the European restructuring monitor (ERM) is one of the main activities of it. The information obtained from EMCC is reliable because it has a strong reputation of accuracy. The European Monitoring Centre on Change (EMCC) database of year 2008 is mined to get information on the following:

- the announcement dates of downsizing,
- country where company is operating,
- name of the company,
- reason of downsizing,
- exact figure of planned reduction in workforce

Several filters are applied to this initial list of companies. Firstly, the companies not operating in United Kingdom are excluded, Second, announcements on downsizing which led to closure of organisation are eliminated, since these are not the object of this particular research study instead, the focus is on the firms which survived for at least three financial years after implementing downsizing. Thirdly, the companies with downsizing announcements that did not actually implemented downsizing in the year 2008 are eliminated. Fourthly, announcements on downsizing with less than four years of firm age are eliminated, since these are not the object of this particular research study instead, the focus is on the firms which existed before implementing downsizing for at least three financial years. Four year time frame is selected because the annual accounts are available after one financial year and the aim of this study is to analyse three years of financial performance prior to implementing downsizing strategy and three years after the implementation of strategy. If the firm is established in year 2004 only then the annual accounts for year 2005 will be available. The application of these criteria resulted in a final population of 136 organisations.

4.9.2 Sampling

Sample is simply defined as the sub group of a larger population (Saunders et al., 2012). There are several approaches to determining the sample size e.g. the two major types are probability and non-probability sampling (Saunders et al., 2012). However there are other approaches to sampling by authors like Israel (1992). One of these includes using a census for small populations. According to Israel (1992) census approach uses the entire population as the sample and is attractive for small populations (e.g. 200 or less). This approach eliminates sampling error and provides data on all the individuals in the population. It is important to sample entire population in case of small populations to achieve a desirable level of precision. Based on suggestions by Israel (1992), sampling in this particular piece of research is not needed as the situation calls for the census where the aim is to collect data from every single firm present in the population. In the case of current research it is because the total population includes only 136 organisations (less than 200) which is a very limited number and does not allow room for sampling. For the purpose of this study; the total number of organisations in the population is determined if they meet the following criteria:

- The firm is based in UK.
- The firm that reduced its total workforce by at least 5%.
- Firm that announced and implemented downsizing in year 2008.
- The firm was running its operations at least for the past four financial years (i.e. established year 2004 or before because annual accounts are available after one year – annual accounts for year 2005 are required in the current study)
- The firm continued running its operations at least for the next three financial years (until year 2011).

4.9.3 Unit of analysis

Unit of analysis are the individual units about which the descriptive or explanatory statements are made in a research (Babbie, 2014). The primary unit of analysis in the current piece of research is organisation because the conclusive statements are made about the organisations and not their employees. The research focuses on the firms that implemented downsizing strategy as a strategic change.

4.9.4 Units of observation

Units of observation are the individuals from whom questions are asked in the process of data collection (Babbie, 2014). There are multiple units of observation in the case of this research. Moreover, they are different in case of primary and secondary data. Units of observations are widely referred as respondents by many authors e.g. Saunders et al. (2012).

Table 4.2: Respondents of Primary Data

Constructs	Variables	Sub measures	Respondents within the firm
Strategic Human Resource Practices	Communication System	• Morale of survivors • Trust in the management • Stress of survivors • Productivity of survivors	Strategic Human Resource Managers
	Compensation System		
	Empowerment level of Survivors	• Dynamic structural framework • Control of workplace decisions • Fluidity in information Sharing	Union representatives
	Trust level of Survivors		
Role of Change Agent(s)		• Interpersonal Skills • Negotiation Skills • Team Building Skills	Managers Leading strategic change of Downsizing

Source: Author developed for this research

The respondents in case of primary data which is collected using questionnaire include strategic human resource managers, union representatives, and managers acting as change agent. However, for the secondary data collection annual financial accounts of the firms are considered as respondents. As mentioned earlier in this chapter (Section 4.8.1), that to achieve the objectives of this research it was important to split the questionnaire into three different questionnaires. The idea is to collect responses from the most relevant individuals. For the first two variables, communication system and compensation system, human resource managers are selected as respondents because they are the policy makers for issues concerning human resources. For the questions about trust level and empowerment level of survivors the most relevant individuals to provide the answers close to reality are the employees themselves.

As stated earlier in this chapter that in the current research the unit of analysis is organisations and not the employees so selection of respondent employee was in question. To address this issue employee union representative was selected. The union representative can respond to questions in the most reliable manner and helps to minimise the bias. For the second major construct of the current research line managers are treated as agents. This has been elaborated in detail in the chapter concerning conceptual framework of the research. The manager(s) leading strategic change of downsizing is able to respond to questions concerning their skills. Selected respondents to collect primary data using questionnaire is summarised in Table 4.2.

4.10 Type of statistical technique

Statistical analysis is used on any quantitative data type to be able to understand and make interpretation. Statistical analysis helps to tell the researcher what data say. There are three types of statistical analysis descriptive, associational and inferential. The first type, which is the descriptive statistics, helps to describe and summarize the data. Associational statistics is a tool which can help the researcher assess the number of variables which can go together or are associated to each other. The third and the last type mentioned above, the inferential statistics, are helpful to draw a conclusion about the whole population on the basis of available information about sample which is drawn from the given population. There are two statistical techniques to use for the analysis namely parametric measures and non-parametric measures (Vogt, 2007). Parametric measures are suited for the analysis when the quantitative data to be analysed is of ratio or interval level. For the current piece of research as the level of measurement is ordinal then it is obvious to use the parametric measures.

4.11 Control factors of the framework

Some unwanted factors that are not part of the research framework influence the relationship of factors which are actually under consideration for the research. These unwanted factors are always present and the only remedy for them is to avoid their influence. If these factors are not avoided they can lead to the spurious results and conclusions (Saunders, 2012). These additional factors are known as the control factors and are controlled in order to get results as close to reality as possible. The three major factors which are expected to influence the results are further elaborated below:

4.11.1 Type of the firm

On the basis of type, the organisations can be divided into two different categories, that is, public limited or private limited. The public limited firms are different from the private limited firms based on many aspects (Rainey et al., 1976; Perry et al., 1988; Rainey and Bozeman 2000; Boyne, 2002 and many others). For example, the managers of a public limited company are under considerable pressure from their stockholders to improve financial performance (Budros, 2002). For this reason, organisations listed on the stock market may decide on employing downsizing as a strategy for cutting costs and improving financial performance. Therefore, it is important to deal with this effect in order to have meaningful results of analysis.

4.11.2 Age of the firm

The number of years an organisation has been into existence is regarded as its age. The work of many researchers (Evans, 1987; Huynh and Petrunia 2010; Fort et al., 2013; Coad et al., 2013 and many others) highlights the relationship between the age of a firm and its performance. The older firms might benefit from both the process of learning and effects of its reputation which increases the chance of observing a positive relationship between firm's age and its performance. Another possibility is that the age of the firm and its performance may be negatively associated. The reason for negative relationship could be that the older firms may have developed routines and may not pay adequate attention to the changes in market conditions because aging is a process associated with a general decline in the functioning of an entity (Loderer and Waelchli, 2010). Moreover, Gandolfi (2014); Gandolfi (2013); Gandolfi and Hansson (2011); Datta et al., (2010) identifies in their comprehensive review of studies on downsizing that age of a firm can influence the effect of downsizing strategy on the long-term and short-term performance of the firm. By looking at the views of many authors in the same field; age of the firm is treated as a control variable to find out the realistic picture.

4.11.3 Size of the firm

Size of the firm is the relative size of company. It is method of categorising companies according to size for the purposes of statistics (Qfinance, 2009). Typically, the firms are divided into any of the four types; micro business, small business, medium-sized business or large-sized business. Qfinance (2009) further distinguish the four types of businesses as follows:

Micro business: It is a very small business that directly employs fewer than ten (1-9) people.

Small business: An organisation that is small in relation to the potential market size and is managed by its owners. This type of organisation employs less than 50 employees.

Medium-sized business: An organisation that is in the start-up or growth phase of development and employs less than 250 employees.

Large-sized business: An organisation with 250 or more employees and that has grown beyond the limits of a medium-sized business.

The definitions of different types of businesses given by Qfinance (2009) are the ones adopted for statistical purposes by the Department for Business Enterprise and Regulatory Reform, United Kingdom. The relationship between the size of the firm and its performance has been studied by a large number of researchers; for example, Lee et al. (2013) claims that there is a close relationship between a firm's size and its performance. In other words, an increase in a firm's size will aggravate the magnitude (negative or positive) of a potential performance. They measure the size of the firm by the total revenues similar to the approach of many other researchers. In the conventional research the amount of property, amount of sales or total number of employees is usually adopted as a measure of firm's size. However, most of the literature adopted the number of employees as a measure of size (Yasuda, 2005; Beck et al., 2005).

In addition to that, it is argued that one of the major issues is to determine whether large or small firms are the main source of new employment. It can be inferred from the major part of the literature dealing with downsizing that firm size is measured by its total number of employees. For example, Kedia and Mukherjee (2009) in their study highlights that changing the size of the firm by vertical or horizontal disintegration is a form of downsizing. In simple words, disintegration is the decision to close down some of the sub-businesses and outsource them instead. Based on the commentary on the concept of downsizing given in the earlier chapters; the number of employees of the firm determines its size. Therefore, in line with the concept of downsizing, the number of employees is adopted as a measure of size of the firm for this research. The research controls for firm size, so that the results of analysis offer an appropriate idea of the relative impact of the reduction in workforce on the performance of the firm after implementing the downsizing strategy.

4.12 Operationalisation of control variables

Control variables are the unwanted variables that need to be kept constant to avoid their influence on the effect of the explanatory variable on the dependent variable. These variables are measurable variables and it is important to take their effect out of the relationship being studied (Saunders et al., 2012). Three control variables are identified for this piece of research and their operationalisation is discussed below.

4.12.1 Type of the firm

The organisations in the data available for the given research can either be a public limited firm or a private limited firm. This control variable is qualitative in nature hence; to make it useable for the purpose of a quantitative work it needs to be quantified in some way. The type of measurement is discrete and is measured on a nominal scale. The variable takes value “1” if a firm is public limited firm (listed on the stock market), whereas the same variable is assigned value “0” if the firm in the available data is a private limited firm. Since, this variable can only be coded as “0” or “1” therefore; it can be regarded as dichotomous variable.

4.12.2 Age of the firm

The variable, age of the firm, is measured by the number of years it has been into existence. Age of the firm can easily be computed from the available data. For this reason, the birth year of the firm needs to be defined first. Birth year of the firm is the year when the establishment reported its registration and the start of its operations. The age of the firm accumulates with every additional year after that. For example, start-ups (first year of incorporation) are firms with the age of 0 because no previous activity is associated with these firms. In the context of this research, it is the total number of years between the year of downsizing and the year of incorporation. The variable is computed for all firms by taking the difference between the year of downsizing (year 2008) and the birth year.

This control variable is quantitative in nature and it takes the continuous variable form and not categorical; as indicated by the above mentioned method of its measurement. It is measured using a ratio scale and to make it fit for the purpose of analysis for this research, it needs to be converted into categorical form. The variable is coded as “1” if the age of the firm is up to 10 years, “2” if it is 11 to 20 years and “3” if the age of the firm is more than 20 years.

4.12.3 Size of the firm

The size of the firm is measured as the total number of employees at the time of downsizing announcement. Information about the number of full-time employees, part-time employees and total number of employees (full-time employees + part-time employees) can be obtained from the firms which are part of this research. However, this research has adopted the total number of employees as a measure of size of the firm because it is conceivable that the essential human capital of the firm appears to be accumulated in the total number of employees. It was discussed previously that the firms can be divided into four different types (micro, small, medium and large); however, this research covers only three (small, medium and large) of them. The research covers only three types of the firm because the micro firms do not exist in the collected data also, it is obvious from the criteria (as described in section 4.11.3) set for the selection of firms for the purpose of data collection. As defined earlier, the small firms are those with less than 50 employees, medium-sized firms are those that employ 51–250 employees, and large firms are those that employ more than 250 employees.

The nature of this control variable is quantitative and is measured as a continuous variable. The scale used to measure this variable is ratio scale therefore; this necessitates the transformation of the variable into the nominal or categorical form. Size of the firm is a variable that takes the value of “1” if firm is a small-sized (under 50 employees), “2” if it is a medium-sized (51–250 employees and “3” if it is a large firm (more than 250 employees).

4.13 Operationalisation of explanatory variables

Integrated strategic human resource practices and the role of change agent are two explanatory variables. These two variables further include the sub variables. To achieve the desired research objectives, all these variables are operationalised with the help of extensive literature available on downsizing and the identified explanatory variables. The critical human resource practices during the implementation of downsizing were recognised. The data on these variables is obtained from human resource managers, the union representatives and the managers leading the strategic change of downsizing. Operationalisation of each variable is further elaborated as follows:

4.13.1 Integrated strategic human resource practices

Communication system

This variable is measured using several items. The items are further categorised into categories to measure the effectiveness of communication system to positively improve trust of employees in management, morale, productivity and stress levels of employees. The four major aspects to measure effectiveness of communication system in place at the time of implementing downsizing strategy is identified and endorsed by many scholars (Samaha, 1993; Appelbaum et al., 1997; Kang, 1999 and many others). The questionnaire includes the seventeen items in total and the included in the questionnaire have been found in literature vastly. The questionnaire containing items measuring effectiveness of communication system at the time of implementing downsizing can be found in the appendix 2.

Compensation system

The variable compensation system is operationalised by taking into account both monetary (financial) and non-monetary (non-financial) factors. The financial and non-financial factors form the compensation system of an organisation. The compensation system specifically designed or modified at the time of implementing downsizing can play an important role in earning higher level of return by implementing downsizing strategy. The concept of compensation system with respect to downsizing strategy has already been explained in the conceptual framework chapter with help of existing body of literature. The monetary factors taken into account are the early retirement packages, severance packages, accrued holiday pay and/or sick pay and the payment of any overtime. The most important non-monetary factor is the part of employee well-being strategies. To cover the non-financial aspect, counselling services offered to the departing employees are employed. A five item measurement scale has been developed to facilitate the measurement of the compensation system during the implementation stage of downsizing strategy.

Empowerment of survivors

To measure the level of empowerment there are several scales available in the literature. (for example, Thomas and Velthouse's 1990; Spreitzer, 1995; Konczaket al., 2000), however there is one effort in the literature to develop the empowerment scale that includes both, relational and psychological perspectives of empowerment (for example, Mathews et al., 2003).

Table 4.3: Measurement scale for empowerment of survivors

Measure	Indicators
Dynamic structural framework (DSF)	• "Thinking out of the box" behaviour was appreciated • The company provided information on what the company wants to accomplish in the future. • The company provided information on how company objectives are going to be achieved • Employees had a say in changing company policies • The company did not encourage risk taking with regard to work production • While performing job duties, employees were not encouraged to use independent problem-solving skills • The company had established production guidelines
Control of workplace decisions (CWD)	• Employees had a say in defining their job responsibilities • Employees had a say in setting their own production standards • Employees had discretion in when they take their paid leave of absence • Employees had a say in the production teams to which they are assigned • Employees had input in the hiring of new employees • Employees did not have a say in the establishing of their own retirement plans • Employees did not provide reviews of their manager
Fluidity in information sharing (FIS)	• Employees were not provided with financial records of the company • The company did not have an efficient way to disseminate information to all levels of employees • Employees had access to the information in their personal work files • The company published information on the company's reward structure • The company provided employees with information on company clients • Employees did not have knowledge of company-provided professional development programs

Source: Adapted based on Mathews et al. (2003)

The selected scale for measuring empowerment level of employees incorporates dynamic structural framework (DSF), control of workplace decisions (CWD) and fluidity in information sharing (FIS). The concepts of DSF, CWD and FIS are elaborated in the conceptual framework chapter in the section explaining the concept of empowerment. Table 4.3 displays the multiple indicator measurement scale, as adapted by Mathews et al. (2003), used for measuring the level of empowerment of survivors. It includes twenty items in total which are distributed among DSF, CWD and FIS.

Trust of survivors

A considerable amount of literature is available on the measurement of trust since to date. Schoorman et al. (1996) four-item measure of trust has at times had lower than desired levels of Cronbach's alpha (Schoorman et al., 2007). Mayer and Gavin (2005) expanded the measure of trust to ten items and yielded alphas for the plant manager and the top management team of 0.82 and 0.76, respectively. Mayer and Davis (1999) and Schoorman et al. (1996a), measurement scales are much shorter and uni-dimensional (Schoorman et al., 2007). These scales have not consistently produced high Cronbach's alphas examples are 0.55 and 0.66 in Mayer and Davis (1999).

Table 4.4: Measurement scale for trust of survivors

Measure	Indicators
Trust of survivors	• Interests of all employees were kept in mind when making any decisions. • The employees had a willingness to let their supervisor have complete control over their future in the organisation. • The employees could speak freely in a problematic situation even if they were partly to blame. • Employees were comfortable being creative because the supervisor understands that sometimes creative solutions do not work. • It was important for employee to have a good way to keep an eye on the supervisor. • Increasing employee vulnerability to criticism by the supervisor would be a mistake. • If the employee had his way, the employee wouldn't let manager have any influence over decisions that are important to employee.

Source: Adapted based on Schoorman and Ballinger (2006)

There are no other brief, unidimensional published measures of trust that produces consistently high alpha levels. (Schoorman et al., 2007). For measurement of trust, seven items scale by Schoorman and Ballinger (2006) is the most promising measure. By maintaining the conceptual definition and not creating redundant items Schoorman and Ballinger (2006) expanded the original measure to seven items. In a sample of veterinary hospital employees, it has produced an alpha level of 0.84. Table 4.4 displays the multiple indicator scale with seven items, as adapted by Schoorman and Ballinger (2006) which measures the trust of survivors.

4.13.2 Role of change agent

Change agent is defined as the manager leading or facilitating the implementation of downsizing strategy. Role of change agent is the second major explanatory variable in the current research project. The background and the ideas concerning this concept about how it is linked to the return on downsizing have already been discussed in the conceptual framework chapter. Role of change agent is operationalised by the concepts central to it. Variety skills of change agent play a vital role in making the phenomenon on downsizing successful. The major skills of a change agent are identified as interpersonal skills, negotiation skills and team building skills. The items of measurement are chosen from the vast available literature on downsizing and change management. Multiple indicator scale are developed and employed to measure the interpersonal skills, negotiation skills and team building skills of a change agent. The total number of items measuring all three skills is twenty seven and the measurement items can be found in questionnaire included in the appendix 2.

4.14 Operationalisation of Dependent Variable

Return earned by the organisation by implementing downsizing strategy is the dependent variable. It includes the financial benefits associated with the event of downsizing. This variable is obtained from the organisations by looking at the firms' financial statements which are available online on the website of the companies itself or on the website of Companies' house United Kingdom. The balance sheets and income statements of the firms are available within the annual reports of the firms and contain the majority of the required data for the purpose of achieving the research objectives.

4.14.1 Return on Downsizing

The income statement and balance sheet of the firm are the basic inputs to the ratio analysis (Gitman and Zutter, 2014). The possible types of comparisons are cross-sectional and time-series. Cross-sectional analysis involves the comparison of different firms' financial ratios at the same point in time in relation to other firms in its industry. Commonly, a firm compares its ratio values to those of a key competitor or group of competitors that it wishes to compete with. On the other hand, time-series analysis gauges the performance of a firm over time. To assess the progress of a firm ratios are used to compare current performance to the past performance. Multiyear comparisons are useful to identify developing trends. The time series approach has been utilised to gauge the level of return earned by downsizing strategy because the current research aims to assess the level of return earned by downsizing strategy over a three year period. Any significant year-to-year changes are expected to be symptomatic of implemented downsizing strategy.

Different measures such as stock prices (Hallock, 1998; Worrel et al., 1991) and several financial accounting outcomes (Cascio et al., 1997; De Meuse et al., 1994) maybe used to examine financial performance for example: profit margin (i.e., profits/sales), return on assets (profits/assets), return on equity (profits/stockholder equity), asset turn over (sales/assets) and market-to-book ratio (market value/stockholders' equity). In line with the work of other researchers (Cascio, 1998; De Meuse et al., 2004; Yu et al., 2006), return on investment (ROI), the one and the only measure of investment, is employed to determine the level of gain earned by implementing downsizing which is regarded as the investment strategy. The most critical accounting measures of the financial performance of any organisation are taken into consideration to determine the success of downsizing strategy. The four most critical accounting measures of financial performance of the firm are the value of the firm, the profitability of the firm, the liquidity of the firm and the level of financial risk present in the firm (Hirt and Block, 2011; Friedlob and Welton, 2008).

Return earned by the strategy is the dependent variable in the current research project. A pre and post organisational performance is the focus of the study. The key indicators of the return are the major financial indicators of the firm. A three year time frame has been chosen for the purpose of this study. This means that financial health of the firm is analysed three years prior to implementing downsizing strategy and three years after the implementation of strategy. Three years' time frame has been selected as the study targets to measure the outcome of downsizing strategy in short term. Subjective measure of the firm performance may not serve the purpose of this study because of the nature of the dependent variable employed. The prior performance of the firm serves as the yardstick and the future return level can be assessed on its basis. Year 2008 serves as the base year and is denoted as T^{0}, the period covering year 2005 – year 2007 are denoted as T^{0-1} and the period covering year 2009 – year 2011 is denoted as T^{1} . This can be viewed on a continuum to make it easier to understand.

Pre- statues	**Base Year**	**Post- Statues**
T^{0-1}	**T^{0}**	**T^{1}**
2005-2007	**2008**	**2009-2011**

The variable of return is measured by major indicators of financial health of a firm. Value of the firm, profitability of the firm, liquidity level of the firm, financial risk present in the firm are selected to fulfil this purpose. The focus is on return on investment (ROI) as a measure of the return earned after the implementation of strategy under consideration (i.e., personnel reduction). Any changes in the performance of the firm, which result from employment downsizing, will show up in the return on investment measure. In line with other studies (for example, Cascio, 1998), the dependent variable is calculated as the average for the three years before and following the year of downsizing. The implementation year (year 2008) is considered as a base year. Value of the firm is measured by the market and the book value of the firm, profitability of the firm it is measured by the margin ratios (gross profit margin, operating profit margin, net profit margin) and return ratios return on assets (ROA) return on equity (ROE). Liquidity of the firm it is measured by the basic measures of liquidity which includes the Current Ratio, Quick Ratio (acid-test ratio) and Cash Ratio. Financial risk present in the firm is measured by the debt ratio, debt to equity ratio, interest coverage ratio and capitalisation ratio.

4.15 Reliability

Reliability of a study means that if it is repeated it would get the same results (Saunders et al., 2012). It is concerned with the question whether the devised measurements for concepts are consistent or not. Reliability is an important issue for any quantitative research because the measures need to be stable (Bryman and Bell, 2011). The two possible meanings of the reliability can be stability and the internal reliability. This means that every measure should be stable and have internal reliability (Bryman and Bell, 2011). For ensuring the stability of a measure test-retests method is adopted.

There are a number of threats associated with the issue of reliability. The common threats include participant error, participant bias, researcher error and researcher bias

(Saunders et al., 2012). Researcher error and researcher bias are the type of threats for qualitative research with subjective stance. It is because the researcher is part of what is being researched or can influence the interpretation of results. In the case of quantitative study with positivist approach the two common threats include participant error and participant bias. In the current research the two major associated threats are participant error and participant bias because the researcher is separate from what is being researched and the level of interaction with respondents is minimal. Participant error occurs when for example, the participant completes the questionnaire in rush etc. On the other hand participant bias can induce a false response where participants fear that their responses can be made public. To address these issues the participants were allowed ample time to complete the questionnaire at their own ease and they were ensured in the introductory letter that their identity will remain anonymous. Furthermore, the names of the individual participants were not asked in the questionnaire rather the focus was on the names organisations only. Moreover, the adoption and adaption of questions were considered in order to address the issue of reliability. The existing measurement scales in the literature are adopted and adapted to make the results and findings reliable.

4.15.1 Internal reliability

Internal validity is important for the multiple indicator measurements. The indictors need to be consistent or related to the same thing. There should be coherence between all the indicators so that respondents' scores on any indicator tend to be related to their scores on the other indicators (Bryman and Bell, 2011). Use of Likert-type scales calls for the calculation of cronbach's alpha. For the internal consistency and reliability for any scales or subscales used in the research, it is necessary to calculate and report cronbach's alpha coefficient (Gliem and Gliem, 2003). These summated scales rather than the individual items are used for the data analysis. If one does otherwise, the reliability of the items is at best probably low and at worst unknown. The problem with cronbach's alpha is that it does not provide reliability estimates for every single item (Warmbrod, 2001).

The current research uses the multiple indicator measurements for the majority of variables therefore; to address the issue of internal reliability Cronbach's alpha is employed in this research. The computed alpha coefficients vary between 1 and 0 and the acceptable level of internal reliability by many writers is 0.80 or 0.70 as a rule of thumb (Bryman and Bell, 2011). The alpha coefficients of the measurements in the given research were computed after pilot as well as major data collection. The results were satisfying the 0.70 rule of thumb which helped to deal with the issue of internal reliability.

4.16 Validity

Validity of a study means that it measures what we think it should measure (Saunders et al., 2012). Some types of validity including internal validity, content validity and construct validity are important for a research where a questionnaire is employed for collecting data (Blumberg et al., 2014). Control variables plays an important role in the validity of a research therefore, few controls were incorporated to ensure the validity of the data and subsequent analysis.

4.16.1 Internal validity

Internal validity is established for the quantitative and positivist stance studies. For a questionnaire based study it refers to the ability of the questionnaire to measure what the research intend to measure (Saunders et al., 2012). Internal validity means if that the research has evidence that what is done in the study caused what is observed. To address this problem in the current research, other relevant evidences are looked for that supports the answers found using the questionnaire designed. A major threat to the internal validity in the case of this research was the influence of past and present events. This can alter the perception of participants about the certain phenomenon. This threat was dealt with by requesting the participants to indicate their opinion both before and after the implementation of downsizing.

4.16.2 Content validity

Content validity refers to the extent to which the measurement device provides adequate coverage to the investigative questions (Saunders et al., 2012). Adequate coverage is judged in a number of ways for this research. Careful definition of concepts is made through the review of literature. Furthermore, individuals are contacted to assess the usefulness of the questions included in the questionnaire. The individuals were fellow colleagues and people who actually encountered the phenomenon of downsizing. This was proved to be helpful in further clarifying the question statement.

4.16.3 Construct validity

Construct validity is concerned with the extent to which the research actually measures what it is intended to measure (Saunders et al., 2012). In the given research hypotheses are deduced from the theory that is relevant to the concepts under consideration. The caution here is interpretation of concepts with reference to the theory. There is a possibility that theories are misleading or the selected measures of the concepts are the invalid measure (Bryman and Bell, 2011). This issue has been dealt with caution by carefully reviewing the literature. This helped to extract the optimal meaning to the existing theory. Furthermore to identify the valid measures of concepts existing body of knowledge plays an important role. The work of major contributors in the field is considered to carefully identifying a valid measure for each construct and how earlier studies have operationalised the different concepts.

4.17 Conclusion

The chapter elaborated the major aspects of research design and the associated methods. The first part of the chapter sheds light on the underlying research philosophy, its nature and approach. Data sources, types of data and data collection techniques for both primary and secondary data are identified in the chapter. In the later part of the chapter, ways to operrationalise the core variables are explained in detail. Operationalisation of variables is important to make the complex concept understandable and measurable. Control factors of the research project are introduced because it is required before the actual data collection. They are then operationalised to serve the purpose of measurement once data collection is completed. Finally, the critical aspects of research design before data collection are considered to address the issues of reliability and validity are covered in detail In short the chapter covers all those aspects of research design and methodology which are prerequisite of the data collection. The next chapter is focused on actual data collection for the current research project.

Chapter 5 Data Collection and Presentation

5.1 Introduction

Data collection and its presentation is important step in the process of any research. This chapter gives detailed explanation to how data is collected to achieve the objectives of the current research project. The chapter starts with the preparation before the pilot study and is followed by the actual pilot study, which was conducted to improve the measurement scales used in the questionnaire. Then, it discusses the actual data collection process conducted in United Kingdom. In the later part of the chapter the focus is on the preparation of data for analysis. The preparation includes the input of data, editing of data, coding of data and the formal checks for errors. The chapter closes by explaining the presentation of data.

5.2 Preparation before pilot study

5.2.1 Importance of a pilot study

No matter how much a researcher cares about the instruments used in a study, it remains an imprecise research procedure without a pilot study (Schwab, 2005). Particularly, a pilot study becomes more important for a study based on the self-completion questionnaire since the researcher will not be present to clear up any confusion that may arise (Bryman, 2012). By definition, a pilot study is a small sized study or small scale rehearsal of data collection from respondents similar to those that will be used in the full study and conducted before the main study (Zikmund et al., 2013; Groves et al., 2009). During a pilot study, a researcher evaluates the questions employed and instruments used before the start of a study (Cooper and Schindler, 2013). In addition, it is assumed the best way to find out how well the procedures, instruments and materials will work under realistic conditions (Bordens and Abbott, 2011; Groves et al., 2004). A pilot survey is important in evaluating the reliability and construct validity (Ghauri and Gronhaug, 2010). With a pilot test, the proposed questionnaire should be intelligible and clear to members of the target population (Remenyi et al., 2000). Then, problems with the wording of the draft questionnaire and design can be corrected at this stage before the real investigations starts (Lee and Lings, 2008; McNeil and Chapman, 2005; Oakshott, 2001).

5.2.2 Objectives of pilot study

Generally, the main issue of a pilot study is to detect weaknesses in design and instrumentation (Cooper and Schindler, 2013) and about usability, how well a survey instrument can be employed in practice (Groves et al., 2004). In other aspects, it is used to establish procedures, materials and parameters to be used in the real study (Bordens and Abbott, 2008). Specifically, a pilot study is utilized:

a) To determine the sufficiency and clarification of information or instructions given in order for respondents to complete a self-completion questionnaire (Bryman, 2012; Saunders et al., 2012). In this aspect, the researcher should verify the adequacy of directions given, any issues that arise and how to improve them. In addition, the researcher should clarify how long the questionnaire took to complete (Saunders et al., 2012). The checklist for the conducted pilot study to improve the instructions and directions of the questionnaire is based on Bordens and Abbott, (2008), Brace (2004), and Cooper and Schindler (2013)

b) To discover the question’s content, wording or sequencing problems (Cooper and Schindler, 2013). Through the process, the researcher should identify items that are difficult to understand (Schwab, 2005), unclear or ambiguous, and the questions that the respondent felt uneasy about answering (Saunders et al., 2012). Furthermore, a pilot study can show how well the questions flow and how to improve the features (Bryman, 2012). Points outlined by the above authors are considered in this piece of research.

c) To find out ways to increase the participant's interest (Cooper and Schindler, 2013). These include how to increase the probability that participants will remain engaged until the end of the survey (Cooper and Schindler, 2013) and reduce the non-response rates (Oppenheim, 2000).

d) To improve the other aspects of the instruments. The researcher should seek how to enhance the letter of introduction (Oppenheim, 2000), whether the layout is clear and attractive and any other comments from respondents (Saunders et al., 2009).

5.3 Pilot study

5.3.1 Informal pilot test

Before conducting the formal pilot test, an informal pilot test is conducted among a number of colleagues, and some of the individuals who actually encountered downsizing. These include survivors, victims and managers. Informal pilot study is conducted to refine a measuring instrument (Cooper and Schindler, 2013; Ghauri and Gronhaug, 2010; Lee and Lings, 2008). As recommended by Brace (2004), those with knowledge of questionnaire designs are more likely to pick up errors in the questions. Informal pilot tests were conducted before going into the actual field to collect data. Two types of individuals are chosen for the informal pilot test. The first type is the individuals who are carrying out the research work at the university. This was with an aim to get feedback and comments on the questionnaire from individual who are familiar and have experience with questionnaire design. The second type of individuals is those who actually encountered downswing at some point in their work lives. They are chosen to see whether the questions in the questionnaires are easy to understand and respond for the non-academic people.

Informal pilot study is conducted to check the time to complete a questionnaire on an average. This helped putting the right information about the average time to complete the questionnaire in the introductory letter to the respondents.

Several changes to the questionnaire were recommended on the wordings and length of the questions. Recommendations about the grammatical error are also incorporated after the informal pilot study. Considering all the suggestions, there were changes in the eleven questions (1, 4, 7, 9, 10, 11, 13, 15, 18, 20 and 21) in total to first questionnaire (for strategic human resource managers), five questions (6, 7, 12, 25 and 27) in total were edited in case of questionnaire number 2 (for union representatives). Finally seven questions (2, 3, 4, 6, 9, 10 and 15) in total were edited in case of questionnaire number 3 (for line managers leading change). See Table 5.1

Table 5.1: Status of questionnaires after informal pilot study

Questionnaire Type	Questions Edited	Total
Strategic Human Resource Managers	1, 4, 7, 9, 10, 11, 13, 15, 18, 20,21 21	11
Union Representatives	6, 7, 12, 25, 27	5
Change Agents	2, 3, 4, 6, 9, 10, 15	7

Source: Author developed for this research

5.3.2 Formal pilot study

A pilot study with a small sample is standard in survey research (Groves et al., 2004). Subsequently, Saunders et al. (2009) suggested that the minimum number for a pilot study is 10. Furthermore, respondents of pilot studies do not have to be statistically selected (Cooper and Schindler, 2013). Nevertheless, as stated by Oppenheim (2000), it is important for the researcher to cover the full age range of respondents in their pilot study. Concisely, the minimum target of respondents for a pilot study is 10 and covers the full range of respondents (Saunders et al., 2012).

A pilot study was done in United Kingdom. Since respondents of a pilot test should be those that will be used in the full study (Zikmund et al., 2013; Groves et al., 2004). A pilot test was conducted during the month of July 2012. Since there is no need for a pilot study to be statistically selected (Cooper and Schindler, 2013), the pilot study was conducted through convenience sampling. Overall, 10 organisations in, United Kingdom were included in the pilot study.

5.3.3 Changes to the questionnaires

Suggestions and recommendations from after the pilot had been used to improve the questionnaire. Overall, two types of changes have been made to the questionnaire.

a) Firstly, Saunders et al. (2012) recommended that instructions on how to answer the question and column headings are given above the grid on each subsequent page. But, respondents felt no need to do this as they understood the instructions, flow and order of the questions. Besides they thought these instructions also disturbed their reading and made the layout unattractive. Thus, instructions on how to answer the question will be placed only at the beginning of new sections, not for each subsequent page.

Table 5.2: Status of questionnaires after formal pilot study

Questionnaire	Total Questions Deleted	Total Questions in Questionnaire
Strategic Human Resource Managers	02	22
Union Representatives	00	27
Change Agents	05	26

Source: Author developed for this research

b) Second, on the question itself, respondents felt that one question looked similar to the other questions within the same variable. Therefore, two questions were deleted from first questionnaire (for strategic human resource managers), no question was deleted from second questionnaire (for union representatives) and finally from third questionnaire (for line managers leading change) five questions in total were deleted.

After the deletion of questions total number of questions in first questionnaire, second questionnaire and third questionnaire are twenty two, twenty seven and twenty six respectively.

Table 5.3: Questionnaire no. 1 – Strategic human resource managers

Variable		Variable Name	Question Number	Measurement Scale
Communication system	Improvement in TRUST in management	TRUST1	2	5 point Likert*
		TRUST2	4	5 point Likert*
		TRUST3	5	5 point Likert*
		TRUST4	6	5 point Likert*
		TRUST5	16	5 point Likert*
	Improvement in MORALE of Employees	MORALE1	1	5 point Likert*
		MORALE2	7	5 point Likert*
		MORALE3	15	5 point Likert*
		MORALE4	17	5 point Likert*
		MORALE5	18	5 point Likert*
	Improvement in PRODUCTIVITY of Employees	PRODU1	19	5 point Likert*
		PRODU2	20	5 point Likert*
	Improvement in STRESS levels.	STRESS1	3	5 point Likert*
		STRESS2	8	5 point Likert*
		STRESS3	9	5 point Likert*
		STRESS4	14	5 point Likert*
		STRESS5	21	5 point Likert*
Compensation system		COMPSYS1	10	5 point Likert*
		COMPSYS2	11	5 point Likert*
		COMPSYS3	12	5 point Likert*
		COMPSYS4	13	5 point Likert*
		COMPSYS5	22	5 point Likert*

* *strongly disagree (1), somewhat agree (2), neither agree nor disagree (3), somewhat agree (4), strongly agree (5).*

Source: Author developed for this research

The final variables included in the questionnaires are presented in the following three tables (Table 5.3, Table, 5.4, Table, 5.5). Each item of the scale is given name to make it unique on its own. Special attention has been paid to choose names for each variable (i.e., each item of scale) so that they are easily understandable and can portray their link to the specific variable. The names are assigned to each variable at this stage for making it usable for the purpose of data entry and analysis. Sophisticated software for data analysis requires each variable to have a unique name which matches the criteria given by the specific software for example; use of special characters, space between letters etc. (Pallant, 2007).

Table 5.4: Questionnaire no. 2 – Union representatives

Variable		Variable Name	Question Number	Measurement Scale
Empowerment of Employees	Dynamic Structural Framework	DSF1	1	5 point Likert*
		DSF 2	2	5 point Likert*
		DSF 3	3	5 point Likert*
		DSF 4	4	5 point Likert*
		DSF 5	5	5 point Likert*
		DSF 6	6	5 point Likert*
		DSF 7	7	5 point Likert*
	Control of work place decisions	CWPD1	8	5 point Likert*
		CWPD2	9	5 point Likert*
		CWPD3	10	5 point Likert*
		CWPD4	11	5 point Likert*
		CWPD5	12	5 point Likert*
		CWPD6	13	5 point Likert*
		CWPD7	14	5 point Likert*
	Fluidity in information sharing	FLIS1	15	5 point Likert*
		FLIS2	16	5 point Likert*
		FLIS3	17	5 point Likert*
		FLIS4	18	5 point Likert*
		FLIS5	19	5 point Likert*
		FLIS6	20	5 point Likert*
Trust of Employees		TROS1	21	5 point Likert*
		TROS2	22	5 point Likert*
		TROS3	23	5 point Likert*
		TROS4	24	5 point Likert*
		TROS5	25	5 point Likert*
		TROS6	26	5 point Likert*
		TROS7	27	5 point Likert*

* *strongly disagree (1), somewhat agree (2), neither agree nor disagree (3), somewhat agree (4), strongly agree (5).*

Source: Author developed for this research

The questionnaires include the questions to measure different variables and the sequence of questions is set according the guidelines provided by Saunders et al., (2012). Therefore, all questions measuring a single variable are not in continuous sequence. The three tables (Table 5.3, Table, 5.4, Table, 5.5) display each variable with its name and location in the questionnaires.

Table 5.5: Questionnaire no. 3 – Change agents

Variable	Variable Name	Question Number	Measurement Scale
Interpersonal Skills	COM1	1	5 point Likert*
	COM2	2	5 point Likert*
	COM3	3	5 point Likert*
	COM4	4	5 point Likert*
	COM5	5	5 point Likert*
	COM6	6	5 point Likert*
	COM7	7	5 point Likert*
	COM8	9	5 point Likert*
	COM9	10	5 point Likert*
	COM10	11	5 point Likert*
	COM11	12	5 point Likert*
	COM12	13	5 point Likert*
	COM13	14	5 point Likert*
	COM14	15	5 point Likert*
	COM15	16	5 point Likert*
	COM16	17	5 point Likert*
	COM17	18	5 point Likert*
Negotiation Skills	NEG1	8	5 point Likert*
	NEG2	19	5 point Likert*
	NEG3	20	5 point Likert*
	NEG4	21	5 point Likert*
Team Building Skills	TEAM1	22	5 point Likert*
	TEAM2	23	5 point Likert*
	TEAM3	24	5 point Likert*
	TEAM4	25	5 point Likert*
	TEAM5	26	5 point Likert*

* *strongly disagree (1), somewhat agree (2), neither agree nor disagree (3), somewhat agree (4), strongly agree (5).*

Source: Author developed for this research

After making all the necessary changes to the measures of the variable a worksheet is prepared to summarise the dependent and explanatory variables. The summary depicts final explanatory and dependent constructs, their measures, sub measures and the specific names given to each variable. Table 5.6 provides the view of the worksheet prepared for this piece of research as a preparatory tool for data collection. This serves as a helpful tool later in the data entry step of the research process.

Table 5.6: Constructs, measures and the names of variables

Construct	Measure	Sub Measure	Variable
Strategic Human Resource Practices	Effectiveness of Communication system	Improvement in TRUST in management	TRUST1 TRUST2 TRUST3 TRUST4 TRUST5
		Improvement in MORALE of Employees	MORALE1 MORALE2 MORALE3 MORALE4 MORALE5
		Improvement in PRODUCTIVITY of Employees	PRODU1 PRODU2
		Improvement in STRESS levels.	STRESS1 STRESS2 STRESS3 STRESS4 STRESS5
	Effectiveness of Compensation System		COMPSYS1 COMPSYS2 COMPSYS3 COMPSYS4 COMPSYS5
	Empowerment of Subordinates	Dynamic Structural Framework	DSF1 DSF2 DSF3 DSF4 DSF5 DSF6 DSF7
		Control of work place decisions	CWPD1 CWPD2 CWPD3 CWPD4 CWPD5 CWPD6 CWPD7
		Fluidity in information sharing	FLIS1 FLIS2 FLIS3 FLIS4 FLIS5 FLIS6
	Trust of Subordinates		TOS1 TOS2

Construct	Measure	Sub Measure	Variable
			TOS3 TOS4 TOS5 TOS6 TOS7
Role of Change Agent(s)	Interpersonal Skills of the change agent(s)		COM1 COM2 COM3 COM4 COM5 COM6 COM7 COM8 COM9 COM10 COM11 COM12 COM13 COM14 COM15 COM16 COM17
	Negotiation Skills of the change agent(s)		NEGO1 NEGO2 NEGO3 NEGO4
	Team Building skills of the change agent(s)		TEAM1 TEAM2 TEAM3 TEAM4 TEAM5
Return on Downsizing Strategy	Value of the firm	Book Value of the Firm	VOFIRM1
		Market Value of the Firm	VOFIRM2
	Profitability	Gross Profit Margin	MARGIN1
		Operating Profit Margin	MARGIN2
		Net Profit Margin	MARGIN3
		Return on Assets (ROA)	RETURN1
		Return on Equity (ROE)	RETURN2
	Liquidity	Current Ratio	LIQUID1
		Quick Ratio	LIQUID2
		Cash Ratio	LIQUID 3
	Financial Risk Present in the firm	Debt Ratio	FRISK1
		Debt to Equity Ratio	FRISK2
		Capitalization Ratio	FRISK3

Source: Author developed for this research

5.4 Data collection

5.4.1 Support from relevant groups and people

Support from the supervisor was obtained in smoothing this research. Written letter was requested to smoothing the response rate. The group of organisations who acted as the respondents helped me in the process of data collection. Besides information on Eurofund's website, organisations provided links to their financial reports of the period of seven years (year 2005 – year 2011). In return, the researcher promised to give an executive report of this study to all participating organisations and stakeholders. At the time of conducting this research, the policy of University of Essex was not to allow the research students to use the university official letter head for printing the questionnaire or the introduction letter. The policy also restricted the use of university logo for research conducted by research students. Use of official letter head or logo can contribute to increase the response rate. If these were assessable to the students without the copyright issue it could have helped in increasing the response rate.

5.4.2 Data Collection by internet website

Data collection by internet were conducted through self-completion questionnaire forms as it offer several advantages such as being cheaper and quicker to administer, an absence of interviewer effects, no interviewer variability and convenience for respondents (Bryman, 2012).

a) Accompanied items: The internet mediated survey had been accompanied by an introductory letter of the research project, questionnaires, and the researcher's business contact number. It was strongly suggested by Brace (2004) and Giliham (2000) to accompany an introductory letter with the questionnaire. Only one copy of the introductory letter about the study was provided with the original University of Essex's logo (see Appendix 1). The scanned copies were mailed electronically with the emails. It contained all necessary points such as the study objective, the anonymity and confidentiality of the data and time to complete.

b) Generating the directory of organisations: Before sending the questionnaire electronically, a database of potential respondents needed to be established. The database was established using the information available with Eurofund and the individual websites of the firms which implemented downsizing as investment strategy. The criteria for including the firms in the database are explained in the earlier chapter of research design and methods. A total of 136 organisations are included in the data base with their contact details was developed. This included the information about the email address, telephone number, fax number and information about the person to contact within the organisation.

c) Getting the respondents to respond: Follow up calls were made to the expected respondent organisations and many requests were made to return the questionnaires. Those respondents who have not responded after two weeks were considered as not interested in participating in the study.

Overall 100 links to questionnaires were sent to the target respondents. Since numerous organisations were reluctant to cooperate. A total of 20 sets of three questionnaires were returned. Since the response rate is just 20 per cent (20/100) X 100 = 20 per cent), therefore, the value and validity of this method and results is in question (Giliham, 2000). It should be just around 30 per cent. To address this issue of low response rate questionnaires were mailed and some personal contact was made to the respondent organisations.

5.4.3 Data collection by post

Many surveys employ multiple modes of data collection to reduce costs, maximise the response rate and to increase the momentum of data collection (Groves et al., 2004). Moreover, alternatives modes often have different coverage, non-response and cost structure. Further, multiple modes can exploit the advantages of one mode and neutralize the weaknesses of the other modes through a combination of methods (Groves et al., 2004). Since the first wave of data collection through internet has not reached the minimum. It is expected to get some more responses in the near future as some of the questionnaires are mailed and some personal contact has been made to the expected respondent organisations.

The non-respondents are as targeted respondents for the contingency plan. The contingency plan is in implementation process. Given that the bigger the response rate is better for any study (Vogt, 2007), data collection by post as a second option is utilised to increase the overall response rate (Davis, 2005). Furthermore, mail questionnaires have some advantages such as expanding the geographic coverage without increase in costs, control of interviewer effect, rigidity of schedule requirements, accuracy on sensitive data, allows participants time to think about question, requires minimum staff, accesses respondents who cannot be reached by telephone and often is the lowest cost option compared to other methods (Cooper and Schindler, 2013; Davis, 2005). Moreover, several other studies also employed multiple modes of data collection such as Marnburg et al. (2004); Cho (2004); Brodie et al. (2002); Knott (2001).

a) The letter and accompanied items: The letter to the potential respondents is prepared as suggested by Bryman (2012) and Cooper and Schindler (2008). Since results from the pilot study showed that the letter used by internet mediated survey can be used in mail questionnaires, copies same letter (see Appendix 1) were used in the process of data collection by mail. In addition, each letter was individually signed with blue ink as suggested by Bryman (2012). Although the letters mailed with questionnaires were the copies of original one provided by the institution on the official letterhead. Monetary incentive can increase the response rate (Bryman, 2012;

Cooper and Schindler, 2013), this had not been done given that the project has a limited budget and the type of respondents involved. However non-monetary incentive was offered to encourage them to participate in the study. This was done in the accompanied introductory letters (See Appendix 1). In brief, every potential respondent received a letter, questionnaire and a return self-addressed envelope.

b) Generating the directory of organisations: Before posting the questionnaire, a database of potential respondents needed to be established. The database was established using the information available at the website of Eurofund as well as the individual websites of the expected respondent organisations. The criteria for including the firms in the database are explained in the earlier chapter of research design and methods (section 4.9.2). A total of 136 organisations are included in the database with their contact details. This included the information about the registered address, mailing address, email address, telephone number, fax number and information about the person to contact in the organisation for each organisation.

c) The mailing process: The mailing process has started in the first week of September 2012. Through the mailing process, organisations had been told specified return directions and deadlines dates as suggested by Cooper and Schindler (2013). The deadline date was given as 30th September 2012. The researcher tried to appeal for participation and enhance the importance of the study and how respondents can contribute towards the practical body of knowledge. Some organisations contacted the researcher and promised to return the questionnaires promptly while others took longer time than expected.

The factors that might be associated with the lower response rate were analysed and several organisations were contacted to inquire them about the delay in response or their unwillingness to participate. It was mainly because of some sensitive information involved which companies do not want to disclose. Majority of the larger companies tend to be very busy due to very tight schedule. They do not want to spare some time for the outsiders. Likewise, the lower response rate was due to several problems.

5.4.4 The respondents

As the total population was less than two hundred, it was decided to implement census strategy for the data collection (see section 4.9.2). The final number of respondents is 69 organisations out of total population size of 136. Based on this response rate can be calculated which is slightly more than 50 per cent [(69/136) X 100]. This implies that the response rate is adequate for the statistical analysis.

5.4.5 Collection of secondary data

The current research calls for collection of secondary data to achieve the research objective. Secondary data is collected using annual reports of the companies and the companies' individual websites. Annual reports are downloaded and the data in raw form is collected on the following items for the seven year period (year 2005 – year 2011):

- Gross profit
- Net sales
- Earnings before interest and tax
- Net income
- Cash flow from operating activities
- Total assets
- Shareholders' equity
- Current assets
- Current liabilities
- Cash and equivalents

- Account receivables
- Short term investments
- Total debt of the business
- Interest expense
- Long term debt
- Average share price
- Book Value of the firm

All the above information was needed to measure the dependent variables value of the firm profitability, liquidity and financial risk present in the firm. The above mentioned items were required to generate the ratios to measure the dependent variable. Following ratios were taken into account: gross profit margin, operating profit margin, net profit margin, cash flow margin, return on assets ROA, return on equity ROE, cash returns on assets, current ratio, quick ratio, cash ratio, debt ratio, debt to equity ratio, interest coverage ratio, cash flow to debt ratio and capitalization ratio. See table 5.6 for a summarised form of above mentioned information.

5.5 Data preparation and input

5.5.1 Initial checks and preparing data for entry

According to Davis (2005), data editing involves "a check for clarity, readability, consistency and completeness of a set of collected data before the data is transferred to a data storage medium." Further, the researcher has to verify that respondents have participated (Cooper and Schindler, 2013) as well as, completeness of the questionnaire is also checked even though incomplete questionnaire sections or questions do not make the rest of the respondent's replies useless (Davis 2005). Therefore, the researcher has randomly contacted about 10 per cent of the respondents to confirm their participation in the study as suggested by Cooper and

Schindler (2013). This can be done easily since every mail survey questionnaire have a business address and contact number.

As the research design also includes the use of secondary data which is mainly collected from the annual reports of the firms therefore, it was important to make every returned questionnaire identifiable. This was done by ensuring that there is an unavoidable question about the name of the organisation has been included at the time of developing the questionnaires. After identifying each questionnaire, all questionnaires were coded by giving a number, starting from one at the top right of the questionnaire. Next, every questionnaire was checked to ensure it fulfilled the respondent requirement as proposed in this piece of research. For the secondary data it was ensured that the data is available and collected for each firm covering the period of seven years (year 2005 – year 2011) on items mention earlier in the chapter.

5.5.2 Data handling

The data for all respondents are presented in the SPSS with the given name of each variable (for example, see tables 5.3, 5.4, 5.5 and 5.6). An important issue related to data is the coding of data. Before coding the type of the data must be clearly understood to ensure valid analysis (Saunders et al., 2012). For a quantitative research there are two distinct types of data. Data can either be categorical or numerical. Categorical data cannot be measured in number form whereas; the numerical data can be measured in number form or in quantities (Saunders et al., 2012). The two forms of data collected for this piece of research are primary and secondary data. The collected primary data for the explanatory variables are mainly the categorical type of data because the questionnaire has used the ranking statements or more formally Likert type of scale. The primary data collected for control variables include both categorical (type of firm) and numerical data (Age and size of the firm). On the other hand, the secondary data for dependent variable which is collected from annual reports of the firms are the numerical type of data because the absolute figures on firms' income, debt, equity, interest expense etc. have been extracted from the reports. Table 5.7 gives a clearer picture of each variable and the associated data type.

Table 5.7: Types of data

Variable	Type of data	Level of measurement
Explanatory Variables		
Strategic Human Resource Practices		
Communication system	Categorical	Ordinal
Compensation system	Categorical	Ordinal
Empowerment of survivors	Categorical	Ordinal
Trust of survivors	Categorical	Ordinal
Role of Change Agent		
Interpersonal skills	Categorical	Ordinal
Negotiation skills	Categorical	Ordinal
Teambuilding skills	Categorical	Ordinal
Control Variables		
Type of the firm	Categorical	Dichotomous
Age of the firm	Numerical	Ratio
Size of the firm	Numerical	Ratio
Dependent Variable		
Return on downsizing strategy	Numerical	Ratio

Source: Author developed for this research

5.5.3 Data coding for initial data entry

Cooper and Schindler (2013) defined data coding as "assigning numbers or other symbols to answers so that the responses can be grouped into a limited number of categories" or the translation of nonnumeric material into numeric data (Groves et al. 2004). In brief, data coding involves a translation of the raw data (data collected) into codes and variable categories (usually numerical data) before subsequent statistical analysis. The coding step merely involves assigning a distinct number to each of the possible answers. Data coding is easier in case data are recorded in numerical form

(Neuman, 2013). Primary data obtained from three questionnaires are mainly for all explanatory variables involved in this research. For the data obtained from three questionnaires, data coding is not required at the initial stage as all data recorded are in the form of numbers.

In this study, structured questions for obtaining data on all explanatory variables have identical categories that have been built into the answer. The questionnaires employ 5 point Likert scale with specific anchors to make all questions pre-planned with coding rules. This makes the questionnaires pre-coded before data collection, therefore for making the intermediate step of completing data entry, a coding sheet is not necessary (Cooper and Schindler, 2013; Davis, 2005; Neuman, 2013). The three questionnaires are treated as pre-coded as all questions have already been created with their unique variable names and codes using Likert scale. The responses to each of the questions in each of the three questionnaires can be coded as 1, 2, 3, 4 or 5 because the categories are identical for all questions included in the questionnaires. Additionally, data collected for one of the three control variables (type of the firm) is assigned codes according to its two categories (See Table 5.8).

Secondary data are collected for the dependent variable involved in this piece of research which is numeric/continuous data. Moreover, data collected for two additional control variables (age of the firm and size of the firm) and dependent variable are the numeric/continuous data. Numeric/continuous data is not coded initially and entered in the database in the original form. Coding of this type of data in preparation for statistical data analysis is discussed later in this chapter as this is dealt with after completing initial data entry

Table 5.8: Coding of variables for initial data entry

Variables	Category	Assigned Code
Explanatory Variables		
Strategic Human Resource Practices		
Communication system	Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree	1 2 3 4 5
Compensation system	Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree	1 2 3 4 5
Empowerment of survivors	Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree	1 2 3 4 5
Trust of survivors	Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree	1 2 3 4 5
Role of Change Agent		
Interpersonal skills	Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree	1 2 3 4 5
Negotiation skills	Strongly disagree Somewhat disagree	1 2
	Neither agree nor disagree Somewhat agree Strongly agree	3 4 5
Teambuilding skills	Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree	1 2 3 4 5
Control Variable		
Type of the firm	Private limited Public limited	0 1

Source: Author developed for this research

.

5.5.4 Data entry

Data can be entered into a database after data coding (Sekaran and Bougie, 2010). Data entry means the activity of transferring data from a research project to computers (Zikmund et al., 2013). Before executing data entry, analytical software should be chosen based on the research needs and the research problem. In this study, statistical package for social sciences (SPSS) version 18 is chosen to carry out the initial analysis of the data since it is one of the most widely used statistical analysis packages (Bryman, 2012), and is user friendly (Davis, 2005).

Data entry is completed solely by the researcher in data matrix of sophisticated software package, SPSS. As explained earlier in the chapter, unique names (the names that are compatible for entry in the sophisticated statistical package) for each item (question/variable) in the questionnaires are assigned at the time of questionnaires development and codes are available for each of the items (question/variable). This makes the information already available in a format, which is required for transfer of information from questionnaires into the sophisticated software package. On the other hand for the data on dependent variable obtained in the form of secondary data is entered in the excel spreadsheet for calculating the required ratios. Once the ratios are collected data is further transformed to make it usable for analysis. As explained in Chapter 4, the dependent variable data is based on the concept of trend analysis over a period of time (year 2005 – year 2011). Data was entered in the data matrix of SPSS from excel spreadsheet after calculating the ratios and trends over the three year time in comparison to the past three years. During data entry, several precautions have been taken to ensure that the data is entered correctly. It is important to reduce any mistakes and avoid invalid results (Bordens and Abbott, 2008; Davis, 2005; Neuman, 2013). A few major precautions taken are:

a) Comparison and checking of data entered for every questionnaire after finishing data keying for each section.

b) Random check of any five to ten variables in every questionnaire to detect any possible clerical error(s).

c) Checking all data to its final screening for completeness and consistency.

5.5.5 Missing data

The data for all respondents are presented in the SPSS with the given name of each variable (for example, TRUST1, TRUST2 etc.). An important issue related to data is the issue of handling the missing data. By missing data it is meant that when a question is left unanswered by a respondent. It could be because the respondent just missed it or he/she by choice did not want to answer. Great care is taken to design the questions in the each questionnaire to minimise the issue of missing data because of difficulty in understanding the questions. In the case of missing data the case is disregarded and not taken into account for the purpose of analysis. The case is simply eliminated from the data set.

5.5.6 Tabulation and data cleaning

Preliminary summaries, descriptive analyses of the variables and tabulation is done to generate a series of frequency tabulations on the entire set of questions, check for inconsistencies, missing data and assist researcher in understanding the characteristics of the data collected for further analysis (Davis, 2005). Moreover, this step is the most important last step before more sophisticated statistical techniques are applied on the data at hand (Davis, 2005). Possible data cleaning is conducted to verify the data coding and data entry as proposed by Neuman (2013) and Zikmund et al. (2013). This is done by checking categories of all variables and identifying any coded values that lie outside the range of acceptable answers (Zikmund et al., 2013). Formal tabulation of frequency tables are done later in the research and the details can be found in the analysis of data chapter.

5.5.7 Transformation of variables and variable codes

After completing initial data entry of raw data, some variables required transformation and/or recoding. This piece of research includes some negative questions. The total number of negative questions in the questionnaires is seven. They are included to minimise the tendency of respondents to circle the points toward one end of the scale.

Table 5.9: Transformation of codes for explanatory variables

Anchor	Original Code	Transformed Code
Strongly disagree	1	5
Somewhat disagree	2	4
Neither agree nor disagree	3	3
Somewhat agree	4	2
Strongly agree	5	1

Source: Author developed for this research

For data analysis purposes, those respondents' answers for this question have to be recoded to make them synchronize with others questions. A whole new variable is not created after recoding, but the same variable is utilised. In this process, the new codes for those negative questions have been re-coded as follows in the Table 5.9. Control variable, age of the firm and size of the firm are transformed into new variable types and each one of them are categorised into three categories with specific codes (see Table 5.10).

Table 5.10: Coding of numerical/continuous variables

Variable	Category	Assigned Code
Control Variables		
Age of the firm	Up to 10 years	1
	11 to 20 years	2
	More than 20 years	3
Size of the firm	Small-sized firms (less than 50 employees)	1
	Medium-sized firms (51–250 employees)	2
	Large-sized firms (more than 250 employees)	3
Dependent Variable		
Return on downsizing strategy	Not earned	0
	Earned	1

Source: Author developed for this research

The variables, age of the firm and the size of the firm are initially measured on ratio scale and for the purpose of analysis these are transformed into ordinal form. Table 5.10 summarises the transformation of control variables and the assigned codes. Majority of the data collected for the current research needs transformation to be able to provide valid analysis and conclusions. Major transformation is done after entering the collected primary and secondary data. Table 5.11 gives details of all variables which are part of this research, and their transformation. It highlights the nature and type of variable as well as the level of measurement and the level of measurement after transformation.

Table 5.11: Transformation of variables

Variable	Nature of the Variable	Type of Variable	Level of Measurement	Transformed Level
Control Variables				
Type of the firm	Qualitative	Categorical	Dichotomous	Dichotomous
Age of the firm	Quantitative	Numerical/ Continuous	Ratio	Ordinal
Size of the firm	Quantitative	Numerical/ Continuous	Ratio	Ordinal
Explanatory Variables				
Strategic Human Resource Practices				
Communication system	Qualitative	Categorical/Discrete	Ordinal	Ordinal
Compensation system	Qualitative	Categorical/Discrete	Ordinal	Ordinal
Empowerment of survivors	Qualitative	Categorical/Discrete	Ordinal	Ordinal
Trust of survivors	Qualitative	Categorical/Discrete	Ordinal	Ordinal
Role of Change Agent				
Interpersonal skills	Qualitative	Categorical/Discrete	Ordinal	Ordinal
Negotiation skills	Qualitative	Categorical/Discrete	Ordinal	Ordinal
Teambuilding skills	Qualitative	Categorical/Discrete	Ordinal	Ordinal
Dependent Variable				
Return on downsizing strategy	Quantitative	Numerical/ Continuous	Ratio	Dichotomous

Source: Author developed for this research

5.5.8 Representativeness of the data

Regardless of techniques employed to collect the data, the sample should be representative of the population of interest (Bordens and Abbott, 2008) and closely match the characteristics of the population or reflect the population accurately (Bryman, 2012). Indirectly, when the characteristics of the population are not overrepresented or underrepresented in the sample, a study would have a representative sample (Sekaran and Bougie, 2013). In this study, sampling was not done due to the very small size of population. The source of obtaining the total number of organisations that implemented downsizing is obtained from Eurofund. Eurofund is a formal organisation, as explained earlier, which responsible to keep the record of all organisations that undergo any form of restructuring. Therefore, the number of total firms in the population is highly authentic. As the current research employed census technique thus, it can be said that the collected data is the representative of the total population.

5.6 Use of SPSS for presentation of data

Data for this particular piece of research are presented with the help of table and diagrams. For example, the frequency table shows the information on the number of respondents and the percentage belonging to each category. Diagrams are among the most commonly used methods of displaying quantitative data. The advantage to use the diagram is that they make the data interpretation and understanding much easier. (Lee and Forthofer, 2006) As this research includes the use of ordinal scale i.e. the five (5) point Likert scale therefore, bar charts are used to present the data. Pie charts are used to present the responses in the form of percentages. The colours and different shades in the bars and sector make it quicker and easier to understand the data.

Sophisticated computer software, SPSS, is mainly used for basic statistical analysis. SPSS is known to be used by researchers for data analysis, it is the most widely used software package (Pallant, 2007; Norusis, 2008). Initial data entry, editing, coding and transformation of data are done using SPSS. SPSS is also utilised to describe the data using descriptive analysis. Furthermore, charts, i.e. bar chart and pie chart, are developed to make the data visual to aid in further analysis. In the first step, data is entered in the data viewer. After completing data entry in the data viewer, names, type, labels, values, missing values and measures are dealt with. Following the guidelines given by George and Mallery (2007), this is done in the variable view of the SPSS. There has been need of computing a number of new variables as each main variable considered in this piece of research is measured by more than one individual items. As advised by Norusis (2008), the required new variables are computed by using all items that are measuring each specific variable. SPSS is also used to generate tables, graphs and charts. In summary SPSS has been used to complete the following tasks:

- Entry of Data
- Coding and Re-coding of data
- Defining the variables
- Recoding the variable, computation of new variable
- Initial data analysis, generating frequency tables, generating charts

Initial data analysis using the presentation of bar charts, pie charts and frequency tables is presented in the later part of thesis which can be found in the chapter on data analysis (Chapter 6).

5.7 Conclusion

The chapter described the overall data collection procedure including both primary and secondary data. In the beginning, the chapter has shed light on the aspect of pilot study by highlighting its importance and how it has contributed in finalising the questionnaires for full scale formal data collection. After formal data collection, the preparation of data to serve the purpose of analysis holds high importance in the process of research. The importance and method used for formal checks during the process of data preparation to ensure the valid and reliable analysis has been clarified. Detailed discussion on how data has been handled, entered in the spreadsheet, edited, coded, recoded and/or transformed is given in order to form the base for sophisticated data analysis. The subsequent chapter focuses on the sophisticated statistical data analysis and discusses the initial results of analysis with respect to the statistical point of view.

Chapter 6 Analysis of Data

6.1 Introduction

This chapter starts with the general representation of the collected data which includes an analysis concerning descriptive statistics. The chapter provides an analysis of the data collected from the survey to measure the return on the downsizing strategy implemented. The major objective of the current research is to explain the extent to which strategic human resource practices and the role of manager(s) leading change (i.e. change agent) within the firms that choose to implement downsizing contribute to a positive return earned on downsizing strategy. Based on this objective the hypotheses were constructed (in chapter 3) and are investigated with the help of data collected by surveying organisation that choose to implement downsizing as a restructuring strategy.

Further the chapter covers the important types of analysis employed for this research which includes univariate analysis, bivariate analysis and multivariate analysis. A binary regression model is employed for the purpose of multivariate analysis and results of the regression analysis are presented. It therefore builds empirically on the conceptual framework developed (in chapter 3) for the purpose of this research, by presenting results analysis of the data collected using survey strategy (as discussed in chapter 4 and chapter 5). For conducting univariate and bivariate analysis the statistical software SPSS serves the purpose however, for carrying out multivariate analysis binary regression was employed and to facilitate the process of this type of data analysis, statistical software STATA is used. The choice of using STATA is made because it makes the binary regression analysis much easier for the type of data employed in this research. The chapter is divided into four main parts dealing with different aspects of the analysis and tests were performed to demonstrate the study's empirical contribution. In the later prat of the chapter, every objective of the research study is tackled separately in individual sections.

6.2 Composition of data

The data available for this piece of research is composed of different sources which includes both primary and secondary sources. Furthermore, due to nature of the research and to obtain more realistic and valid data it is required to obtain data from a variety of respondents for this piece of research. This has been explained in the research design and methods chapter (chapter 4). The variety of respondents makes the research realistic reliable and valid to greater extent.

As clarified earlier in chapter 4 and chapter 5, there are three different questionnaires designed to collect data or in other words the major questionnaire is split into three sub questionnaires. Moreover, additional data (secondary data) from the annual accounts were required in order to measure the level of return earned on downsizing strategy by the firms in short run (over three year period). To make it simpler and understandable, Table 6.1 reveals a summary of data collection and its composition. This table is the extension of the Table 4.2, presented in chapter 4, which only emphasises on primary source of data collection. Table 6.1 clearly explains how the data is collected from both primary and secondary sources for every single variable of each construct in the current research. It gives a snapshot of the type of data (primary or secondary) included, the constructs, main variables, the sub variables, the respondents for each variable and finally the instrument used to collect data.

Table 6.1: The composition of data

Type of Data	**Primary Data**					**Secondary Data**
Constructs	Strategic Human Resource Practices				Role of Change Agent(s)	Return on Downsizing Strategy
Variables	Communication System	Compensation System	Empowerment of Survivors	Trust of Survivors	• Interpersonal Skills • Negotiation Skills • Team Building Skills	• Value of the firm • Profitability • Liquidity of the firm • Financial risk present in the firm
Sub measures	• Morale of survivors • Trust in the management • Stress of survivors • Productivity of survivors		• Dynamic structural framework • Control of workplace decisions • Fluidity in information Sharing			
Respondents within the firm	Strategic Human Resource Managers		Union representatives		Managers Leading Restructuring	Annual Financial Accounts of the firm and company's individual websites
Instrument of Data Collection	Questionnaire		Questionnaire		Questionnaire	–

Source: Author developed for this research

6.3 Statistical analysis of the data

A majority of the studies on downsizing, (as outlined in the literature) that investigate the phenomenon of downsizing and its relationship to the short and long term financial benefits associated with it, use a wide mix of statistical analysis majority of them are quantitative studies as compared to qualitative work. In addition, due to the categorical nature of the dependent variables, there are only certain statistical techniques that can be employed for the multivariate analysis of the collected data. Preliminary analysis of the data involves statistics that generally describe the nature of the data collected. These include measures of average tendency such as mean, mode, median; sample dispersion such as variance, standard deviation; frequency distribution and correlation (Field, 2013, de Vaus, 2001, Gujarati, 2012). The aim of descriptive analysis is to establish particular characteristics about the sample (de Vaus, 2001). To describe the characteristics of the data gathered the study employs a range of techniques that are commonly used in business and management research.

The analysis of one variable at a time is regarded as univariate analysis (Bryman and Bell, 2011). Univariate analysis includes the widely recognised descriptive analysis. This type of analysis looks at the distribution of cases by examining the responses to each question and is capable of examining the distribution of cases for each variable by looking at whether the cases clustered in a few categories or whether the cases are spread over a large number of categories. Measures of central tendency such as mean, median or mode are summary statistics that explain what is typical about the distribution of cases for each variable (de Vaus, 2001; Gujarati, 2012) and can be used to describe nominal or ordinal data (Malhotra et al., 2012). The spread and the variability of the distribution can be analysed using measures of dispersion such as variance and standard deviation.

Bivariate analysis is the type of analysis which is concerned with two variables at a time. This type of analysis is important because it helps to uncover whether or not the two variables under consideration are related to each other (Bryman and Bell, 2011). Bivariate analysis facilitates the exploration of relationship between variables by searching for evidence the variation in variable is responsible for variation in other variable. Bivariate analysis can only discover the relationship and it should not be confused with causality. By employing bivariate analysis, correlation matrix can be created which is a table that provides inter-correlation coefficients between individual variables (independent variables including explanatory variables and control variables). There are a number of correlation coefficients such as Pearson's correlation coefficient (Pearson's *r*), Spearman's rho, and Kendall's tau-b, which may be used depending on the type of the variable (Bryman and Bell, 2011). This study employs Spearman's rho correlation coefficient, which is most suitable for detecting correlations between categorical or ordinal variables (Bryman and Bell, 2011; Siegel and Castellan, 1988). Pearson’s *r* is suitable when the variables in a research are measured on interval or ratio scales. In terms of the calculated outcome Spearman’s rho is exactly the same as Pearson’s *r*.

Multivariate analysis concerns with more than two variables at the same time. Multivariate analysis is regarded as complex and sophisticated type of analysis. Advanced statistical technique such as probit regression is used in the study to test the probability of the association between the variables analysed. Relations including ordinal dependent variables are estimated using a family probit model that is used specially for models with limited dependent variables (Winship and Mare, 1984). In this study the limited dependent variable includes return on downsizing strategy (RETURN_1) which has been operationalised.

Econometric formalisation of ordinal regression models relies on the concept of latent variable, Y*, ranging from - ∞ to ∞, where the structural model is presented and is linearly related to the set of independent variables x:

$$y_i^* = x_i\beta + \varepsilon_i$$

Because the probit model is a non-liner model there are no exact algebraic formulas for their parameters. In the case of ordinal observed variable, the continuous latent variable Y* values is described as a set of J outcomes of the observed variable Y (Long and Freese, 2014). This is further elaborated in this chapter in a later section.

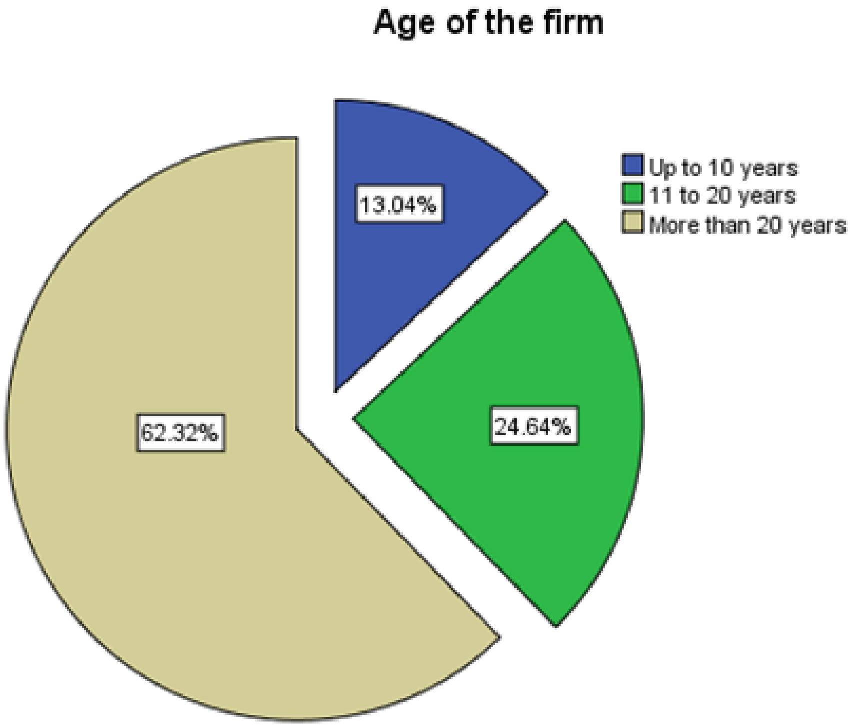
6.4 Univariate analysis of data

Univariate analysis entails the analysis of a single variable at a time (Bryman and Bell, 2011). Common types of univariate analysis include description of variable using frequency distributions and diagrams for example, bar chart, pie chart and histogram. Another important type of univariate analysis is measure of central tendency and dispersion by calculating mean, mode median skewness and kurtosis (Bryman and Bell, 2011). The above mentioned univariate analysis are employed for this piece of research as this serves as the starting point of any sophisticated data analysis. Statistical software SPSS is used for carrying out all univariate analysis for the current research.

6.4.1 Univariate analysis: profile of the firms

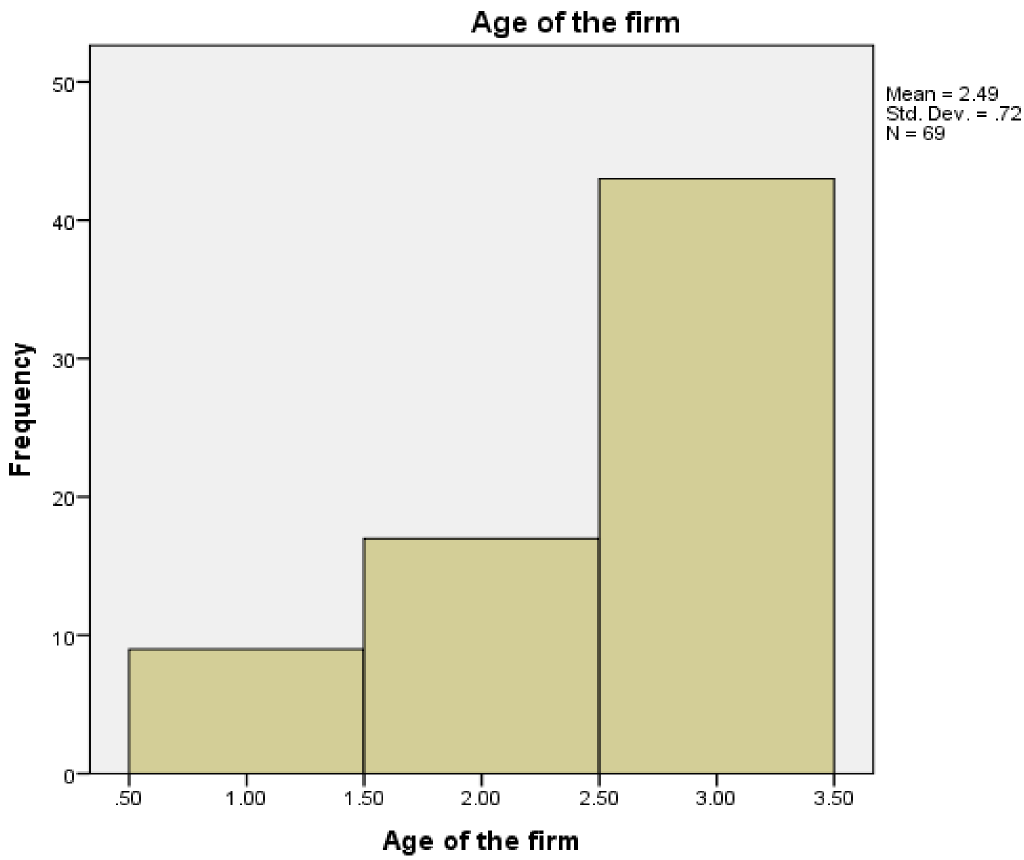
This section presents a brief profile of the sample of 69 organisations surveyed using three questionnaires in United Kingdom which implemented downsizing in year 2008, (the rationale for choosing this period is described previously) in order to earn a positive return on the strategy. It investigates the general features of the participant organisations by using frequency distributions and measures of central tendency. Descriptive analysis allows researchers to understand the general patterns in the data

Figure 6.1: Distribution of firms by age – I



Source: Author developed for this research

Figure 6.2: Distribution of firms by age – II



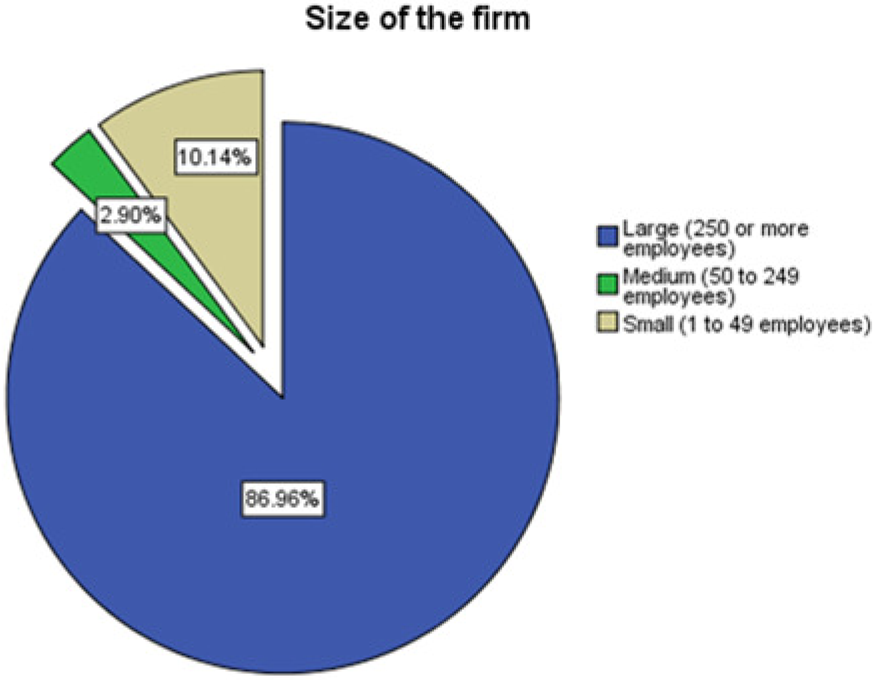
Source: Author developed for this research

before undertaking any formal statistical analysis. The three control variables i.e. Age, Size and type of the firm were used to initially show the distribution of firms in the conducted survey. A graphical representation, a visual display of data and statistical results, is effective than presenting data in tabular form. For graphical representation make the data more understandable pie charts and histograms are used. Pie charts and histograms serve as aid to describe the data. The first two figures, that is Figure 6.1 and Figure 6.2, show the distribution of firms in this research according to the age using a pie chart and a histogram.

The Figure 6.1 shows that 62 per cent of the surveyed firms were more than 20 years old while 25 per cent are 11 to 20 years old and a 13 per cent of them were established 10 years ago or less. Figures 6.1 and Figure 6.2 show that there is an uneven distribution of age within the firms which choose to implement downsizing. It implies that majority of the mature firms decide on downsizing strategy with an objective to earn a positive return whereas, the younger firms who are at the start-up or growth stage of the life cycle are not predominantly involved in implementing downsizing in order to earn a positive return. This supports the claim that mature firms are more into downsizing as restructuring strategy starting trade, school or hospital related firms rather than technological sectors, probably because of the risk involved with regards to implementing downsizing strategy in order to maintain a competitive advantage.

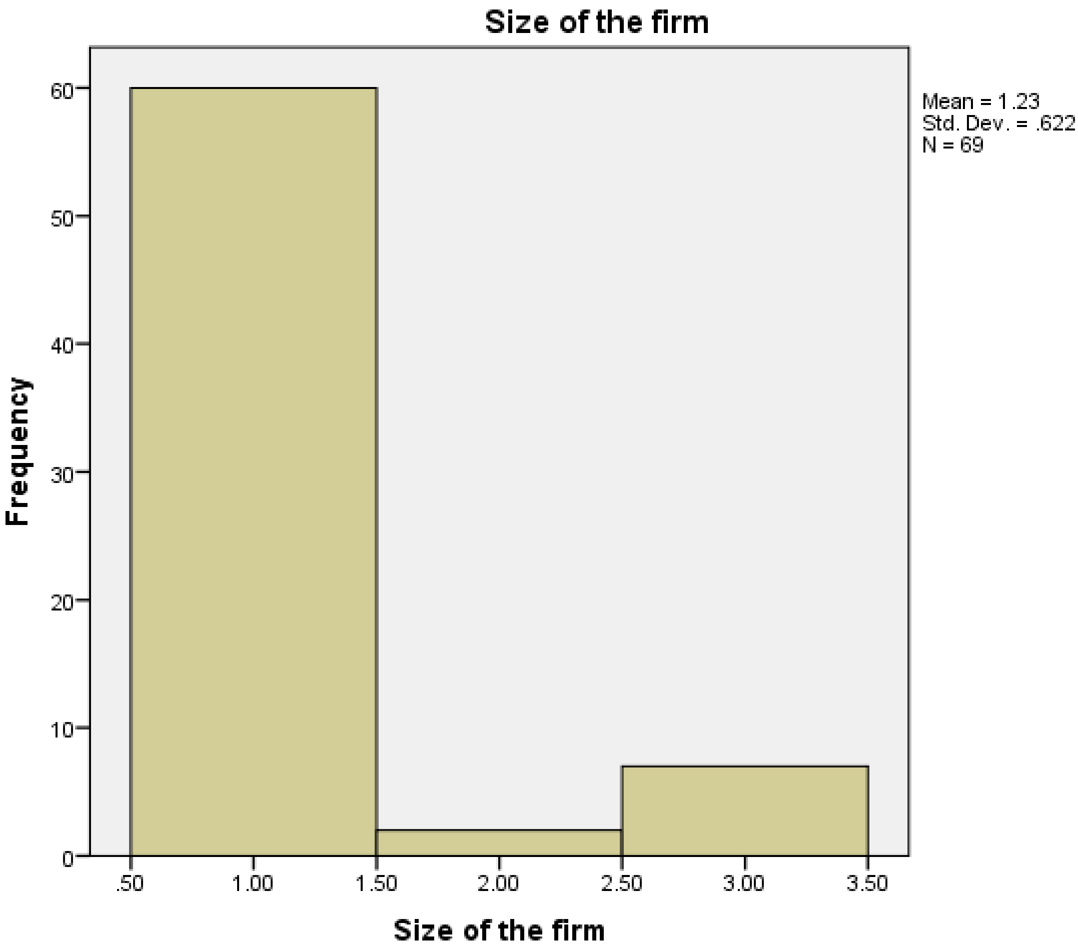
Another important factor is the size of the surveyed firms and Figures 6.3 and Figure 6.4 reveal the percentage distribution of the size of the surveyed firms in this research. The Figure 6.3 and Figure 6.4 depicts the distribution of surveyed firms according to their size. As mentioned earlier the size of the firm in this research is measured based on the number of employees. The percentage distribution of the size

Figure 6.3: Distribution of firms by size – I



Source: Author developed for this research

Figure 6.4: Distribution of firms by size – II

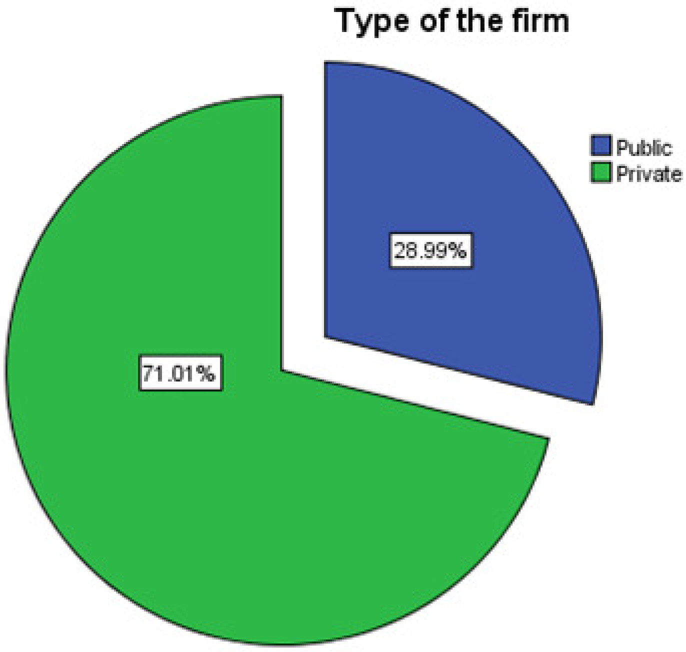


Source: Author developed for this research

of the firms revealed that, the majority of the firms in survey pool are large (250 or more employees) in size as the total percentage is 87 per cent. The large firms are followed by medium size firms (50 to 249 employees) with 10 per cent share. Finally, the small size firms (1 to 49 employees) forms the smallest part of the total surveyed firms. The small size firms are only 3 per cent of the total firms in survey pool. This distribution of surveyed firms for the given research supports the assertion that majority of large firms as compared to medium and small size firms are courageous enough to decide on proactive restructuring strategies such as downsizing. The probable reason for this is the large size of human capital these firms hold. The large size of human capital makes it fairly easy for the firms to decide on the distribution of capital as compared to the medium and small size firms where the size of human capital is small.

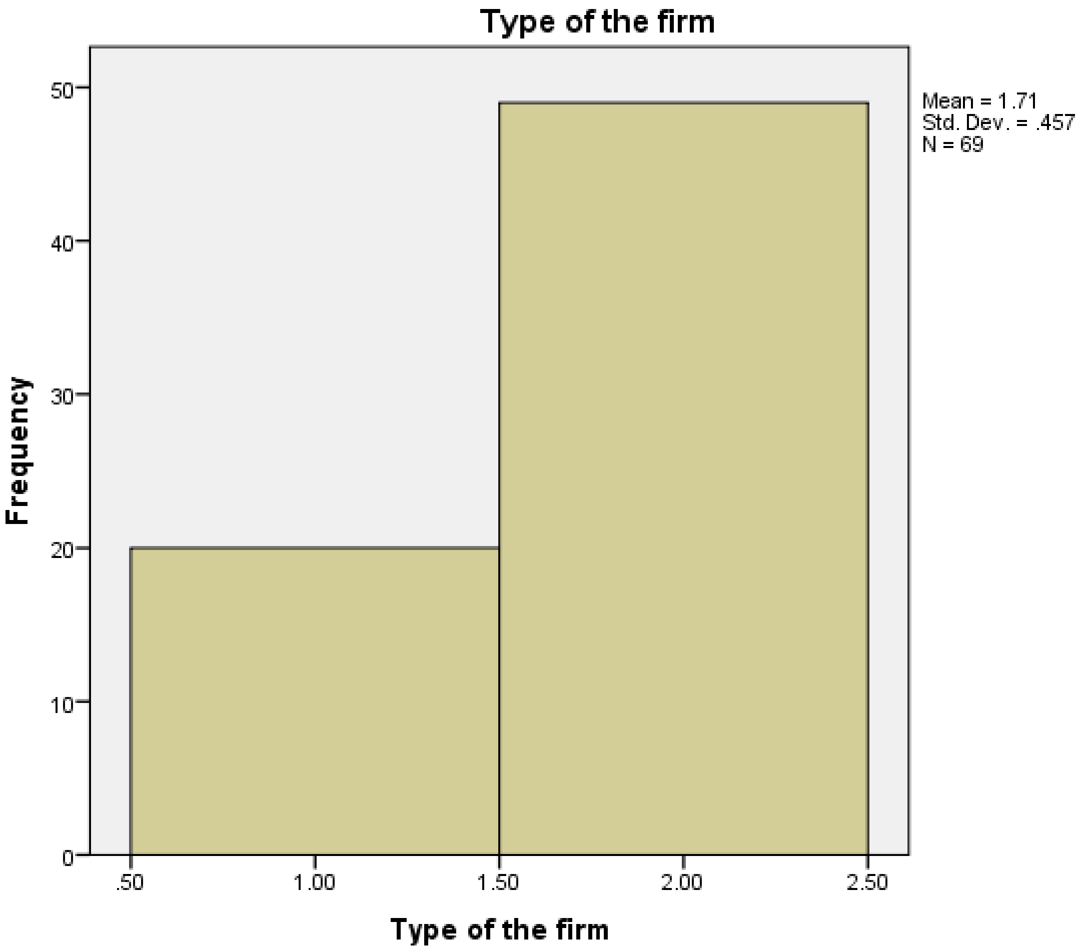
Finally, the third important factor is the type of the firms that were part of the survey pool. Figures 6.5 and Figure 6.6, illustrate the percentage distribution of the type of the surveyed firms in this piece of research. On the basis of type, the surveyed firms are divided into two different categories. The surveyed firms are either public limited or private limited. Figure 6.5 and Figure 6.6 depicts that 71 per cent of the surveyed firms were private sector firms whereas only 29 per cent of the firms belonged to public sector. This uneven distribution is mainly the result of the trend of privatisation of firms in United Kingdom which started in 1980’s era. Because of privatisation trend which started more than 30 years ago the number of private sector firms in the UK economy is by far more than the number of public sector firms. Also, the claim about the public sector firms is that that they tend to choose downsizing only in extreme circumstances. Therefore, this uneven distribution is not unusual and is acceptable.

Figure 6.5: Distribution of firms by type – I



Source: Author developed for this research

Figure 6.6: Distribution of firms by type – II



Source: Author developed for this research

6.4.2 Univariate analysis: frequency distributions

A basic univaraite analysis is the development of frequency tables which provides the number of respondents and the percentage belonging to each of the categories for the variables which are part of research project (Bryman and Bell, 2011). The total number of variables in the current research is eleven. For each variable a frequency distribution is generated to find the number of respondents who belong to an individual category for variable. In some of the cases none of the respondents choose one or more possible choices of answer. This is addressed by collapsing the categories and regenerating the frequency tables to make clear sense from the data (explained further in multivariate analysis section of this chapter). As explained in chapter 5, every single variable in the current research is transformed into ordinal type regardless of its original measurement type; therefore it makes it simple to interpret information available in the generated frequency tables. Frequency tables are generated for control variables which include: size of the firm, age of the firm, type of the firm; explanatory variables which include: communication system, compensation system, trust level of survivors, empowerment level of survivors interpersonal skills of change agent, negotiation skills of a change agent, teambuilding skills of a change agent and dependent variable which is return earned on downsizing strategy. Table 6.2 displays the frequency distributions of control variables, explanatory variables and dependent variables.

Table 6.3 demonstrates an example of tabulating the data. It displays all the variables in 1/10 so that it is easier to make sense from the collected data. Table 6.3 only displays the codes of the variables however; these codes can be interpreted into something meaningful. To do this a help key is provided in Table 6.4.

Table 6.2: Tabulation of independent and dependent variables

Variables	Frequency Distributions	
Control Variables		
Size of the firm	**Frequency**	**Per cent**
Large (more than 250 employees)	60	87.0
Medium (51 – 250 employees)	2	2.90
Small (up to 50 employees)	7	10.10
Total	69	100.00
Type of the firm	**Frequency**	**Per cent**
Private Limited	20	28.99
Public Limited	49	71.01
Total	69	100.00
Age of the firm	**Frequency**	**Per cent**
Up to 10 years	9	13.04
11 to 20 years	17	24.64
More than 20 years	43	62.32
Total	69	100.00
Explanatory Variables		
Strategic Human Resource Practices		
Communication system	**Frequency**	**Per cent**
Not present	22	31.88
Present	47	68.12
Total	69	100.00
Compensation System	**Frequency**	**Per cent**
Not present	16	23.19
Present	53	76.81
Total	69	100.00
Trust of survivors	**Frequency**	**Per cent**
Low level	30	43.48
High level	39	56.52
Total	69	100.00
Empowerment of survivors	**Frequency**	**Per cent**
Low level	25	36.23
High level	44	63.77
Total	69	100.00
Role of Change Agent		
Interpersonal skills of change agent	**Frequency**	**Per cent**
Low level	15	21.74
Medium level	16	23.19
High level	38	55.17
Total	69	100.00
Negotiation skills of change agent	**Frequency**	**Per cent**
Low level	6	8.70
Medium level	27	39.13
High level	36	52.17
Total	69	100.00

Variables	Frequency Distributions	
Team building skills of change agent	**Frequency**	**Per cent**
Low level	14	20.29
Medium level	21	30.43
High level	34	49.28
Total	69	100.00
Dependent Variable		
Return earned on downsizing strategy	**Frequency**	**Per cent**
Not earned	29	42.03
Earned	40	57.97
Total	69	100.00

Source: Author developed for this research

Table 6.3: List of dependent and independent variables in 1/10

Variables	1	2	3	4	5	6	7	8	9	10
Control Variables										
Size of the firm	1	1	1	1	1	1	1	1	1	1
Type of the Firm	1	1	1	1	1	1	1	1	1	1
Age of the firm	3	3	2	3	3	2	2	3	3	3
Explanatory variables										
Communication system	2	1	1	2	2	2	2	2	1	1
Compensation System	1	2	2	2	2	2	2	1	1	2
Trust of survivors	1	2	2	1	2	2	2	1	1	1
Empowerment of survivors	2	1	2	2	2	2	2	1	1	1
Interpersonal skills	2	3	2	3	3	2	3	2	2	2
Negotiation skills	3	2	3	2	3	3	3	1	1	2
Team building skills	3	3	2	3	3	3	2	1	2	2
Dependent Variable										
Return earned on downsizing strategy	0	1	1	1	1	1	1	0	0	1

Source: Author developed for this research

Table 6.4: Key for interpreting codes of variables

Variables	Codes	Original Labels
Control Variables		
Size of the firm	1	Large (more than 250 employees)
	2	Medium (51 – 250 employees)
	3	Small (up to 50 employees)
Type of the firm	1	Private Limited
	2	Public Limited
Age of the firm	1	Up to 10 years
	2	11 to 20 years
	3	More than 20 years
Explanatory Variables		
Communication system	1	Not present
	2	Present
Compensation system	1	Not present
	2	Present
Trust of survivors	1	Low level
	2	High level
Empowerment of survivors	1	Low level
	2	High level
Interpersonal skills of change agent	1	Low level
	2	Medium level
	3	High level
Negotiation skills of change agent	1	Low level
	2	Medium level
	3	High level
Team building skills of change agent	1	Low level
	2	Medium level
	3	High level
Dependent Variable		
Return earned on downsizing strategy	0	Not earned
	1	Earned

Source: Author developed for this research

6.4.3 Univaraiate analysis: mean, median, mode, standard deviation, variance

Additional descriptive statistics include the typical calculations of mean, median, mode, standard deviation, variance, Skewness, Kurtosis and range of scores for the dependent, independent explanatory and control variables. These descriptive statistics (mean, median, mode, standard deviation, variance, Skewness, Kurtosis and range of scores for the dependent, independent explanatory and control variables) are summarized and presented in Table 6.5.

In the context of this piece of research, the specific variables involved in the phenomenon of downsizing are displayed. The summary of central tendency and dispersion are for descriptive purposes only because it has very limited relevance to the analysis. The variability of the sample means is called the standard error of the mean or the standard deviation of the mean. The essence of the standard error is that it can be used to understand how accurate any individual sample mean is in relation to the true mean. In reality only a single sample is drawn from the population, but the result of standard error of mean can be used to provide an estimate of the reliability of the observed sample mean Standard errors of the means included in table 6.3 have small values as all values are less than 0.10. This implies that there is less than 10 percent chance that mean of the data will change for the actual population. These small standard errors in this case are an indication that the sample mean is a more accurate reflection of the actual population mean. However, the skewness and kurtosis were included to depict the normal or non-normal nature of the distribution of data.

Skewness is an indicator used in distribution analysis as a sign of asymmetry and deviation from a normal distribution. Interpretation of skewness is as follows:

- Skewness > 0 - Right skewed distribution - most values are concentrated on left of the mean, with extreme values to the right.
- Skewness < 0 - Left skewed distribution - most values are concentrated on the right of the mean, with extreme values to the left.

Table 6.5: Summary of descriptive analysis

Variables	Minimum	Maximum	Sum	Mean		Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Control Variables											
Size of the firm	1.00	3.00	85.00	1.2319	.07485	.62178	.387	2.448	.289	4.308	.570
Type of the firm	1.00	2.00	118.00	1.7101	.05502	.45702	.209	-.947	.289	-1.137	.570
Age of the firm	1.00	3.00	172.00	2.4928	.08667	.71995	.518	-1.070	.289	-.235	.570
Explanatory Variables											
Compensation system	1.00	2.00	122.00	1.7681	.05118	.42513	.181	-1.299	.289	-.323	.570
Trust of survivors	1.00	2.00	108.00	1.5652	.06012	.49936	.249	-.269	.289	-1.986	.570
Empowerment of survivors	.00	1.00	44.00	.6377	.05829	.48419	.234	-.586	.289	-1.707	.570
Communication system	.00	1.00	47.00	.6812	.05651	.46944	.220	-.795	.289	-1.410	.570
Interpersonal skills	3.00	5.00	299.00	4.3333	.09829	.81650	.667	-.692	.289	-1.145	.570
Negotiation skills	3.00	5.00	306.00	4.4348	.07856	.65256	.426	-.733	.289	-.474	.570
Team building skills	3.00	5.00	296.00	4.2899	.09484	.78780	.621	-.569	.289	-1.154	.570
Dependent Variable											
Return on downsizing strategy	.00	1.00	40.00	.5797	.05986	.49722	.247	-.330	.289	-1.948	.570

Source: Author developed for this research

- Skewness = 0 - mean = median, the distribution is symmetrical around the mean Kurtosis is an indicator used in distribution analysis as a sign of flattening or "peakedness" of a distribution. Interpretation of kurtosis is as follows:
- Kurtosis > 3 - Leptokurtic distribution, sharper than a normal distribution, with values concentrated around the mean and thicker tails. This means high probability for extreme values.
- Kurtosis < 3 - Platykurtic distribution, flatter than a normal distribution with a wider peak. The probability for extreme values is less than for a normal distribution, and the values are wider spread around the mean.
- Kurtosis = 3 - Mesokurtic distribution - normal distribution for example.

As mentioned, for kurtosis the rule of thumb is that the value should be equal to 3 to confirm the normality of the data. Table 6.5 shows the value of kurtosis is less than 3 in case of all independent variables and dependent variable. Therefore, it confirms that the distribution is not normal.

6.5 Bivariate analysis of data

Bivariate analysis involves analysis of two variables. It helps to explore the relationship between two variables under consideration. Bivariate analysis only informs about the relationship between the variables and not the causality. It cannot be inferred that one variable causes the other instead it should be inferred that one variable is related to other (Bryman and Bell, 2011). Bivariate analysis for this piece of research includes the cross tabulations and the correlations.

6.5.1 Bivariate analysis: cross tabulation

The basic description of the profile of the surveyed firms on the basis of age, size and type raises an interesting question here. Is it the age factor of the firms that influence the size and type of the firms? To further describe the relationship between age, type and size of the firms a more comprehensive descriptive analysis were chosen. For this purpose the cross tabulation analysis was completed. See Tables 6.1, 6.2, 6.3 and 6.4 for analysis between age, type and size of the firms. Tables 6.6, 6.7, 6.8 and 6.9 can be first summarized on the bases of size of the firm. Distribution of total large firms in the survey pool, with respect to type of the firm i.e. public sector or private sector, is 33 per cent and 68 per cent respectively. Out of this total, based on the size of the firms, a big chunk (65 per cent) of large (250 or more employees) public sector firms within the survey pool were running their operations for more than 20 years. 30 per cent of the large public sector firms were established for 11 to 20 years whereas only 5 per cent per cent of large public sector firms are the ones with age up to 10 years. Taking large private sector firms into consideration, it is evident that a total of 67.5 per cent of large (250 or more employees) private sector firms are mature firms (age more than 20 years). 17.5 per cent of these private firms were running their business for the last 11 to 20 years whereas 15 per cent of these are the start-up firms (age up to 10 years).

Moving on to medium size (50 to 249 employees) firms the analysis depicts one very important aspect of all firms in this category being the private firms. Furthermore, there is no private firm with age 11 to 20 years which falls into the medium size category. Therefore, 50 per cent of medium size private firms are mature firms (age more than 20 years) whereas the rest of 50 per cent are the start-up firms (age up to 10 years). The case of small firms (1 to 49 employees), in the survey pool is same as medium size firms. All small firms in the survey pool are private sector firms. 28.6 per cent of these small private firms are the ones which are running their operations for more than 20 years. Remaining 57.1 per cent and 14.3 per cent of these firms are running their operations for 11 to 20 years and up to 10 years age respectively.

Table 6.6: Type of the firm, age of the firm and size of the firm - Cross tabulation

Size of the firm				Age of the firm: Up to 10 years	11 to 20 years	More than 20 years	Total
Large (250 or more employees)	**Type of the firm**	Public	% within Type of the firm	5.0%	30.0%	65.0%	100.0%
			% within Age of the firm	14.3%	46.2%	32.5%	33.3%
			% of Total	1.7%	10.0%	21.7%	33.3%
		Private	% within Type of the firm	15.0%	17.5%	67.5%	100.0%
			% within Age of the firm	85.7%	53.8%	67.5%	66.7%
			% of Total	10.0%	11.7%	45.0%	66.7%
	Total		% within Type of the firm	11.7%	21.7%	66.7%	100.0%
			% within Age of the firm	100.0%	100.0%	100.0%	100.0%
			% of Total	11.7%	21.7%	66.7%	100.0%
Medium (50 to 249 employees)	**Type of the firm**	Private	% within Type of the firm	50.0%		50.0%	100.0%
			% within Age of the firm	100.0%		100.0%	100.0%
			% of Total	50.0%		50.0%	100.0%
	Total		% within Type of the firm	50.0%		50.0%	100.0%
			% within Age of the firm	100.0%		100.0%	100.0%
			% of Total	50.0%		50.0%	100.0%
Small (1 to 49 employees)	**Type of the firm**	Private	% within Type of the firm	14.3%	57.1%	28.6%	100.0%
			% within Age of the firm	100.0%	100.0%	100.0%	100.0%
			% of Total	14.3%	57.1%	28.6%	100.0%
	Total		% within Type of the firm	14.3%	57.1%	28.6%	100.0%
			% within Age of the firm	100.0%	100.0%	100.0%	100.0%
			% of Total	14.3%	57.1%	28.6%	100.0%
Total	**Type of the firm**	Public	% within Type of the firm	5.0%	30.0%	65.0%	100.0%
			% within Age of the firm	11.1%	35.3%	30.2%	29.0%
			% of Total	1.4%	8.7%	18.8%	29.0%
		Private	% within Type of the firm	16.3%	22.4%	61.2%	100.0%
			% within Age of the firm	88.9%	64.7%	69.8%	71.0%
			% of Total	11.6%	15.9%	43.5%	71.0%
	Total		% within Type of the firm	13.0%	24.6%	62.3%	100.0%
			% within Age of the firm	100.0%	100.0%	100.0%	100.0%
			% of Total	13.0%	24.6%	62.3%	100.0%

Source: Author developed for this research

Table 6.7: Size of the firm and type of the firm - Cross tabulation

			Type of the firm		Total
			Public	Private	
Size of the firm	Large (250 or more employees)	% within Size of the firm	33.3%	66.7%	100.0%
		% within Type of the firm	100.0%	81.6%	87.0%
		% of Total	29.0%	58.0%	87.0%
	Medium (50 to 249 employees)	% within Size of the firm		100.0%	100.0%
		% within Type of the firm		4.1%	2.9%
		% of Total		2.9%	2.9%
	Small (1 to 49 employees)	% within Size of the firm		100.0%	100.0%
		% within Type of the firm		14.3%	10.1%
		% of Total		10.1%	10.1%
Total		% within Size of the firm	29.0%	71.0%	100.0%
		% within Type of the firm	100.0%	100.0%	100.0%
		% of Total	29.0%	71.0%	100.0%

Source: Author developed for this research

Table 6.8: Size of the firm and age of the firm - Cross tabulation

			Age of the firm			Total
			Up to 10 years	11 to 20 years	More than 20 years	
Size of the firm	Large (250 or more employees)	% within Size of the firm	11.7%	21.7%	66.7%	100.0%
		% within Age of the firm	77.8%	76.5%	93.0%	87.0%
		% of Total	10.1%	18.8%	58.0%	87.0%
	Medium (50 to 249 employees)	% within Size of the firm	50.0%		50.0%	100.0%
		% within Age of the firm	11.1%		2.3%	2.9%
		% of Total	1.4%		1.4%	2.9%
	Small (1 to 49 employees)	% within Size of the firm	14.3%	57.1%	28.6%	100.0%
		% within Age of the firm	11.1%	23.5%	4.7%	10.1%
		% of Total	1.4%	5.8%	2.9%	10.1%
Total		% within Size of the firm	13.0%	24.6%	62.3%	100.0%
		% within Age of the firm	100.0%	100.0%	100.0%	100.0%
		% of Total	13.0%	24.6%	62.3%	100.0%

Source: Author developed for this research

Table 6.9: Age of the firm and type of the firm - Cross tabulation

			Type of the firm		Total
			Public	Private	
Age of the firm	Up to 10 years	% within Age of the firm	11.1%	88.9%	100.0%
		% within Type of the firm	5.0%	16.3%	13.0%
		% of Total	1.4%	11.6%	13.0%
	11 to 20 years	% within Age of the firm	35.3%	64.7%	100.0%
		% within Type of the firm	30.0%	22.4%	24.6%
		% of Total	8.7%	15.9%	24.6%
	More than 20 years	% within Age of the firm	30.2%	69.8%	100.0%
		% within Type of the firm	65.0%	61.2%	62.3%
		% of Total	18.8%	43.5%	62.3%
Total		% within Age of the firm	29.0%	71.0%	100.0%
		% within Type of the firm	100.0%	100.0%	100.0%
		% of Total	29.0%	71.0%	100.0%

Source: Author developed for this research

Continuing the analysis on the basis of age of the firm, it is evident that all large firms, firms with more than 250 employees operating for more than 20 years are distributed between public and private sector firms. 32.5 per cent of these firms (large and aged more than 20 years) are operating in public sector whereas 67.5 per cent of these firms are operating in private sector. Large firms aged 11 to 20 years, are distributed between public and private sector 46.2 per cent and 53.8 per cent respectively. Finally, 85.7 per cent of firms aged up to 10 years are private sector firms whereas 14.3 per cent of start-up firms are public sector firms.

Summing up the analysis in an alternative way it can be stated that all of the medium sized firms and small sized firms, in the data collected, are private sector firms. Moreover, 65 per cent of total public firms are mature firms (aged more than 20 years) followed by firms operating from 11 to 20 years (30 per cent) and firms aged up to 10 years (5 per cent). 61 per cent of total private firms are mature firms followed by 22.4 per cent and 16.3 per cent. On the other hand, 30.2 per cent of total mature firms are public whereas 69.8 per cent are private firms. 35.3 per cent of total growing firms are public whereas 64.7 per cent are private firms. 11.1 per cent of total start-up firms are public whereas 88.9 per cent private firms.

The above mentioned descriptive analysis confirms that the majority of the large public and private sector firms which implemented downsizing strategy were aged more than 20 years. This confirmation supports the argument that mature firms tend to take risk of introducing restructuring. Furthermore, considering the case of small size firm with 1 to 49 employees it is evident that firms aged 11 to 20 years and more are the ones which implement downsizing as restructuring strategy. The results is in relevance to the argument presented that firms needs to take either proactive or reactive steps (downsizing in this particular case) to maintain the competitive advantage at a later stages of business lifecycle. This finding is important because the age of the firm is likely to be agile with the propensity to earn a positive return on implementing downsizing.

6.5.2 Bivariate analysis: correlation among variables

Correlation is very important and basic in elaborating bivariate relationships (Minocah, 2005). Correlations are used to explore the relationship between a group of variables, indicating the strength and direction (Bryman and Cramer, 2011). Hence it is employed to explore the relationships between the return earned by implementing downsizing strategy and the independent variables, and inter correlations among them (see table 6.10 below). Preliminary analyses were performed to guarantee that no contravention of normality, linearity and homoscedasticity is in the data. As explained previously in chapter 4 and 5 that the data in this research is ordinal or categorical therefore Spearman Rho is selected for commuting the correlations between variables included in the research. The calculated value of the Spearman's Rho varies between 0 and 1 and is either positive or negative. The negative or positive sign indicates the direction of the relationship whereas; the value explains the strength of the relationship between two variables. Mathematically, Spearman rank-ordered correlation coefficient, r, is calculated as:

$$r_s = \frac{\sum_{i=1}^{n} x_i^2 + \sum_{i=1}^{n} y_i^2 + \sum_{i=1}^{n} (x_i - y_i)^2}{2\sqrt{\sum_{i=1}^{n} x_i^2 \sum_{i=1}^{n} y_i^2}}$$

High values of correlation coefficients between the independent variables (0.8-0.9) may give a first indication that multicollinearity might be a problem (Kennedy, 1992, Hair et al., 2013). Multicollinearity can have significant effects on the estimation of the regression coefficients and their statistical significance. MulticoIlinearity results in larger portions of shared variance and lower levels of unique variance from which the effects of the individual explanatory variables are determined (Hair et al., 2013). When multicollinearity occurs, it makes increasingly difficult to determine the contribution of each explanatory variable. Furthermore, the advantages of STATA 12, software which is used for binary regression analysis is that it automatically checks for collinearity between independent variables before the estimation process takes place and reports which variable caused collinearity problem in case the latter was detected. A more comprehensive measure of assessing collinearity between multiple variables is the variance inflation factor, which represents an inverse of the correlation matrix. The diagonal elements of this matrix are called variance inflation factors (Kennedy, 1992). This measure can detect the presence of multicollinearity between the independent variables in the multiple regression models. For a multiple correlation between one independent variable and all other independent variables a common threshold is a VIF of 10 or above indicates harmful collinearity (Mason and Perreault, 1991, Kennedy, 1992). If the VIF is larger than 5.3 there would be a cause for concern (Hair et al., 2013) that high inter- correlations between the explanatory variables affect the robustness of the results. In social science, the accepted threshold for VIF is 4.0 (Hair et al., 2013).

Table 6.10: Spearman Rho correlations between variables

		Size of the firm	Type of the firm	Age of the firm	Compensation system	Trust of survivors	Empowerment of survivors	Communication system	Interpersonal skills	Negotiation skills	Team building skills	Return on the strategy
Size of the firm	Correlation Coefficient	1.000										
	Sig. (2-tailed)	.										
Type of the firm	Correlation Coefficient	.247*	1.000									
	Sig. (2-tailed)	.041	.									
Age of the firm	Correlation Coefficient	-.224	-.069	1.000								
	Sig. (2-tailed)	.064	.574	.								
Compensation system	Correlation Coefficient	.003	.027	.168	1.000							
	Sig. (2-tailed)	.981	.823	.167	.							
Trust of survivors	Correlation Coefficient	.072	-.045	.031	.626**	1.000						
	Sig. (2-tailed)	.559	.715	.802	.000	.						
Empowerment of survivors	Correlation Coefficient	.016	-.083	.093	.657**	.738**	1.000					
	Sig. (2-tailed)	.899	.499	.446	.000	.000	.					
Communication system	Correlation Coefficient	-.020	.043	.143	.435**	.466**	.649**	1.000				
	Sig. (2-tailed)	.870	.727	.240	.000	.000	.000	.				
Interpersonal skills	Correlation Coefficient	.058	.032	.163	.649**	.652**	.738**	.715**	1.000			
	Sig. (2-tailed)	.635	.794	.180	.000	.000	.000	.000	.			
Negotiation skills	Correlation Coefficient	.005	.145	.074	.501**	.643**	.697**	.582**	.681**	1.000		
	Sig. (2-tailed)	.971	.233	.546	.000	.000	.000	.000	.000	.		
Team building skills	Correlation Coefficient	-.023	.057	.144	.544**	.507**	.696**	.531**	.721**	.568**	1.000	
	Sig. (2-tailed)	.852	.643	.239	.000	.000	.000	.000	.000	.000	.	
Return on the strategy	Correlation Coefficient	-.029	-.091	.082	.576**	.615**	.641**	.425**	.592**	.518**	.566**	1.000
	Sig. (2-tailed)	.813	.457	.502	.000	.000	.000	.000	.000	.000	.000	.

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

Source: Author developed for this research

Table 6.10 indicates that all the independent variables are positively correlated to return on the downsizing strategy. Compensation system (.576), trust of survivors (.615), empowerment of survivors (.641), communication system (.425), interpersonal skills of the change agent (.592) negotiation skills of the change agent (.518) and team building skills of the change agent (.566) are all significant at the 0.01 level. The size of the firm and type of the firm are positively correlated while, age of the firm is negatively correlated. However, these three control variables (size of the firm, type of the firm and age of the firm) are not significant.

Bryman and Cramer (2011) claimed that the size of r and significance must be considered in 'tandem'. The significance of r calculation is strongly affected by the number of cases, for instances, 'if cases are approximately 500, r only needs to be .088 or 0.115 to be significant at 0.05 and 0.01 levels respectively while in 18 cases, r will need to be .468 or .590'. The tests of significance in these cases are at 0.01 levels and the minimum required r value has been satisfied in this research. The results in the correlation matrix are indications that the relationships between all the independent variables and the dependent variable (return on downsizing strategy) do not arise by chance (that is, sampling error). As, the correlations are significant at 0.01 level therefore, it implies that there is only one chance in 100 that the sample will show an existing relationship between the given dependent variable and independent variables when none exists. Therefore, the results could certainly lead to be concluded that the relationship between the return earned by implementing downsizing strategy and strategic human resource practices factors as well as role of change agent factors are statistically significant.

6.6 Multivariate analysis of data

As the name suggests multivariate analysis of data involves analysis of multiple number of variables. In other words, simultaneous analysis of more than two variables is regarded as multivariate analysis. This type of analysis helps to explore the relationship between more than two variables. Multivariate analysis can inform about the causality i.e. causal relationship between variables. It cannot be inferred that one variable causes the other (Bryman and Bell, 2011).

6.6.1 Transformation of the data for binary regression analysis

Having done the initial data mining using the cross tabulation, the research moves on to more comprehensive analysis. The type of regression analysis chosen for this research to best fit the type of data available is the binary regression analysis. The data is required to be fully transformed before running the analysis in the following section the explanation to how all different variables are transformed is given.

(i) Transforming explanatory variables

(a) Strategic human resource practices: The four variables; communication system, compensation system, empowerment of the survivors, and the trust of the survivors represents the "strategic human resource practices" construct. All of these variables are measured using the 5 point Likert scale; however, the scale is collapsed to only two categories (1 and 2) for the purpose of statistical tests.

The individual variables communication system and empowerment have four and three sub variables respectively. Effective communication system during the phase of restructuring is used by organisations with an intention to improve morale of the survivors, to improve the stress level of the survivors, to improve productivity of the survivors, and to improve trust in management. Whereas, to empower the survivors; organisations emphasises to create a dynamic structural framework, to provide control of workplace decisions, and to create fluidity in information sharing.

For creating the variable “communication system”, out of four sub variables, three variables including morale, productivity, and trust are combined to form a new variable (MPT). The initially combined three variables include morale, productivity, and trust. The fourth sub variable “stress” is then combined with the newly formed variable (MPT) which resulted into the final variable “communication system”.

As the individual sub variables of empowerment are not resulting into statistically significant results. Therefore, the three sub variables, that is, dynamic structural framework, control of work place decision and fluidity in information sharing; constituting the empowerment variable are combined to create the empowerment variable.

(b) Role of change agent(s): The three variables constituting the construct “role of change agent” (role of manager(s) leading change) includes interpersonal skills, negotiation skills, and the team building skills. Data is collected for the three variables using the 5-point Likert scale. Later the five categories is collapsed into three (3, 4 and 5) for the final statistical tests.

(ii) Transforming the dependent variable

Return earned: “Return earned on downsizing strategy” has been obtained for the purpose of statistical analysis by combining the four sub measures. The four sub measures combined are, profitability of the firm, liquidity of the firm, value of the firm, and financial risk present in the firm. The final dependent variable consist of two values that is 0 and 1 where 0 being negative or no return earned and 1 being positive return earned.

In notation:

0 = negative or no return earned

1 = positive return earned

6.6.2 Binary regression

Binary regression is a type of regression analysis used for predicting the outcome of a categorical dependent variable (a dependent variable that can take on a limited number of values, whose magnitudes are not meaningful but whose ordering of magnitudes may or may not be meaningful) based on one or more predictor variables. The dependent variable in case of binary regression is qualitative in nature or it is regarded as the non-continuous or discrete variable. That is, it is used in estimating empirical values of the parameters in a qualitative response model. The probabilities describing the possible outcomes of a single trial are modelled, as a function of the explanatory or predictor variables, using a logistic function. Frequently, logistic regression is used to refer specifically to the problem in which the dependent variable is binary that is, the number of available categories is two and problems with more than two categories are referred to as multinomial logistic regression or, if the multiple categories are ordered, as ordered probit or logistic regression.

Binary regression measures the relationship between a categorical dependent variable and one or more independent variables, which continuous or categorical, by using probability scores as the predicted values of the dependent variable. Binary regression is a binomial regression. Binomial or binary regression refers to the instance in which the observed outcome can have only two possible types (for example, "positive" vs. "negative"). Whereas, multinomial regression refers to cases where the outcome can have three or more possible types e.g., "better", "no change", "worse". In binary regression, the outcome is generally coded as "0" and "1" because this leads to the most straightforward interpretation. The target group (referred to as a "case") is usually coded as "1" and the reference group (referred to as a "non-case") as "0". The binomial distribution has a mean equal to the product of sample size and the proportion of cases, and has a variance equal to the product of sample size cases and non-cases. Thus, the standard deviation is the square root of mean. Binary regression is used to predict the odds of being a case based on the predictor(s). The odds are defined as the probability of a case divided by the probability of a non-case.

6.6.3 Selection of a regression model

Like common regression, for this research, the dependent variable is not continuous instead it is discrete in nature. Due to the choice of discrete dependent variable it is required to use a model which can handle the situation appropriately. This is also known as censor regression. The choices available for this type of problem are discrete choice models, qualitative response models (logit model and probit model) or censored regression model.

The binary dependent variable makes the errors cannot possibly be normal. The first noticeable thing is that the discreetness of the dependent variables is not going to make the errors not normal. Another issue associated with this is that it introduces heteroscedasticity and it makes the errors heteroscedastic. The model is developed with an aim to estimate that whether the firms manage to earn a positive return in short within the three years' time or not.

There are two possible types of binary regression. A binary regression can either be a logistic regression or a probit regression. Although it is widely believed that probit model treats the same set of problems as does logit regression using similar techniques and it is the matter of taste for the researcher to prefer one over the other. However, according to Thoma, (2011), probit model is best suitable when the dependent variable y is either 0 or 1 whereas logit model is best suitable when dependent variable lays somewhere between the value 0 and 1 and never be equal to 0 or 1.

Numerically the two models are expressed as:

Logit Model: $0 < y < 1 \ where\ y \neq \begin{cases} 0 \\ 1 \end{cases}$

Probit Model: $y = \begin{cases} 0\ if\ y < 1 \\ 1\ ify\ > 0 \end{cases}$

Therefore, based on explanation given by Thoma, (2011) probit regression has been employed to carry out the multivariate analysis. It is because the dependent variable is binary in nature and as explained in the earlier section it can either take value of "0" when no return or negative return is earned or "1" when a positive return is earned by implementing the strategic change of downsizing.

The economic model: The regression model for the specific research is based on the following economic model.

$$\mathrm{E}\ (\mathrm{y}|\ \mathrm{x}) = \alpha + \beta x_1 + \beta x_2 + \beta x_3 + \beta x_4$$

For the purpose of statistical analysis an econometric model is needed because the economic model is an abstraction from reality. It is a restricted model and looks at the given variables in isolation. In other words it says that only specified variables can affect the value of dependent variable and no other factor. The real observations in the data are scattered around the mean value. They are scattered around the mean value of any given variable and they are very rare chance that the observation is equal to mean.

The econometric model: Simply by introducing the error term in the economic model it will transform into an econometric model. The error term accounts for all the other possible factors which are omitted from the given model and affects the short term financial performance of the firms that choose to downsize.

$$\mathrm{y} = \alpha + \beta x_1 + \beta x_2 + \beta x_3 + \beta x_4 + \mu_t$$

Based on the conceptual model of the current research two individual probit models are identified to be estimated. They are probit model (a) and probit model (b).

The Probit Model (a): Probit model (a) is concerned with the first explanatory construct of the conceptual model which is the strategic human resource practices. The dependent variable “return on investment” and the explanatory variables communication system, compensation system, trust level of survivors, empowerment level of survivors are included in the model. It is expected that the positive level of return earned on investment (downsizing strategy) is the cause of the role integrated human resource practices play at the time of implementing strategic change of downsizing. Probit model (a) is expressed in econometric terms as follows:

$$y^*_{t=} \propto \ + \beta x_1 + \ \beta x_2 + \ \beta x_3 + \beta x_4 \ + \mu_t$$

For a probit model $y_t = 1 \; or \; y_t = 0$

$$y_t = 1 \; if \; \alpha + \beta x_1 + \ \beta x_2 + \ \beta x_3 + \beta x_4 + \mu_t > 0 \; (y^*_{t=} \; > 0)$$

$$y_t = 0 \; if \; \alpha + \beta x_1 + \ \beta x_2 + \ \beta x_3 + \beta x_4 + \mu_t < 0 \; (y^*_{t=} \; < 0)$$

Where

$y_1 = Return$

$x_1 = Communication\ system$

$x_2 = Compensation\ system$

$x_3 = Trust\ of\ survivors$

$x_4 = Empoerment\ of\ survivors$

Then, the probability

$$P\ (y_t = 1) = \ P\ (u_t > \ -\alpha - \ \beta x_1 - \ \beta x_2 - \ \beta x_3 - \beta x_4)$$

$$P\ (y_t = 0) = \ P\ (u_t < \ -\alpha - \ \beta x_1 - \ \beta x_2 - \ \beta x_3 - \beta x_4)$$

The Probit Model (b): The second explanatory construct of the conceptual model that is, the leading aspect of change forms the core of the probit model (b). The explanatory variables measuring the role of change agent are included in this model. Interpersonal skills, negotiation skills and the team building skills of change agent are expected to facilitate the return earned on downsizing strategy. In simple words, probit model (b) is concerned with the dependent variable “return on investment” and interpersonal skills, negotiation skills and the team building skills of change agent. The positive level of return earned on implemented strategic change of downsizing strategy can prove to be the cause of the role of change agent at the time of implementing downsizing. In econometric terms as probit model (b) can be expressed as:

$$y^*_{t=} \propto + \beta x_1 + \beta x_2 + \beta x_3 + \mu_t$$

For a probit model $y_t = 1 \; or \; y_t = 0$

$$y_t = 1 \; if \; \alpha + \beta x_1 + \beta x_2 + \beta x_3 + \mu_t > 0 \; (y^*_{t=} > 0)$$

$$y_t = 0 \; if \; \alpha + \beta x_1 + \beta x_2 + \beta x_3 + \mu_t < 0 \; (y^*_{t=} < 0)$$

Where,

$y_1 = Return$

$x_1 = Interpersonal\ skills$

$x_2 = Negotiation\ skills$

$x_3 = Team\ building\ skills$

Then, the probability

$$P\ (y_t = 1) = P\ (u_t > -\alpha - \beta x_1 - \beta x_2 - \beta x_3)$$

$$P\ (y_t = 0) = P\ (u_t < -\alpha - \beta x_1 - \beta x_2 - \beta x_3)$$

The probit model relies on the maximum likelihood estimation. Maximum likelihood is simply the likelihood of observing the given set of data. It finds the normal that best matches the available data set. It picks the best alpha and beta values which can maximize the likelihood. It is always mathematically consistent and it is always efficient. There is no other more efficient estimate and which has been made easier with help of statistical packages. For the purpose of this research the probit model analysis are done by using the data analysis and statistical software STATA.

Similar to the other forms of regression analysis, binary regression makes use of one or more predictor variables that may be either continuous or categorical data. Also, like other linear regression models, the expected value (average value) of the response variable is fit to the predictors. For the purpose of this research, simple probit model has been selected which is discussed in the next section with the help of statistical results.

6.6.4 Probit regression results

As it was elaborated earlier that two probit models are employed for the purpose of multivariate analysis therefore the associated data is utilised to estimate each of the probit model. The results obtained are summarised in the form of tables for each probit model. Before estimating the individual probit models the description and summary of the dependent and independent variables are presented for making every single variable understandable. Table 6.11 describes the variables with respect to their names and associated labels. Following is the binary probit model results of the specified probit model (a) and (b).

Probit Model (a): Table 6.12 summarises the measures for univariate analysis for dependent and independent variables specific to the model (a). Table 6.13 presents the actual probit regression results and Table 6.14, Table 6.15 present the conditional and the average marginal effects of the interdependent variables for probit model (a). In addition to this Table 6.16 and 6.17 depict the ability of the probit model to predict for the return earned on implemented strategic change of downsizing. The information contained in the Tables (Table 6.13 to Table 6.17) about the probit model (a) is interpreted in the following section of this chapter.

Table 6.11: Description of independent and dependent variables

Variable Name	Variable Label
Control Variables	
SIZE TYPE AGE	Size of the firm Type of the Firm Age of the firm
Explanatory Variables	
Strategic Human Resource Practices	
COMM COMSYS TOS EMP	Communication system Compensation System Trust level of survivors Empowerment level of survivors
Role of Change Agent	
ISKILL NSKILL TBSKILL	Interpersonal skills of change agent Negotiation skills of change agent Team building skills of change agent
Dependent Variable	
RETURN	Return earned on restructuring strategy

Source: Author developed for this research

Table 6.12 Summary of dependent and independent variables – Probit model (a)

Variable	Obs.	Mean	Std. Dev.	Min	Max
Dependent Variable					
Return earned on downsizing strategy	69	.5797101	.4972216	0	1
Control Variables					
Size of the firm	69	1.231884	.6217841	1	2
Type of the Firm	69	1.710145	.4570188	1	2
Age of the firm	69	2.492754	.7199507	1	3
Explanatory Variables					
Strategic Human Resource Practices					
Communication system	69	.6811594	.4694413	1	2
Compensation System	69	1.768116	.4251272	1	2
Trust of survivors	69	1.565217	.4993602	1	2
Empowerment of survivors	69	0.6376812	.4841917	1	2

Source: Author developed for this research

Table 6.13: Probit regression – Probit model (a)

Iteration 0: log likelihood = -46.946592

Iteration 1: log likelihood = -28.299092

Iteration 2: log likelihood = -27.999544

Iteration 3: log likelihood = -27.998652

Iteration 4: log likelihood = -27.998652

	Number of observations	=	69
	LR $chi^2(7)$	=	37.90
	Prob > chi^2	=	0.0000
Log likelihood = -27.998652	Pseudo R^2	=	0.4036

Return Earned on Downsizing Strategy	**Coef.**	**Std. Err.**	**z**	**P>|z|**	**[95% Conf.**	**Interval]**
Control Variables						
Size of the firm	-.2117586	.3346142	-0.63	0.527	-.8675904	.4440731
Type of the firm	-.2047167	.438319	-0.47	0.640	-1.063806	.6543727
Age of the firm	-.021955	.2894315	-0.08	0.940	-.5892303	.5453203
Explanatory Variables						
Strategic Human Resource Practices						
Communication system	.2148465	.5426901	0.40	0.692	-.8488065	1.2785
Compensation system	1.050805	.6640411	1.58	0.114	-.2506917	2.352301
Trust level of survivors	.7537572	.5207267	1.45	0.148	-.2668483	1.774363
Empowerment level of survivors	.8188093	.6386349	1.28	0.200	-.4328922	2.070511
Constant	-2.874109	1.50084	-1.92	0.055	-5.8157	.0674829

Source: Author developed for this research

Table 6.14: Conditional marginal effects – Probit model (a)

Number of observations	69		
Model VCE:	OIM		
Expression:	Pr(return), predict()		
dy/dx w.r.t:	Size of the firm, type of the firm, age of the firm, communication system, compensation system, trust level of survivors, empowerment level of survivors		
at	Size of the firm	=	1.231884 (mean)
	Type of the firm	=	1.710145 (mean)
	Age of the firm	=	2.492754 (mean)
	Communication system	=	0.681159 (mean)
	Compensation system	=	1.768116 (mean)
	Trust level of survivors	=	1.565217 (mean)
	Empowerment level of survivors	=	0.637681 (mean)

	Delta-method					
	dy/dx	**Std. Err.**	**z**	**P>|z|**	**[95% Conf.**	**Interval]**
Control Variables						
Size of the firm	-.0833176	.1317476	-0.63	0.527	-.3415381	.174903
Type of the firm	-.0805469	.1725437	-0.47	0.641	-.4187262	.2576325
Age of the firm	-.0086383	.1138693	-0.08	0.940	-.231818	.2145414
Explanatory Variables						
Strategic Human Resource Practices						
Communication system	.0845325	.2138471	0.40	0.693	-.3346	.5036651
Compensation system	.4134448	.2649352	1.56	0.119	-.1058187	.9327082
Trust level of survivors	.2965698	.2044975	1.45	0.147	-.104238	.6973775
Empowerment level of survivors	.3221649	.2511144	1.28	0.200	-.1700102	.81434

Source: Author developed for this research

Table 6.15: Average marginal effects – Probit model (a)

Number of observations	69
Model VCE:	OIM
Expression:	Pr(return), predict()
dy/dx w.r.t:	Size of the firm, type of the firm, age of the firm, communication system, compensation system, trust level of survivors, empowerment level of survivors

	Delta-method					
	dy/dx	**Std. Err.**	**z**	**P>|z|**	**[95% Conf.**	**Interval]**
Control Variables						
Size of the firm	-.0481589	.0757475	-0.64	0.525	-.1966213	.1003035
Type of the firm	-.0465574	.099822	-0.47	0.641	-.242205	.1490902
Age of the firm	-.0049931	.0658573	-0.08	0.940	-.1340711	.1240849
Explanatory Variables						
Strategic Human Resource Practices						
Communication system	.0488612	.1230856	0.40	0.691	-.1923823	.2901046
Compensation system	.2389778	.1475114	1.62	0.105	-.0501392	.5280947
Trust level of survivors	.1714221	.1137879	1.51	0.132	-.051598	.3944423
Empowerment level of survivors	.1862165	.1401357	1.33	0.184	-.0884445	.4608775

Source: Author developed for this research

Table 6.16: Summary of dependent variable and pprobit

Variable	Obs.	Mean	Std. Dev.	Min	Max
Return earned on downsizing	69	.5797101	.4972216	0	1
pprobit	69	.5768103	.3441508	.0146243	.9046119

Source: Author developed for this research

Table 6.17: Ability of the probit model (a) to predict for return on downsizing

Classified	-------- True ------- D	~D	Total
+	38	7	45
-	2	22	24
Total	40	29	69

xClassified + if predicted Pr(D) >= .5

True D defined as return = 0

Sensitivity	Pr(+| D)	95.00%
Specificity	Pr(-|~D)	75.86%
Positive predictive value	Pr(D| +)	84.44%
Negative predictive value	Pr(~D| -)	91.67%
False + rate for true ~D	Pr(+|~D)	24.14%
False - rate for true D	Pr(-| D)	5.00%
False + rate for classified +	Pr(~D| +)	15.56%
False - rate for classified -	Pr(D| -)	8.33%
Correctly classified		86.96%

Source: Author developed for this research

Probit Model (b): Univariate analysis for dependent and independent variables specific to the model (b) are summarised in Table 6.18. Univariate analysis has been repeated for before the multivariate analysis because for the purpose of multivariate analysis two models have been created to make the analysis meaningful. Initial univariate analysis has been carried out by treating all variables as part of one model therefore; at this stage univariate analysis concerning each model becomes essential. Table 6.19 presents the actual probit regression results for probit model (b) whereas; Table 6.20 and Table 6.21 present the conditional marginal effects and average marginal effects of the interdependent variables for probit model (b). Finally, Table 6.22 and 6.23 give information about whether probit model (b) is able to predict for the return earned on implemented strategic change of downsizing. The information about the ability to predict the dependent variable is in the form of percentage. The interpretation of information contained in the Table 6.19 to Table 6.23 about the estimated probit model (b) is presented in the following section of this chapter.

Table 6.18: Summary of dependent and independent variables

Variable	Obs.	Mean	Std. Dev.	Min	Max
Dependent Variable					
Return earned on downsizing	69	.5797101	.4972216	0	1
Control Variables					
Size of the firm	69	1.231884	.6217841	1	2
Type of the firm	69	1.710145	.4570188	1	2
Age of the firm	69	2.492754	.7199507	1	3
Explanatory Variables					
Role of Change Agent					
Interpersonal skills of change agent	69	4.333333	.8164966	1	3
Negotiation skills of change agent	69	4.434783	.6525574	1	3
Team building skills of change agent	69	4.289855	.7878013	1	3

Source: Author developed for this research

Table 6.19: Probit regression – Probit model (b)

Iteration 0: log likelihood = -46.946592
Iteration 1: log likelihood = -29.848893
Iteration 2: log likelihood = -29.644777
Iteration 3: log likelihood = -29.644568
Iteration 4: log likelihood = -29.644568

Probit regression	Number of observations	=	69
	LR chi^2 (7)	=	34.60
	Prob > chi^2	=	0.0000
Log likelihood = -29.644568	Pseudo R^2	=	0.3685

Return Earned on Downsizing Strategy	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
Control Variables						
Size of the firm	-.1192613	.3291256	-0.36	0.717	-.7643356	.5258129
Type of the firm	-.5097051	.4271599	-1.19	0.233	-1.346923	.3275129
Age of the firm	-.1926658	.2899058	-0.66	0.506	-.7608707	.3755391
Explanatory Variables						
Role of Change Agent						
Interpersonal skills of change agent	.5668633	.3797734	1.49	0.136	-.1774788	1.311205
Negotiation skills of change agent	.5417452	.3862027	1.40	0.161	-.2151981	1.298689
Team building skills of change agent	.5393075	.351191	1.54	0.125	-.1490142	1.227629
Constant	-5.494943	1.617524	-3.40	0.001	-8.665233	-2.324654

Source: Author developed for this research

Table 6.20: Conditional marginal effects – Probit model (b)

Number of observations	69
Model VCE:	OIM
Expression:	Pr(return), predict()
dy/dx w.r.t:	Size of the firm, type of the firm, age of the firm, interpersonal skills of change agent, negotiation skills of change agent, team building skills of change agent
at	Size of the firm = 1.231884 (mean)
	Type of the firm = 1.710145 (mean)
	Age of the firm = 2.492754 (mean)
	Interpersonal skills of change agent = 4.333333 (mean)
	Negotiation skills of change agent = 4.434783 (mean)
	Team building skills of change agent = 4.289855 (mean)

	Delta-method					
	dy/dx	**Std. Err.**	**z**	**P>|z|**	**[95% Conf.**	**Interval]**
Control Variables						
Size of the firm	-.0468249	.1293053	-0.36	0.717	-.3002585	.2066088
Type of the firm	-.2001225	.1681617	-1.19	0.234	-.5297135	.1294684
Age of the firm	-.0756452	.1138616	-0.66	0.506	-.29881	.1475195
Explanatory Variables						
Role of Change Agent						
Interpersonal skills of change agent	.2225642	.149713	1.49	0.137	-.0708678	.5159963
Negotiation skills of change agent	.2127023	.1521378	1.40	0.162	-.0854823	.5108868
Team building skills of change agent	.2117452	.138266	1.53	0.126	-.0592512	.4827415

Source: Author developed for this research

Table 6.21: Average marginal effects – Probit model (b)

Number of observations	69
Model VCE:	OIM
Expression:	Pr(return), predict()
dy/dx w.r.t:	Size of the firm, type of the firm, age of the firm, interpersonal skills of change agent, negotiation skills of change agent, team building skills of change agent

	Delta-method					
	dy/dx	**Std. Err.**	**z**	**P>|z|**	**[95% Conf.**	**Interval]**
Control Variables						
Size of the firm	-.0286021	.0788025	-0.36	0.717	-. 1830523	.125848
Type of the firm	-.1222412	.1005369	-1.22	0.224	-.3192898	.0748074
Age of the firm	-.0462065	.0690361	-0.67	0.503	-.1815147	.0891017
Explanatory Variables						
Role of Change Agent						
Interpersonal skills of change agent	. 1359493	.0872459	1.56	0.119	-.0350495	.3069481
Negotiation skills of change agent	. 1299253	.0893937	1.45	0.146	-.0452831	.3051336
Team building skills of change agent	. 1293406	.0807262	1.60	0.109	-.0288799	.2875612

Source: Author developed for this research

Table 6.22: Summary of dependent variable and pprobit

Variable	**Obs**	**Mean**	**Std. Dev.**	**Min**	**Max**
Return earned on downsizing	69	.5797101	.4972216	0	1
pprobit	69	.5740518	.3324964	.0247279	.9582151

Source: Author developed for this research

Table 6.23: Ability of the probit model (b) to predict for return on downsizing

Classified	-------- True ------- D	~D	Total
+	36	8	44
-	4	21	25
Total	40	29	69

xClassified + if predicted Pr(D) >= .5

True D defined as return = 0

Sensitivity	Pr(+| D)	90.00%
Specificity	Pr(-|~D)	72.41%
Positive predictive value	Pr(D| +)	81.82%
Negative predictive value	Pr(~D| -)	84.00%
False + rate for true ~D	Pr(+|~D)	27.59%
False - rate for true D	Pr(-| D)	10.00%
False + rate for classified +	Pr(~D| +)	18.18%
False - rate for classified -	Pr(D| -)	16.00%
Correctly classified		82.61%

Source: Author developed for this research

6.6.5 Interpretation of probit regression results

Initially the R^2 given by the model is considered as it dictates the strength of the relationship. The model gives the R^2 value equal to 0.4036 and 0.3685. For the purpose of this research these values are considered acceptable.

Coefficients and z values: Moving on to the coefficients of variables the positive signs demonstrates that there is positive relationship between the dependent and the explanatory variables by taking into account the control variables. However the z scores are the main focus to interpret the results further. Interpreting the results explains that the communication system in practice by the organisation at the time of implementing downsizing is not likely to affect the return earned by the downsizing strategy positively as the z value is really low 0.4. With a z value of 1.28, empowerment is likely to affect the return positively. Compensation system is highly likely to affect the return positively as it has scored the value of 1.58. The variable trust of survivors is also very likely to affect the return positively1.45. The positive sign of the coefficient depicts that there is positive relationship between these variables and the only dependent variable. The z scores for all of these variables (1.49, 1.40, 1.54) are acceptable and thereby make them statistically significant.

Marginal effects: The marginal effect analysis gives the magnitude of the relationship (dy/dx). Interpreting the numbers obtained by marginal effect analysis, communication system is only 8 per cent likely to affect the return earned on downsizing strategy positively. The higher percentages are shown by other explanatory variables such as empowerment of survivors and compensation system. Empowerment of the survivors and compensation system is likely to affect the return earned on downsizing strategy positively by 32 per cent and 41 per cent respectively. The variable, rust of survivors also touched the 30 per cent value. Therefore, it is highly likely this variable will affect the return earned by the firms positively by 30 per cent. Firms with effective compensation system, where survivors feel empowered, and there are efforts to regain the trust of survivors are 41, 32 and 30 per cent more likely to earn a positive return on downsizing strategy. The other three variables which explain the relationship of role of change agent and the return earned by the organisation are interpersonal skills of the manager, negotiation skills and the teambuilding skills of the manager who directly lead the change. The conditional marginal effect analysis explains that the firms whose change agents (managers leading change) effectively use the interpersonal, negotiation and team building skills are more than 20 per cent likely to experience positive movements in the financial performance key indicators.

Per cent correctly predicted: For the probit model (a) based on the analysis of model it is illustrated that the given model can predict the results more than 85 per cent accurately. Form the table given above it is evident that the per cent correctly predicted is fairly high. It is higher than the 85 per cent mark. Moving on to the probit model (b) the analysis of model illustrates that the given model can predict the results fairly accurate. The results show that the per cent correctly predicted is nearly 83 per cent. It is higher than the 80 per cent mark and therefore, makes it highly acceptable.

6.7 Hypothesis -by- hypothesis analysis with statistical results

In this section, analysis of each of the hypotheses is discussed. It presents the correlation and multiple regression analysis results on the relationship between explanatory and dependent variables performed to test hypotheses derived from the conceptual framework using large survey results of organisation operating in United Kingdom that choose to implement downsizing as a restructuring strategy.

Regression is a powerful instrument for examining the nature of relationship between variables and making predictions of likely values of dependent variable (Bryman and Cramer, 2011). It is the underlying method of all inferential statistics. Probit regression was chosen for this analysis because of the binary nature of dependent variable employed in the study (Long and Freese, 2014). Two models were developed for this research and tested. This study investigates the influence of factors of strategic human resource practices and role of the managers leading change on the return earned by downsizing strategy.

H 1a: The greater the use of communication system specifically designed by firms that choose to implement downsizing as restructuring strategy, the greater the level of return earned on implemented downsizing strategy by the firms.

Contrary to the expectations of this study, there is not a sufficient amount of evidence to support the Hypothesis 1a. The results suggest that there is only weak evidence that firms that implemented downsizing by putting in place an effective communication system are likely to experience a positive movement in the measures of return. The results are non-significant at the 5 per cent level with a p value of 0.692. Because of the stated results in the tables, it offers an explanation that return earned by a firm on implementing downsizing strategy is not affected by the incorporation of effective communication system by firms.

The marginal effect analysis which gives the magnitude of the relationship between dependent and explanatory variable has been completed for the hypothesis 1a. The variable - communication system shows a very low percentage and it supports the results obtained by regression analysis. It is evident that effective communication system at the time of implementing downsizing is only 8 per cent likely to affect the return earned on downsizing strategy positively. The standard error associated with the marginal effect is just 21 per cent which implies that there is only 21 per cent chance that the marginal effect of variable – communication system will change for the actual population. The probit regression coefficients give the change in the z-score or probit index for a one unit change in the predictor. In the case of variable - communication system the coefficient is positive which means an increase for an increase. Furthermore, the z-score increases by 0.21 for a one unit increase in variable communication system. Previous studies have suggested and reported positive relationships between the communication systems and the expected positive return on the downsizing strategy.

H 1b: The greater the use of compensation system specifically designed by firms that choose to implement downsizing as restructuring strategy, the greater the level of return earned on implemented downsizing strategy by the firms.

Hypothesis 1b is strongly supported. The study has found strong evidence to support a positive association between strategic compensation system of the firm and objective measure of short term post return on downsizing strategy (significant at the 5 per cent level). For the complete sample, an improvement in compensation system explains the level of the return earned on downsizing strategy as measured by the key final indicators. In other words, organisations that have an effective compensation in place especially designed for the successful implementation of downsizing strategy had a higher probability of earning a positive return on the downsizing strategy. In line with the outcome for Hypothesis 1b, the analysis predicted probabilities of the regression model outcome for variable change in compensation system variable (see above probit model (a) - estimations in tables) shows that firms that reported the introduction of effective compensation system at the time of implementing downsizing are more likely to earn a positive return on the implemented downsizing strategy.

The marginal effect analysis gives the magnitude of the relationship (dy/dx). The variable compensation system shows a high percentage and it is clear that effective compensation system at the time of implementing downsizing is 41.3 per cent likely to affect the return earned on downsizing strategy positively. The standard error associated with the marginal effect is just 26 per cent which implies that there is only 26 per cent chance that the marginal effect of compensation system variable will change for the actual population. The probit regression coefficients give the change in the z-score or probit index for a one unit change in the predictor. In the case of compensation system variable the coefficient is positive which means an increase for an increase. For a one unit increase in variable compensation system, the z-score increases by 1.05. Overall, the regression results for the complete sample are in line with the previous empirical evidence on the association between the compensation system of the firm and the return earned on the downsizing strategy.

H 1c: The higher the level of empowerment of survivors by the firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.

Hypothesis 1c is fully supported across all return measures. An increase in empowerment of survivors was found to have a positive association with objective measures of return earned by implementing downsizing strategy. For the complete sample, the results show that an increase in empowerment explains the positive return earned in over a period of three years. The result is significant at the 5 per cent level. This indicates that firms which were successful in empowering the survivors had enjoyed a positive return on the implemented downsizing strategy over the three year period.

Similar to the results obtained for the marginal effect analysis for compensation system (Hypothesis 1 b), variable, empowerment of survivors shows a high percentage and it is clear that effective empowerment of survivors at the time of implementing downsizing is 32.2 per cent likely to affect the return earned on downsizing strategy positively. The standard error associated with the marginal effect is only 25 per cent which implies that there is only 25 per cent chance that the marginal effect of variable - empowerment of survivors will change for the actual population. The probit regression coefficients give the change in the z-score or probit index for a one unit change in the predictor. In the case of compensation system variable the coefficient is positive which means an increase for an increase. For a one unit increase in variable compensation system, the z-score increases by 0.81. Evidence from previous studies is same as the evidence found in given study that an increase in the level of empowerment of survivors was likely to contribute to an increase in the profitability, value and liquidity level of the firm.

H 1d The higher the trust level of survivors in the firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.

Hypothesis 1d is supported across the measure of return of downsizing strategy. An increase in the effort of building effective trust of survivors is positively associated with the return earned on downsizing strategy (significant at the 5 per cent level).

This indicates that those firms which were successful in building trust of survivors experience a positive movement in the return earned by the downsizing strategy over the period of three years.

The marginal effect analysis which gives the magnitude of the relationship between dependent and explanatory variable has been completed for the hypothesis 1d. The variable - trust of survivors shows a high percentage and therefore, it can be claimed that it supports the earlier results obtained by regression analysis. It is evident that effective communication system at the time of implementing downsizing is only 29.6 per cent likely to affect the return earned on downsizing strategy positively. The standard error associated with the marginal effect in case of this variable is only 20 per cent which means that there is only 20 per cent chance that the marginal effect of variable - trust of survivors will change for the actual population.

The probit regression coefficients give the change in the z-score or probit index for a one unit change in the predictor. In the case of variable - trust of survivors the coefficient is positive which means an increase for an increase. Furthermore, the z-score increases by 0.75 for a one unit increase in variable trust of survivors. This is in line with the expectations of the study.

The regression results and the marginal effects analysis for the complete sample of given research show significant association between the “trust of survivors” variable and the return earned by implementing downsizing strategy. Overall, the regression results are supported by the evidence from earlier empirical studies (studies outlined earlier in the study– see chapter 2 and chapter 3) that reported a positive relationship between the two discussed variables.

H 2a The higher the level of interpersonal skills of manager leading change within those firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.

With respect to the association between effective interpersonal skills of manager leading change and return earned on downsizing strategy, the regression analysis for the two variables shows the following results. Effective interpersonal skills of manager leading change was found to have a positive and significant association with all the measures of return earned over three year period. The z value for the variable interpersonal skills of manager leading change is equal to 1.49 with a p value of 0.13 which make all the results significant at the 5 per cent level (see estimation - probit model b).

The marginal effect analysis (dy/dx) gives the magnitude of the relationship between the predictor variable and the indicator variable. The variable effective interpersonal skills of manager shows a high percentage and it is clear that effective interpersonal skills of manager leading change at the time of implementing downsizing is 22.2 per cent likely to affect the return earned on downsizing strategy positively. The standard error associated with the marginal effect is only 14.9 per cent which implies that there is only 14.9 per cent chance that the marginal effect of “effective interpersonal skills of manager leading change” variable will change for the actual population. The probit regression coefficients give the change in the z-score or probit index for a one unit change in the predictor. In the case of effective interpersonal skills of manager leading change variable the coefficient is positive which means an increase for an increase. For a one unit increase in variable effective interpersonal skills of manager leading change, the z-score increases by 0.56 points. On the whole, the regression results for the complete sample are in line with the previous empirical evidence on the association between the effective interpersonal skills of manager leading change of the firm and the return earned on the downsizing strategy.

H 2b The higher the level of negotiation skills of manager leading change within those firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.

Similar to the results of the hypothesis H 2a the association between effective negotiation skills of manager leading change and return earned on downsizing strategy, the regression analysis for the hypothesis shows the following results. It was found that effective negotiation skills of manager leading change have a positive and significant association with the measures of return earned over three year period after implementing downsizing strategy. All the regression results are significant at the 5 per cent level (see estimation - probit model b). The z value for the variable negotiation skills of manager leading change is equal to 1.40 with a p value of 0.16. These results are in line with the expectation of the given study.

The marginal effect analysis (dy/dx) of two variables i.e. predictor variable and the indicator variable gives the magnitude of the relationship between them. The variable effective negotiation skills of manager shows a high percentage and it is clear that effective negotiation skills of manager leading change at the time of implementing downsizing is 21.2 per cent likely to affect the return earned on downsizing strategy positively. The standard error associated with the marginal effect is only 14.9 per cent which implies that there is only 15.2 per cent chance that the marginal effect of "effective negotiation skills of manager leading change" variable will change for the actual population. The coefficients of probit regression present the change in the z-score or probit index for a one unit change in the predictor. In the case of effective negotiation skills of manager leading change variable the coefficient is positive which means an increase for an increase. This means that if there is a one unit increase in variable effective negotiation skills of manager leading change, the z-score increases by 0.54 points.

As, the hypothesis H 2b was initially constructed with the help of existed studies it can be inferred that the regression results for the complete sample are in line with the previous empirical evidence on the association between the effective negotiation skills of manager leading change of the firm and the return earned on the downsizing strategy.

H 2c The higher the level of team building skills of manager leading change within those firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.

In line with the expectations of the study, hypothesis H 2c has been confirmed on the basis of regression analysis and the marginal effect analysis. The results shows that the association between effective team building skills of manager leading change and return earned on downsizing strategy is positive. It has been found that positive return earned over three year period by implementing downsizing strategy was aided by effective team building skills of manager leading change positively and significantly. The z value for the variable team building skills of manager leading change is equal to 1.54 with a p value of 0.12 and this is significant at the 5 per cent level (see estimation - probit model b).

Another important analysis that is the marginal effect analysis (dy/dx) gives the magnitude of the relationship between the predictor variable and the indicator variable. The variable effective team building skills of manager shows a high percentage and it is clear that effective team building skills of manager leading change at the time of implementing downsizing is 21.1 per cent likely to affect the return earned on downsizing strategy positively. The standard error associated with the marginal effect is only 14.9 per cent which implies that there is only 13.8 per cent chance that the marginal effect of “effective team building skills of manager leading change” variable will change for the actual population. The probit regression coefficients give the change in the z-score or probit index for a one unit change in the predictor. In the case of effective team building skills of manager leading change variable the coefficient is positive which means an increase for an increase. For a one unit increase in variable effective team building skills of manager leading change, the z-score increases by 0.53 points. Evidence from previous studies is same as the evidence found in given study that effective use of team building skills by manager who is leading change was likely to contribute to an increase in the profitability, value and liquidity level of the firm which makes the overall return of the implemented downsizing strategy positive.

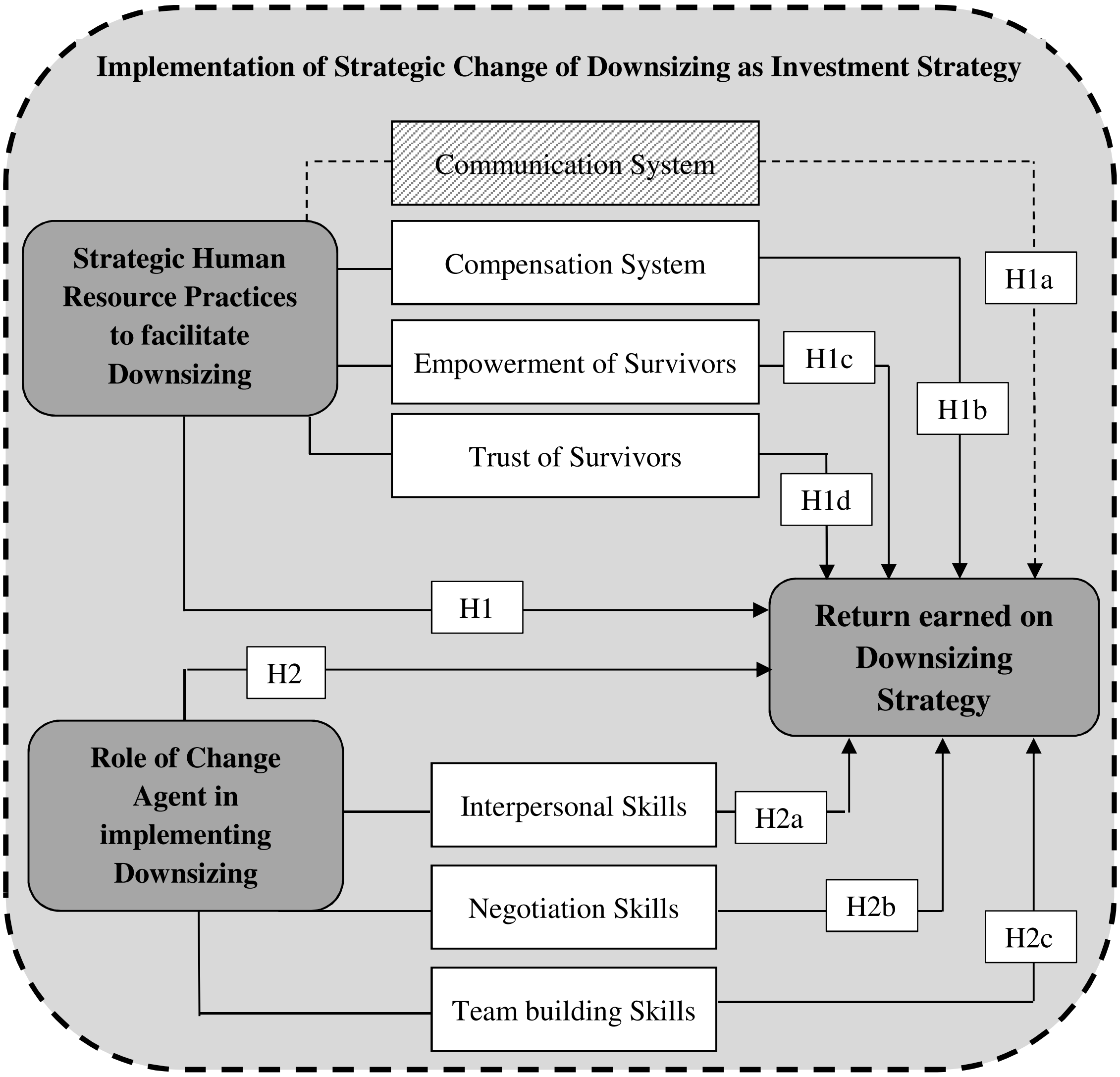
Table 6.24 exhibits the status of individual hypothesis in this research. Overall, eight out of the total nine hypotheses were confirmed and only one of them was not confirmed or rejected based on the statistical results. The detailed analysis shed more light on the predictor variables and the indicator variables and helped to understand the relationships between them. Figure 6.7 is the diagrammatic view of the status of hypotheses after sophisticated statistical analysis of data. It is the modified form of Figure 3.9. Figure 3.9 shows the proposed relationships for conducting the study while Figure 6.7 displays the accepted and rejected relationships after sophisticated data analysis. The status of each individual hypothesis is shown in Figure 6.7 helps to visualise the status of each hypothesis more clearly. The dashed line shows the non-confirmed or rejected hypothesis H1a whereas, solid lines show the confirmed or accepted hypotheses, H1, H1b, H1c, H1d, H2, H2a, H2b and H2c.

Table: 6.24 Status of individual hypothesis after statistical analysis

Hypotheses	Status
H 1: The greater the use of integrated strategic human resource practices by firms that choose to implement downsizing as restructuring strategy, the greater the level of return earned on implemented downsizing strategy by the firms.	Confirmed
H 1 a: The greater the use of communication system specifically designed by firms that choose to implement downsizing as restructuring strategy, the greater the level of return earned on implemented downsizing strategy by the firms.	Not Confirmed
H 1 b: The greater the use of compensation system specifically designed by firms that choose to implement downsizing as restructuring strategy, the greater the level of return earned on implemented downsizing strategy by the firms.	Confirmed
H 1 c: The higher the level of empowerment of survivors by the firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.	Confirmed
H 1 d: The higher the trust level of survivors in the firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.	Confirmed
H 2: The greater the use of integrated leading skills by the manager/(s) leading change within those firms that choose to implement downsizing as restructuring strategy, the greater the level of return earned on implemented downsizing strategy by the firms.	Confirmed
H 2 a: The higher the level of interpersonal skills of manager leading change within those firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.	Confirmed
H 2 b: The higher the level of negotiation skills of manager leading change within those firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.	Confirmed
H 2 c: The higher the level of team building skills of manager leading change within those firms that choose to implement downsizing as restructuring strategy, the higher the level of return earned on implemented downsizing strategy by the firms.	Confirmed

Source: Author developed for this research

Figure 6.1: The structural model after statistical analysis



Source: Author developed for this research

6.8 Conclusion

The analysis completed in this chapter clearly shows that overall there is a strong relationship between the effective strategic human resource management practices, the effective role of a manager leading change and the return on downsizing strategy. Two probit models that is model (a) and model (b) were developed and tested. The value of R^2 for model (a) and model (b) depicts an acceptable strength of the relationship. Overall, six of the hypotheses out of total of seven were confirmed and only one of them was not confirmed or rejected by using the regression analysis statistics. Furthermore, the two probit models used to identify which model fits best for the given set of data in order to explain the relationships more precisely explained the relationship between the given explanatory variables and the dependent variable return. The probit model rejects the hypothesis explaining the relationship between communication system and the positive return earned on the downsizing strategy. However, the probit model supported the other six relations (hypotheses) based on the statistical results given. Therefore, it can be concluded that majority of strategic human resource practices introduced at the time of implementing downsizing can aid the firms to earn a positive return in short run. Also, the role of a manager leading the change is very critical to the success of the implemented strategy and future of the firm. Firms can earn a positive return on the implemented downsizing strategy if they are able to effectively use strategic human resource practices as well as the managers, leading change can play an effective role in the implementation of downsizing.

Chapter 7 Discussions of Findings

7.1 Introduction

This chapter includes discussion of the results obtained by using statistical tools. The chapter further explains how the findings supports the previously available literature. Results and findings of the survey in relation to the research questions raised in first Chapter are discussed. The key characteristics of the organisations' strategic human resource management practices and role of change agent are examined. The examined organisations in the current research are only UK based firms that announced and implemented the downsizing strategy in year 2008. The chapter discusses findings on the organisations' "Strategic human resource management practices – Return" and "Role of managers during the implementation process – Return" taking into account the previous research by other researchers.

7.2 Organisational characteristics

To ensure the acceptable representativeness of total population of organisations that announced and implemented downsizing in year 2008 in the UK, a survey of all the organisations that announced and implemented downsizing in year 2008 is undertaken. In order to ensure the robustness of the results and the representativeness, a census approach was used. This enables to be discuss the general characteristics of the organisations that announced and implemented downsizing in year 2008 in the UK. This is achieved by examining the frequency distributions of the independent variables (explanatory variables and control variables). The complete sample consists of 69 organisations that announced and implemented downsizing during year 2008 in the UK.

The results of the frequency distribution for the complete sample are presented in the data analysis chapter (see Table 6.2 in chapter 6). An examination of the frequencies of the explanatory variables reveals that a majority of the organisations have shown a positive shift in the financial health indicators. Or in other words they have earned a positive return on the downsizing strategy when implemented as investment strategy over the three year period.

A positive movement in the financial health indicators in majority of organisations in the UK suggests that many organisations may already have developed significant strategic human resource practices due to their age; or may have developed high levels of effective strategic human resource practices before announcing and implementing downsizing. In addition, many of the observed organisations may not be suitable candidates for the increased financial performance due to a lack of the managerial assets that are critical to earn a positive return by implementing any strategic change.

7.3 Strategic human resource practices and return

This section examines the first set of research hypotheses initially developed in chapter 3. Research hypothesis H1 has been raised on the basis of theoretical framework for the given research. Hypothesis H1 has been further divided into four sub hypotheses, H1a, H1b, H1c, and H1d. As discussed previously, the relationship between strategic human resource practices and the return on strategy is simple and straight forward. A large number of researchers (e.g. Worrell et al., 1991; De Meuse et al., 1994; Cascio et al., 1997 etc.) suggest that the restructuring strategy of downsizing generally does not improve performance of the firm measured by financial indicators. However the evidence from this research depicts that downsizing strategy can be able to earn a positive return if implemented using strategic human resource practices. Strategic human resource practices specifically targeted at effective implementation of strategic change of downsizing can aid in moving the financial health indicators of an organisation in positive direction. As Church (1995) points out, these practices are already well researched and proven; a large body of evidence indicates that these practices are associated with increases in productivity and improved long-term financial performance. The challenge for management is to find a way to implement them in a cohesive, systemic manner during a downsizing.

An early 1990's study, Mentzer (1996), looked at the strategic implications of organisational layoffs by investigating how the securities' market reacted to the announcements of 194 layoffs in very large firms over a nine-year period. The researcher found that the documented reason for the layoff greatly affected the securities' market reaction to the layoff. The results of the study suggest that managers should not fear adverse stock reactions if a layoff are attributable to consolidation and restructuring purposes.

Cameron et al. (1991); Cascio (1993) also supports the above discussion. In the given research, the value of the firm in terms of the market value and the book value have been observed as positive as well as negative. The results explain that the value of the firm after implementing downsizing strategy can react in either way. There were mixed results showing improvement as well as decline in the value of a firm post implementation of downsizing. The reason behind this is mainly highlighted in the vast literature on downsizing, for example, Mantzer (1996), as discussed above. It is mainly the documented reason for opting downsizing strategy by a firm. As mentioned by Gandolfi (2014); Gandolfi (2013); Gandolfi and Hansson (2011); Datta et al., (2010), age and size of the firm also contribute to this after effect of downsizing strategy on value of the firm.

7.3.1 Communication system and return on downsizing strategy

Communication system is a system used by an organisation to transfer the message from one person to another. In the case of this particular research it is the system used to notify all employees about the implementation of strategic change of downsizing. It is how employees are notified about the downsizing event to be taking place (Redman and Wilkinson, 2013). There could be a number of ways to notify them about the implementation of change.

For the purpose of this research the strategic human resource practices includes communication system, compensation system, and trust of survivors and the empowerment of the survivors. The decision of downsizing should be communicated to everyone soon after a decision is taken. It can happen that good decisions fail to achieve results due to poor communication (Redman and Wilkinson 2013)

Previous researches on downsizing, for example, Cameron (1994); Chadwick et al. (2004); Appelbaum and Donia (2000); Tucker et al. (2012) etc. stresses that communication system can play a vital role in achieving high levels of return by implementing downsizing strategy. The improved communications at the time of implementing strategic change of downsizing results in improved productivity (Colby, 1996). Colby (1996) advises to make the reductions in number of employees by seniority or other methods rather than by assessing each employee's contribution to the organisation. It is because in knowledge businesses, the major assets of business are its human capital. Therefore, if downsizing targets the wrong resources, any cost reductions can be surpassed by the loss of knowledge critical to the success of a business Evans et al. (1996)

The results of statistical analysis show that the effectiveness of communication system used during the implementation of downsizing strategy does not have a significant effect on the return earned by the firm after implementing downsizing in short run (i.e. three years period). The communication system which includes the key elements to improve morale of the survivor, stress level of the survivors, productivity of the survivors and trust in management does not help significantly to earn a positive return on the downsizing strategy. Although many authors, for example, Appelbaum et al. (1997); Appelbaum et al. (1999); Evans et al. (1996); Colby (1996) Redman and Wilkinson (2013); Iverson and Christopher (2011); Chadwick et al. (2004); Appelbaum and Donia (2000); Cameron (1994); Tucker et al. (2012) etc., strongly argue that the effective communication strategy used during the implementation of downsizing strategy can contribute to earning overall positive return on the strategy. The statistical results in this particular research does not support the claim made by earlier researchers. The results depicts that the communication strategy is statistically insignificant for achieving a positive return on implemented downsizing strategy.

7.3.2 Compensation system and return on downsizing strategy

Another important aspect of strategic human resource practices is the compensation system in practice by the organisation at the time of implementing strategic change of downsizing. Compensation system has a vital role at the time of restructuring (downsizing) because the survivors of the downsizing are highly concerned with what organisation is offering to the victims of downsizing. A large number of researchers including for example, Appelbaum et al (1999), Redman and Wilkinson (2013), Dessler (2014); Gandolfi, 2008a; Makawatsakul and Kleiner, 2003; McCune et al., (1988);Holzmann and Vodopivec, (2012) Muñoz-Bullón, and Sánchez-Bueno, (2014) etc. argue that the compensation packages offered at the time of downsizing; to the people who are chosen to be removed from the payroll of the organisation has an impact on the future financial performance of the firms.

Compensation is an important motivator when you reward achievement of the desired organisational results. It is said that "money is a powerful source of motivation”. But it is also said that salary increase can only motivate until the next pay increase is due. Achievement of the desired behaviours is important in order to enhance the organisation's effectiveness. In turn, this increases the possibility of overall success of an organisation. Compensation strategy can reinforce the organisational culture that is desired.

The compensation system must reflect the strategic business objectives. The business must clearly define the objectives of the organisation so that they can be achieved by using compensation strategy. These are communicated to everyone soon after a decision is taken. It can happen that good decisions fail to achieve results due to poor communication. By providing the right combination of benefits which are non-cash compensation your organisation can motivate employees and make them stay to help in its progress. The acid test of support for redundant employees is the level of compensation given to them. (Redman and Wilkinson, 2013) The effectiveness of compensation system in this research is measured by using items such as severance or early retirement packages, outplacement programs offered, accrued holiday pay, and counselling services offered etc.

Many researchers for example, Appelbaum et al., (1999), Redman and Wilkinson (2013), Church (1995) etc. suggest that the compensation packages play an integral role in the future of any organisation which chooses to restructure. The results from this research strongly support the argument given by the previously mentioned researchers of the same area. The statistical results for this relationship being highly significant adds to the work done by researchers in past and reinforces their argument. The statistical results highly correspond to the previous work and therefore, the results of this research make it an extension to the work done by previous researchers in the same area of concern.

7.3.3 Trust of survivors and return on downsizing strategy

Trust is defined as the willingness of one party to be vulnerable to another party. (Schoorman et al, 2007). Davis et al., 1995, Davis et al., 2000 suggests that measure of trust in the leader can predict the subsequent sales, profits, and employee turnover in the organisations. A considerable amount of literature, for example, Hopkins and Weathington (2006); (Robinson, 1996); Marques et al. (2011); Dirks and Ferrin (2001) strongly supports the argument that the organisational effort to improve trust of survivors of downsizing is responsible for increased post downsizing financial performance of the firms. The researchers presented the idea that if employees of an organisation who are not affected by the downsizing implemented trust their organisation then it reflects in the short and long term performance levels of the organisation. More precisely, trust of employees in an organisation has a positive relationship with the financial performance of an organisation.

Further to the argument explained above given by previous researchers, the study is conducted in the light of same argument. The analysis presented in the previous chapter (chapter 6) clearly shows that the organisations whose employees had well developed trust in the organisations are successful to show positive movements in the financial performance indicators of the firms. Thereby, it contributes in earning a positive overall return on the chosen restructuring strategy which in case of this research in downsizing. Beliefs of early researchers are extended with the help of findings of the current research. The current research strongly supports the argument presented by the previous researchers and organisations are able to earn a positive return on the implemented downsizing strategy if their employees trust in them even after downsizing.

7.3.4 Empowerment of survivors and return on downsizing strategy

Previous researchers for example, Conger and Kanungo (1988); Forrester (2000); Quinn and Spreitzer (1997); Sundbo (1999); Thomas (2000) Matthews et al., (2003) etc. explain and stress in their literature that empowering the survivors of downsizing or empowering employees can help the organisation to achieve the real goals e.g. motivated workforces and the associated profits. Various authors (Brockner, 1998; Brockner et al., 1987; Cascio, 1993; De Varies and Balazs, 1997; Armstrong-Stassen, 1998; Ryan and Macky, 1998; Orr et al., 1999; Wager, 2001 and others) emphasise that work related attributes and behaviours of survivors, following implementation of downsizing have shown decline. Literature emphasises that rational empowerment occurs when within the same hierarchy higher levels of management share power with the lower levels (Siegall and Gardner,2000; Spreitzer, 1997; Wilkinson, 1998). The psychological perspective of empowerment has a deep focus on the employee's perception of empowerment (Spreitzer, 1995, 1997; Thomas and Velthouse, 1990). Psychological empowerment is also known as organic or bottom-up processing (Matthews et al., 2003). Researchers say that empowerment is achieved only when psychological states produce a perception of empowerment within the employee (Mishra and Spreitzer, 1998; Quinn and Spreitzer, 1997;Wilkinson, 1998).

As mentioned earlier, this research work considers the concept of empowerment presented by Quinn and Spreitzer (1997) which claims that one perspective of empowerment is not certainly better than the other. According to Quinn and Spreitzer (1997), a possible reason of empowerment programs to fail is because decision makers of organisation are not able to identify the best way to empower employees. As suggested by earlier researchers a rich scale is employed to collect data for the current research. Sophisticated statistical analysis of data is completed and findings of the current research support the notion of earlier researchers in the area of downsizing.

The given research further supports the argument presented by the previous authors in the same field. Ugboro (2006); Niehoff et al. (2001); Spreitzer and Mishra (2002); Kuo et al. (2010) etc. strongly support that empowerment of survivors of downsizing can lead to high level of productivity. The findings of current research strengthens the concept of researchers that if employees feel empowered the productivity is higher. The statistical results of the given research show that the firms who announced and implemented downsizing showed positive signs of financial performance where the employees feel more empowered. Clearly, the results support the argument that if the firms that choose to downsize help creates an environment for their remaining employees to empower them; the firms will be able to earn a positive return in the short term.

7.4 Role of change agent and return

This section examines the research hypotheses developed initially in chapter 3 that is H2, H2a, H2b and H2c. As discussed previously, the relationship between the role of change agent and return on strategy is somewhat complex. The present empirical evidence from the studies that have attempted to examine this relationship from the organisational perspective is mixed. Several conceptual and empirical studies highlight the positive association between effective role of change agent and return on strategy implemented (Worrell et al.,1991; De Meuse et al., 1994; Cascio et al., 1997, Cameron et al.,1991; Cascio, 1993, Mentzer, 1996). In general, they argue that effective role of change agent has a strong impact on the level of return earned by strategy implemented and it performs an important role as a provider of competence to the implemented change strategy. A positive association has also been reported in the studies that examine the impact of role played by the change leader on the financial performance indicators. However, there are studies that report insignificant association between role played by the change leader on the financial performance indicators.

7.4.1 Interpersonal skills and return on downsizing strategy

Good management practices (strategic planning, training, transparent communication, employee involvement, etc.) and the extremely important human element and its relation to productivity are simply ignored by many organisations that choose to implement downsizing companies. The result is that they failed to achieve long-term positive results (Appelbaum et al, 1999). Other research cited in Vargas (2006) states that downsizing is a very personal and emotional experience for people caught up in the events. Some managers believe that those who are not dismissed will feel relieved, even grateful that they survived to keep their jobs. The current research supports the argument that the change agent can make effective use of its developed interpersonal skills. And he/she can make people working in the organisation believe that they are still needed and have future in the same organisation. Gilley et al. (2009) and Denning (2005), argues that to lead a change requires the use of a varied set of communication techniques in order to deliver the right messages, request feedback, motivate recipients to take action, and create willingness for change along with a sense of urgency.

Some more studies by Green (2004) and Rousseau and Tijoriwala (1999) suggests that leaders as change agents must provide employees with abundant, relevant information with regard to impending changes, justify the appropriateness and rationale for change, address employees' questions and concerns, and explore ways in which change might affect recipients in order to increase acceptance and participation. The statistical results presented in the previous chapter support the beliefs of early researches in the same area. Few examples of the work with respect to communication states that: communication can be an effective tool for motivating employees involved in change (Luecke, 2003). Appropriate communications provide employees with feedback and reinforcement during the process of implementing change (Peterson and Hicks, 1996). This enables them to make better decisions and prepares them for the advantages and disadvantages of change (Saunders, 2012). The results obtained by sophisticated statistical analysis in current study contributes positively towards the mentioned studies.

7.4.2 Negotiation skills and return on downsizing strategy

The role of change leader or group is measured by the skills used by the manager or managers i.e. negotiation skills. To lead a change requires the use of effective negotiation skills in order to deliver the right results for the organisation. (Gilley et al, 2009).

Studies by Denning, 2005 and Gilley et al, 2009 supports the argument that change agents are responsible for negotiating with the key stakeholders during the phase of implementing a change in order to be rewarded of embracing a radically different future. As claimed by Larson and Tompkins (2005), leadership inconsistency weakens claims of validity for change and in turn enables recipients to cling to reasons for resistance to any change implemented in organisation. Consequently, more studies support the given argument that the managers needs to have effective negotiating skills and simultaneously they reduce their bias toward unrealistic optimism for example, Lewis et al. (2006) and Lovallo and Kahneman (2003). Buchanan and Boddy (1992) also believe that negotiation skills are crucial to the success of implementing downsizing strategy. The findings of the current study are aligned with previous studies by researchers. The results presented in pervious chapter reinforces the argument given by earlier authors. Thereby, the current research findings adds on to the existing body of knowledge. The results of the analysis leads to the acceptance of initially developed hypothesis relating to negotiation skills and return earned on downsizing strategy. The firms whose change agents possess effective negotiation skills are able to earn positive return on implemented downsizing strategy. The findings clearly supports that negotiation skills of a change agent are important to earn positive return on the implemented strategic change of downsizing.

As mentioned earlier, the given research extends the work done by previous researcher in a new context (UK context). It supports the argument that effective negotiation skills can contribute in the achievement of short term financial goals which organisations expect to achieve by implementing downsizing strategy. Any organisation which is experiencing consistent decline in the financial performance and choose to downsize should educate the managers who are leading the change to use the essential skills in order to achieve the desired goals of downsizing. The skills are important for all managers but especially important for the managers of those organisations which choose to implement downsizing with a target to stabilise or improve the financial performance.

7.4.3 Team building skills and return on downsizing strategy

Studies by Folger and Skarlicki (1999); Tomlinson et al. (2004); Ford et al. (2008) argue that disappointing or unfavourable results due to un fulfilled or inaccurate promises and predictions undermine leadership credibility and lead to employee perceptions of injustice, misrepresentation, and violations of trust (Folger & Skarlicki, 1999; Tomlinson et al., 2004). They suggest that the work groups can become effective by the managers using their appropriate team building skills. They can reenergize the people working in the organisation by effective use of communication and the teambuilding skills. People can perform well in a team if they are assigned to a right team. This way they feel work as a play time and can benefit the short term and long term goals of an organisation.

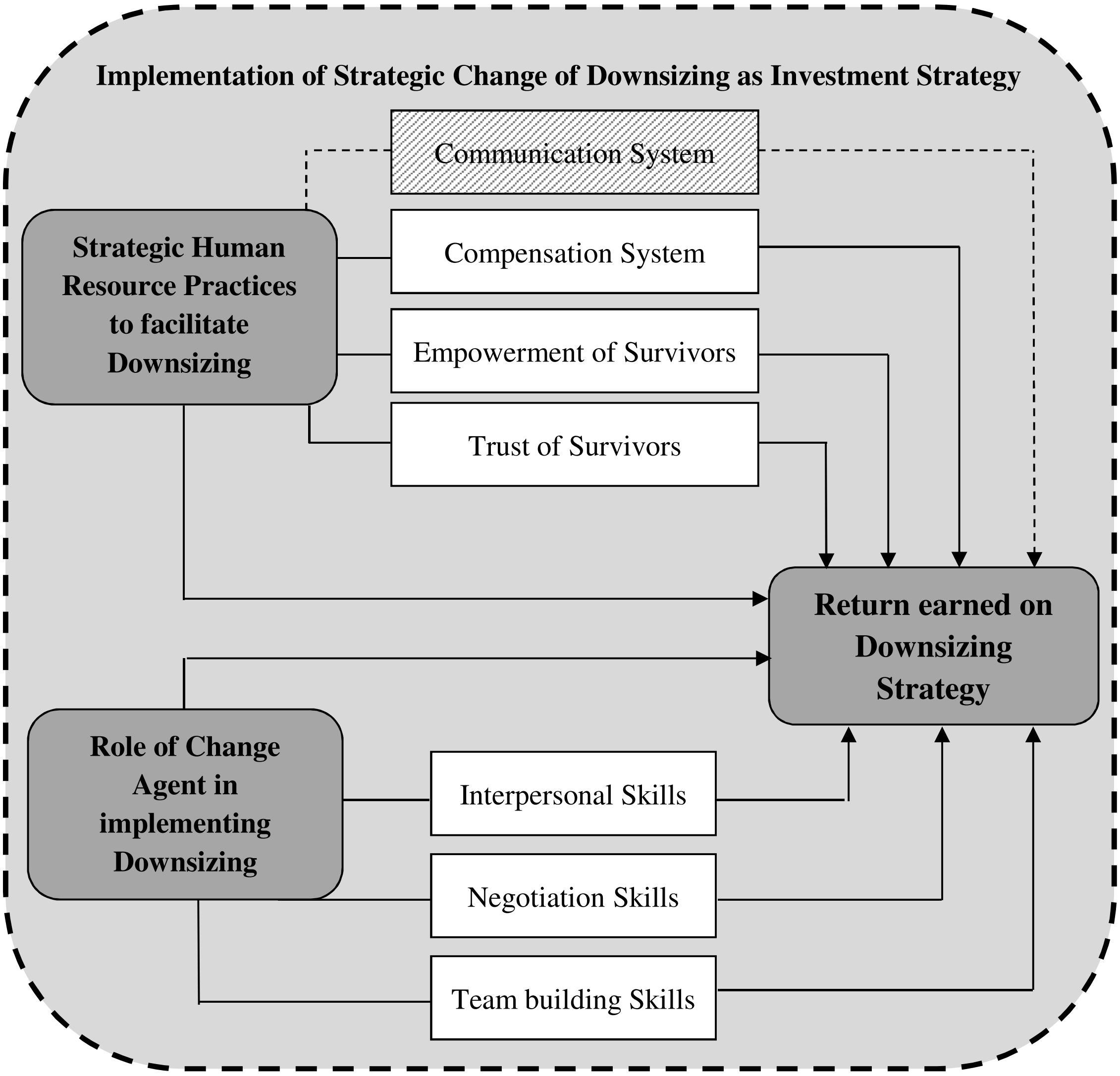
Research on organisational justice research reveals that people who experience an injustice or betrayal feels resentful and have a desire for retribution (Folger and Skarlicki, 1999), while those who perceive that they have been treated fairly demonstrate attitudes and behaviours such as enthusiasm or commitment which leads to a successful change, (Cobb, Wooten, and Folger, 1995). It suggests that the change agents can help diminish the effects of the given situation by making effective use of team building skills. Evidence suggests that team building skills of the change agent enables recipients of change to accept an undesirable outcome (Cropanzano et al., 2007; Skarlicki and Folger, 1997). Hence, there is a need for realistic, truthful discussions by the change agents with employees that include the scope of the change and are clear about the negative aspects of implementation of downsizing strategy.

The study by Gilley (2005) and (Knowles and Linn, 2004) explains clearly that employees' acceptance of strategic change and participation in change depend on their perception of personal benefits associated with the change or restructuring. Employees question, evaluate, and weigh arguments for and against change to determine its strengths and weaknesses; thus, well-developed rationalisations are more likely to be accepted by the employees, while weaker arguments are rejected. The change agent is responsible for building teams or work groups where survivors feel empowered and valuable to organisation. In line with Buchanan and Boddy (1992), the statistical results of the current study, presented in chapter 6, clearly illustrates that effective team building skills are very important for a change agent to possess at the time of implementing strategic change of downsizing to achieve desired short term and long term financial goals of the firm. In other words, effective team building skills of change agent are important to earn positive return on the implemented strategic change which is downsizing in the current research.

7.5 Findings of the study: a brief

Figure 7.1 gives a diagrammatic view of research findings. The diagrammatic view is based on the initial proposed model (Figure 3.9) for the research. The chief findings of the current study mainly reinforces the existing literature on downsizing and its implementation. However, at the same time it contradicts some of the available literature as well. The only contradiction is in case of strategic human resource

Figure 7.1: Findings of the study: a diagrammatic view



Source: Author developed for this research

practices. The hypothesis covering communication system in place at the time of implementation of strategic change of downsizing is rejected. The role of communication system in earning positive return on implemented downsizing strategy has been overruled in the context of this study. Figure 7.1 pictorially illustrates the contradiction with the help of dashed line and a patterned box whereas, the solid lines and clear boxes depicts the reinforcement of the previous literature. This result may be due to the different study settings (e.g. context) and the changing work place environment. Also the data available for the given research is very limited as the total population is very small.

7.6 Conclusion

This chapter discussed the findings of the research in relation to the literature available in the same field. It explains in detail on what critical points the findings of the given research supports the argument presented by the previous researcher and how do they contradict. Both ‘strategic human resource practices’ and ‘role of change agent’ are significantly responsible for the level of return earned by implementing downsizing strategy. However, in case of strategic human resource practices, the contribution of communication system in earning a positive return on downsizing strategy seems to be lagging behind. The study contributes uniquely to literature on downsizing and strategic change management as it is conducted in different settings (the UK context). The next chapter outlines the key conclusions drawn in the current research. It also presents the research contributions, implications, limitations and directions for future research.

Chapter 8 Conclusions

8.1 Introduction

The chapter forms the ending of the research and discusses in detail the conclusion drawn with the help of the current research project. The research objectives, questions and hypothesis raised at the beginning of the study are examined in this chapter. The thesis on “Implementing strategic change of downsizing as an investment strategy: A study of UK based firms” attempted to investigate the strategic change of downsizing as an investment strategy in the presence of strategic human resource practices and the effective role of a change agent. This final chapter of the thesis draws the conclusion by highlighting the major findings in relation to the objectives of the study which were set in the initial stage of the research study. The main contribution the study makes to the body of knowledge is covered in detail and suggested ways to make the study usable for the businesses, decision and policy makers. In this chapter, some of the study’s implications for practice are foregrounded. An important aspect of any research study is its limitations, therefore the chapter also explicates the limitations of the study and some of the directions for future research that stem from the study are presented at the end.

8.2 Conclusions in relation to research objectives

The intentional focus of this research project was to better understand the downsizing experience of organisations in the presence of strategic human resource practices and the effective role of a change agent. While all organisations that announced and implemented downsizing were invited to take part in the survey, the researcher acknowledges that the response rate was not very low but as a whole it may not be representative of the firms that announced and implemented downsizing in year 2008.

The objectives of the research presented at the beginning of the research are following

- To assess the economic utility of downsizing when it is used as investment strategy.
- To analyse the financial benefits associated with implementing strategic change of downsizing.
- To measure the return earned by implementation of downsizing strategy in the presence of effective strategic human resource practices.
- To measure the return earned by implementation of downsizing strategy in the presence of effective role of manager leading it.

8.2.1 Objective 1: measuring the economic utility of downsizing when it is used as investment strategy.

The first objective was to assess the economic utility of downsizing when it is used as an investment strategy. As far as the first objective is concerned the results of research depicts that the downsizing strategy is economical if it is utilised as investment strategy. The reason to draw this conclusion is that organisations do choose the change strategy of downsizing as a proactive measure. The current research project focused on the phenomenon of downsizing as a proactive measure. The research employed the idea that the organisations choose to implement strategic change of downsizing as a proactive measure rather than a reactive. Recalling the conceptual basis of the research in chapter 3, downsizing is regarded as the proactive or planned transformational change. It is aimed at the future and is not treated as a remedy or quick fix to an on-going issue in the business. By proactive it is meant that downsizing strategy is expected to contribute positively towards the future of the organisation. Proactive means well planned (see chapter 3); therefore organisations do spend time in planning for implementing the required strategic change. Sub strategies are developed to facilitate the implementation of change, for example, specific elements of strategic human resource practices are introduced to support the implementation of change.

In relation to the first objective it is concluded from the study that downsizing can prove to be economically beneficial for organisations in short run. This conclusion is drawn upon the results analysis and can only be true for the short run. By short run it is meant a period covering one to three times. For the period covering more than three years the findings of the research are not able to contribute as it is beyond the its scope.

8.2.2 Objective 2: measuring financial benefits associated with implementing strategic change of downsizing.

The second objective was to analyse the financial benefits associated with implementing strategic change of downsizing. The research illustrates that the financial benefits of choosing to implement downsizing can be adequate and the organisations can be flooded by the short term financial benefits. This is only possible if organisations implement the effective strategies to earn them. In the case of this research if can be concluded that the financial benefits associated with implementing downsizing are possible higher if organisations effectively implement the strategic human resource practices specifically designed to facilitate the implementation of downsizing strategy. Another conclusion is that: concluded that the financial benefits associated with implementing downsizing are possible higher if the change agents are able to utilise their key skills such as interpersonal, negotiation and team building skill to facilitate the survivors of downsizing.

8.2.3 Objective 3: measuring return earned by implementation of downsizing strategy in the presence of integrated strategic human resource practices.

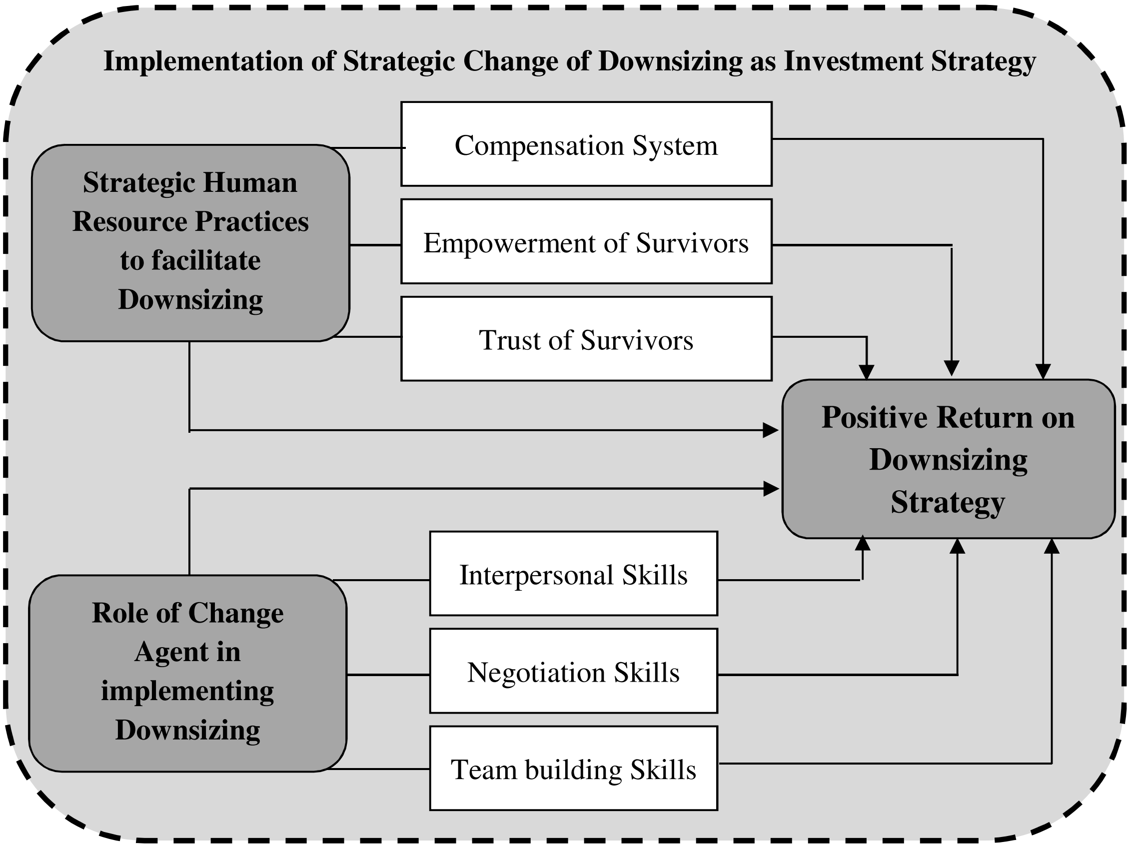
The third objective was to measure the return earned by implementation of downsizing strategy in the presence of effective strategic human resource practices. The results obtained after the statistical analysis helped measured the return in the presence of strategic human resource practices. Overall strategic human resource practices contribute to obtain a positive return. However, not all elements of strategic human resource practices are able to affect the return positively. It points out the fact that the particular element of communication within human resource practices on strategic level is not able to play its significant role to achieve organisations financial goals in short run.

8.2.4 Objective 4: measuring return earned by implementation of downsizing strategy in the presence of effective role of change agent.

The fourth objective was to measure the return earned by implementation of downsizing strategy in the presence of effective role of change agent or manager leading it. It was evident from the results that as a whole the effective role of the manager leading or change agent affects the financial performance of the firm. The effective role of change agent is responsible for the positive movement in the key financial indicators of the performance of the firm. All key elements included in the construct are satisfying the given argument hence it allows the research to make a very strong argument that overall return on the downsizing strategy is positive if the change agents or managers leading change of firms that choose to implement strategic change of downsizing are able to effectively use the key skills required.

Based on the conclusions of current research in relation to research objectives, a final model is presented in Figure 8.1. Figure 8.1 illustrates a model for earning positive return on downsizing strategy. The original model was presented initially in the study in chapter 3 where all hypotheses ware developed. After obtaining results of data analysis, conclusions have been drawn in relation to research objectives. The conclusions have made it possible to modify the initially proposed model in chapter 3 (see Figure 3.9). The modified/final model presents only three out of four strategic human resource practices which are crucial in earning a positive return on implemented downsizing strategy. The model also includes all three important skills for a change agent to possess and demonstrate when an organisation is implementing strategic change of downsizing. This model can serve the organisations which decide on implementing downsizing in future. Although, the current study is in UK context and the model can be of great help for organisations based in UK however, the model can serve as a guidance for organisation in other parts of the world specifically in developed countries.

Figure 8.1: A model for earning positive return on downsizing strategy



Source: Author developed for this research

8.3 Contributions to the body of Knowledge

The study is an overall effort to make noticeable contribution to the body of knowledge. The study has contributed to the existing and growing body of general literature on downsizing phenomenon as well as the literature on downsizing in developed specific to developed world.

8.3.1 Contributions to downsizing literature

The current study makes contribution to existing literature on downsizing. The phenomenon of downsizing has been studied with various different perspectives in the vast available body of literature e.g. psychological, financial/economic, institutional, socio-cognitive, strategic human resource perspective etc. This study can be treated as contribution to the existing body of knowledge from a different perspective. The study focused on the phenomenon of downsizing as an investment strategy making it a different interpretation of the phenomenon. Downsizing is studied as a strategic change and the return earned on the downsizing strategy is calculated in the presence of strategic human resource practices and role of change agent(s). The study combines the economic, human resource and leadership perspective. It enhances the existing knowledge and makes a unique contribution as the movement in the major financial ratios of the firms after implementing strategic change of downsizing is treated as total return earned on downsizing.

8.3.2 Contributions to downsizing literature in developed countries

The major stream of the downsizing literature, as outlined throughout the thesis, (e.g. Appelbaum and Donia, 2000; Appelbaum and Donia, 2001a; Appelbaum and Donia, 2001b; Appelbaum et al., 1997; Appelbaum et al., 1999; Appelbaum et al., 1997; Cascio, 1991; Cascio, 1993; Cascio, 2002; Cascio, 2005; Cascio, 2009; Cascio and Young, 2003; Cascio and Wynn, 2004; Cascio et al., 1997; Gandolfi and Hansson, 2011 Gandolfi, 2013 Gandolfi, 2014 and many others) mainly focuses on experiences in North America or other parts of world. Therefore, findings of these studies have limited applicability to the other countries perspectives. Although, the studies focused on North America contribute to the context of developed world but the applicability is limited due to the fact that there are noticeable differences in national human resource management and industrial relations systems across national boundaries.

Limited number of studies, (e.g. Suarez-Gonzalez, 2001 – Spanish firms; Lee, 1997 – US and Japanese firms; Collins and Harris, 1999; Beaumont and Harris, 2002; Oulton, 2000; Sahdev, 2004 – UK firms etc.), focus on implementation of downsizing strategy in the context of countries outside North America. The number of studies on downsizing in North American context is far more than the available studies on downsizing in the context of other developed countries. The current study focused on the context of United Kingdom by targeting firms operating in the UK. As, UK is one of the developed countries across globe therefore, the current study provides an overarching understanding of the diverse experiences of multinational and indigenous firms in the United Kingdom when downsizing strategy is implemented as a strategic change. The current price of work contributes in increasing the number of studies on downsizing strategy available in the context of developed countries other than North America.

8.4 Implications of the study

This study has sought to respond to research questions related to the economic utility of downsizing when it is used as investment strategy. More specifically, how effective human resource strategic practices and effective role of managers leading implementation of downsizing strategy contribute to the level of return earned by implementing downsizing strategy.

In particular, it has been studied in the current research that how strategic human resource practices and role of change agent(s) contribute in earning a positive return on the investment strategy of downsizing. And whether specific strategic human resource practices and role of change agent(s) support or hinder the overall level of return earned on downsizing strategy.

8.4.1 Implications for practice

The main aim in this study was to address the lack of research evidence on how human resource practices and role of change agent can contribute in earning higher level of return by implementing of downsizing strategy. The study has done so by studying UK based firms that implemented strategic change of downsizing. Using a quantitative approach, special attention is paid on strategic human resource practices and role of change agent(s). Accordingly, the first major practical contribution of the present research is that it provides data from UK. Recounting in depth the study is able to allow policy-makers, trainers, consultants and others to design initiatives, tools and actions based on what actually contributes in earning a positive level of return on downsizing strategy (rather than what they think can contribute). For example, communication system most of the time will not contribute in earning a positive level of return on implementing downsizing strategy. This finding gives direction to the policy makers to focus more on other important practices during the implementation of downsizing strategy.

8.4.2 Policy makers generally in developed countries

The study creates awareness about the effects of strategic human resource practices and role of change agent at the time of downsizing when it is used as an investment strategy. It provides bases for managers to decide upon the implementation of downsizing. In general, the findings from this research are of great importance for the policy makers of developed countries involved in downsizing as they are based on facts and figures regarding the outcome of the implemented strategy. As, the current study is an addition to the number of studies available in the context of developed world outside North America, therefore; it serves as a guideline for the policy makers of developed countries if they intend to implement downsizing strategy.

8.4.3 Policy makers specifically in the UK

The study provides indications to the policy makers regarding desirable strategic human resource practices and the role of change agent for earning higher levels of return on implemented downsizing strategy. The indications provided by the study are of great importance specifically for policy makers of UK based firms because the context of present study is UK. Data has been collected and analysed from UK based firms and findings are specific to the UK context. For example, the present study suggests the policy makers that communication system, as part of strategic human resource practices, at the time of implementing downsizing strategy yields minimum contribution to the level of return earned. Therefore, the suggestion instead is to embrace greater attention to other aspects of strategic human resource practices to achieve the desirable levels of return by implementing strategic change of downsizing. .

8.4 Research limitations and directions for future research

The intentional focus of this research project was to better understand the downsizing experience of organisations under the presence of strategic human resource practices and the effective role of a change agent. While all organisations that announced and implemented downsizing were invited to take part in the survey, the researcher acknowledges that the response rate was not very low but as a whole it may not be representative of the firms that announced and implemented downsizing.

Additionally, there may have been some self-selection bias among respondents. Since this survey focused on the strategic human resource practices and role of change agents that organisations make use of during the implementation phase of downsizing, those with positive experiences might have been more motivated to respond to the survey than organisations who had neutral or negative experiences. Future survey work in this area might include more questions regarding negative experiences in order to better understand what facilitated the transition to a new restructured environment.

The survey used in this study was sent to organisations with minimum age of four years and if they continued their operations at least for the next three years after implementing downsizing. However, the firms were asked to reflect on their experience of the year they implemented downsizing regardless of their stage in the business lifecycle. This was inevitable because of the smaller size of total population. This may lead to the skewed retrospection of data. As a way to minimise possible skewed retrospection, future studies could survey organisations that have spent same number of years in business. In addition, organisations could be surveyed annually for three years in order to capture any emerging trends. By surveying organisations regularly over the course of research it would be possible to evaluate organisations' strategic human resource practices more effectively to better the organisations restructuring experience.

This study presents a short term experiences of organisations that chose to implement downsizing. A longitudinal study that follows a cohort of organisations year to year could provide unique insight to how the needs and experiences of organisations change over time as they adjust to their restructured environment and what other factors are responsible to affect organisational success in terms of financial performance measures. Perhaps such systematic surveys could be administered in connection with the chartered institute of personnel development.

This study only surveyed managers and the union representative of the organisations. The generalisability and transferability of the study findings could be further strengthened by surveying a number of employees from each organisation and not just the union representative. This would help to gain a more comprehensive understanding of the phenomenon. Triangulating the data in this way could identify which factors greatly resonate within the organisations that choose to implement downsizing.

The survey, as designed, generated a number of closed-ended responses. The results that emerged were telling, but also raised more questions about the choice and implementation of downsizing strategy. Thus, a number of worthwhile directions for future research would be suggested. The directions for future research either are context specific or general. One of the context specific directions could be taking a longitudinal case-study approach to explore the financial performance of organisations choosing and implementing downsizing strategy. The longitudinal study can focus on the 10 year pre and post movements in the financial performance indicators. Analysis of panel data would provide a more complete understanding of the organisations' experience of implementing downsizing strategy in long run. The data collection could include surveys with organisations over the course of 10 years specifically during the year of choosing and implementing downsizing in order. Such a research would be able to provide a more in-depth understanding of how different factors appear and interact in the organisational experience of choosing and implementing downsizing.

Additional research might also introduce a sample of organisations from rest of the European world as a comparison group to better understand the unique aspects of choosing and implementing downsizing strategy experience by organisations in United Kingdom.

Another alternative for the future research could be quantitative strategy. The study can focus on a very big sample size including international organisations regardless of the origin and the location in the world. This type of study will help make the generalization more valid.

The given study focuses on all firms in the United Kingdom regardless of their size age and type. Further research may be done by focusing on only public limited or private limited companies because the available secondary data in case of private limited companies has its limitations. The study of public limited firms is less expensive in terms of time and effort.

As it is known that the each part of the world differs with respect to general employment regulations and employment law, a comparative study may be conducted by introducing samples of organisations that resorted to downsizing from two or more different parts of world. Such research would allow the researchers to develop an enhanced knowledge and understanding of the downsizing phenomenon.

An experimental study with a control group may be possible where a group of organisations that do not choose to opt for downsizing strategy act as a control group. Such a study would help to better understand the effects of strategic human resource practices and role of management with respect to downsizing strategy.

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Appendices

Appendix 1: The letters
Appendix 1.1: Covering letter

Essex Business School
University of Essex
The Gateway Building
Elmer Approach
SS1 1LW

Implementing Downsizing as Investment Strategy
A Study of UK based Firms

Dear Sirs

This questionnaire is the part of my PhD research project at University of Essex to measure the success of downsizing strategy implemented, in the presence of effective human resource practices and the role of manager in implementation process by comparing the financial benefits and initial costs associated with downsizing. Your responses are important in enabling me to obtain a clear understanding of this topical issue.

The questionnaire should take about ten to fifteen minutes to complete. The information you provide will be treated in strictest confidence. If you feel the items covered may not apply directly to your role, please do not ignore them. Your responses are essential in building the accurate picture of the issues that are important to downsizing.

I hope that you will find completing questionnaire enjoyable. Please return the completed questionnaire to me by 15th July 2012 in the enclosed prepaid envelope. If you need any further information, please do not hesitate to contact me. Thank you for taking the time to take part in my research.

Adeelah Tariq
Doctoral research student
Essex Business School
Southend on Sea, SS1 1LW

Email: satari@essex.ac.uk
Tel: 02088221408
Mob: 07979723703

Appendix 1.1: Introductory letter

Essex Business School
University of Essex
The Gateway Building
Elmer Approach
SS1 1LW

Dear Sirs

I am carrying out a PhD research study, **"Implementing downsizing as investment strategy"**, at University of Essex to measure the success of downsizing strategy implemented, in the presence of effective human resource practices and the role of manager in implementation process by comparing the financial benefits and initial costs associated with downsizing.

The subjects for this research are the organisations that announced downsizing or redundancies in year **2008**. I would like to contact only three people in your organisation individually, they include the head of human resources, the union representative and the section manager where redundancies occurred. The questionnaire will take about 10 to 15 minutes to complete.

Each participant organisation will get the summary report of findings of research which can better inform the organisations about the effect of downsizing when it is used as investment strategy. The findings of the research will be of greater importance for the policy makers involved in any future event of downsizing or redundancies as they will be based on facts and figures.

I already have the ethical approval from the research ethics committee to carry out this research project. I am aware of the need to treat the data with the utmost confidentiality No source, individual or organisational will be identified. The participant organisation will remain anonymous. Data will be obtained and used by the researcher only and will not be disclosed to any third party. It will be kept securely and will not be kept in an identifiable form for no longer than it is necessary. Data required is adequate and not excessive in relation to purpose and will be processed fairly and lawfully. All the information submitted will be handled in a sensitive way and will not affect the individuals and organisation in any adverse manner.

I hope that your organisation is able to help me and would be extremely grateful if you could let me know by replying to this email.

Best regards

Adeelah Tariq
Doctoral research student
Essex Business School
Southend on Sea, SS1 1LW
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Appendix 2: The Questionnaires

Appendix 2.1: Questionnaire I- Strategic human resource managers

Name of the Firm/Organisation/Business: ______________________________________

Date of Incorporation: ____

For downsizing in year 2008, please circle the most appropriate number for each statement which correspond closely to your desired response.

		Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
1	In your organisation downsizing was implemented beginning with small changes *(e.g. cut in working hours, cut in salary, reducing the number of employees in small batches etc.)*	1	2	3	4	5
2	In your organisation employees were involved in identifying what was needed to change through downsizing and in implementing those changes.	1	2	3	4	5
3	Management talked to the remaining employees to let them know they are needed and that they have a future in the same organisation.	1	2	3	4	5
4	The legal requirements for consultation were met during the process of downsizing.	1	2	3	4	5
5	An indication of the time scale was given for downsizing.	1	2	3	4	5
6	It was explained to remaining employees as clearly as possible the criteria used to decide who was removed from payroll.	1	2	3	4	5
7	The company made every effort to let remaining employees know how departing employees are being supported.	1	2	3	4	5

		Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
8	Provided training, cross-training, and retraining in advance of redundancies to help individuals adapt to downsizing.	1	2	3	4	5
9	Time was allowed to describe the help that organisation will provide to the departing employees to find another job.	1	2	3	4	5
10	The organisation offered the early retirement packages to the departing employees in accordance with the industry standards.	1	2	3	4	5
11	The organisation offered the severance packages to the departing employees in accordance with the industry standards.	1	2	3	4	5
12	The organisation paid in full the accrued holiday pay and/or sick pay to the departing employees.	1	2	3	4	5
13	Employees removed from payroll were offered some form of counselling services.	1	2	3	4	5
14	Remaining employees were offered some form of counselling services.	Before downsizing				
		1	2	3	4	5
		During/after downsizing				
		1	2	3	4	5
15	Managers in your organisation projected positive energy and initiative in order to motivate the workforce.	Before downsizing				
		1	2	3	4	5
		During/after downsizing				
		1	2	3	4	5
16	Senior management was made more visible during the implementation period of change.	Before downsizing				
		1	2	3	4	5
		During/after downsizing				
		1	2	3	4	5
17	The organisation provided many opportunities for employees to have their questions answered.	Before downsizing				
		1	2	3	4	5
		During/after downsizing				
		1	2	3	4	5
18	The organisation communicated as specifically as possible the future mission of the organisation.	Before downsizing				
		1	2	3	4	5
		During/after downsizing				
		1	2	3	4	5

		Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
19	Additional coaching was given to supervisors to learn how to motivate and manage employees whilst implementing change.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
20	Managers helped employees determine how to handle increased workload.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
21	Offered Training to help employees to manage change and transition.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
22	The organisation paid in full the overtime (if any) to its employees			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5

Appendix 2.2: Questionnaire II - Line managers

Name of the Firm/Organisation/Business: ______________________________________

Department/Section you worked: ____

For downsizing in year 2008, please circle the most appropriate number for each statement which correspond closely to your desired response.

		Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
1	I was successful in explaining to colleagues and subordinates, the need for change in organisation.	1	2	3	4	5
2	I discussed an agenda with the employees to deal with the downsizing strategy using summaries and transition statements.	1	2	3	4	5
3	I used simple words to explain any piece of information related to implementation of downsizing strategy.	1	2	3	4	5
4	I explained options available to the employees whilst implementation of downsizing in the light of employee's goals and values.	1	2	3	4	5
5	I was successful in stimulating motivation and commitment in individuals during the implementation of downsizing.	1	2	3	4	5
6	I was sensitive to the changes in key personnel and top management perceptions, and to the way in which these impact the goals of strategy implementation.	1	2	3	4	5
7	I was sensitive to the changes in market conditions and to the way in which these impact the goals of strategy implementation.	1	2	3	4	5
8	I was able to resolve any conflict which arose during the process of implementation of downsizing.	1	2	3	4	5

		Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
9	I always made a personal connection with the employees.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
10	I was always successful to draw out the employee's perspective on the given situation of change.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
11	I always expressed a desire to work with the employees.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
12	I had a reputation for being able to cope with difficult people.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
13	I always allowed each employee to express his ideas and opinions.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
14	I always checked accuracy of employee's understanding.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
15	I always promoted healthy behaviour change of employees.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
16	I always involved the employees in work to the extent they desire.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
17	I always identified own personal biases when giving advice to employees.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
18	I always had clarity in specifying goals and in defining the achievable.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
19	I was always able to sell plans and ideas to others by creating a desirable and challenging vision of future.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5

		Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
20	I was always able to negotiate with key players for organisational resources.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
21	I was always able to negotiate with key players for changes in procedures.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
22	I was always able to establish work groups where people were working at their best.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
23	I was always able to bring together key stakeholders.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
24	I was always able to define and delegate respective responsibility.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
25	I was always able to maintain and establish appropriate contacts within and outside the organisation.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
26	I was always able to function comfortably and effectively in an uncertain situation without control of the top manager.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5

Appendix 2.3: Questionnaire III – Union representative

Name of the Firm/Organisation/Business: ______________________________________

Department/Section you worked: ____

For downsizing in year 2008, please circle the most appropriate number for each statement which correspond closely to your desired response.

			Strongly Disagree	**Somewhat Disagree**	**Neither Agree nor Disagree**	**Somewhat Agree**	**Strongly Agree**
1	"Thinking out of the box" (to think differently) behaviour of employees was appreciated.	Before downsizing	1	2	3	4	5
		During/after downsizing	1	2	3	4	5
2	The company always provided information on what the company wants to accomplish in the future.	Before downsizing	1	2	3	4	5
		During/after downsizing	1	2	3	4	5
3	The company always provided information on how company objectives are going to be achieved.	Before downsizing	1	2	3	4	5
		During/after downsizing	1	2	3	4	5
4	Employees had a say in changing company policies.	Before downsizing	1	2	3	4	5
		During/after downsizing	1	2	3	4	5
5	The company did not encourage risk taking with regard to work production.	Before downsizing	1	2	3	4	5
		During/after downsizing	1	2	3	4	5
6	Employees were not encouraged to use independent problem-solving skills while performing their job duties.	Before downsizing	1	2	3	4	5
		During/after downsizing	1	2	3	4	5
7	The company had established production procedures and guidelines.	Before downsizing	1	2	3	4	5
		During/after downsizing	1	2	3	4	5
8	Employees had a say in defining their job responsibilities.	Before downsizing	1	2	3	4	5
		During/after downsizing	1	2	3	4	5
9	Employees had a say in setting their own production standards.	Before downsizing	1	2	3	4	5
		During/after downsizing					

		Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
		1	2	3	4	5
10	Employees had discretion in when they take their paid leave of absence.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
11	Employees had a say in the production teams to which they are assigned.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
12	Employees had input in the hiring of new employees in their section/department.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
13	Employees did not have a say in the establishing of their own retirement plans.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
14	Employees did not provide reviews of their manager.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
15	Employees were not provided with financial records of the company.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
16	The company did not have an efficient way to disseminate information to all levels of employees.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
17	Employees had access to the information in their personal work files.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
18	The organisation always published information on the company's reward structure.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
19	The organisation always provided employees with information on company's clients.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
20	Employees did not have knowledge of company-provided professional			Before downsizing		
		1	2	3	4	5
				During/after downsizing		

		Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
	development programs.	1	2	3	4	5
21	Interests of all employees were always kept in mind when making any decisions.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
22	The employees had a willingness to let their supervisor have complete control over their future in the organisation.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
23	The employees could speak freely in a problematic situation even if they were partly to blame.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
24	Employees were comfortable being creative because the supervisor understands that sometimes creative solutions do not work.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
25	It was important for employee to have a way to keep an eye on the supervisor.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
26	Increasing employee vulnerability to criticism by the supervisor would be a mistake.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5
27	If the employees had their way, they wouldn’t let the manager to have any influence over decisions that are important to them.			Before downsizing		
		1	2	3	4	5
				During/after downsizing		
		1	2	3	4	5