



# Turning ‘Survive’ Into ‘Thrive’: Managing Survivor Engagement in a Downsized Organization

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Layoffs, downsizing, right-sizing, reduction-in-force: to the worker, all of these terms mean s/he may be out of a job. Anxieties over the livelihood of the employee and his or her loved ones quickly descend, leaving the laid off worker in a whirlwind of uncertainty and a state of near panic. In a recession, a pink slip might just be a ticket to the unemployment line.

Although still employed, the survivors could be described as the ‘walking wounded.’ Blind-sided by the extrication of their friends and colleagues, the remaining employees question their own security. Mistrust in senior management festers as survivors struggle to understand why the layoffs were necessary, why certain people were chosen and what they need to do in order to be among the blessed that stay.

Amidst this bleak scenario, senior managers are tasked to pull up the remaining workforce by their bootstraps and lead the organization to times of plenty—a comeback story if there ever was one. To discover the most effective way to emerge from downsizing with an intact, energized workforce, the Kenexa® Research Institute (KRI) utilized the WorkTrends™ data to explore the effects of layoffs on employee engagement and turnover intent, and to identify the work characteristics most important to layoff survivors’ engagement with work and to the organization. Our findings translate into recommendations meant to enable executives and HR practitioners who are seeking to retain the talent they have chosen to keep.

## The Outcomes of Downsizing

Downsizing, planned or unplanned, often accompanies attempts to reduce costs while improving efficiency and sustaining efforts devoted to meeting production and performance goals. Simplistically speaking, organizational leaders are looking to maintain or improve profit margins. In economically healthy situations, leaders seek to support a ‘lean and mean’ organization by aligning with core strategy and reducing unnecessary process redundancies. In more dire straits, leaders compensate for lower sales by reducing human capital-related operational costs. The first round of layoffs likely targets poorer performers and redundant positions, with subsequent rounds affecting those whose absence will likely have the least impact on the execution of organizational strategy, perhaps reflecting leaders’ change in strategy as they cope with a limping industry or economy.

Goals of higher margins and productivity outputs might be lofty, and previous research demonstrates that achievement of such goals by way of layoffs is sketchy at best. According to a review of competitiveness after downsizing, only one-third to 58% of firms who downsize achieve significant gains in productivity and profit (Lewin & Johnston, 2000). Other research found no or scant evidence of improved financial metrics (e.g., stock performance, return-on-assets, profit margin) following layoffs, other than when layoffs accompany asset restructuring (Cascio and Young, 2003; De Meuse, Bergmann, Vanderheiden, & Roraff, 2004; Morris, Cascio, & Young, 1999). Large downsizing events (over 10%) are related to a subsequent greater negative financial

impact than smaller events (De Meuse et al., 2004). A caveat: although financial gains in aggregated data are scant, individual companies may still achieve goals through downsizing.

Working against any gains the organization might have achieved, ‘survivor sickness’ (Band & Tustin, 1995) and ‘survivor syndrome’ (Kim, 2003) will likely accompany downsizing. Layoffs can negatively affect the organizational culture, creating ramifications for employees and customers (Bastien, Hostager, & Miles, 1996; Shah, 2000). In this study, we address the engagement of survivors in the 2007-2009 economic crisis and make suggestions on improving survivor engagement.

The data used in this study demonstrated that U.S. workers’ employee engagement, as measured by the Kenexa Employee Engagement Index, was significantly lower ( $p < .001$ ) if layoffs had occurred in the preceding 12 months. If no layoffs had occurred, U.S. employees scored a 71% on the Employee Engagement Index in 2009. However, only an average of 57% of U.S. employees answered in the affirmative to the Index’s four items<sup>1</sup> if a layoff event had taken place. In short, organizations may have cut operational costs, but are more likely to have a portion of their workforce disengaged—fertile ground for the symptoms that accompany survivor sickness such as anxiety, depression and low self-confidence (Kim, 2003), which may negatively affect the organization’s competitiveness over the long term. But there’s hope: previous research found that certain employee characteristics, like a perception of control over outcomes, trust in management, a lack of identification with laid-off employees and perceptions of fairness can, to some extent, mitigate the negative effects on phenomena similar to employee engagement, such as survivors’ organizational commitment (Brockner et al., 2004; Brockner, Grover, Reed, DeWitt, & O’Malley, 1987).

Conventional wisdom assumes that, in the context of high unemployment rates in an economic downturn, employees who made the cut and avoided layoffs stay at the organization, at least until the job market loosens. Not so, according to research by Trevor and Nyberg (2008): voluntary turnover rates increase within the calendar year of, and 24 months following, the downsizing event. It’s difficult to say where employees go after leaving an organization after downsizing; perhaps they choose to pursue educational opportunities or personal life goals, or presumably, marketable talents such as high performance or jack-of-all-trades capability are valuable to competitors. Despite the slowing of hiring rates, some organizations are actually picking up top talent. Regardless, organizations are losing the employees they have chosen to *keep*.

Thankfully, as discussed below, there are aspects of work that encourage survivors to stay, mitigating the organizational performance losses likely to be incurred from the loss of not only the downsized employees, but also the survivors who left in search of greener pastures.

### **Retaining the Survivors**

Although the architects of the downsizing efforts may have planned for some amount of natural attrition, we can safely assume that organizations need a critical mass of employees to maintain core business operations and customer service levels. As such, it is unlikely that organizational leaders are anticipating and welcoming a mass exodus of workers following a downsizing event—it may be a happy coincidence, for a time, if product or service demand continues to fall, but detrimental if the economic conditions improve. Regardless of the immediate customer need, those workers will be sorely missed when production levels eventually ramp back up.

There are aspects of the organization and the job that employers can manipulate in order to retain the survivors. Previous research (Trevor & Nyberg, 2008) has demonstrated that organizational commitment moderates the relationship between layoffs and turnover—in other words, the more committed and satisfied employees were with their choice to join an organization, the weaker the relationship between layoffs and turnover. In the same study, HR practices also mattered, specifically formal arrangements for addressing perceptions of injustice (referred to as ‘procedural justice’), feelings of ‘fitting in’ and job fit, plus the cost of leaving to the employee (i.e., ‘job embeddedness’), and career development support, such as succession planning.

The magnitude of the reduction has an uncertain impact on employees. While some research has demonstrated that the magnitude of the layoff event is virtually irrelevant (Trevor & Nyberg, 2008), others have shown no effect when smaller reductions are compared to larger reductions of over 10% of the workforce (De Meuse et al., 2004). Therefore, any employer seeking to mitigate the risk of turnover or employee impact after a downsizing event are well served by attuning to certain employee characteristics regardless of reduction magnitude, but certainly in cases of a large reduction of force. The characteristics previously associated with lower turnover during downsizing reappear in our research on employee engagement.

### **The Effect of Employee Engagement on Retention**

Employee engagement is a critical piece of a satisfied, stable workforce. Defined as the extent to which employees are motivated to contribute to organizational success, and are willing

<sup>1</sup>*Kenexa Employee Engagement items include pride in the organization, likelihood of referring a friend to work at the organization, overall company satisfaction and rarely thinking about leaving the organization.*

to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals, our study found employee engagement significantly and negatively related to turnover intent, i.e., if the employee is 'seriously considering leaving in the next 12 months' ( $r = -.41, p < .01$ ). Although we were not able to correlate engagement with actual turnover, turnover intention has been shown to be an antecedent to actual turnover (Mitchell, Holtom, & Lee, 2001). Other closely related constructs to engagement, such as job satisfaction, job involvement and organizational commitment have been found to be related to turnover itself (Griffeth, Hom, & Gaertner, 2000). Beyond the costs of hiring and training that accompany high turnover rates, engagement positively affects business outcomes as well. Prior research has found it to be significantly related to customer service scores (Wiley, 1996) and business financial performance metrics (Wiley & Campbell, 2006).

In the context of layoffs, employee engagement is even more important. Using statistical regression analysis to investigate interaction effects, we found that employee engagement makes the difference between employees' intent to stay or go, but even more so if the organization has downsized. If layoffs had occurred, disengaged employees were 2.5 times more likely than engaged employees to consider leaving their organization in the next 12 months. Given the relationship between layoffs, engagement and turnover intention, coupled with the link between turnover intention and actual turnover, organizations that wish to retain the workers they chose not to lay off should prioritize re-engaging survivors after downsizing.

### Research Method

The Kenexa Research Institute (KRI) investigated possible influencers of turnover intent following layoff events using the WorkTrends™ data, an employee opinion database resultant of the 2009 WorkTrends survey. This survey is administered annually online to randomly selected people in the U.S., and they are allowed to take the survey if they work full-time at an organization with at least 100 employees. From a total sample size of approximately 10,000 U.S. employees, we were able to focus on the survivors of layoffs, or the employees whose organization had 'laid off employees in the last 12 months' ( $n=4281$ ). For the sake of context, 54% of the employees who worked at an organization who had done layoffs were men and 46% were women. Layoff survivors were generally equally distributed among employees aged 25-34 (27%), 35-44 (23%), and 46-55 (25%), with a smaller percentage of employees in the youngest (18-24; 8%) and eldest age groups (55-64; 15% and over 65; 1%). Eighteen percent of employees in organizations that had conducted layoffs were represented by a union and 82% were not. The largest groups of employers who had conducted layoffs were in retail/wholesale trade

(10%), heavy manufacturing (10%) with fewer in healthcare services (8%), light manufacturing (6%), education (6%) and construction or engineering (5%).

In this research, we identified the pivotal aspects of work related to layoff survivors' engagement, the results of which enable leaders to prioritize intervention strategies. To investigate exactly how to build engagement during times of layoff duress, we used the relative weights analysis technique (RWA; Johnson, 2000; Lundby & Johnson, 2006). By selecting the sample of U.S. employees who indicated that their organization had completed layoffs in the last 12 months, we were able to use RWA<sup>1</sup> to identify the most important aspects of work as they relate to employee engagement, thereby answering the question "How can employees' engagement be strengthened in the year following layoffs?"

To identify the most critical items for bolstering employee engagement from the items in the WorkTrends survey, we used the RWA cascading technique suggested by Lundby and Johnson (2006). In order of importance, RWA lists the constructs most uniquely related to the phenomenon in question, in this case, employee engagement. Unlike correlation and regression, RWA reflects the unique variance each aspect of work accounts for in engagement. For example, let's say the WorkTrends' dimensions, or items grouped into themes, make up the whole 'pie' of engagement. RWA identifies each dimension's slice size: aspects of confidence and security account for 9.8% of the pie, while career advancement's slice is 7.9% of the pie. The benefit of RWA is that the slices do not overlap—that a piece of the pie is assigned to only one dimension of work. These percentages give you the relative importance of dimensions of the workplace to engagement.

In the WorkTrends survey, KRI measures employee engagement by way of an index that is comprised of four items that address the employees' intent to stay, their satisfaction and pride in their organization, and the likelihood they would refer their friend or family member to the organization for employment. The WorkTrends survey is comprehensive; with 18 dimensions encompassing 115 employee attitude items measured, this analysis used RWA to select the dimensions and items most closely related to engagement, taking into account the extent of their relationship to each other<sup>2</sup>.

### Driving Employee Engagement Throughout the Downsizing Process (and Beyond)

It seems a lofty goal to maintain or increase employee engagement despite layoffs. Strengthening engagement can be counteraction taken against the collective angst and anxiety felt by employees during downsizing. "Am I next?" and "Will

<sup>2</sup>RWA attempts to "orthogonalize" predictors (i.e., force/rotate predictors to be uncorrelated) while measuring the strength of relationship between the dependent and independent variables. For this analysis, the RWA model accounts for 77% of the variance ( $R^2 = .77$ ) in the engagement measure. For a technical explanation, see Johnson (2000).

I be able to find another job?” quickly devolves into “Will I be able to feed my family?” or “Will I lose the house?” All of these questions are valid, and as such, very scary for the employee. Now multiply those emotions by the size of an organizational workforce and you’ve got the magnitude of the upheaval that engagement is poised to quell. Figure 1 lists those aspects of work most important to layoff survivor’s engagement in order of magnitude.

Many of the issues that are important to survivors are also important to employees whose organizations have not downsized in the past 12 months. For comparison purposes, a separate RWA ( $R^2 = 0.77$ ) on employees in non-layoff organizations demonstrated that these employees also place primary importance on their confidence in the organization’s future, are looking for a promising future for themselves, and

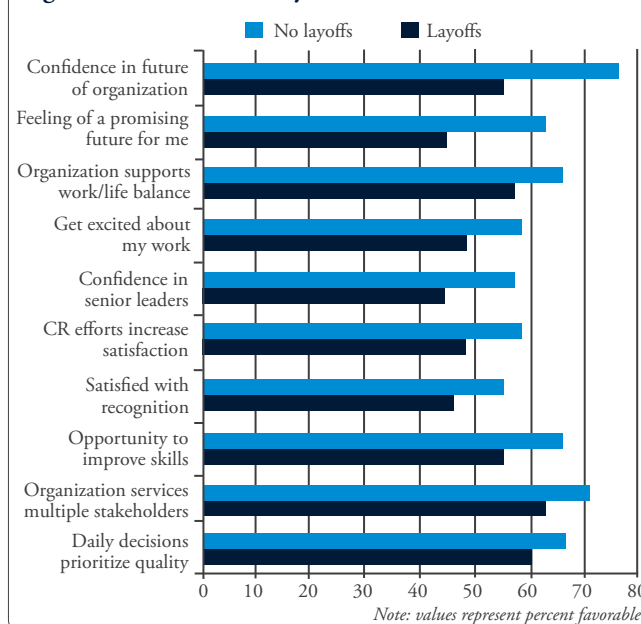
**Figure 1: Rank Order of Layoff Survivor Engagement Drivers and Relative Weights**

Rank	Dimension	RW	Item (shortened text)
1	Confidence & Security	9.8	Confidence in the future of company
2	Career Advancement	7.9	Feeling of a promising future for me at my company
3	Stress & Balance	7.8	Organization supports work/life balance
4	The Work Itself	5.9	Get excited about my work
5	Senior Management	5.7	Confidence in senior leaders
6	Corporate Responsibility	5.6	Corporate responsibility (CR) efforts increase work satisfaction
7	Rewards & Recognition	5.5	Satisfied with the recognition received for the work done
8	Training & Development	5.4	Given a real opportunity to improve skills in my company
9	Ethics & Integrity	5.3	Organization strives to serve the interests of multiple stakeholders
10	Quality & Improvement	5.2	Day-to-day decisions prioritize quality and improvement
11	Customer Orientation	5.1	Employees recognized for delivering outstanding customer service.
12	Work Processes	5.0	People I work with do their very best
13	Health & Safety	5.0	Safety is a priority
14	Manager Effectiveness	4.8	Overall managerial performance
15	Diversity	4.3	Employees have equal opportunities for advancement
16	Innovative Climate	4.1	Action on promising new or innovative ideas.
17	Communication	4.0	Open, honest two-way communication
18	Goals & Performance	3.5	Fair job performance evaluation

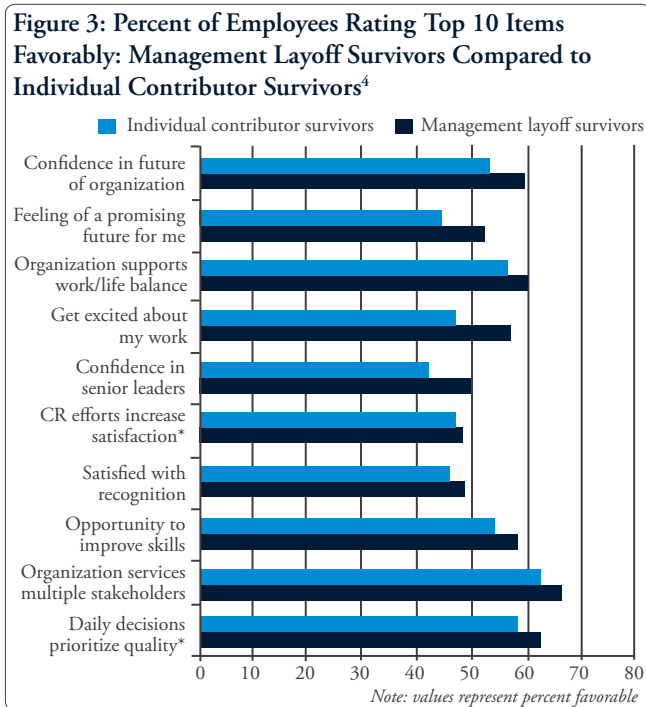
seek recognition and training opportunities. However, those experiencing layoffs place more importance on the organization’s corporate responsibility efforts and its attempts to serve multiple stakeholders, not just shareholders. They value their confidence in senior leaders over the non-layoff employees’ interest in management showing a concern for employees’ well-being. For those who have experienced layoffs, concerns about safety being a priority are downgraded out of the top 10 important issues, unlike their colleagues who have not experienced a recent downsizing.

Beyond the most important issues in survivors’ engagement, we can also look to the gap in ratings between those who have been through organizational layoffs and those that have not. By looking at employees’ reports of favorability and fulfillment of the top 10 items most important to employee engagement, we can identify the aspects of employees’ work and attitudes that downsizing most affects (see Figure 2). Overall, layoff survivors were significantly less satisfied with these aspects of work. In addition, the sentiments of employees in managerial and supervisory positions raise the scores’ averages; after layoffs, managers consistently rate their workplace opinions as more favorable than individual contributors (see Figure 3).

**Figure 2: Percent of Employees Rating Top 10 Items Favorably: Layoff Survivors as Compared to Employees in Organizations With No Layoffs in the Last 12 Months<sup>3</sup>**

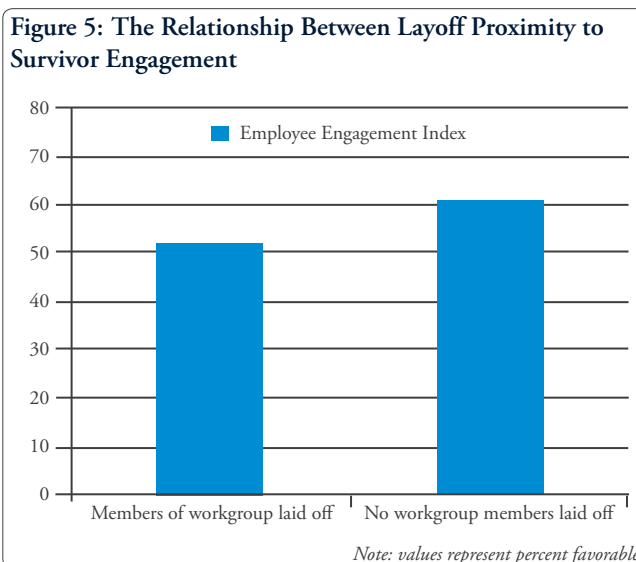
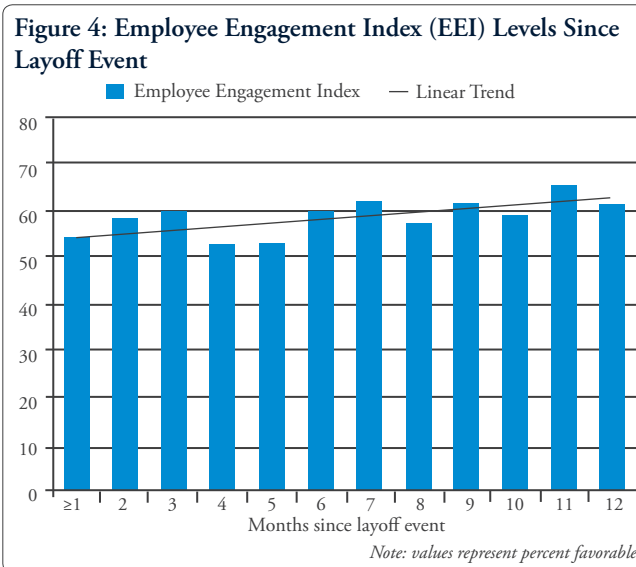


<sup>3</sup>T-tests demonstrate that all comparisons were significantly different at  $p < .01$  level



Several conditions of the layoff event may be associated with employees' engagement. In WorkTrends, we measured two such conditions: the time since the layoff event and the 'proximity' of the event through the question, 'Were members of your workgroup laid off?' If we correlate the time since the layoff event with engagement, we can preliminarily investigate if and when effects of layoffs on engagement might subside. The WorkTrends data finds a very small, but significant correlation ( $r = .06$ ;  $p < .01$ ) between the Employee Engagement Index and the time elapsed since the layoff event (see Figure 4). Using t-test and Cohen's d effect size analyses, we also found that, in unaffected workgroups, survivors' engagement was slightly but significantly higher ( $d = 0.2$  standard deviations) than for survivors in workgroups whose team was downsized (see Figure 5).

If we examine the top 10 aspects of work that are important to survivor engagement, items identified in the RWA could be logically classified into three categories: confidence in the vision for the future, supportive management, and the work itself. Often in organizational engagement reports, items such as these are referred to as 'drivers', indicating that these aspects of work drive engagement. The causal nature of this assumption is not unfounded; Schaufeli & Bakker (2004) found that job resources like social support, coaching and feedback lead to lower turnover intentions through engagement. We also know



that engagement at the organizational level is related to turnover (Harter, Schmidt & Hayes, 2002). Recently, Macey & Schneider (2008) have posed a hypothetical model based on an amalgam of previous empirical research, acting on the assumption that some aspects of engagement and related constructs such as motivation and commitment are state-dependent and therefore malleable. If we believe that organizational practices and policies affect employees' job attitudes and behaviors, including engagement, then the onus is on organizational leaders to think critically about the aspects of work that are likely to support engagement.

<sup>4</sup>Astericks denote results of t-tests when comparison was not significant at the p<05 level

We do know that the three aspects of work identified logically from these results are highly related and important to survivors' engagement—confidence in the vision for the future, supportive management and the work itself. These broader categories provide a direction for leaders to begin their drive for improved employee engagement. Following a discussion of these aspects of work, we'll lay out a few action steps that could help support the organization as they attempt to improve survivor engagement.

### **Confidence and Vision for the Future**

As we can see from the results, there is a focus on, and no doubt uncertainty in the future. The confidence and security dimension was the most important issue for strengthening employee engagement, followed by a view of a promising future for the employees themselves. This substantiates earlier KRI research on engagement (Kenexa, 2008); these foci drive engagement regardless of downsizing. However, additional analyses demonstrated that, compared to employees who have experienced layoffs, employees who have not experienced layoffs are 3.5 times more likely to have confidence in the future and 2.4 times more likely to envision a promising future for themselves at work. With the other items' layoff/no layoff group differences at approximately 10 percent, employees' confidence in and vision of the future is a clear area for intervention.

It's tough to build confidence without foundational trust in leadership, and by proxy, the organization's future viability. Trust and confidence go hand-in-hand because both constructs are based on an employee's expectation of desirable outcomes that matter to him/her. While an employee builds confidence in the organization by looking out for social cues, such as organizational and coworker opinion that will help predict personal outcomes (Leiter & Harvie, 1997), trust is based on the expectation that future interactions will be positive (Robinson, 1996). The question now arises, "How do we build trust and confidence?"

#### *Play Fair*

According to past research, fairness and communication likely support trust. Hopkins and Weathington (2006) supported the findings presented here. In a sample of layoff survivors, trust was found to be strongly and positively related to effective organizational commitment and organization satisfaction, and strongly negatively related to turnover intentions. These authors threw fairness into the mix, specifically distributive justice, or rewards and resources doled out fairly, procedural justice, or decisions made based on fair processes, and interactional justice, or the degree to which people are treated with respect and dignity. Fairness had a role to play in that perceptions of distributive and procedural justice mediated the relationship between trust and organizational commitment and satisfaction.

Paterson and Carey (2002) found that perceptions of interactional justice mediated the relationship between leaders' communication about the layoff event and its positive effect on employees' post-downsizing trust in management. They also identified four types of critical communication: providing rationale, revealing a vision for the future, giving examples of successful change implementations, and being candid about potential risks and negative consequences of the change. The preceding sums to the conclusion that it would likely behoove leaders to ensure that resource allocation decisions (distributive justice), the procedures used to implement decisions (procedural justice) and the treatment of subordinates (interactional justice) are perceived as fair (Greenberg, 1990) if they wish to bely the negative effects of layoffs.

#### *Communicate About the Change*

In a world of unknowns, employees will likely attempt to predict the future by reflecting on the past. Trust can be built by openly addressing the past, and then moving on to a vision of the future. In a unique sample of layoff victims and survivors, research demonstrated that trust in management was strongly and positively related to the quality of communications about the downsizing event, specifically messages surrounding the rationale for the layoffs, a post-layoff vision for the organization, examples of previous successful change implementations and the potential down-side of their actions (Paterson & Carey, 2002). Thus, leaders can pursue strengthening trust and confidence by clearly communicating why the layoffs occurred and how the action of downsizing, as a fulfillment of organizational strategy, will position the organization for future success. While senior leaders often take center stage in articulating strategy, managers can play a particularly important role by transmitting that message to employees. Senior leaders can make employees feel confident about the future of the organization; managers have a closer bond with their individual employees and are better positioned to make each feel confident in their own position.

#### *Communicate the Long-Term Strategy*

During times of duress, senior leadership is continuously evaluating their strategy against progress and making adjustments in response to the current conditions. Revealing the happenings 'behind the curtain' in layman's terms tells employees not only that leadership is actively problem-solving and taking action, but also that employees are valued enough to be kept fully informed.

Understanding the strategy and vision is a critical component for fostering employee engagement, and communications about downsizing should include not only information about why this change is occurring, but also express a vision (Cobb, Wooten, & Folger, 1995). Leadership theory (Bass, 1985) and

empirical research (Judge & Piccolo, 2004) support that good leaders instill a vision for the future. The presence of the fifth most important issue, confidence in senior leaders, indicates that confidence in management is also important to survivors' engagement, which is likely supportive of employees' confidence in the future. Confidence cascades: supervisors' confidence in the organization has been found to be positively related to their subordinates' confidence in the organization (Leiter & Harvie, 1997).

Beyond building trust, internalizing what the organization stands for and where it is headed provides employees with an important compass to determine priorities and make decisions. If leaders deem the existing strategy as appropriate and it remains unchanged, giving rationale for 'staying the course' and justification of the belief that the current strategy will lead to success can quell fears, bolster confidence and build trust.

#### *Show What a Bright Organizational Future Means for Each Employee*

It's all well and good that the organization will be viable in five years, but employees are also concerned with what it means for them, presumably if they'll have a job at this organization-of-the-future, and if there is room for their career to grow as the organization recovers. If competitors recover faster, the survivors that saw the organization through layoffs may be tempted to catch the rising star. Communicating a clear path for their growth and development may help employees keep their attention turned inward.

In addition, employees associate their engagement with their own capacity in the future, namely their opportunity to improve their skills. As a cost-saving measure, organizational leaders may be cutting training programs and development opportunities as they attempt to survive the economic downturn. The void left by the laid off workers may be contributing as well; it would be hard to find the time and energy to learn when employees are doing the job of two. If leaders are asking employees to concentrate solely on productivity and efficiency, employees may be losing sight of the organization's future and their role in that future. Therefore, expressing the vision is likely important to survivors' continued identification with the job and organization. The demonstration of fairness, communication of vision, and the offer of a promising future offer three potential points for intervention to promote positive survivor work attitudes during downsizing.

#### **Supportive Management**

Our research demonstrates that management plays a role in engaging layoff survivors. Employees are associating their organization's support of work/life balance with their engagement, perhaps testament to the emotional toll layoffs

take on employees. It is often managers who translate the organization's work/life balance policies or culture into actual consideration for individual employees. Engagement may also be related to the 'support' aspect of this item which also appeared in the seventh most important element: recognition. An employee who is uncertain about his/her future in the organization is looking to his/her manager for recognition of a job well done and reassurance of job security.

The ninth most important aspect of work supports the notion of supportive management. Employees associate their engagement after layoffs with a leadership team who is concerned with the needs of multiple stakeholders, not solely stockholders. The sixth element of work also supports this assertion that survivors value their organization's support others, specifically the community through their corporate responsibility efforts. Together, these results indicate that, after the layoffs have taken place, employees are also looking to management at-large to show that they care and are concerned for their and their community's well-being. If this is the case, the action steps that leaders could take include supporting work/life balance, listening to employee input so that they can empathize with their situation, and being more inclusive in their definition of 'important stakeholder.'

#### *Support Work/Life Balance*

While there is no easy solution to keeping work hours reasonable and work time flexible after layoffs, there are approaches that a manager can utilize to help find the efficiency that will allow workers to balance home and work lives. For example, employees are often a tremendous resource for creative ideas around workforce planning and production activities. Whether the staff reduction is permanent or temporary, managers can involve employees in identifying work-arounds and modifications to enhance efficiency. Doing so not only would help alleviate the workload so employees can work reasonable hours, but also it could have the benefit of helping employees feel more confident in their position with the organization and more in control of their job and work environment. If survivors feel more in control of outcomes at work, negative effects of layoffs on survivors can be partially mitigated (Brocker et al, 2004). Managers who demonstrate empathy by supporting employee's attempts to maintain work/life balance and sympathize when work is overwhelming stand to strengthen their professional partnership through a genuine concern for their employees' well-being.

#### *Recognize Achievements*

Recognition may come at no more an important time than after layoffs. Morale usually runs pretty low after a downsizing event, as this and other research has shown. A little pat on the back, particularly for survivors who are working harder to cover for the absence of others, might really make a difference

to employees. Managers can also use recognition to convey to direct reports that their role in the organization is indeed important, strengthening their team's feelings of job security.

Interestingly, the satisfaction with recognition emerged as more important to engagement than both fair pay and satisfaction with the amount of pay. Thus, the value really lies in simple compliments and recognition, rather than in costly pay raises.

#### *Broaden the Definition of 'Important Stakeholders'*

Although backed by purely anecdotal evidence, it seems as though organizations are increasingly expected to not only serve stockholders, but employees and communities as well. In the U.S., perhaps one catalyst for this movement was the Enron scandal, where a strong, profit-driven, competitive culture overrode ethical decision-making, leading to a bankruptcy that left employees' retirement accounts in the lurch. During the week of Earth Day in the U.S., I remember being struck by the number of TV commercials and newspaper advertisements featuring corporations strengthening their brand by banging their 'go green' drum. The phenomenon is anecdotal, yes, but also seemingly prevalent.

Not only are there artifacts of employees expressing that they themselves would like to feel valued by the organization, such as through recognition, support for their work/life balance, and opportunities for development, but also employees value corporate responsibility efforts that tap into their company satisfaction. In fact, according to the historical WorkTrends data and data utilized in this study, U.S. employees' reports of their satisfaction and 'genuineness' of their organization's corporate responsibility efforts have risen each year since 2007, and significantly so between 2007 and 2008 ( $p < .01$ ). Together with corporate responsibility's relationship to engagement, this finding supports the preliminary notion that employees' engagement with, and commitment to an organization is supported by the organization's involvement not only with employees themselves, but in the community at large.

#### **The Work Itself**

According to our results, there are certain aspects of employees' perceptions of their job that are related to survivor engagement, namely excitement about the work and that decisions prioritize quality and improvement. It's easy to see why these aspects of work made it on the list: excitement can be tough to muster in a post-layoff environment, and quality might decrease as fewer employees attempt to hold fast to pre-layoff standards.

#### *Bolster Work Excitement*

Being excited about work can be difficult when employees are preparing themselves for the next round of layoffs. Prior

research has found that layoff survivors suffer from negative health outcomes (Matthew, 1987), such as the significant association between measures of anxiety and depression and perceptions of low job autonomy and security, and high work load and group conflict (Kim, 2003). Chances are increased employee anxiety and depression will severely mitigate the existing work excitement employees had prior to downsizing. For organizations that can continue to foster excitement about work by tapping into employees' intrinsic motivations and personal work goals, or getting the workforce excited about the organization's bright future, they are likely to emerge from the downturn with a satisfied, stable and more talented workforce.

#### *Institutionalize Quality Assurance*

Quality continues to be a priority for employees' post-downsizing. As the speed of production is ramped up and the workforce made leaner, quality of the final product or service is likely to suffer. For employees who want to feel as though they are doing a good job (and indeed, may be feeling as though doing a good job will help them keep their job), the degradation of quality may induce employees to fear the consequences of mistakes and suffer a personal defeat for the creation of an imperfect product. Conversely, a disengaged worker who is worrying about his/her status in the next round of layoffs may have a lower capacity to uphold the rigors of quality assurance.

Quality management and the closely related production efficiency interventions abound. Most prevalent in production settings, many can be adapted to suit the service sector. Total Quality Management (TQM), Six Sigma—they primarily focus on, and cycle through 1) measuring waste, 2) mapping processes, and 3) continually improving processes. During times of economic downturn, processes can change rapidly as demand decreases, departments are merged and headcount is reduced. Staying on top of the quality of the organization's product or service is likely to result in better customer retention if quality issues are caught before they are apparent to the customer.

In sum, this research makes clear that organizational leaders wishing to retain their workforce through an economic downturn have a considerable amount of work to do. Given that some issues important to layoff survivors are also important to those who have not experienced layoffs at their organization, some initiatives, such as boosting confidence in the future and recognizing employees would not be wasted regardless of plans to downsizing. Other initiatives focusing on promoting fairness, confidence in leadership, broadening corporate responsibility efforts and serving multiple stakeholders could be areas of focus after a reduction in force.

As we pursued this research, additional questions and research opportunities came to light. A predictive, peer-reviewed study substantiating a comprehensive model of engagement is needed, as is investigating the effects of layoffs on survivors' engagement in different industries and under various economic conditions. The intersection between country culture and economics, downsizing, and engagement also has yet to be explored. However, our research has provided the HR community with a solid first step in the study and improvement of layoff survivors' engagement.

### Summary

In many ways, challenges are often opportunities. With proper leadership, the act of downsizing, however painful, presents an opportunity for the survivors to band together in the struggle that ensues. Consider that, especially in lean times and tight talent markets, employees are motivated to keep their jobs. As such, it is the perfect opportunity to forge a bond that is unlikely to break when the economy improves.

But it takes attention, effort and heart. This research demonstrates that layoffs can have a profound impact on how employees see the workplace, and in turn, their commitment to stay or their intention to quit. Making the effort to improve confidence in leadership and provide a vision for the future, equip managers to be supportive, and reinvigorate the work itself demonstrates to employees that leaders believe that they are the organization's most important asset. What is given shall be received; social exchange theory (Homans, 1961), which is predicated on the norm of reciprocity and individual cost-benefit analysis, would indicate that if organizations invest in their workforce, employees would be compelled to reciprocate, doing what is asked of them because the organization has treated them well. Ultimately, the strengths of this relationship can fuel business outcomes, be it customer loyalty, shareholder return, productivity or quality.

Layoffs have a significant effect on the optimization and utilization of the organization's workforce. Retaining key talent will be critical for supporting recovery; leaders who fail to remember this may emerge in a strong fiscal position, but without the hearts and minds of their workers. Organizations that emerge with a healthy balance sheet and employees that are committed and engaged are far better positioned for future growth. ■

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