Employee-Management Relationships in the Wake of Corporate Downsizing

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This study explored the change of employee-management relationships in the wake of corporate downsizing. The purpose of this study was to 1) gain qualitative insights into relationships between management and employees in downsized organizations, and 2) provide a workable application on how to maintain good employee relationships during and after downsizing. Qualitative data collected from interviews revealed that the relationship with management was generally negatively viewed by employees, while management generally viewed this relationship with employees as positive. According to this study, management should enhance trust, commitment, and a communal relationship with its employees.

key words: downsizing, employee relations, relationship management, case study, interview

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PURPOSE

Employee relationships are the building block of strategic public relations management between an organization and its external publics. Recognizing this significance almost two decades ago, Cutlip, Center and Broom (1985) posited that no organizational relationships were as important as those with employees. They noted that the first step in promoting positive external public relations is achieving good internal public relations. Nevertheless, it is true that organizations’ employee relationships have not been in the spotlight of relationship studies. D’Aprix (1984) acknowledged this and said, “one of the great ironies in the practice of public relations is our tendency to shortchange the employee audience in our organization” (p. 102). Many organizations paid careful attention to external public constituencies, but ignored employee publics on the assumption the organizations always can count on employee loyalty and commitment.

Employee relationships deserve more attention in today’s business environment because of a unique modern strategy of survival — downsizing. In today’s competitive market, many companies have found that staying in business means downsizing. Downsizing has become a way of life as companies seek to transform their operations in order to remain competitive in the world marketplace. This trend has already swept away American companies during the 1980’s and 1990’s; but it is a dreadful strategy in many developing countries especially in Asia. In South Korea, this paper’s research site, employees believed that once they enter a company they would only leave that company when they retire. Nowadays, the new tide of so-called globalization is forcing both the companies and employees of South Korea to adopt Western style management such as downsizing if they want to be more competitive.

However, research suggests the benefit of corporate downsizing may be illusory. A 2002 article in The Economist reported that seventy-five percent of those companies downsizing believed financial performance did not increase, and sixty-seven percent found no improvement in productivity. Likewise, a study conducted by McKinsey and Company found that two-thirds of the thirty total quality management programs it examined had stalled or fallen short of yielding meaningful improvements (Fuchsberg, 2002). According to Noer (1993), often the only thing gained from downsizing an organization is a depressed, anxious, and angry work force.

In public relations research, little attention has been directed toward down-
sized organization-employee relationships as well as the employee relationship itself. This study aimed to fill this gap. The purpose of this study was to 1) gain qualitative insights into relationships between management and employees in downsized organizations, and 2) provide a workable application on how to maintain good employee relationships during and after downsizing. For this purpose, two case studies were done on relationships between management and employees in downsized companies. By doing so, this study contributed to broadening the relationship theory to a practical level and expanding public relations researchers' understanding of relationships.

**CONCEPTUALIZATION**

**Downsizing**

The term "downsizing" describes the contemporary development of permanent job cuts motivated by an effort to improve operating efficiently, not necessarily because of declines in business (Cappelli, 2000). The downsizing of employing organizations has become widespread. Recent worldwide economic downturn has been the major factor forcing organizations to downsize throughout the world. The experience of living with the possibility of redundancy, and watching others leave, has become part of the working experience. While people have become numbed by the near daily accounts of new downsizing, a *New York Times* (1995) national survey finding is perhaps more telling; Since 1980, a family member in one-third of all U. S. households has been laid off. Recently, Lewin (2003) wrote that U. S. companies cut a total of 677,795 jobs in 2001 and an additional 675,132 jobs in 2002. He also noted that firms throughout the world are adopting this new corporate strategy. During just the first quarter of 2001, British Petroleum announced plans to cut 10,000 jobs, Japan's Sony announced plans to cut 10% of its total workforce (17,000), and Swedish phone maker Ericsson announced plans to cut 10% of its global workforce (11,000). More recently in 2003, South Korea's large fixed-line carrier cut its workforce by 12.6%, or 5,500 jobs.

It has been commented that the literature on downsizing is disjointed and uneven (Kozlowski, Chao, Smith, & Hedlund, 2003). However, important identifiable insights could be gained from the literature. A research stream has provided documentation on the inevitability of downsizing. Noer (1993) thought letting go of the old employment contract was harsh but necessary. He noted that implicit
lifetime employment guarantees are harmful to both individuals and organizations, because they foster “organizational codependency” in which individuals invest enormous energy in trying to control the system and at the same time have much of their self-worth tied up in trying to live up to the organization’s, not their own, values. In a similar vein, Hecksher (1995) concluded that management loyalty to an organization is no longer needed. According to him, what is needed is more professionalism, evidenced by creative contributions to the organization. Bridges (2000) went even further. He saw a secular trend away from the traditional job, with security, job description, etc. Like Noer, he saw a possibility of greater individual autonomy and satisfaction for workers willing to take more responsibility for their own futures.

Much has been written about the “victims” of downsizing — that is, those who have lost their jobs — (e.g., Latack, Kinicki, & Prussia, 1995; Leana & Ivancevich, 2000), while the impact of downsizing upon “survivors” — that is, those who remain employed at the organization — has been little studied. Generally, companies that downsize pay more attention to the people who are leaving the company than those who are staying. Those leaving are often provided with outplacement services, personal counseling, paid time off for job hunting, and sometimes are offered elaborate early retirement incentives. Many senior executives assume, erroneously, that the relief of not being on the “hit list” overshadows any negative feelings surviving employees have about the consequences of the downsizing process. Not until recently have researchers started to concentrate more on downsizing’s impact upon the surviving workforce (Manson, 2000).

This paper focuses on “survivors” of downsizing because they can either facilitate or impede the desired outcomes of the downsizing (Davy, Kinicki, & Scheck, 2001). Although laid-off workers have paid a high price, the effects on employees who survive organizational downsizing have been substantial as well. Comprehensive review of the literature found the impacts of downsizing on survivors have been more negative than positive. These impacts have been described in terms of high stress (e.g., Leana, & Feldman, 2002), lower morale (e.g., Armstrong-Stassen, 2003), and a syndrome marked by anger, envy, and guilt (e.g., Noer, 1993). Lewin (2003) also found that downsizing initiatives generally result in decreased levels of work-related trust and commitment on the part of downsizing survivors.

It is notable that some studies explored mediating factors influencing survivors’ responses to a downsizing activity. For example, Mishra and Spreitzer (1998)
and Spreitzer and Mishra (2002) described two mediating factors: 1) trust in top management, and 2) perceived justness in implementation of downsizing. According to them, trust in top management can be enhanced by helping survivors understand and accept management’s reasons for downsizing. And the perception of unjustness can be reduced by decreasing the ambiguity of the expected outcome. Brockner and colleagues studied the fairness of downsizing from a procedural justice perspective and have shown a relationship between the perceived fairness of the layoffs and survivor commitment to the organization (e.g., Brockner, Tyler, & Cooper-Schneider, 1994). Among the fairness factors that Brockner examined was the connection with the existing corporate culture. Organizations such as IBM and Digital Equipment, which traditionally have had a policy of averting layoffs, are likely to be perceived by employees as violating the psychological contract and therefore as more unfair when they do resort to downsizing.

The literature on downsizing has examined and debated diverse facets of downsizing such as impacts on victims and survivors and mediating factors influencing downsizing outcomes. As evident in the previous review, however, less is known about relationships between downsized organizations and their employees. The relational outcome of downsizing deserves research efforts because there is a drastic change in relationships after downsizing. According to a study, the sense of reciprocal obligation, whereby companies rewarded their employees with long-term job security in exchange for loyalty, commitment, and full work effort, is being replaced by a more fragile and contingent relationship (Morrison & Robinson, 1997).

**Relationship Management**

Recently, researchers (e.g., Broom, Casey, & Ritchey, 2000; Bruning & Ledingham, 1999; Grunig & Huang, 2000; Hon & Grunig, 1999; Huang, 2001) found that public relations has value to an organization and to society because it helps to build quality, long-term relationships with strategic publics. Ledingham and Bruning (2000) noted that the view of public relations as relationship management represented a conceptual change. The relational management perspective shifts public relations practice from manipulating public opinion through communication messages to a combination of “symbolic communication messages and organization behaviors to initiate, nurture, and maintain mutually beneficial organization-public relationships” (p. 87).
The public relations literature emphasizes managing relationships with publics. However, there has been far less research effort to develop theories for relationship building (Broom et al., 2000; Grunig & Huang, 2000). Following Ferguson’s (1984) call for a focus on relationships in public relations research, scholars slowly directed their efforts toward the challenging task of conceptualizing and measuring the quality of relationships.

A fundamental shift in relationship research emerged in the late 1990’s. Broom et al. (2000), after examining relationships from interpersonal communication, psychotherapy, inter-organizational relationships, and systems theory perspectives, defined organization-public relationships (OPR) as “the patterns of interaction, transaction, exchange, and linkage between an organization and its publics” (p. 18). Whereas Bruning and Ledingham (1999) defined OPR from the perspective of relationship impacts, Huang (1997) and Grunig and Huang (2000) examined OPR from the perspective of relationship characteristics. Based on both conceptual foundations and empirical data, Huang (1997) defined OPR as “the degree that the organization and its publics trust one another, agree on who has rightful power to influence, experience satisfaction with each other, and commit oneself to one another” (p. 61) — using Canary and Spitzberg’s (1989) way of describing relationships in general to describe OPR in particular. In essence, Grunig and Huang (2000) and Huang (1997) argued that it is important to conceptualize relational characteristics in terms of universal features and that a relationship is composed of more than one relational dimension. On the other hand, many researchers (Bruning & Ledingham, 1999; Grunig & Huang, 2000; Hon & Grunig, 1999; Huang, 1997, 2001; Ledingham & Bruning, 2000) participated in developing dimensions of organization-public relationships to build and enhance on-going or long-term relationships with strategic publics.

Recently, many Korean scholars are also directing their efforts to develop relationship theories which can be applied to Korean contexts. For example, Han (2000) tried to incorporate the theory of organization-public relationships to research of Korean broadcasting companies. Hong’s (2006) study utilized relationship research to outline a model of antecedents, processes, and consequences of using Korean web sites to build and maintain organization-public relationships. This study is one of those efforts aiming to apply relationship theories which were mainly developed by American scholars to Korea’s current economic context.

This study adopted Hon and Grunig’s (1999) two-type typology for relationships (communal and exchange relationship) and four types of outcomes (control
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mutuality, trust, commitment, and satisfaction) because of its recognized significance and wide acceptance in public relations research. The two types of relationships are exchange and communal relationships (Hon & Grunig, 1999). In an exchange relationship, one party gives benefits to the other only because the other provided benefits in the past or is expected to do so in the future. It is a traditional marketing theory. An exchange relationship, however, is usually not enough for public relations (Grunig & Hung, 2002). Publics expect organizations to do things for them for which organizations sometimes get little or nothing in return—at least in the short run. In a communal relationship, both parties are willing to provide benefits to the other due to their concern for the welfare of the other—even when it is believed they will get nothing in return. The degree to which a public believes it has a communal relationship with an organization is a critical indicator of the social responsibility of an organization and the success of the public relations management function.

Four outcomes were isolated for the indexes of the quality of relationships (Huang, 1997).

1. **Control mutuality**—the degree to which the parties in a relationship are satisfied with the amount of control they have over the relationship,
2. **Trust**—the level of confidence that both parties have in each other and their willingness to open themselves to the other party,
3. **Commitment**—the extent to which both parties believe and feel that the relationship is worth spending energy on to maintain and promote,
4. **Satisfaction**—the extent to which both parties feel favorably about each other,

**Relationship measurement.** In an effort to develop reliable and effective measures of relationships, Hon and Grunig (1999) launched a series of research projects on the relationship measurement issue. Once Hon and Grunig developed the six indicators of organizational relationships (the two types of relationships and the four outcomes of relationships which were mentioned earlier), a research team at the University of Maryland tested the indicators through a study of publics’ perception of their relationships with six American organizations.

The research team conducted a quantitative study in which a sampled public was asked to answer, on a 1-to-9 scale, a series of agree/disagree statements pertaining to the indicators. They obtained useful quantifiable evidence of the perceptions that the sampled public has of its relationships with the six organizations.
They reported that the results of the evaluation could help public relations professionals maintain relationships with publics. For example, when scores on control mutuality are rated low, professionals can recognize the need to seek ways of increasing the involvement of publics in organizational decision-making.

However, the study had some limitations to overcome, as Hon and Grunig (1999) rightfully pointed out. For example, because the study was quantitatively based, it had some limitations to exploring the complex facets of relationships. The researchers had trouble getting a rich description of perceptions by respondents in their own words, as Grunig and Huang (2000) recommended, future research needs to further develop measures by conducting qualitative research.

**Research Questions**

Based on the conceptualization, the following research questions were posed:

RQ1: How can four relationship outcomes between management and employees be described in downsized companies?

RQ2: How can two types of relationships between management and employees be described in the downsized companies?

**METHODOLOGY**

**Case Study**

Case study method was used to explore employee-management relationships in downsized organizations. The case study was deemed the most appropriate research method for this investigation. According to Yin (1994), the case study is the preferred strategy when the purpose of a study is “exploratory,” an investigator has little control over events, and the focus is on a contemporary phenomenon with some real-life context.

Two case studies were conducted: an advertising company with approximately 1,000 employees and a fixed-line carrier with approximately 40,000 employees. By conducting research in two case organizations, the researcher tried to create the opportunity for “triangulation” of qualitative data. Triangulation is the “qualitative researcher’s most effective defense against the charge of being subjective” (Lindlof & Meyer, 1987, p. 20). According to Borg and Gall (1989), “Triangulation can be achieved by collecting essentially the same data from differ-
ent samples, at different times, and in different places” (p. 89). Thus, to build study credibility, data were collected from two organizations of different sizes in different industries at different times.

**Research Context**

The Asian financial crisis of the recent past and the resulting decline in profit margins has plunged many Asian organizations into an increasingly turbulent economic environment. As a result, Asian governments are being forced to restructure their economies. For example, South Korea is increasingly focusing on value-added services and products and welcomes foreign investment to stimulate economic growth, while Hong Kong is turning into a logistic hub. At the organizational level, to ensure survival and viability, many Asian organizations are implementing strategic actions like downsizing and restructuring, which often entail lay-offs and elimination of redundancies.

Two South Korean companies were selected for this study. The impact of downsizing could be demonstrated more clearly by conducting research in developing countries where downsizing is booming and people are experiencing the phenomenon as a shocking event. In South Korea, where workers had general expectations of lifetime employment, many organizations have had to learn to live under the conditions of restructuring and downsizing. While the traditional relational contract is premised on the provision of job security and promotion opportunities in exchange for employee work effort and commitment, with the emergent transactional contract, the nature of contracts has altered: There are now more short-term contracts and fewer guarantees of job security (Westwood, Sparrow, & Leung, 2001).

**Overview of case organizations.** There was a relatively long time span between two periods of data gathering (about three years), largely due to the researcher’s efforts to collect credible and triangulated data. The first data set was collected in support of a class project. At the conclusion of this class project, many faults were realized in the one-time one case study research design of the project. Thus, the second data set was gathered nearly three years after the start of this study. This relatively long time span between the two data collections was meaningful in that it could have provided implications in terms of employees’ and employers’ changed perceptions of downsizing in 2001 and in 2003.

The researcher tried to gather data at timely intervals with respect to the events in question. The two organizations selected had undergone downsizing less
than a year prior to data collection. In that way, participants had had an opportunity to deal with the situation and to develop new interpretations and narratives. However, these narratives are still current enough that individuals can talk about them in a reflective way, rather than just taking them for granted. Access to the informants was gained through the use of the researcher’s prior professional experiences and personal acquaintances within each organization.

The first study was conducted at an advertising company (identified as B Communications in this study), which is one of Korea’s largest advertising and PR companies. B Communications has about 1,000 employees. Its main business is planning, production and execution of advertising, Internet business, sales promotion, public relations. The company is a subsidiary of a major Korean corporation, B Communications experienced downsizing twice: the first in 1998 and the second in 2000, which was shortly after Korea’s 1997 financial crisis. Data were gathered during the fall of 2001, which was about ten months after the second downsizing.

The second case study was conducted on a Telecom company, which in this study will be identified as A Telecom, A Telecom is one of Korea’s largest fixed-line carriers and broadband service providers. It currently has about 40,000 employees and went through downsizing in the spring of 2004. A Telecom, once government owned, was fully privatized in 2002, as part of the Korean government’s privatization of state-run enterprises. Interviews were done about six months after A Telecom downsized in the spring of 2004.

**Interviews**

In this study, the complexity of studying humans in organizations was addressed by using a qualitative method to understand the subtleties of the environment questions (McCracken, 1988; Rockhill, 1982; Yin, 1994). Qualitative method was particularly suited to this study because it “allows the researcher to study relationships or events as they happen in human life situations” (Merriam & Simpson, 1984, p. 63). The necessity of qualitative research on relationships was well noted by Grunig (2002). He commented it would be better to assess relationships using qualitative methods because relationships cannot always be reduced to a few fixed-response items on a questionnaire. Grunig (2002) noted that interviews are the most common qualitative method that could be used for assessing relationships. Using interviews, researchers can gather rich and valid data brought by participants in the most naturalistic settings. Following this line of thinking,
the researcher conducted twenty in-depth interviews to explore the research questions.

*Interview protocol.* The in-depth interviews were guided by Grunig and Huang’s (2000) interview protocol. To facilitate the use of qualitative interviews to assess relationships, Grunig and Huang developed questions to gather information about the type and quality of relationships. These qualitative questions reflect the same dimensions and operational definitions of the relationship indicators as the quantitative questions (see the Relationship Management part). A sample question for measuring the competence dimension of trust was, “How confident are you that (the management) (the employees) has the ability to accomplish what it says it will do? Can you give me examples why you feel that way?” (see the Appendices for interview protocol)

In translating the interview protocol, a native Korean speaker translated the interview protocols into Korean. The translated meanings were then back-translated into English by a second Korean speaker, working independently, who has lived in the United States. The back-translation was accompanied without reference to the original English language items. The two English language versions (original and translated) were compared.

The researcher also conducted pilot interviews to examine the comprehensibility of the translated interview protocol and its capability of eliciting valid responses. The pilot interviews were conducted on 2 employees in one participating company on October 30, 2001. Interviewees were encouraged to identify ambiguous questions and suggest necessary changes. The wording in the Korean version was refined as a result of the pretest.

*Participants.* Qualitative sampling is usually purposeful (Lindlof, 1995) because its practitioners strive to locate themselves at the sites of specific performances and practices. In selecting participants for interviews, the researcher purposively sampled (i.e., non-probability sampling) participants according to their positions in the organization and their years of job experience to get various and unbiased data.

In A Telecom, two Yisas (equivalent to executives) participated representing management. And one Bu-jang (equivalent to a senior manager), two Cha-jangs (equivalent to associate managers), one Gua-jang (equivalent to a junior manager) and four Jooims (equivalent to entry-level employees), representing employees, participated. In B Communications, interview participants were a Yisa representing management, and a Bu-jang, three Cha-jangs and five Jooims representing the em-
employees of B Communications. In case of employees, especially those who are actively participating in unions were the interview participants. This is because not all employees are necessarily publics. Employees can be named as publics when they recognize that problems exist and organize to do something about the problems (Grunig & Hunt, 1984). About 90% and 70% of employees were union members in A Telecom and B Communications respectively. This shows that employees of both companies are very active publics in nature. Also, the criterion of more than one-year employment was applied to ensure that they lived through the downsizing process.

**Conduct of the actual study.** Data gathering occurred from November to December of 2001 and from September to October of 2004. Interviews were conducted either via telephone, or in person. Each interview lasted about an hour. All the interviews were audio taped, and transcribed verbatim at the earliest possible time after the interview, never more than two days later. Follow-up questions were handled by email. All interviews were conducted in Korean. The translations of interview contents were made accurate by sending transcriptions to interviewees.

**Analysis.** All interviews were examined carefully to categorize the findings. The researcher tried to identify salient patterns and themes to examine research questions. Having identified rough patterns, the researcher used an iterative process of moving back and forth between the data, relative literature, and emerging patterns to begin to develop conceptual categories as Eisenhardt (1989) suggested. In the process of conceptual category coding, the data are broken down into discrete parts, closely examined, compared for similarities and differences, and questions are asked about the phenomena as reflected in the data. Through this process, one's own and others' assumptions about phenomena are questioned or explored, leading to new discoveries. After finding patterns and idiosyncratic insights in the results, the researcher organized quotes “as evidences to support that the patterns exist or to show the nature of the idiosyncratic insight” (J. Gruing, 2002, p. 6).

**Ethical considerations.** Because this study deals with a sensitive issue on employees' perception on management, several strategies were employed to handle possible ethical problems. Only those who agreed to be interviewed as participants were included; the purpose, risks, and benefits of the study were thoroughly explained; informed consent (consent form was translated into Korean) was always obtained. In all cases, the voluntary nature of participation was emphasized and
participants were told they could end their participation at any time without penalty. Employees could choose to be interviewed in a neutral area away from their place of employment and the identities of all participants remained confidential.

RESULTS AND DISCUSSION

General Responses About Downsizing

The words “layoffs,” “cutbacks,” or “downsizing” were used in every interview in response to the interview questions even though the questions did not explicitly mention those words. The survivors’ general responses to downsizing were summarized as follows: 1) risk-aversion in order to survive at any cost 2) demoralization; when loyalty and performance do not seem to be linked to job security 3) fear of future job loss 4) guilt for surviving colleagues 5) stress overdoing the work of those who left 6) anger about working harder with same compensation.

The following interviewee comments exemplified the above survivor syndrome symptoms well: “I have a family to support, I will do whatever I can to survive here,” “I am fearful about losing my job, have decreased loyalty to my company, and feel guilty about retaining my job when my co-workers have lost theirs,” “Since I had grown up with people in the company, it was tough personally. I cried, It was really difficult and it left a scar on me — like rejection. Eventually all of us are victims,” “Everybody is working harder…but you don’t walk out and leave your job undone. It’s always one more thing, just one more thing. It’s difficult, I can’t work any harder,” “You don’t need loyalty. It doesn’t benefit the individual or the company. Get your skills, experience…and move on,” “There was a combination of guilt and relief, or feeling guilty for being relieved.” One employee said her group experienced some serious physical ailments after downsizing. They lost half of their colleagues and the long hours caused illness. She struggled with pneumonia and others had numerous colds and infections.

The following statement from a junior manager in A Telecom, who experienced a couple of more downsizing in another company, was more revealing than any other:

I lived through the years, during the downsizing, where employees feared
coming to work each day because of the threat. Rumor mills drained the energy out of the office. Survival was a constant concern and a driver of behavior. Laughter in the office was frowned upon. Expressing dissatisfaction with policies and procedures was perceived as a sign of self-elimination. The invitation to meetings stopped. Calls from friends within the company stopped. The week after the layoff announcement, there was a darkness throughout the building, a quietness that sent chills throughout my body. There was no laughter or corridor discussion. Boxes were placed outside the offices of those who were asked to leave.

These comments showed that downsizing produces a range of strong emotional, psychological, and physical influences on survivors and those should be managed before, during, and after downsizing. Negative impacts were not limited to survivors’ mental health. According to one employee in B Communication, B Communication’s arbitrary as well as closed process of downsizing made by a few executives ruined employee-management relationship, thus leading lots of voluntary resignation of activist group. That situation caused B Communication to suffer from the paucity of workforce and following productivity decline.

In addition, three significant themes emerged from the answers of employee interviewees regarding general responses about downsizing: 1) the role of fairness during downsizing, 2) the role of communication during downsizing, and 3) the effect of employee age on reactions about downsizing.

First, employees stressed the importance of fairness in downsizing process. One interviewee’s comment exemplified employee participants’ perception, “The biggest problem is that the layoff process was not fair.” Employee interviewees were very sensitive on the issue of fairness. Survivors’ behaviors and attitudes after downsizing largely depended upon their perceptions of fairness during the downsizing process. One entry-level employee in B Communications said, “I am still mad at the management. They didn’t deal with the downsizing properly. I don’t blame the downsizing itself, I am mad at the management because they didn’t mention anything about why they have to downsize. I was not understood about why. None of the management told why. Also, I feel that they sacrificed only powerless low-level workers. Did the cuts go all the way up? No! I don’t believe the management anymore.” Some employees in A Telecom even filed a petition with the National Human Rights Commission, alleging that the company abused its power in the process of cutting down the size of its workforce. They claimed,
“The company suddenly assigned employees to remote places or transferred them to totally unrelated fields, a method that forced early retirement.”

On the other hand, interestingly, two young interviewees from B Communications held an idiosyncratic opinion about the downsizing process. They thought the downsizing was more or less fair even though others interviewed did not share this opinion. Their evaluations on fairness were reflected in their responses. For example, one employee said, “I understand that we were supposed to weed out doing things which are non-productive. I believe that the management did the right thing.”

Responses from employee interviewees showed that there was a significant relationship between the perceived fairness of the downsizing process and survivor reactions to organizations. This observation suggested that organizations must handle the downsizing fairly before, during, and after it occurs. Employees implied that they carefully observed the downsizing process, watching for inequities, and assessing changes to the work environment. Commitment and trust dropped more among survivors if they felt the downsizing was unfair.

Employee participants from both companies complained about communication issues during the downsizing. Perceptions existed that communication was a serious problem. Not surprisingly, participants want all communication to be clear, honest, and timely. The employee participants in this study believed lack of timely communication was worse than communicating bad news. “The rumor mill was developed, or intensified, during the preliminary planning stages and we just spent significant amounts of time gossiping and worrying about what might happen,” commented an associate manager in B Communications. Also, an associate manager in A Telecom elaborated on the communication issue in the following way:

I’ve always felt if you want to get people to trust you, you have to effectively communicate with them. The senior executives said ‘we have got to communicate more’ without giving thought to what they were communicating, who they were communicating with…They’re executives very far removed. Senior management needed to be honest and sincere about what had happened in the organization and provide employees with information about where the business was headed. Had they communicated with us more, we would have trusted them more,
The above responses explicated that the effective communication of information was a key variable in downsizing. Communication factors during the downsizing process, revealed from interview data, included advanced notice, thorough explanations, and two-way communication. This result echoed previous research on the role of communication during the downsizing process. Research clearly has demonstrated the positive impact of these communicational characteristics on both victims and survivors reactions. For example, Konovsky and Folger (1991) surveyed layoff victims and found that both the manner of communicating the layoff decision and providing advanced notice of the layoff were positively associated with victims' reactions to the layoff. Similarly, Brockner et al. (1994) found that advanced notice and explanations regarding the layoff were positively related to trust in the organization.

Another emerging theme was that responses about downsizing appeared to vary according to age. Some young employees found positive aspects of downsizing seeing it as the nature of business. One entry-level employee in B Communications argued, "I think... that these are necessities of business... it's just our turn, It's clear when such action is required, and it's not something I can control." Another entry-level employee in B Communications concurred by saying that, "sometimes you have to do it so the company will thrive and the people left behind can have viable careers, It's not always a negative thing. It's painful in the short term, but in the long term it turns out to be the right decision."

Those young employees seemed to move up the corporate ladder more quickly after their colleagues were laid off. "I am learning jobs and making contacts that I might have had to wait years to achieve had downsizing not occurred, I found that the downsizing actually contributed to my career growth," commented a young employee in A Telecom. An interesting finding here is that the young employees described relationship outcomes negatively although they thought downsizing offered them personal advantages. Also, young employees seemed to develop a "free agent" mentality, a Western management concept. Some of them who developed the free agent mentality had studied abroad in Western countries. They stated that they had a "Plan B" and recommended other employees develop their own Plan B.

On the other hand, most veteran, or old, employees felt their employers betrayed them by downsizing. A senior manager in A Telecom revealed his feeling as follows, "I devoted my whole life to this company. I sacrificed my time, family and my youth, So, now, what do I have? My friend who spent 20 years here
in this company left as his division could not make money any more. This is a betrayal.” Feelings of anger by older employees to downsizing appeared to stem from the broken concept of a familial company, the common managerial model throughout Asian countries for many years. A senior manager in B Communications commented, “For me, my company was like my own family. But, now I realized that the company never thought of me as a family member.” They admitted that they were hurt by the fact that they could be no longer protected as members of an extended family (company).

In summary, almost all employees interviewed reported that they were seriously injured emotionally, psychologically, and even physically due to downsizing. However, the impact of downsizing seemed to vary according to three mediating factors — fairness, communication, and age of respondents. Overall, younger employees who perceived the downsizing process was rather fair saw the downsizing as an unavoidable management decision, while older employees who considered the process unfair felt strongly negative about the downsizing.

**Relationship Outcomes in Downsized Companies**

Responses about relationships from A Telecom and B Communications were strikingly similar in spite of different industry categories and company sizes. Also, the three-year time span between the two data collections turned out not to have exerted any influence on employees’ responses toward downsizing even though the researcher expected the time span must have changed employees’ and employers’ perceptions. This almost same reactions about downsizing from two case organizations seemed to be stemmed from their similar experiences during downsizing, such as poor communication and unjustness. Even though participants varied in their evaluations of relationship outcomes, some patterns emerged.

First, there was a readily discernable gap between perceptions of the two parties (employees/ management). Generally, employee assessments of the four outcomes of the relationship with management were negative while management assessments were positive. This demonstrated an interesting feature in their relationships: one party is satisfied with the relationship while the other party is not. This result mirrored Drucker (1973) and D’Aprix’s (1977) argument that organizational management and rank and file employees do not have a common perspective of organizations.

Second, the greatest gap was in the perceptions of trust and commitment. Employees generally perceived the two indicators as strongly negative, whereas
management perceived the two relationship indicators as quite positive. Trust was perceived by employees as very negative, as revealed by one employee’s comment, “I say people get laid off, I don’t trust the company and it doesn’t deserve my loyalty. That doesn’t mean you don’t do your job, it means you don’t go the extra mile like you used to.” One entry-level employee in B Communications expressed his strong distrust of management. The interviewee identified the 1998 and 2000 layoffs as a reason of his distrust, commenting, “Why do I distrust the company? Since the layoffs in 1998, I have not trusted management, The management did not deal with layoff fairly at all, My colleagues who worked with me in the same office left the company just 30 minutes after he got pink slip from our boss…’I had to decide ‘to stay or not to stay’ after seeing his layoff. How can I trust the company?” Another entry-level employee in B Communications also disclaimed the company recalling the downsizing in 2000:

Many of the survivors as well as fired workers objected to the way the company let the fired go. Just days before D-day management was denying planned job cuts. On D-day some employees received a call from their managers and they were encouraged to sign "the bribe," an agreement not to discuss their severance package or sue the company, in exchange for up to six months of severance pay. And still I wonder if the company should lay off its employees, Was that the last resort? I cannot trust the company anymore, I might be the person who was let go, And I think the management can do the same thing to me someday as they did eleven months ago.

The commitment outcome indicator received the most strongly negative evaluation from employees. An entry-level employee working for A Telecom said, “I don’t believe in long-term relationships anymore in an organization called a company, I am always preparing to leave this company because I know that the company might not want me any more in the near future.” This comment showed well how employees in a downsized company feel about their company. Employees in A Telecom also explicated that they have little faith in management’s commitment to employees. One female employee in A Telecom responded, “I became acutely aware that work and life can change dramatically and permanently after downsizing, I wonder when the next shoe will drop and I feel powerless and trapped.” Another female employee in A Telecom commented, “Commitment
seems to me to be a reciprocal virtue, and I don’t see any trust and commitment flowing my way, so I’m not about to throw any their way. I spend company time preparing resumes and completing job applications in anticipation of further layoffs. The management might assume remaining employees are merely grateful to still have jobs, But employees need to feel they are valued.”

Interviewees’ responses were in line with Grunberg, Anderson, and Greenberg’s (2000) study, which reported, “Layoff has a strong, significant, and negative impact on organizational commitment. When workplace norms are violated through what is perceived to be an unjust layoff process, workers respond by decreasing their commitment to the organization” (p. 21).

Contrary to this evaluation, an executive interviewee in B Communications evaluated employees’ trust and commitment highly saying, “Even though our company has spent hard time with downsizing, everything is getting better. I especially highly evaluate our employees’ loyalty and their trust in the management.” In addition to the above indicators, the overall pattern of management’s responses to relationship outcomes was very positive.

These responses from management were not unanticipated because usually those higher up in the organization are typically those who are most favored in terms of material rewards, authority, and autonomy and therefore tend to be the most committed to the organization (Lincoln & Kalleberg, 1990). Furthermore, managers are more likely to internalize the goal and values of the company (Edwards, 1979). A Telecom management, who were found to be highly loyal to its company, responded in ways which were similar to phrases that appeared in A Telecom’s corporate brochures. This observation indicated that the perception of the management might be alienated from the real world relationship with employees.

In summary, data collected from in-depth interviews revealed that employees generally viewed their relationship outcomes with management as negative, while management generally viewed the relationship outcomes with employees as positive. In this study, the greatest gap was in the evaluation of trust and commitment dimensions.

Types of Relationships Between Management and Employees in Downsized Companies

There emerged an interesting pattern regarding types of relationships. Employee participants generally regarded the relationship with management as an
exchange relationship, while management generally regarded their relationship with employees as close to a communal relationship.

A communal relationship was negatively evaluated by employees. One entry-level employee in B Communications stated, “The management would not be concerned about my welfare at all if they think I cannot make a profit for the company. It is simple. They hire me and pay me because I earn money for them.” An associate manager in A Telecom concurred:

They are number oriented, not people oriented. When we had our big layoff, we had a meeting the day after those people left and a general manager said something like ‘Well, now we’ll be able to meet our goal,’ He meant profit goal, These were people we worked with. They weren’t some machines we were sending back, I feel like we’ve been moving in the wrong direction, It’s all about the bottom line and not about the feelings of people who really love this company — and I am not the only one who feels that way.

An associate manager in B Communications stated:

I am bothered by how impersonal everything is, It is just a hard, cold, business decision, And it doesn’t really have anything to do with how good we’re doing. We get all this stuff — newsletters and employee meetings — that says employees are our most important assets, I don’t feel like an asset, It’s like top management look at us like our salaries are taking money out of their pockets, I keep getting pressure from my boss to put more pressure on my workers. Asset, my! They make me feel like I’m costing them money.

These employees’ remarks clearly showed employees perceive their employee-management relationship is an exchange relationship rather than a communal relationship. The negative perception of a communal relationship by employees was a huge change considering that traditionally the concept of a familial company pervaded in South Korea, Thus far, the agreement was that “If I work hard and well and if I am loyal to the company (like nice children), I will always have a job and the company (like loving parents) will take care of me,” as a junior manager in A Telecom illustrated, There were clear benefits for both parties: The
company had an employee who was dependable, worked hard, and loyal; the employee had job security, a good salary, and fringe benefits. This employee-employer bond produced a strong communal relationship. However, onset of the 1998 economic crisis, Korean society underwent a rapid and significant transformation. Suddenly, mergers, takeovers, and other forms of corporate restructuring became common, which cast corporate identity adrift. In this study, employees’ replies echoed this change in employee-management relationship.

Comments on lack of communication in the company also reflected that the relationship remains in an exchange level implying that management and employees do not understand each other well. Employees’ belief that they were in an exchange level relationship was reflected in the following comment made by one employee in A Telecom: “The management does not know what we want, We want our decision respected by the company. But the company always just gives a direction, There is no upward communication.”

However, an executive in A Telecom said:

Our company’s employee relationship is based upon reciprocity. Employees are working for the company. To help them concentrate on their working, we are providing various supports like welfare, free education, health insurance, and even holiday gifts. Actually our company’s welfare is the best in this industry. We are always ready to support them, Our employees know that the company is concerned about their welfare.

An executive from B Communications also answered, “They [the employees] should be content with the relationship because we [the management] did our best to accommodate their demands despite many difficulties, And B Communications is one of the best companies in Korea. They must be proud of working for us.” These remarks clearly showed management’s perception of communal relationship remained highly positive.

Based on the answers obtained from the in-depth interviews, it seemed that employees in A Telecom and B Communications regarded their relationships with management as exchange relationships while managements regarded their relationships with the employees as communal relationships. This result showed that management was poor at estimating employees’ responses.
CONCLUSION

This study showed that downsizing efforts in case study organizations have had negative side effects, when judged from the relationship management perspective. This study detected many persistent negative reactions about downsizing among employees in the case study organizations, which remained unrecognized by management. Qualitative data collected from in-depth interviews revealed that the relationship with management was generally negatively viewed by employees, while management generally viewed this relationship with employees as positive. The greatest gap was found in the evaluation of trust, commitment and communal relationship dimensions. Management has to pay more attention to what the employees think and should enhance trust, commitment, and communal relationship with its employees.

In case organizations, management dismissed the fact that downsizing could hurt employees psychologically, emotionally, and also physically, thus damaging long-term employee-management relationships. Harmed employee relationships cause many undesirable long-term effects on organizations. When downsized organizations ignore employee relationships, productivity suffers and employees' trust, satisfaction, and commitment decrease.

If change is inevitable, organizations need to be able to effectively manage it. Case organizations lacked a useful set of guidelines, or principles to follow. In this part, the researcher discusses some implications based on the results of this study to help downsizing or, downsized organizations develop and maintain good relationships with employees.

Implications for Downsizing or Downsized Companies

First, how employees evaluate the fairness or justice of their company's downsizing activity is very important. Many of the employee participants in this study described strong negative feelings that extended well beyond the downsizing per se. Those who perceived the downsizing process as having been conducted in an unfair manner had more negative attitudinal and behavioral reactions than those who believed the companies acted fairly. In this study, many employee participants described that they were affected by more than just the fact of downsizing. They were also affected by how the downsizing was managed and by what was done for the individuals. Perceived unfairness in the downsizing process can quickly and surely make employees angry.
Second, prior to and during downsizing, effective communication can address many of the negative impacts associated with downsizing. Communication perceived by employees as not being timely, honest, and accurate erodes trust, loyalty, and commitment just when they are needed most. For example, in B Communications, the rumor mill that developed and intensified during the preliminary downsizing planning stage resulted in employees’ spending significant amounts of time gossiping and worrying about what might happen. It was necessary to encourage formal communication networks within the organization, such as using intranet system, in order to make crucial information available to all employees at the same time. Senior management could also help the situation by explaining why they cannot reveal information at certain times. Unfortunately, managers in the position of being “in the know” were guided by a policy in which they were to avoid talking about rumors with employees. While this policy may be appropriate in some situations, the resulting loss of productivity and decrease in employee commitment should be carefully weighed. Thoughtful and accurate communication can help significantly curb employees’ concerns about downsizing and re-direct employees’ energies to their assigned work.

It was revealed that the two companies’ communication function was separated among several teams (Human Relations Team, Strategic Planning team, and Public Relation Team), which is one reason why communication between management and employees was not timely and accurate. Many public relations scholars (e.g. Grunig & Hunt, 1984) proposed that integrating all communication functions through a single department would enhance the ability of the communication function. Surveys of Fortune 500 companies show that communication functions rapidly are being organized under the rubric of public relations or corporate communication. Thus, it is necessary to integrate communication function in one department during downsizing to be more effective in communicating with employees.

Third, in case study organizations, there has been no research on employees’ responses. The result was management’s misunderstanding of relationships. Employee response research, such as this, can provide management with valuable and useful information about employee satisfaction and employee-management relationships. Such research can also help convey to employees the company’s concern about their satisfaction, which in turn positively contributes to building stable relationships.

Fourth, the contemporary business situation also demands that employees
develop a new concept about work and employment. A survey revealed that "workers' commitment is more to themselves than to their employers — not surprising given that so many of them have seen their employers downsize and co-workers lose their jobs" (Greenberg & Cazoneri, 1996, p. 23). The new climate of job uncertainty has led to prediction of the emergence of a new kind of work commitment, one tied to a mission or task rather than to a company. Employees need to have a new job paradigm in which they are committed to themselves. Although this seems to be incongruous with relationship theory, which put much emphasis on commitment and communal relationship rather than on exchange relationship, the researcher thinks this new concept does not necessarily contradict to the relationship management perspective. Employees have to be independent from company rather than dependent upon it. Today, only by removing employee worry about possible job loss and building trust with management can a genuine quality relationship with a company be achieved.

Noer (1993) said employers should consider the following questions when deciding the propriety of downsizing: 1) Are satisfactory reasons and justifications communicated to workers? 2) Is the downsizing action consistent with the company’s corporate culture? 3) Are employees involved in the decision-making process? 4) Is there sufficient information and frank information? 5) Do the cuts go all the way up? 6) Do employees understand the process for making the cuts? 7) Are those leaving being treated fairly? (p. 17). Asking the above questions during downsizing will be the first step toward building and maintaining quality relationships with employees.

**Limitations and Future Research Directions**

Because this study was a new effort to combine relationship research and current management practice, it, accordingly, had some limitations. First limitation of this study is in its research design, which did not allow for comparison of current perceptions with those held prior to downsizing. Even though it is hard to get prior perceptions due to the topic’s sensitive nature, answers to the same set of questions prior to and following downsizing would have provided more precise and useful information. In future studies, it is recommended that panel analysis be employed.

Second limitation involves its generalizability. Even though efforts were made to triangulate the data source, only two companies in South Korea were included in the study, raising a question about the generalizability of the findings.
Thus, the conclusions drawn from this study will be most applicable to similar organizations in a similar culture. Replication procedures are critical to further cross-validate the results obtained from this study. Thus, a logical step next would be to conduct research in countries with different social-cultural-political contexts from South Korea’s, for example in the United States or in European countries.

Third, a Western interview protocol was used and translated into Korean for data collection. Although pilot interviews were conducted to assure the appropriateness of translation, language still was a difficulty in questionnaire translation. Also, cultural differences might have influenced the respondents’ perceptions of the concepts conveyed in the questionnaire. Thus, the researcher has to admit that the questionnaire might be literally translated and cultural factors might be involved and have certain impacts.
REFERENCES


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APPENDIX I

Interview Protocol

Please note that each of the questions can be used to assess a relationship from the perspective of management or from the perspective of employees. Thus, each of the questions listed below contains the words “(employees) (management)” in parentheses.

Grand-tour questions
1. Would you tell me what are the first things that come into your mind when you think of (employees) (management)?
2. Do you feel that you have a relationship with (employees) (management)? Why or why not?
3. Please describe your relationship with (employees) (management).

Trust.
4. Would you describe things that (employees) (management) have done that indicate they can be relied on to keep their promises?
5. How confident are you that (employees) (management) have the ability to accomplish what they say they will do? Can you give me examples of why you feel that way?
6. Would you describe any things that (employees) (management) have done to treat (management) (employees) fairly and justly, or unfairly and unjustly?

Control mutuality.
7. Do you believe that (employees) (management) are attentive to what (management) (employees) say? Why? Are you satisfied with the extent to which (employees) (management) actually have taken (management) (employees)’s interests into account in their decisions and behaviors? Please provide any examples.

Commitment.
8. Can you provide me any examples that suggest that (employees) (management)
want to maintain a long-term commitment to a relationship with (management) (employees) or do not want to maintain such a relationship?

**Satisfaction.**

9. How satisfied are you with the relationship that you have had with (management) (employees). Please explain why you are satisfied or not satisfied.

**Communal relationship.**

10. Do you feel that (employees) (management) are concerned about the welfare of (management) (employees) even if they get nothing in return? What evidence can you cite to support your conclusion?

**Exchange relationship.**

11. Do you feel that (employees) (management) give or offer something to (management) (employees) because they expect something in return? Can you provide any examples that show why you reached this conclusion?
APPENDIX II

국문 인터뷰 프로토콜

아래의 질문들은 각 각 경영진 혹은 직원들의 입장에서 관계성을 측정하기 위해 사용됩니다. 따라서 각각의 질문들은 “(직원) (경영진)”이란 단어를 포함하고 있습니다.

개괄적 질문
1. (직원) (경영진)을 생각하면 가장 먼저 떠오르는 것을 말씀해 주십시오.
2. (직원) (경영진)과 관계를 맺고 있다고 생각하십니까? 왜 그렇게 생각하는지 혹은 왜 그렇게 생각하지 않는지 말씀해 주십시오.
3. (직원) (경영진)과 맺고 있는 관계에 대해 설명해 주십시오.

신뢰도
4. (직원) (경영진)이 자신의 약속을 이행할 수 있다는 믿음을 준 예가 있으면 설명해 주십시오.
5. (직원) (경영진)이 성취하고자 하는 것을 이를 만한 능력이 있다고 생각하십니까? 그렇게 생각하는 이유를 예를 들어 설명해 주십시오.
6. (직원) (경영진)이 (경영진) (직원들)을 공정하게 대하고 있다고 생각하십니까? 그렇게 생각하는 이유를 예를 들어 설명해 주십시오.

통제의 상호성
관계에의 헌신성
8. (직원들) (경영진)이 (경영진) (직원들)과 장기적으로 헌신적인 관계를 맺고 싶어한다고 생각하십니까? 예를 들어 설명해 주십시오.

만족도
9. (직원들) (경영진)과 맺고 있는 관계에 대해 얼마나 만족하십니까? 왜 만족 혹은 만족하지 않는지 설명해 주십시오.

공동체적 관계성

교환적 관계성
11. (직원들) (경영진)이 무언가 대가를 바라기 때문에 (경영진) (직원들)을 도와준다고 생각하십니까? 당신의 주장을 뒷받침할 만한 증거를 제시해 주십시오.
초록

구조조정 과정에서의 직원-경영진 관계 연구

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본 연구는 구조조정 과정에서 직원-경영진 간의 관계가 어떻게 변화하는지를 탐색했다. 이 연구의 목적은 1) 구조조정을 단행한 조직 내에서의 직원-경영진 관계에 대해 질적 방법론(qualitative methodology)적인 통찰을 제시하고, 2) 구조조정 과정 혹은 정리 해고 이후 어떻게 직원 관계를 유지할 것인지에 관해 실질적인 해법을 제시하는 것이다. 직원 및 경영진과의 인터뷰를 통해 수집된 질적 데이터에 따르면, 경영진은 직원과의 관계를 긍정적으로 해석하고 있는 반면, 직원들은 경영진과의 관계를 부정적으로 인식하는 것으로 나타났다. 특히, 경영진은 신뢰도(trust), 관계에의 헌신성(commitment), 공동체적 관계성(communal relationships)을 강화해야 할 것으로 보인다.

핵심어: 관계성 연구, 직원 관계, 구조조정, 정리해고, 질적 연구