Effects of downsizing policies on
IS survivors' attitude and career management

James J. Jiang[a,*], Gary Klein[b,1]

[a]*Department of Business Analysis and Communication, College of Administration and Business,
Louisiana Tech University, Ruston, LA 71272, USA*
[b]*College of Business and Administration, The University of Colorado at Colorado Springs,
1420 Austin Bluffs Parkway, P.O. Box 7150, Colorado Springs, CO 80933-7150, USA*

Abstract

The effects of downsizing strategies on surviving system personnel have received scant attention in the IS literature. This paper reports a study of IS survivors, the employment practices of the organizations, the attitudes of the survivors toward downsizing, and the career management practices of the survivors. The results indicate that the downsizing practice has a strong relationship with survivor attitudes and the practices survivors use in managing their careers. Specifically, indirect downsizing methods tend to avoid negative attitudes and promote career management strategies more beneficial to the organization. © 2000 Elsevier Science B.V. All rights reserved.

Keywords: Information systems personnel; Career management; Downsizing survivors; Employee assistance

1. Introduction

Driven by top management interest in cost reduction, information system (IS) downsizing the deliberate organizational decision to reduce workforce size is one of the most significant phenomena in IS resources management in the 1990s. Firms downsizing their IS departments report significant budget reduction and other benefits [6,39,66,71]. Despite growing top management interest, little is known about the impact of the IS downsizing policies and its process implementation on IS survivors. From a practical perspective, as

the downsizing process shifts from consideration of organizational level issues toward the individual affected by the process (survivors), efforts to manage the transition through intervention and to alleviate the impact on personnel come into focus.

Downsizing strategies refer to the methods employed to accomplish a workforce reduction. Means have included early retirement, attrition without replacement, outplacement, and layoffs. These approaches differ in their speed of achieving the goal of workforce reduction, the degree to which the organization retains control, and the negative effects on employees [46]. Once the downsizing strategy has been identified, the process must be implemented and managed. Key issues concern the reduction of uncertainty through extensive communication and the implementation of interventions designed to aid and support both terminated personnel and survivors. The

* Corresponding author. Tel.: +1-318-257-3293;
fax: +1-318-257-4253.
E-mail addresses: jiang@cab.latech.edu (J.J. Jiang),
gklein@mail.uccs.edu (G. Klein).
[1] Tel.: 719-262-3157; fax: 719-262-3494.

goal is to help both terminated employees and survivors accept the process and prepare for new roles.

Although much literature on downsizing has been written over the last decade, technical professionals including IS personnel are generally overlooked. Existing studies are limited to determination of downsizing success in the IS department [67] and factors in perceived success [68]. Apparently, none has investigated the impact on the attitudes and future career strategies of the survivors of an IS downsizing, though it has been done in other fields.

What are the IS survivors' attitudes toward downsizing and how do they affect survivors' career management strategies in the downsized workplace? Are these attitudes and strategies altered by the organizational downsizing strategy and intervention processes? These are important questions, as a key element of success is that downsizing is perceived positively by the employees as a purposeful organizational response to achieve its objectives [13,38,45,51,64].

2. Downsizing background

Given the many negative effects of downsizing and their implications for organizations, a substantial literature has developed. It addresses various aspects of the downsizing process. The literature is predominately experience based. It is descriptive of the normative mechanisms that organizations have used to downsize, and it is prescriptive as to how reductions should be accomplished [52,59]. From a conceptual perspective, the relevant components of the downsizing process include target identification, strategy selection, and management of transition through intervention. Targets refer to the segments of the organization that will absorb downsizing. Strategies represent the specific mechanisms used to operationalize the reduction. Intervention management involves implementing policies, such as psychological counseling and vocational training to assist individuals who are affected by the downsizing process. These items combine to form the organizational downsizing policies.

Greenhalgh et al. [31] proposed that the various downsizing strategies could be arranged into two major categories that reflect the trade-offs between maintaining employee well-being and maximizing short-term cost savings for the organization. Under *indirect redeployment or layoffs*, employees are encouraged to comply voluntarily; e.g., by transfers to different jobs or locations. Senior employees may be offered incentives to facilitate early retirement decisions. But, the most drastic method of downsizing is reduction without any assistance, termed *direct redeployment or layoffs*. Often, employees are offered assistance in adjusting to the termination [54] which may include outplacement or continuation of benefits.

Observers have noted that a focus on short-term economic criteria often entails hidden costs for the organization; these are rarely considered within the context of downsizing strategy selection [35]; e.g., severe strategies may have unintended effects on survivors, including poor morale, lack of commitment, increased stress, and turnover [36]. Recent research indicates that the approach chosen may have an impact on the atmospheres within an organization [14].

Models that address intervention generally indicate two primary goals of the process [2,16]. The first is to provide support for the personnel most directly affected by downsizing: displaced personnel. The second concerns survivors. The organization needs to regain the confidence, trust, and commitment of its employees, and rebuild a positive image. Specific interventions include open communication between the organization and individuals, financial support, career planning/counseling, resume development, on-going training, and interview training. It is believed that the provision of these interventions will help improve the transition [8,23,32,40].

The effects of downsizing on terminated employees that have been examined include: (1) financial loss [61]; (2) impacts on well-being, including psychological health [4,24], cognitive functioning [3], and anxiety and depression [5]; (3) attitudes, including self-satisfaction [63], self-esteem [55], satisfaction with their lives, marriages and families [18], and social isolation [53] and (4) family relationships, including standard of living [57], spouse's psychological well-being [49], financial arguments [70], and stress on children and friends [1]. On the other hand, the studied effects of downsizing on survivors include productivity, organizational commitment, attitudes towards coworkers [10], perceived job-security [12] and perceived job content [15]. However, technical professionals have received little attention in these