Do downsizing decisions affect organisational knowledge and performance?

Dr Helen Sitlington

School of Management, Edith Cowan University, Perth, Western Australia

Email: h.sitlington@ecu.edu.au

Phone: (61 8) 6304 5280

Associate Professor Verena Marshall

Graduate School of Business, Curtin University of Technology, Perth, Western Australia

Email: verena.marshall@gsb.curtin.edu.au

Phone: (61 8) 9266-3236

Do downsizing decisions affect organisational knowledge and performance?

Organisational downsizing and restructuring are common responses to changed economic circumstances and other environmental influences, with organisations implementing these strategies in order to improve their effectiveness. The reasons why, and how, organisations downsize and restructure have a major influence on perceived outcomes. The impact of decisions made and processes undertaken in downsizing and restructuring organisations are examined in this study, hypothesising that such decisions and subsequent processes influence retention of organisational knowledge, which in turn may have a significant impact on perceived organisational effectiveness. 'Successful' and 'unsuccessful' organisations are examined, based on separation of data according to respondents' perceptions of post-downsizing or restructuring effectiveness, with discussion and comparison of findings from each data set. It will be shown that while perceived level of organisational knowledge can be used as a predictor of organisational effectiveness after downsizing and restructuring in general, it is the retention of knowledge, rather than its increase, that is necessary for improved outcomes after the occurrence of downsizing and restructuring.

1. CONCEPTUAL FRAMEWORK

1.1. Organisational Effectiveness

One of the primary motivations for organisational downsizing and restructuring is to achieve some form of improved organisational effectiveness (Freeman and Cameron, 1993; Littler, 2000). Many measures of post-downsizing and restructuring performance which appear in the literature relate to financial indicators, including lower expense ratios, higher profits, increased return on investment and improved share price (cf Schraeder *et al*., 2006; Budros, 1997; Cascio *et al*., 1997; Bruton *et al*., 1996). Organisational performance measures also cover anticipated organisational improvements, such as decreased overheads, improved internal communications and greater productivity (Cascio, 2002; 1993).

In the management of human resources, however, such measures are not always useful. The perceptions of those who work in an organisation are their reality, regardless of what may appear on balance sheets or share price listings. Attracting key employees is largely dependent on perceptions of the organisation; and retention is dependent on whether employees view the organisation as one in which they wish to remain and positively contribute. Perceptions of organisational effectiveness are therefore a relevant consideration for organisations contemplating downsizing and restructuring. In this study, factors identified by participants as affecting their view of the organisation as an 'employer of choice' are incorporated into the 'organisational effectiveness' measure. These factors include 'hard' measures, such as financial indicators, as well as those 'soft' measures, encapsulating the concept of organisational culture.

1.2. Organisational Knowledge

In investigating organisational effectiveness after downsizing or restructuring, this study considers the role of organisational knowledge in dictating perceptions of organisational effectiveness. Organisational knowledge, both explicit and tacit (Grant, 1996; Nonaka, 1994) encompasses the shared, accumulated knowledge of individuals within an organisation. Such knowledge is embedded in work processes and resultant products and services that evolve over time, all of which develop to incorporate lessons learned from the organisations' past experience. Gregory (1999) emphasises a key presumption that organisational knowledge inherently involves familiarity with processes or tasks in the organisational context. Thus, knowledge lost through downsizing and restructuring requires recreation through organisational learning. Individuals must share and transfer their knowledge to other employees for organisational learning to occur, and to facilitate the creation or recreation of the organisational knowledge needed for the organisation to perform optimally.

Research into downsizing and restructuring over the past 20 years has consistently reported a number of common organisational and individual issues (Williams, 2004; Fisher and White, 2000). It is contended that many of these issues are associated with the loss of knowledge that occurs during downsizing and restructuring. Although much has been written about knowledge in organisations, little attention is paid in the literature to loss of knowledge in this context.

Examples of downsizing outcomes which may indicate knowledge loss include the many reports of replacement of individuals or roles by re-hiring, or engagement of consultants (Appelbaum *et al*., 1999, Cascio, 1993). Similarly, 'reinventing the wheel' (Gregory, 1999), that is reintroduction of ideas and practices, is frequently apparent, as are reports of inability to locate necessary information sources, both people and physical resources (Cascio, 1993). These suggest remaining employees ('survivors') find difficulty in accessing organisational knowledge. Reports of lower productivity levels, inefficiencies, increased errors and falling work quality (Cascio, 1993) also suggest knowledge loss. Additionally, negative feedback from both clients and employees is also often reported (Appelbaum, *et al*., 2003) and may be similarly attributable in part to decreased access to necessary knowledge.

Lack of knowledge may account for some of the uncertainty experienced by survivors, resulting in decreased job satisfaction, lower motivation and increased voluntary turnover (Appelbaum, *et al*., 2003; Cameron and Smart, 1998; Appelbaum *et al*., 1997). The increased stress, pressure and burnout also reportedly experienced by survivors, along with a loss of trust in management and colleagues and communication breakdown (Appelbaum, *et al*., 2003; Cameron and Smart, 1998; Cascio, 1993) may have their roots in the inherent loss of knowledge that occurs.

Appelbaum, Patton and Shapiro (2003) stress that failing to take into account interdependencies, the importance of core competencies, retention of skills, and maintenance of institutional memory, is likely to result in negative organisational outcomes from downsizing. Williams (2004) also states that downsizing and restructuring remove individuals' knowledge and experience, and break down key relationships between employees and with external stakeholders. He concurs with the underlying premise of this research, that such a breakdown can have significant impact on organisational 'culture, cohesion and cooperation', as well as placing organisational knowledge at risk.

Following extensive reporting of these problems in the literature, practitioners recommend many 'best practice' approaches to overcome them. The 'best practices' for downsizing and restructuring recommended in the literature include encouraging staff participation in decision-making and

implementation (Appelbaum *et al.*, 1997; Cameron, 1994; Cascio, 1993), ensuring there is ongoing, two way communication with stakeholders (Appelbaum *et al.*, 1997; Appelbaum *et al*., 1999; Kozlowski *et al*., 1993; Cameron *et al*., 1991) and treating people with dignity and respect (Appelbaum *et al*., 1999; Appelbaum *et al*., 1997; Cameron *et al*., 1991). As well as addressing the myriad of problems associated with downsizing and restructuring, many of these 'best practices' are strongly connected with the retention of knowledge in the work environment.

A number of knowledge management strategies are also recommended practices for dealing with downsizing and restructuring. These include preparation and planning of the change initiative (Appelbaum *et al.*, 2003; Appelbaum *et al*., 1997; Cameron, 1994; Cascio, 1993), documentation of policies and procedures (Gore and Gore, 1999) and supporting, promoting and facilitating knowledge sharing activities (Cameron *et al*., 1991). These recommendations are common in the literature on the management of knowledge (Walczak, 2005; Williams, 2004), which suggests the need to record knowledge in explicit, codified form, along with supporting and encouraging shared tacit knowledge between individuals. Knowledge sharing and retention is also apparent in recommendations to provide training and development opportunities for staff (Appelbaum *et al*., 1999; Appelbaum *et al*., 1997; Cameron, 1994; Cascio, 1993; Kozlowski *et al*., 1993), and ensure clear definition of roles and responsibilities (Cameron, 1994).

This study investigates the proposition that organisational knowledge plays an important part in determining organisational effectiveness and the following hypothesis advances this proposal:

H1: The higher the perceived level of organisational knowledge the higher the perceived post-downsizing/restructuring organisational effectiveness.

1.3. Downsizing and Restructuring

Whilst downsizing is one of a range of strategies that may be implemented to achieve a new structure, it is also a term closely linked with 'restructuring' in the minds of many in the workforce. Anecdotally, some employees in organisations consider the term 'restructuring' to be a code used by managers for the harsher reality of 'downsizing', resulting in job loss. While the terms are

theoretically distinct, in the work environment they are often used interchangeably, and have been treated as one term in previous literature (Burke and Greenglass, 2000). The term 'downsizing/restructuring' is therefore used in this study to incorporate the broad concept of change to internal operations of an organisation that may result in decreased positions and/or employees, regardless of the strategies used to achieve the change.

1.4. Decisions

Underpinning downsizing/restructuring, are the decisions driving the changes, together with strategies implemented by the organisation to bring about the 'new' organisation. Freeman (1999) found that in more proactive organisations, decision making revolved around restructuring the organisation so that it was able to perform optimally. This optimisation may result in downsizing, although this is not an imperative underlying the decision making. In other organisations she found that restructuring decision making was predicated on an overriding necessity to reduce staff numbers. With such radical differences in motivation in each case, the resultant experiences and perceptions of the employees involved were also found to vary. Those who experience organisational restructuring that necessitates downsizing may have more positive perceptions of restructuring and downsizing than those who have experienced organisational restructure or redesign resulting primarily from an imperative to reduce numbers (Freeman, 1999; Kozlowski, *et al*., 1993; Cameron *et al*., 1991). The improved experiences may in part result from greater knowledge and understanding of the decision making and reasons for the changes introduced.

Taylor and Giannantonio's (1993) discussion on terminating employment relationships identifies three crucial aspects to organisational downsizing/restructuring events. The first critical aspect is the decision regarding the appropriate organisational strategy; the second is the determination of the processes to be used in order to achieve the required reductions and thirdly decisions on the management of the actual downsizing/restructuring process. Sound decisions implemented poorly, or well implemented strategies based on inappropriate decisions, may result in negative outcomes for individuals and diminished organisational effectiveness.

The steps in the downsizing/restructuring decision and implementation process, together with identification of points at which each decision may be the correct or incorrect, are represented diagrammatically in Figure 1.

Insert Figure 1

Internal and external factors dictate whether the high-level decision to downsize/restructure is the correct one for the organisation. Even where downsizing/restructuring is a suitable decision for the organisation, the implementation strategy selected may be appropriate or inappropriate to organisation, circumstances or environment.

The decision regarding method of implementation to bring about the reduction in numbers may also be appropriate or inappropriate for the organisation. Despite all decisions being appropriate for the organisation, that is, suitable for the circumstances and in line with the organisation's culture, a poorly managed process may nonetheless result in a negative outcome. This view is consistent with that of Cole, Harris and Berneth (2006) who studied the three-way interaction between vision, appropriateness and execution in broader organisational change initiatives, identifying that this interaction was able to predict outcomes such as job satisfaction and turnover intention.

Decisions made regarding the downsizing/restructuring approach to be adopted will also impact the skills and knowledge retained in the organisation, as well as employees' resultant perceptions of procedural fairness (Brockner, *et al.*, 1992). For example, an approach that removes significant numbers of long-term employees from the organisation is likely to have a major impact on understanding of corporate history, whilst a strategy that focuses on 'last in first out' may result in loss of current skills and contacts in the industry. An approach that relocates existing staff to other parts of the organisation may retain both history and specific skills but result in less than optimal proficiency in those parts of the organisation as well as having implications for any cost saving

agenda. Therefore, decisions made regarding how to reduce a workforce have a variety of potential impacts on subsequent organisational effectiveness.

1.5. Processes

Strategies used to achieve the reduction in workforce are also influenced by the nature of change to be introduced. Proactive 'downscoping' strategies (De Witt, 1998), where organisations re-focus on their core business by narrowing the scope of operation, are part of a medium to long-term change in strategic direction, rather than a response to immediate financial pressure. Time is available to consider the organisation's future needs and achieve required decrease in staff numbers through strategies such as natural attrition, reduced hours, internal redeployment, leave without pay and other low impact downsizing strategies. Such strategies avoid the sudden, radical loss of significant numbers of employees who may possess knowledge and skills that the organisation will continue to need (Cascio et al. 1997; Bruton, *et al.*, 1996).

The above suggests a planned, intentional downsizing/restructuring approach through process, rather than a 'knee jerk' reaction, is likely to be more beneficial to the organisation. This study examines this consideration; investigating the extent to which employees involved in downsizing/restructuring in the participant organisations perceive that various downsizing/restructuring strategies available to the organisation are actually considered.

The importance, or otherwise, of perceived relevance of downsizing/restructuring decisions and perceptions of downsizing/restructuring processes on organisational effectiveness are tested in the following hypotheses:

> *H2: The greater the perceived relevance of downsizing/restructuring decisions, the higher the perceived post-downsizing/restructuring organisational effectiveness.*

> *H3: The more positive the perceptions of downsizing/restructuring processes the higher the perceived post-downsizing/restructuring organisational effectiveness*

The decisions and processes considered in this study focus on their respective impact on perceived levels of organisational knowledge. In doing so, it is postulated that the way in which decisions and

processes affect retention of organisational knowledge may explain the resultant perceptions of organisational effectiveness, as proposed in the following hypotheses:

H4: The greater the perceived relevance of downsizing/restructuring decisions, the higher the perceived post-downsizing/restructuring organisational knowledge.

H5: The more positive the perceptions of downsizing/restructuring processes the higher the perceived post-downsizing/restructuring organisational knowledge

A conceptual framework for this study is presented in Figure 1. In addition to analysing the direct relationship between the dependent variable, *perceived post-downsizing/restructuring organisational effectiveness*, and the independent variables of *downsizing/restructuring decisions* and *processes*, two indirect paths are analysed. Further, the relationship of each of the independent variables is analysed against *perceived level of organisational knowledge* to ascertain whether *perceived level of organisational knowledge* mediates the relationships between the independent and dependent variables.

Insert Figure 2

2. METHODS

The study was conducted through a two-stage process. The first stage consisted of qualitative focus groups, bringing together individuals who had been involved in downsizing/restructuring. The focus groups explored participants' views on the decisions and processes experienced in downsizing and restructuring, and the impact of both on organisational knowledge and their perceptions of organisational effectiveness. The second stage was gathering of data from a questionnaire, developed from review of the literature and themes that emerged from qualitative data drawn from the focus groups.

The dependent variable of organisational effectiveness was used as the basis for separating the data into 'successful' and 'unsuccessful' organisations. Organisational effectiveness scores of 3 or above on the 5-point Likert scale items in the questionnaire indicated those organisations rated by respondents as 'unchanged' or 'better than before', were labelled 'successful' organisations. Data

from respondents indicating scores below 3 (that is, perceived to be less effective than before the downsizing/restructuring) were labelled 'unsuccessful'.

2.1. Sample

Data were obtained from 646 employees in 81 organisations, representing both private and public sector organisations in Australia. The majority of respondents (n=522) indicated they held 'managerial', 'professional' or 'clerical' positions. A breakdown of sample by gender reflected an even distribution of male (50.5%) and female (49.5%) respondents.

2.2. Measures

The questionnaire contained 127 measurement items, and included coverage of the four variables of organisational effectiveness, organisational knowledge, downsizing/restructuring decisions, and downsizing/restructuring processes. The items used to assess the four variables were developed from review of the literature and analysis of content drawn from the focus groups.

Organisational performance measures frequently focus on 'hard' financial indicators, such as return on investment and share price (Yu and Park, 2006; Cascio, 2002); however, such measures were not considered sufficient for the purposes of this study to determine the effectiveness with which organisations were perceived to operate after downsizing/restructuring. Additionally, many of these measures are more applicable to private, for-profit organisations than the public sector. Therefore, 'soft' indicators indicating employee satisfaction, morale and attitudes (Price, 2008) were included, along with a range of 'hard' measures in measuring post-downsizing/restructuring organisational effectiveness. In this way the organisational effectiveness measure was able to canvas a wide range of items applicable across both the private and public sectors.

Items measuring organisational knowledge, developed from the focus group process and literature (Teare and Raynor, 2002; Snyder and Cummings, 1998; Grant, 1996; Polanyi, 1967), encompassed both tacit and explicit forms of knowledge. Tacit knowledge was assessed through questions relating to access to people with expertise, and explicit knowledge was canvassed through items indicating the extent participants had access to necessary sources of information. The measurement of *decisions* was achieved through respondents indicating the extent to which they perceived a range of key issues

(for example, alternatives to layoffs, retaining key staff, documentation of procedures, training and handover options) had been taken into consideration during the downsizing/restructuring. The measurement of *processes* required respondents to indicate their experience of the actual downsizing/restructuring event (including planning, documentation of procedures, handover and training opportunities).

2.3. Data Analyses

The validity and reliability of the variables were assessed using the item reliability, construct reliability, and average variance extract, together with Cronbach's coefficient alpha. Four factors measuring organisational effectiveness, organisational knowledge, and downsizing/restructuring decisions and processes emerged from this analysis, the results of which are presented in Table 1. Factor loadings indicate the degree to which items are correlated with the latent variable they measure. Loadings greater than 0.5 indicate a high correlation between items and the latent variable being measured. Cronbach's α is a measure of reliability; the nearer the measure is to 1.0 the more reliable the items are deemed to be in measuring the latent variable. Discriminant validity revealed the higher correlations between items comprising each construct, which were in turn utilised in regression analyses to test the hypotheses.

Table 1. Factor Analysis and Construct Reliability

Construct	Number of Items (factor loading >0.5)	α
1. Organisational Knowledge	10	**0.910**
2. Downsizing/restructuring Decisions	10	**0.920**
3. Downsizing/restructuring Processes	11	**0.943**
4. Organisational Effectiveness	12	**0.956**

3.   RESULTS

Organisational knowledge was found to have a significant positive impact on organisational effectiveness (Hypothesis 1) in unsuccessful organisations ($t = 6.272$; $p < .000$), but not in successful organisations. Downsizing/restructuring decisions failed to show a significant positive relationship with organisational effectiveness (Hypothesis 2) in either successful or unsuccessful organisations.

However, while downsizing/restructuring processes failed to indicate a significant positive relationship with organisational effectiveness (Hypothesis 3) in successful organisations, such a relationship was found in unsuccessful organisations ($t = 3.019$; $p < .005$).

When the intervening variable, organisational knowledge, was regressed on the independent variable of downsizing/restructuring decisions (Hypothesis 4), no significant relationship was found in either the successful or unsuccessful organisations. The lack of significant relationship was held between downsizing/restructuring processes and organisational knowledge (Hypothesis 5) in successful organisations, while a positive relationship was found in unsuccessful organisations ($t = 5.151$; $p < .000$).

Table 2: Summary of Hypothesis Testing

Hypothesis	Independent Variable	Successful Organisations	Unsuccessful Organisations	Dependent Variable
1	Organisational Knowledge	ns	$t=6.272$[***]	
2	Downsizing/Restructuring Decisions	ns	ns	Organisational Effectiveness
3	Downsizing/Restructuring Processes	ns	$t=3.019$[**]	
4	Downsizing/Restructuring Decisions	ns	ns	Organisational Knowledge
5	Downsizing/Restructuring Processes	ns	$t=5.161$[***]	

$p = 0.05$ [*] $p = 0.01$ [**] $p = 0.000$ [***]

In order to investigate potential mediation by the intervening variable of organisational knowledge, it is necessary for this variable to have a significant impact on the dependent variable of organisational effectiveness. Since Hypothesis 1 was not found to be significant for successful organisations, organisational knowledge did not significantly affect organisational effectiveness amongst this group. Similarly, the hypotheses relating to decisions (Hypotheses 2 and 4) were not significant in unsuccessful organisations; mediation testing was therefore not applicable in these cases. However, partial mediation by organisational knowledge was evident in the relationship between

downsizing/restructuring processes and the dependent variable of organisational effectiveness. The mediation analysis is summarised in Table 3 below.

Table 3. Summary of Mediation Testing

Analysis:	Mediating effect of Organisational Knowledge on relationship between Independent Variables and the Dependent Variable (Organisational Effectiveness)	
Population:	Downsizing/ Restructuring Decisions	Downsizing/ Restructuring Processes
Successful Organisations	No	No
Unsuccessful Organisations	No	Partial

4. DISCUSSION

Initial testing of Hypothesis 1 sought to establish whether changes to perceived levels of organisational knowledge resulted in corresponding changes in perceptions of post-downsizing/restructuring organisational effectiveness, before examining the relationship between the independent variables and organisational knowledge. Hypothesis 1 was supported in unsuccessful organisations; however, organisational knowledge did not prove to be a significant determinant of organisational effectiveness in successful organisations, an unexpected and counter-intuitive finding. Examination of the definition of 'successful' may provide some explanation for this finding. 'Success' was defined as stability or improvement in perceived organisational effectiveness after downsizing/restructuring.   The Hypothesis therefore implies that increased organisational effectiveness results from increased organisational knowledge and, correspondingly, decreased organisational knowledge leads to a decrease in organisational effectiveness, defined as 'unsuccessful'.

Support for the relationship between organisational knowledge and organisational effectiveness in unsuccessful organisations indicates that knowledge loss through downsizing/restructuring results in a

negative organisational outcome. Lack of such support for this relationship in successful organisations may indicate that whilst losing knowledge has a negative outcome, increasing knowledge is not essential for a positive outcome to be achieved. For the latter group, knowledge retention may be a more important goal than increased knowledge. Since downsizing/restructuring rarely has the intention of increasing knowledge, this is a logical finding and serves to reinforce the importance of retaining knowledge in order to achieve a 'successful' organisational outcome.

Neither of the Hypotheses (2 and 4) involving downsizing/restructuring decisions was supported, indicating that downsizing/restructuring decisions are not a significant predictor of organisational effectiveness, nor organisational knowledge; these findings are common to both successful and unsuccessful organisations. Nonetheless, Greenhalgh, Lawrence and Sutton (1988), seminal researchers in the field of downsizing, propose that decision-making factors, such as the context and background of the downsizing or restructuring event, are critical issues for consideration in downsizing/restructuring. Whilst apparently insignificant in predicting organisational outcomes in this study, it may be that downsizing/restructuring decisions are only an indication of intended actions, as opposed to the *actual* process of events experienced by the participants. Therefore, respondents' perceptions of their intent and motivation are derived from their downsizing/restructuring experience of processes, rather than the initial decisions, to which the general population is unlikely to be privy.

Nonetheless, where processes are viewed positively, corresponding increase in perceptions of organisational effectiveness are apparent to those respondents in unsuccessful organisations, this is not the case for respondents in successful organisations. As with decisions, the difference between successful and unsuccessful organisations may indicate that poor perceptions of downsizing/restructuring processes have a negative impact on organisational effectiveness. However, improved organisational effectiveness does not require positive perceptions of the processes; rather negative perceptions should be avoided. The general environment of successful organisations may be one where clearly communicated, transparent and open processes are expected and good practices may be the norm. Again this indicates that improved perceptions are not necessary for a positive

organisational outcome, but the absence of clarity and transparency may result in a negative outcome. Poor processes must therefore be avoided if effective downsizing/restructuring outcomes are to be achieved.

The findings suggest that organisations planning downsizing/restructuring need to ensure the processes they utilise promote retention of knowledge within the organisation. The ways in which this may be achieved vary; examples include retaining key employees, allowing time and resources (such as information systems, technology and databases) to facilitate conversion of tacit knowledge to explicit knowledge, through documentation and training. Other processes canvassed include communication to check for understanding of why decisions are made, engaging employees throughout the downsizing/restructuring process and building a supportive culture which recognises the need for and benefit of change.

Employees' interpretation of downsizing/restructuring decisions and processes has a direct impact on outcomes, implying that consideration of these potential reactions may also be relevant. A high degree of honesty, transparency and openness in management of the processes may go a long way to ensuring subsequent positive attitudes and behaviours. Such integrity in process may support maintenance of both job satisfaction and organisational commitment, necessary ingredients in the achievement of improved organisational effectiveness. The lack of significance found in the hypothesised relationships in successful organisations may indicate that these strategies and sound management practices are already in place prior to downsizing/restructuring occurring in these organisations.

5. CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

Organisations undertaking downsizing/restructuring should consider the culture and climate of the organisation in regard to mechanisms for knowledge retention and how knowledge can be retained, within their implementation strategies. Managers instigating downsizing or restructuring in organisations need to be cognisant of the impact of such initiatives on employees and strive to ensure

the experience is as constructive as possible. Inherent in proactive approaches are communicating openly with staff and involving them in the decision-making as well as time to plan the process as canvassed in the survey instrument. Time is also required for employees to prepare for the change and make necessary arrangements such as documenting procedures and handing over tasks. Support strategies, such as counselling to assist employees deal with the changes, together with training in new skills required for changed roles, and redesign of jobs and systems are also important in ensuring a positive experience for employees and maximising knowledge retention.

In this study, however, no support was found for hypotheses regarding the relevance of decisions in downsizing/restructuring events, either in regard to perceived levels of organisational knowledge or organisational effectiveness. The study did not, however, distinguish between those making and those implementing the decisions; respondents were only asked to indicate whether their role had included making or implementing the downsizing/restructuring decisions, as opposed to the more passive role of 'affected employee'. Examination of perceptions from these two sources of data will lead to further insight into the importance of decision-making and implementation processes in downsizing/restructuring.

Since analysis of the 'successful' and 'unsuccessful' data in this study did not differentiate on the basis of industry or sector (public/private; for-profit/not-for-profit) this may be an area for further study. There may be differences in pre-downsizing cultures and practices between industries and sectors that impact on perceptions of organisational effectiveness as well as decision making, implementation processes and knowledge sharing.

Nonetheless, the findings of this study demonstrate a need to concentrate on organisational knowledge during downsizing/restructuring in order to achieve improved outcomes. This can be facilitated by giving attention to the intent and interpretation of decisions and processes from employees' perspectives, and ensuring both are transparent. Assessment of the knowledge present in the organisation, and a focus on retention of key individuals holding such knowledge is also advisable.

The inclusion of employees in planning and implementation, and open communication around those strategies, enable the organisation to use its inherent knowledge in moving theory into practice.

REFERENCES

Appelbaum, S. H., Delage, C., Labib, N. and Gault, G. (1997), "The Survivor Syndrome: aftermath of downsizing", *Career Development International,* Vol. 2 No. 6, pp. 278-291.

Appelbaum, S. H., Everard, A. and Hung, L. T. S. (1999), "Strategic downsizing: critical success factors", *Management Decision,* Vol. 37 No. 7, pp 535-552.

Appelbaum, S. H., Patton, E. and Shapiro, B. (2003), "The early retirement incentive program: a downsizing strategy", *Journal of European Industrial Training,* Vol. 27 No. 1, pp. 22-35.

Brockner, J, Konovsky M, Cooper-Schneider R, Folger R, Martin C and Bies RJ (1994), "Interactive effects of procedural justice and outcome negativity on victims and survivors of job loss", *Academy of Management Journal,* Vol. 37 No. 2, pp. 397-410.

Brockner, J., Tyler, T.R. and Cooper-Schneider, R. (1992), "The influence of prior commitment to an institution on reactions to perceived unfairness: the higher they are, the harder they fall (Process and Outcome: Perspectives on the Distribution of Rewards in Organizations)", *Administrative Science Quarterly,* Vol. 37 No. 2, pp. 241-262.

Bruton, G.D. Keels, J.K. and Shook, C.L. (1996), "Downsizing the firm: Answering the strategic questions", *Academy of Management Executive,* Vol. 10 No. 2, pp. 38-45.

Budros, A. (1997), "The new capitalism and organizational rationality: The adoption of downsizing programs, 1979-1994", *Social Forces,* Vol. 76 No. 1, pp. 229-251.

Burke, R.J. and Gleenglass, E.R. (2000), "Organizational restructuring: Identifying effective hospital downsizing processes', in Burke, R.J. and Cooper, C.L. (Eds.), *The Organization in Crisis*, Blackwell, Oxford.

Cameron, K.S., Freeman, S.J. and Mishra, A.K. (1993), "Downsizing and redesigning organizations", in Huber, G.P. and Glick, W.H. (Eds.), *Organizational Change and Redesign*, Oxford University Press, New York.

Cameron, K.S. (1994), "Strategies for Successful Organizational Downsizing", *Human Resource Management,* Vol, 33 No. 2, pp. 189-211.

Cameron, K.S., Freeman, S.J. and Mishra, A.K. (1991), "Best Practices in White-Collar Downsizing: Managing Contradictions", *Academy of Management Executive,* Vol. 5 No. 3, pp. 57+.

Cameron, K.S. and Smart, J. (1998), "Maintaining Effectiveness Amid Downsizing and Decline in Institutions of Higher Education", *Research in Higher Education,* Vol. 39 No. 1, pp. 65-86.

Cascio, W.F. (1993), "Downsizing: What do we know? What have we learned?" *Academy of Management Executive,* Vol. 7 No. 1, pp. 95-105.

Cascio, W.F. (2002), "Strategies for responsible restructuring", *Academy of Management Executive,* Vol. 6 No, 3, pp. 80-91.

Cascio, W.F., Young, C.E. and Morris, J.R. (1997), "Financial consequences of employment-change decisions in major US corporations", *Academy of Management Journal,* Vol. 40, pp. 1175-1189.

De Witt, R.-L. (1998), "Firm, Industry and Strategy Influences on Choice of Downsizing Approach", *Strategic Management Journal*, Vol. 19, pp. 59-79.

Fisher, S.R. and White, M.A. (2000), "Downsizing in a learning organization: Are there hidden costs?", *Academy of Management Review*, Vol. 25 No. 1, pp. 244-251.

Freeman, S. J. (1999), "The Gestalt of Organizational Downsizing: Downsizing Strategies as Packages of Change", *Human Relations,* Vol. 52 No. 12, pp. 1505-1541.

Freeman, S.J. and Cameron, K.S. (1993), "Organizational downsizing: A convergence and reorientation framework", *Organization Science,* Vol. 4 No. 1, pp. 10-29.

Gore, C. and Gore, E. (1999), "Knowledge management: the way forward", *Total Quality Management,* Vol. 10 No. 4/5, pp. 554-560.

Grant, R.M. (1996), "Toward a knowledge-based theory of the firm", *Strategic Management Journal,* Vol. 17, pp. 109-122.

Greenhalgh, L., Lawrence, A.T. and Sutton, R.I. (1988), "Determinants of work force reduction strategies in declining organizations", *Academy of Management Review,* Vol. 13 No. 2, pp. 241-254.

Gregory, J. (1999), "Encouraging organizational learning through pay after a corporate downsizing", *Management,* Vol. 2 No. 3, pp. 163-181.

Kozlowski, S.W., Chao, G.T., Smith, E.M. and Hedlund, J. (1993), "Organizational downsizing: Strategies, interventions, and research implications", *International Review of Industrial and Organizational Psychology,* Vol. 9, pp. 263-332.

Littler, C. (2000), "Comparing the downsizing experience of three countries: A restructuring cycle?", in Burke, R.J. and Cooper, C.L. (Eds.), *The Organization in Crisis,* Blackwell, Oxford.

Nonaka, I. (1994), "A dynamic theory of organizational knowledge creation", *Organization Science,* Vol. 5 No. 1, pp. 14-37.

Polanyi, M. (1967), *The Tacit Dimension,* Doubleday and Company Inc, New York.

Price, A. (2008), *Human Resource Management in a Business Context* (3rd ed.), Thomson Learning, London.

Schraeder, M., Self, D. and Lindsay, D. (2006), "Performance appraisals as a selection criterion in downsizing", *Managerial Law,* Vol. 48 No. 5.

Snyder, W.M. and Cummings, T.G. (1998), "Organization learning disorders: Conceptual model and intervention hypotheses", *Human Relations,* Vol. 51 No. 7, pp. 873-985.

Teare, R. and Rayner, C. (2002), "Capturing organizational learning", *International Journal of Contemporary Hospitality Management,* Vol. 14 No. 7, pp. 354-360.

Walczak, S. (2005), "Organizational knowledge management structure", *The Learning Organization*, Vol. 12 No. 4, pp. 330-339.

Williams, S.M. (2004), "Downsizing - intellectual capital performance anorexia or enhancement?", *The Learning Organization.* Vol. 11 No. 4/5, pp. 368-379.

Yu, G-G. and Park, J-S. (2006), "The effect of downsizing on the financial performance and employee productivity of Korean firms", *International Journal of Manpower,* Vol. 27 No. 3, pp. 230-350.