

**Emma C. Vatnehol Frøland and Kine Kløve Ørsje**

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# **Employee attributions and employee exchange relationships: the moderating role of leader-member exchange**

A study of remaining employees, and the interrelationship between attributions towards downsizing and exchange relationship, exploring the effects of LMX.

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## **Abstract**

The purpose of this study was to investigate the extent to which the association between employees' attributions towards downsizing and exchange relationship between employee and organization are moderated by employees' perceptions of LMX. Most of the literature regarding downsizing focuses on the employees targeted by the organization. By developing a new scale that divides attributions in to perceived necessity and cost, we have focused on remaining employees. In line with our expectations, the results showed a positive relationship between employees' attributions of necessity and social exchange. In addition, we found a positive relationship between employees' attributions of cost and economic exchange, as well as a negative relationship between attribution of cost and social exchange. Fortunately, our results predict that LMX is a moderating factor, and if the employee perceive a high-quality relationship with their leader, the damages to the social exchange relationship could be mitigated. These findings suggest that LMX serves as a buffer for "carry-over" effects from employees' attributions and the exchange relationship.

## **Sammendrag**

Formålet med denne studien var å undersøke i hvilken grad sammenhengen mellom ansattes attribusjoner til nedbemanningen og bytteforholdet mellom medarbeider og organisasjon, er moderert av ansattes oppfatninger av LMX. Tidligere litteratur har fokusert på ansatte som er blitt rammet av nedbemanning. Ved å utvikle et nytt måleinstrument som deler attribusjon i nødvendighet og kostnad, har vi fokusert på de gjenværende ansatte. I tråd med våre forventninger, viste resultatene en positiv relasjon mellom ansattes attribusjoner tilknyttet nødvendighet og sosialt bytteforhold. I tillegg viste resultatene en positiv relasjon mellom ansattes attribusjoner tilknyttet kostnad og økonomisk bytteforhold, og en negativ relasjon til ansattes attribusjoner tilknyttet kostnad og sosiale bytteforhold. Heldigvis predikerte resultatene at LMX kan fungerer som en modererende faktor. Om ansatte innehar en høykvalitets relasjon til leder, kan den negative effecten på det sosiale bytteforholdet reduseres. Disse funnene foreslår at at LMX fungerer som en "buffer" for overføringseffekter fra ansattes attribusjoner om nedbemanning og det sosiale bytteforholdet.

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Emma C. Vatnehol Frøland and Kine Kløve Ørsje

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# 1. Introduction

Today's society is characterized by high complexity, higher education, internationalization, technological development and the emergence of knowledge organizations. As a result, employees are often more skilled, making it easier for them to change jobs if their expectations are not met (Skogstad 2004). In addition, companies face far more challenges than before, due to an increasingly globalized world. The environment is constantly changing, and in a volatile market, downsizing is becoming an increasingly popular organizational tool used to maintain competitiveness (Appelbaum and Donia 2001; Iversen, Mollestad and Nesheim 2009; Gandolfi and Hansson 2011). Downsizing is defined as a planned change, which includes elimination or reduction of the number of positions through dismissal, redundancy or use of other means to get the employee to quit (Cascio 1993; Gandolfi and Hansson 2011; Nesheim, Olsen and Kalleberg 2007). Since our hypothesis was supported, there is a positive relationship between necessity as an attribution towards downsizing and social exchange theory, which emphasizes the importance of employees' attributions, and how they have perceived the downsizing. Due to a constantly changing world, and the market situation is extremely volatile, organizations have to be more than adequate to keep their competitive advantage. They need to be provident and anticipate changes before they occur.

Downsizing is expected to give economical and organizational benefits, even though the employees may not perceive the downsizing as beneficial (Gandolfi and Hansson 2011). Individuals need to make sense of why the event occurs (Brockner and Wiensfeld 1996), and it is therefore relevant to look at how employees' attributions towards downsizing could impact employees relationship with the organization. Employees respond to the perceived cause of change, and not the change itself, independent of the HR strategy (Fiske and Taylor 1991; Nishii, Lepak and Schneider 2008; Shantz et al. 2016). It is therefore likely that remaining employees' reactions will vary, depending on whether the downsizing is perceived necessary or not, and the effect of downsizing may therefore depend on the employees' attributions of downsizing (Nishii, Lepak and Schneider 2008). Nishii, Lepak and Schneider (2008) have identified five possible attributions or explanations that employees might have for why HR practices are implemented, thus we divided employees' attributions in to two main themes; necessity and cost. Literature from the last decades argue that downsizing is used as a strategy for cost-reduction when organizations are faced with external factors they have little, or no control over (Gandolfi and Hansson 2001).

Consequently, downsizing has not only been limited to organizations in crisis, but is often implemented as a tool in the organization's strategic work. Organization's development to be more productive and cost-efficient are closely related to downsizing, and actualizes principles regarding the decision to downsize, to maintain competitive ability (Appelbaum and Donia 2000).

Losing one's job is often regarded as one of the worst things an individual can experience, when death in close family is excluded, precisely because of the major consequences it creates (Appelbaum, Delage and Gault 1997). Research has shown that remaining employees become narrow-minded, self-centered and risk averse as a result of downsizing, and a recurring issue with remaining employees is that they distrust management and their morale and productivity decreases. Employees expectations and commitment to the employer decreases, along with increased turnover (Casio 1993; Gandolfi and Hansson 2011). To understand employees relationship with the organization, exchange theory is the most dominant framework, often conceptualized in terms of social and economic exchange (Shore and Coyle-Shapiro 2003; Buch 2016; Hu, Tetrick and Shore 2011). Social exchange relationships are based on trust and personal commitment, while employees with economic exchange relationships focus on exact reward for their effort, not trusting that they will be rewarded at a later time (Shore et al. 2006; Blau 1986). As downsizing may lead to risk averse behavior, it is tentative that attribution of cost may affect the relationship between employee and organization to become an economic exchange. Consequently, we study the relationship between employees' attributions of why the HR practice downsizing is performed, and the employees experience of their exchange relationship with the organisation. As theory predicts, this is an important relationship that affects job performance (Walumbwa, Cropanzano and Goldman 2011; Kuvaas and Dysvik 2016).

On the basis of norms, individuals often have a tendency to feel an obligation to repay their exchange partners for the support and benefits they receive (Liden et al. 2003). In addition to the exchange relationships between employees and their organization, another social exchange has been studied, namely the exchange relationships between leader and employees, referred to as leader-member exchanges (LMX) (Wayne, Shore and Liden 1997; Shore et al. 2006; Hu, Tetrick and Shore 2011). It is argued that leaders develop a unique relationship with varying quality with their employees, where low-quality is a transactional-based relationship and high-quality relationships involve trust, mutual liking and respect (Liden and

Graen 1980; Bernerth et al. 2007). Literature has therefore drawn similarities between low-quality and economic exchange, and between high-quality and social exchange (Wayne et al. 2009; Walumbwa, Cropanzano and Goldman 2011), making it plausible that leader may influence the relationship between employees' attributions of downsizing and the following exchange relationship.

While some organizations have reported financial improvements after downsizing, the majority has not been able to improve productivity, efficiency, nor profitability (Cascio 1993; Gandolfi 2008; Gandolfi and Hansson 2011; Guthrie and Datta 2008; Love and Nohria 2005; Macky 2004). All things considered, downsizing is not a quick-fix solution the organization can use one time to increase competitive ability. It should be viewed as part of a larger process that focuses on continuous improvement (Cascio 1993). With this in mind, we point to the importance of employees experience, for a successful downsizing. Several studies indicate that supportive leaders and a good LMX relationship may prevent negative effects (Restubog et al. 2010), for this reason we propose that high-quality LMX may moderate the effect between employees' attributions of downsizing and the following exchange relationship.

## **1.1 Contributions**

By carrying out this study, the intended contribution is threefold. First, we reply to calls for research on the antecedents of social and economic exchange (Shore et al. 2006), and aim to contribute to the employee organization relationship literature with a more complete understanding of factors that may shape the relationships between employee and organization. New and unknown impacts on the exchange relationships are mapped out by implementing the remaining employees' attributions to why the downsizing occurred. To gain a more complete understanding of remaining employees exchange relationships, attributions of downsizing are imperative for organizations to comprehend. It is critical for organizations to understand how the exchange relationships are constantly developing, and need to be taken in to consideration, if faced with downsizing. Second, a new scale is developed, dividing attributions into necessity and cost, to investigate the extent to which the attributions affect exchange relationships. Third, we have contributed to already established research on mutual social exchange relationships, more specifically that exchange relationship might be interdependently connected, because the exchange of resources in one exchange relationship



can have implications for the exchange of resources in another exchange relationship (Coyle-Shapiro and Conway 2004; Buch et al. 2014). If the organization is able to recognize the fact that multiple social exchange relationship exists, and how the organizational context is affected, organizations are better equipped to predict employee outcomes (Takeuchi 2012). Finally, by investigating LMX as a possible moderator between attributions and exchange relationships, we aim to uncover ways in which leaders are able to reduce negative effects resulting from attributions of downsizing. Accordingly, the main purpose with our study is to pay attention to the implications of remaining employees' attributions of downsizing, to which extent attribution of cost and attribution of necessity influence social and economic exchange relationships, and lastly whether leaders are able to buffer attributions effect on the exchange relationship.

## **2. Theory and Hypotheses**

### **2.1 Exchange theory**

Social exchange theory (Blau 1986) are said to be one of the most influential frameworks for understanding prosocial motivation and organizational behavior, and the theory is known to be the most dominant framework for understanding the relationship between employees and organization (Shore and Coyle-Shapiro 2003; Buch 2016). As mentioned in Shore et al. (2006), and first defined by Mowday, Porter and Steers (1982), the relationship between employees and their organization is described as an exchange relationship. Furthermore, Shore et al. (2006) present that employees may develop exchanges for both socioeconomic and economic reasons. Motivated by the expectation that a relationship will be rewarding, individuals voluntary establishes and maintains social exchanges (Blau 1986; Buch 2016). An act or effort from one party leads to expectations of return from the other party. When and how the favor will be returned, is often unclear, making social exchanges unspecified commitments that progresses gradually, and are long-term, sustained and open (Blau 1986; Shore et al. 2016; Kuvaas and Dysvik 2016). Economic exchanges are more limited and consist of a short-term transaction. In contrast to social exchanges, these financially oriented interactions, are agreed upon in advance, and rest upon downward influence and formal status differences (Shore et al. 2006; Cropanzano and Mitchell 2005).

Four factors are used in the distinction between social and economic exchange (Blau 1986; Shore et al. 2006): First of all, personal trust is emphasized as underlying for a social

exchange, due to uncertainty around when the favor is returned (Kuvaas and Dysvik 2016; Blau 1986; Shore et al. 2006). Second, continuous investment in the relationship is presented as crucial in a social exchange, though not present in an economic exchange. If an organization invest in their employees over time, social exchange theory indicates the creation of a strong relationship between employees and their leaders or owners. A social exchange tends to induce a feeling of personal commitment and trust, as well as gratitude that are not present in a purely financial exchange (Kuvaas and Dysvik 2016; Blau 1986; Shore et al. 2006). Social exchange is associated with affective commitment, and theory predicts that employees that are affectively committed to the organization are working in the organization due to attachment, involvement and identification (Meyer and Allen 1991). Hence, social exchange requires a combination of trust and investment in the relationship, as the agreement is more open-ended, without a formal contract presenting the quantities being exchanged (Blau 1986). Third, we therefore see that the duration of the exchange differs. Economic exchanges are narrow, mainly due to the beforehand agreed upon exchanges, while social exchanges are more open-ended with more diffuse obligations. This leads us to the four and final distinction, as economic exchanges are limited to financially agreed upon exchanges, such as “more pay and advancements benefits”, social exchanges are based on give and take, and the reward for extra-role behaviors can be returned in a different form (Kuvaas and Dysvik 2016; Blau 1986; Shore et al. 2006).

Previous research assumes that employees develop varying degrees of economic and social exchange relationships with their organization. Each exchange process has a unique influence on employee behavior, and affects the employees relationship with the organization (Shore et al. 2006; Kuvaas and Dysvik 2016; Buch 2016). Presented theory emphasize the importance of understanding the relationship between employees and the organization. Further, an understanding of employees reasoning for an employment reduction may be expedient to understand attributions possible influence on the parties' expectations.

## **2.2 Attribution**

Attribution theory focuses on how people attach meaning to external events, were employees perception of causes and motives are used to explain outcomes or end results (Shantz et al. 2016; John and Saks 2017; Weiner 2010). Early research regarding causal attribution suggest that predicting and controlling the environment are a basic need for people, thus serving as a

helpful tool to understand the causes for individuals behavior (Kelly and Michela 1980; Nishii, Lepak and Schneider 2008).

According to social attribution theory, people can attach different meanings to social stimuli, and based on how the stimuli is processed, peoples' attitudinal and behavioral responses can differ (Fiske and Taylor 1991). Nishii, Lepak and Schneider (2008), see the relationship between HR practices and the employees' attitudes, behaviors and organizational performance as dependent on employees' attributions of the organization's purpose in implementing HR practices. Applying this logic, employees' attributions to downsizing may differ from the intended organizational human resource management strategy, making individuals respond upon their attribution of why the downsizing occurred and not the downsizing itself (Shantz et al. 2016; Fiske and Taylor 1991).

Niishi Lepak and Schneider (2008, 509) defines HR attributions as "causal explanations that employees make regarding management's motivations for using particular HR practices". These HR attributions are based on individual-level factors, and may vary from employees' personality and the quality of the relationship between employee and the ones who carry out the HR practices, the managers (Purcell and Hutchinson 2007; Nishii, Lepak and Schneider 2008; Bos-Nehles, Van Riemsdijk and Looise 2013; Shantz et al. 2016). Therefore, Nishii, Lepak and Schneider (2008) identified five possible attributions employees might have for why HR practices are implemented: (1) enhancing service quality; (2) improving employee well-being; (3) exploiting workers; (4) reducing cost; and (5) complying with union requirements. Based upon these possible attributions, they argue that HR attributions have severe consequences for employees commitment and satisfaction.

### **2.2.1 Attribution and social exchange**

Brockner and Wiensenfeld (1996) argue that in response to events that are unexpected and or negative, individuals have a need to make sense of their environment. Individuals want to maintain a balance in what is received and what is provided in a relationship, and if one party increases or decreases their contribution, and the employee perceives imbalance, they change their contributions to restore balance (Blau 1986; Gouldner 1960).

The exchange relationships are embedded in a context, and if the context is changing, employees will most likely perceive a changing exchange relationship (McLean Parks and

Kidder 1994). Such a change, will often be regarded favorable or unfavorable by the employee (Chaudhry, Wayne and Schalk 2009). Earlier findings in empirical studies shows that if the employees perceive the changes as favorable, and they feel that that the organization fulfill their obligations, it is more likely that employees will experience increased motivation, and provide outcomes that are beneficial for the organization (Coyle-Shapiro and Kessler 2000). If employees perceive the downsizing negotiations as unsuccessful, this could trigger a sense making process, which might lead to a critical outcome for the exchange relationship, causing the employee to reevaluate the organization as their partner in the exchange (Chaudhry, Wayne and Schalk 2009). It is likely that if employees attribute unsuccessful downsizing negotiations to unfair practices, or bad intentions they will become disappointed with the organization (Morrison and Robinson 1997). Based upon expectations that a relationship will be rewarding, employees establish and maintain social exchange relationships (Blau 1986, Buch 2016), making it tentative that the social exchange relationship may be diminished if employees no longer experience the relationship as rewarding.

Accordingly, we expect that employees' attributions of necessity towards downsizing relates to higher levels of perceived social exchange relationship, and lower levels of perceived economic exchange relationship. Furthermore, we expect that employees' attributions of cost towards downsizing relates to higher levels of perceived economic exchange relationship, and lower levels of perceived social exchange relationship. Based on presented theory and arguments, we therefore propose the following hypothesis:

*H1: Employees attributions of necessity towards downsizing is a) positively related to a social exchange relationship, and b) negatively related to an economic exchange relationship.*

*H2: Employees attributions of cost towards downsizing is a) positively related to an economic exchange relationship, and b) negatively related to a social exchange relationship.*

### **2.3. LMX**

Although we argue that employees' attributions of cost towards downsizing may have negative implications in terms of reduced social exchange relationships, and potentially enlarged economic exchange, theory predicts that leader may influence this effect.

Leader-member exchange (LMX) theory builds on social exchange theory, and refers to the quality of the exchange relationship between two individuals, also referred to as a dyad (Blau 1986; Gerstner, Day and Murphy 1997; Risan 2012). The dyad represent an reciprocal exchange of resources, sosial as well as material, between leader and employee; where leader invest in employees they wish to have a close relationship and whom satisfy their expectations, and employees hold role expectations to their leader regarding how they are treated (Wang et al. 2015). When expectations are met, high-quality LMX are formed (Xu et al. 2012).

The foundation of LMX theory is that different relationships between leaders and employees are developed, even within work units, as leader differentiate between his or her employees (Graen and Uhl-Bien 1995; Liden, Sparrowe and Wayne 1997). This close relationship with a small group of key employees is argued to be formed due to time pressure (Dienesch and Liden 1986). High-quality LMX relationship, are social exchanges resulting in trust, respect and mutual obligation, and positively related to job performance, job satisfaction, organizational citizenship behavior, along with lower turnover intentions (Kuvaas et al. 2012; Buch 2015; Graen and Uhl-Bien 1995; Gerstner and Day 1997; Ilies, Nahrgang and Morgeson 2007; Wayne, Shore and Liden 1997). Low LMX relationships, are on the other hand more limited and mainly based on an economic exchange (Martin et al. 2016). Hence, high-quality LMX relationships are more beneficial, as the reciprocity exchange influence members to go beyond their line of work and contribute to greater work performance (Buch 2015; Walumbwa, Cropanzano and Goldman 2011)

With its emphasize on reciprocation, social exchange theory explains employees strive on behalf of their organization (Walumbwa, Cropanzano and Goldman 2011). In light of LMX's ability to create social exchange relationships between leaders and employees, we will in the following section present additional theory supporting the effect LMX has on attributions and exchange theory (Masterson et al. 2000; Wayne, Shore and Liden 1997; Wilson, Sin and Conlon 2010; Walumbwa, Cropanzano and Goldman 2011).

### **2.3.1 LMX as a moderator**

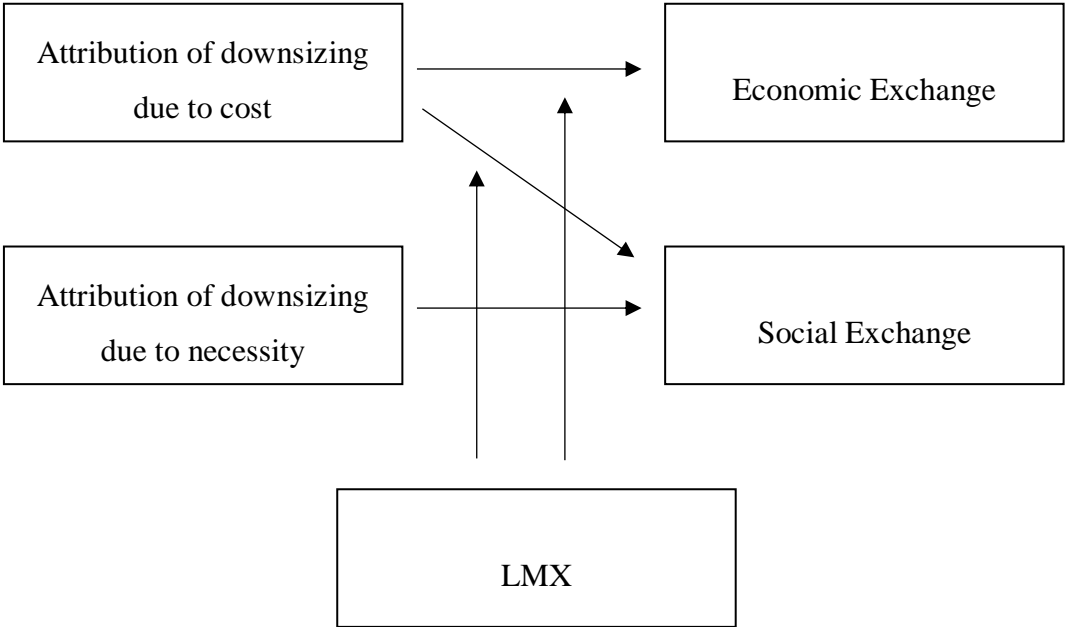
Buch (2015) refers to Coyle-Shapiro and Conwold (2004) and Blau (1986) who argue that simultaneous exchanges within an organization, might influence other exchanges and must be taken into account. Therefore, exchanges within an LMX relationship could impact employee-organization exchange relationships, for instance an employee behaving productively as a response to their perceptions of the exchange relationship with their closest leader, instead of an obligated respond to the social exchange with the organization (Buch 2015). This argument is in line with studies conducted by Eisenberger et al. (2010), who found that employees may generalize their LMX relationships to the organization, when employees identify the leader with the organization as the leader represent the organization's value, thus making followers relationship with leader representative for their attitude towards the organization (Buch 2016; Robbins and Judge 2015).

In addition, research has demonstrated the effect LMX has on outcomes such as turnover intentions, organizational commitment and satisfaction (Ilies, Nahrgang and Morgenson 2007). Restuborg et al. (2010) argues that negative experiences at work may be buffered by the social support that characterize LMX. They looked at studies conducted by Turnley and Feldman (1998), who found that supportive leader and employee relationship may result in less turnover and less likelihood to neglect in-role responsibilities, thus suggesting leaders are able to help employees cope when the organization has failed to fulfill promised obligations (Restubog et al. 2010). As noted earlier, if a context changes, exchange relationships may also change (McLean Parks and Kidder 1994). Employees reactions to change are stronger or weaker, depending on their attributions and perceptions towards the change. If the reason for the change process is timely and well informed by the organization, the negative reactions from employees can be mitigated (Chaudhry, Wayne and Schalk 2009). Employees with a better relationship with leader are more likely to be well informed, receive higher support and special treatment from the leader, as well as have a higher degree of autonomy, than individuals with a lower-quality LMX relationship (Harris and Kacmar 2005; Dansereau, Graen and Haga 1975; Risan 2012; Robbins and Judge 2015; Sverdrup 2014). Henceforth, the negative effect might be reduced for employees who trust that their leader will take care of them. Conversely, employees with a low-quality LMX may have a more transactional relationship, not sure if neither their leader nor the organization have their best interest in mind.

With the assumption that high LMX may to some extent buffer the negative effects of an assumed cost-saving related downsizing, the following hypothesis will be examined:

*H3: LMX moderates the association between attributions of cost towards downsizing and a) social exchange relationships, and b) economic exchange relationships - the higher LMX, the weaker the association.*

**2.4. Conceptual Framework**



**Figure 1:** Conceptual framework

### **3. Method**

In order to investigate our hypothesis, we have chosen a quantitative approach with a cross-sectional research design. A cross-sectional research design is defined as the collection of data at a single point in time or a limited period of time. By using cross-sectional design, we are able to detect patterns of association (Bryman and Bell 2015; Johannesen, Christoffersen and Tufte 2011).

To explore the relationship between the variables ‘attribution towards downsizing’ and ‘exchange relationship’ we formulated hypothesis, which are effectively tested using quantitative research (Bryman and Bell 2015). It would have been favorable to collect data at two different times to make a time lag between measuring the dependable and the independent variables (Podsakoff et al. 2003). Since we only collected at a single time, we made sure that the predictor and criterion variables was separated, using question about organizational support and perceived support from the organization.

#### **3.1 Sample and procedure**

We have collected data from a large international maritime organization, who’s norwegian division has been through a large restructuring process involving several downsizing processes. Survey questionnaires were prepared in both English and Norwegian, to include all employees, and distributed to each and all in the Norwegian division. This gave us a sample of nearly 1.600 participants. In order to make the survey available to all, approximately 1.300 was invited to participate in the survey through a web-based tool (Nettskjema) and the 270 factory workers without email, were invited to participate in a paper-based survey. The respondents were informed that participation in the survey was voluntary, and the information conducted would be treated confidentially. To ensure the respondents privacy, the survey has been reported and reviewed by the Norwegian Center for Research Data (NSD).

The data gathering resulted in 384 complete answers, corresponding to an overall response rate of 25%. The respondent’s age ranged from 21 to 60 years, and 34% of the respondents are between 31 to 40 years, and 33% between 41-50 years. 22% of the respondents have high school as their highest completed education level, 19% technical school, 32% bachelor’s degree, and 24% master’s or PhD degree. Almost all of the respondents were in a permanently employee relationship with the organization. They were divided into four



business units (HQ/Corporate, Products, Services and Digital & Systems), and the four business units were then divided into five departments (Engineering, Factory staff, Sales, Support functions and Field service engineer). The majority of the respondents (53%) have a tenure between 5 to 14 years, and 48% have been working under their current leader for 2 years or less, and 28% have been working under their current leader for 3-5 years, which represents a mean at 3.7 years.

## **3.2 Measures**

Statements related to independent, dependent and moderating variables are measured by a 5-point likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree) (Johannessen, Christoffersen and Tufte 2011). To measure exchange relationship and LMX, we have used already established measuring items. To measure attributions towards downsizing we have developed new scale. The items are presented in Appendix A.

### **3.2.1 Attributions towards downsizing**

To measure the independent variable, employee attributions towards the downsizing process, we developed 7 items based on cost as the mean for downsizing, where “The previous workforce reduction in my organization was performed to increase top management bonuses”, is one example. We also used 7 items based on necessity as the mean for downsizing, where an example is “the previous workforce reduction was performed to make the organization more flexible in a volatile market”. These 14 items were used as scale for attributions to downsizing, and were developed by us in collaboration with Bård Kuvaas and Robert Buch. As the scale is newly developed, we counterbalanced the question order, as recommended by Podsakoff et al. (2003). Questions related to necessity and cost were randomly mixed, which may interrupt the flow of answering for the participant (Peterson 2000; Podsakoff et al. 2003).

### **3.2.2 Social and economic exchange relation**

The dependent variables, employees social exchange relationship and employees economic exchange relationship were measured using the 16 item scale developed by Shore et al. (2006), and translated and validated in Norwegian by Kuvaas and Dysvik (2009). Economic exchange was measured by 8 items, where “all I really expect from my organization is that I be paid for my work effort” is an example. Social exchange was also measured by 8 items,

and an example of one of the items is “even though I may not always receive the recognition from my organization I deserve, I know my efforts will be rewarded in the future”.

### **3.2.3 LMX**

To measure the moderating variable LMX, we have used LMX 7, a scale developed by Graen and Uhl-Bien (1995). The model is based on three dimensions, which Graen and Uhl-Bien (1995) states are: 1) mutual respect, 2) mutual expectation of trust, and 3) balanced commitment, expectations of mutual commitment towards a growing, career-based social exchange. These three dimensions have given the foundation for the 7 items, where “how well does your leader recognize your potential?” is an example.

### **3.2.4 Control variables**

To strengthen the intern validity, we tested for multiple exogenous variables such as age, education, position, tenure and tenure under current leader. Potential sociodemographic differences were controlled for by measuring age and education level (Buch, Kuvaas and Dysvik 2010). Education level was measured on an ordinales scale ranging from 1 to 5, where 1 represented ‘secondary school or lower’ and 5 represented ‘completed master or PhD’. Warr and Pennington (1994) states that older employees hold values as loyalty, solidarity and affiliation to the organization. On this basis, we measured age using intervals to uphold anonymity, while tenure and tenure under current leader were measured using open questions, enabling a more accurate overview of the spread within the organization. The respondents were informed to round up their answer to the nearest full year. Tenure in the organization and with current leader might influence the leader-member relationship and the exchange relationship, due to the assumption that longer tenured employees often have a stronger in-role performance and a sence of belonging to the organization (Ng and Feldman 2010). In relation to exchange relationships, Rousseau (1995) view tenure as able to affect employee evaluation of the employment relationship, noting that employees with long tenure might give the organization more leeway regarding the change (Chaudhry, Wayne and Schalk 2009).

Furthermore, employee relationship (1 = permanently, 2 = temporary, 3 = consultant, 4 = Apprentice/TAF student) was controlled, along with managerial or personnel responsibilities (1= leader or personnel responsibility, 0 = no leader or personnel responsibilities), as it is argued that employees with or without managerial responsibilities may hold different expectations when evaluating the employment relationship (Buch 2015). In comparison with

permanent employees, De Cuyper and De Witte (2006) found that temporary workers hold a higher degree of job insecurity.

Robbins and Judge (2015) highlight how high-quality LMX might be formed based upon similarity in demographic, attitude, and personality characteristics (e.g. Duchon, Green and Taber 1986; Liden, Wayne and Stilwell 1993). Consequently, respondents' nationality (1 = Norwegian, 0 = Other), and nationality of closest leader (1 = Norwegian, 0 = Other) were encountered for. It may be expected that gender will have an impact on our findings, as followers of the same gender as their leader tend to have a higher quality LMX (Vecchio and Brazil 2007), but due to gender distribution in the organization, we have chosen to exclude gender to avoid compromising the respondents' anonymity. To further ensure anonymity, all questions regarding personal information were made optional.

In cooperation with the organization, we found it interesting to examine whether certain business units in the organization were affected to a greater extent than others. For this reason, we also controlled for positions. Finally, consultation meeting was included as a variable, as theory predicts that if the downsizing negotiations are perceived unsuccessful, a sense-making process may be triggered, causing employees to reevaluate the exchange relationship with the organization (Chaudhry, Wayne and Schalk 2009).

### **3.3 Analysis**

The data was analyzed using SPSS 24. As Brannick mentions in Hurley et al. (1997), researchers are advised to begin with two to three times as many items in the initial scale, than in the final scale. To exclude items in the items analysis, Brannick states that we withdraw the best items from a set of items that are equally face valid. By using exploratory factor analysis, we were able to maximize convergent and discriminant validity (Hurley et al. 1997). After excluding items that did not load on the hypothesized factor, we ended up with five items representing attributions of downsizing due to cost, and four items representing attributions due to necessity. The items in the final scale are presented in appendix A.

We used hierarchical moderated regression to test for moderation (Cohen and Cohen 1983; Johannessen 2009), and to avoid non-essential multicollinearity problems we centered the variables before we multiplied them. Multicollinearity is defined as correlation between

dependent variables, and if multicollinearity is a severe problem, it can be difficult to separate the effects of each variables (Eikemo and Clausen 2007; Buch, Kuvaas and Dysvik 2010). Furthermore, cronbach alpha ( $\alpha$ ) was used to evaluate internal consistency. Cronbach alpha is a measure of reliability and varies from 0 to 1 (Hair et al. 2010; Ringdal 2013). Ringdal (2013) indicate that a satisfying index of reliability if alpha has a high value, and preferably above 0.70.

## 4. Results

The exploratory factor analysis (reported in appendix A) presents two clear scales. Two of the cost items, and three of the necessity items did not meet the inclusion criteria, and were removed before the final scales were computed. These operations resulted in estimates ranging from  $\alpha = 0.64$  to 0.84. The variables in the factor analysis are only loading on one factor, and no cross-loading is above 0.35, which gives further support for discriminant validity (Hurley et al. 1997). Descriptive statistics, bivariate correlations, and Cronbach  $\alpha$ 's for all multiple item scales are reported in Table 1.

Multiple regression analysis was performed to test the three hypotheses we proposed. The regression analysis, presented in table 2, analyses the relationship between the independent variable (attributions towards downsizing) and the dependent variable (exchange relationship), and the moderating variable (LMX).

H1a, which stated that employees attributions of necessity towards downsizing is positively related to a social exchange relationship, was supported. By performing a multiple linear regression analysis, the results showed that attribution of necessity towards downsizing had a significant contribution on predicting social exchange ( $\beta = .22, p < .001$ ). The analysis had an R-square of .31, which means that 31% of the variance in social exchange is explained by the independent variables in the model (presented in table 2). H1b, employees' attributions of necessity towards downsizing is negatively related to an economic exchange relationship, is not significantly supported. The linear regression analysis showed an R-square of .02, which suggests that 2% of the variance in economic exchange is explained by attribution of necessity.

**Table 1:** Descriptive statistics, correlations, and scale reliabilities

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Age	3.86	0.98	-													
2. Education <sup>a</sup>	3.56	1.14	-.23**	-												
3. Employee relationship <sup>b</sup>	1.02	0.25	-.10*	-.01	-											
4. Position <sup>c</sup>	2.49	1.45	.15**	-.25**	-.01	-										
5. Consultation meetings attended <sup>d</sup>	0.17	0.38	.02	-.10	-.04	.08	-									
6. Tenure	14.24	8.88	.59**	-.36**	-.10*	.07	.02	-								
7. Year under current leader	3.69	3.63	.07	-.05	-.08	-.16**	.02	.14**	-							
8. Leader responsibility <sup>e</sup>	0.28	0.45	.05	.12*	.09	.09	.05	.00	-.11*	-						
9. Nationality	0.87	0.33	.12*	-.18**	-.04	-.04	-.05	.16**	.03	-.03	-					
10. Cost (5)	3.00	0.60	-.06	-.11*	.03	-.03	-.08	-.03	.05	-.13**	-.09	(.64)				
11. Necessity (4)	3.55	0.67	.09	.15**	-.02	.01	-.06	.03	-.09	.19**	.11*	-.18	(.66)			
12. LMX (7)	3.56	0.69	-.11*	.01	-.01	.04	-.00	-.04	.13*	.03	.02	-.19**	.17**	(.90)		
13. Social Exchange (8)	3.15	0.61	.05	.08	.03	.05	-.04	.02	-.01	.11*	.07	-.37**	.32**	.41**	(.84)	
14. Economic Exchange (8)	2.61	0.62	-.12*	-.03	.03	-.02	-.01	-.08	.05	-.20**	-.11*	.26**	-.14**	-.26**	-.37**	(.83)

Coefficient  $\alpha$ 's are displayed on the diagonal. The number of items included in the final scales are in parentheses. N= 384

LMX = Leader-Member Exchange

\* $p < .05$ .

\*\* $p < .01$ .

<sup>a</sup> Education: Secondary School = 1, High School = 2, Technical school = 3, Bachelor's degree = 4, Master's degree or PhD = 5

<sup>b</sup> Employee relationship: Permanently =1, Temporary =2, Consultant =3, Apprentice/TAF student =4

<sup>c</sup> Position: Engineering = 1, Factory staff = 2, Sales = 3, Support functions =4, Field service engineer = 5

<sup>d</sup> Attended consultation meeting: yes = "1" and no = "0"

<sup>e</sup> Leader or personnel responsibility: yes = "1" and no = "0"

**Table 2:** Regression analyses

Variable	Social Exchange	Economic Exchange
Cost	-.27***	.21***
Necessity	.22***	-.07
LMX	.31	-.21
NECxLMX	.08	.04
COSTxLMX	.10*	.04
R <sup>2</sup>	.31	.12
Adjusted R <sup>2</sup>	.30	.11
F	33.72	10.25

N= 384

LMX = Leader-Member Exchange.

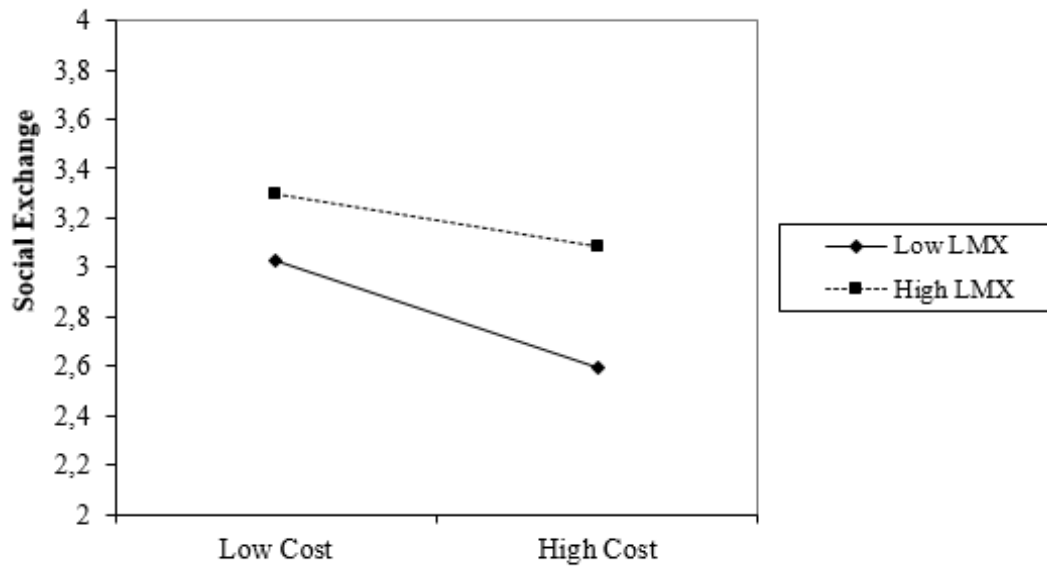
\* $p < .05$ .

\*\*\* $p < .001$ .

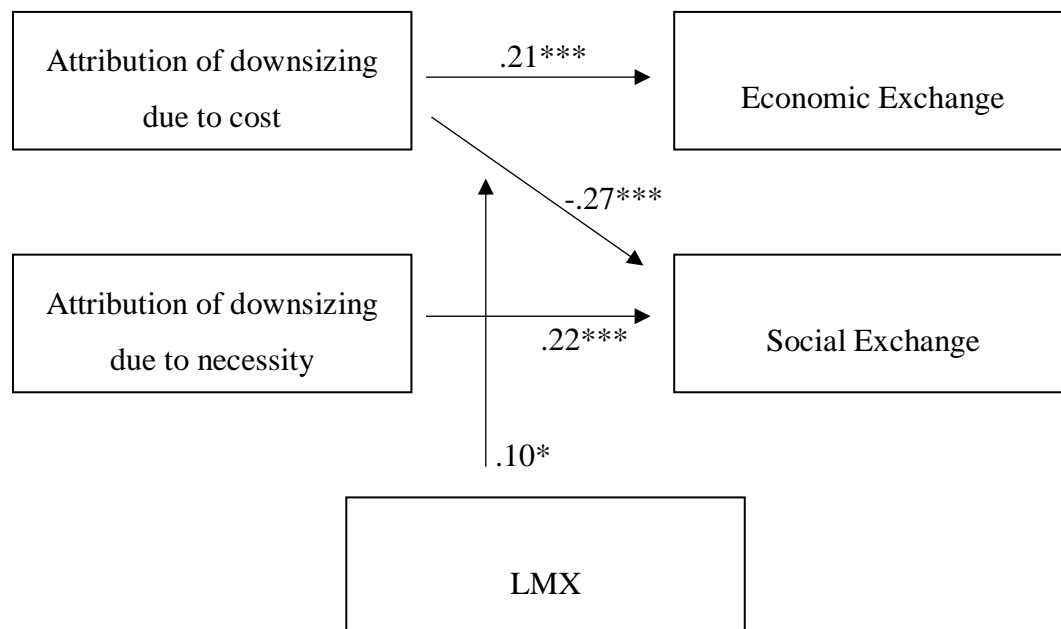
The second hypothesis was fully supported, indicating a positive relationship between attribution of cost and economic exchange ( $\beta = .21, p < .001$ ), and a negative, but significant relationship between attribution of cost and social exchange ( $\beta = -.27, p < .001$ ).

Moreover, we found that LMX moderates the attributions of cost towards downsizing and social exchange relationship, as anticipated in H3a. The significant product term of cost and LMX is significantly related to social exchange ( $\beta = .10, p < .05$ ), suggesting that the relationship between cost and social exchange is moderated by LMX. As figure 2 displays, the negative relationship between cost and social exchange is weaker for employees that experience high-quality LMX. The form of moderation reveals a weaker relationship between attributions of cost and social exchange with higher levels of LMX. Accordingly, H3a was supported.

Furthermore, and in line with recent recommendations in the literature (Peterson and Kern 1996; Wenstøp and Bagøien 2002), we ran the results with and without the control variables. The results did not differ substantially, and the product term was still significant ( $p < .05$ ).



**Figure 2:** The moderating role of Leader-Member Exchange on the relationship between attribution of cost and social exchange.



## 5. Discussion

In this study, we sought to improve the understanding of employee organization relationships, and how employees perceived causes and motivation of downsizing affects the exchange relationship. Furthermore, we examined if LMX relationships could serve as a moderating factor, and uncover its influences on the exchange relationship.

In line with our expectations, we found that employees' attributions of necessity were positively related to social exchange relationship. This observation points to the importance of how employees attribute the downsizing and that if they perceive the downsizing as necessary, the social exchange relationship with the organization is maintained. This finding is in line with Coyle-Shapiro and Kessler (2000), who point out that fulfillment of obligations valued by the employee, are likely to lead to increased motivation, which provide outcomes that are beneficial to the organization. Arguably, employees with an attribution of necessity still have trust in the organization, and further value the exchange relationship as worth investing in. It is probable that employees perceive the organization's actions as done with good intention, for employees best interest and not just for own economic gain. Perceiving that the organization invest in their future, employees are more likely to invest in the organization in return.

Conversely, it is likely that a negative relationship between attribution of necessity and economic exchange may occur, though nonsignificant in our study. Even if the hypothesis was not supported, it is derived from previous literature that individuals are striving to maintain a balance in the exchange relationship. If they perceive that the other party decreases their contribution, it is likely that the employee will change their contribution as well (Blau 1986; Gouldner 1960), leading to the presumption that employees that do not perceive the downsizing as necessary, will experience changes in their exchange relationship with the organization.

Another finding is that employees' attributions of cost and positively related to economic exchange. Employees perceiving that downsizing is done based on cost are less likely to uphold a long-term and trusting exchange relationship. One can argue that if the organization's main focus is economic gain, the employees will take notice, thus focus more on financial rewards obtained during a shorter timeframe, than with a social exchange



relationship (Chaudhry, Wayne and Schalk 2009). Under these circumstances, we found that employees experiencing downsizing may also experience a change in the exchange relationship, and accordingly a reduction in their social exchange may occur. Our interpretation of this finding is that employees' attributions towards downsizing could be an important factor in determining the relationship between employee and organization, which presents guidelines to the employees' expectations to the organization, which again will be a contributing factor in determining if the relationship will be seen as an investment for both parties, or if it will consist of a straight forward transaction relationship (Shore et al. 2006; Cropanzano and Mitchell 2005).

Based on our finding that employees' attributions of cost towards downsizing is negatively related to a social exchange relationship, we want to emphasize that a social exchange relationship between employee and organization is more beneficial for the organization than an economic relationship. Blau (1986) and Kuvaas and Dysvik (2016), promote a social exchange relationship as it creates a strong relationship between employees and employer, feelings of personal commitment, trust and gratitude, aspects not present in economic exchange relationships. Since social exchange is associated with affective commitment, employees that perceive a social exchange are tentative to identify and feel a sense of belonging to the organization (Meyer and Allen 1991; Shore et al. 2006), supporting our argument that social exchange is more beneficial for the organization. In our opinion, a long-run and sustained relationship will in most situations, and especially in today's constantly evolving world, always be more rewarding than a short-term perspective.

Another key finding of our study was the moderating role played by LMX. Specifically, our findings revealed that there is a negative association between cost as the perceived attribution towards downsizing and social exchange relationship. This negative relationship could be reduced if employees perceive a high-quality LMX, pointing to the importance of high-quality LMX relationships and its effect to mitigate negative reactions (Walumbwa, Cropanzano and Goldman 2011; Gerstner and Day 1997; Graen and Uhl-Bien 1995). This implicitly supports that LMX might serve as a "buffer", or boundary condition for "carry-over" effects from employees' attribution and the social exchange perceptions with the organization. We also want to point out that since LMX has proven to be a moderator between attribution and employee-organization relationship, employees with a high-quality LMX might have the

advantage of more and better information, and therefore lower levels of uncertainty (Harris and Kacmar 2005; Buch 2015).

Consequently, high-quality LMX employees may in some degree preserve their social exchange relationship with the organization after downsizing as they trust both the organization and their leader, and believe in a long-term relationship. Eisenberger et al. (2010) argues that employees who finds leaders representative for the organization's values, may generalize their LMX relationships. Hence, leaders who are perceived supportive by the employees, are able to help employees cope with downsizing, even though the organization has failed to fulfill their obligations towards the employees (Turnley and Feldman 1998; Restubog et al. 2010). We therefore see it relevant to argue that if information about the downsizing is appropriate and timely, negative reactions can be mitigated, and more positive reactions can be encouraged. The reason for this argument, is that employees' reaction to changes in the exchange relationship are dependent on their attributions and perceived deprivation (Chaudry, Wayne and Schalk 2009). It has also been proven in previous literature that individual, group and organizational performance can be influenced by leaders (Ilies, Nahrgang and Morgerson 2007).

Our study has been a contributing factor regarding the importance of employees attribution towards downsizing. Most of the literature regarding downsizing focuses on the employees that have been targeted by the organization, and not on remaining employees (Appelbaum and Donia 2000; 2001). The study has given us significant support for the relationship between attributions and exchange theory, and LMX has been proven to be a moderating factor between cost and social exchange relationship. We therefore emphasize the importance of high-quality LMX relationships, as leaders are able to decrease the economic exchange relationship.

## **5.1 Limitations and future research**

Although this study has provided valuable insight to understanding the effect employees' attribution towards downsizing has on exchange relationships, following limitations should be considered.

First and foremost, instead of collecting data from line managers and or peer reports, we relied on self-reported data. A self-report questionnaire arises risk regarding common method variance (Crampton and Wagner 1994), even though extensive steps were taken to ensure respondents anonymity (Podsakoff et al. 2003). Second, cross-sectional research design has its limitations. A potential weakness with such studies is that the causal relationship need to be interpreted with caution (Shadish, Cook and Campbell 2002). To be able to draw causal relationships, it is recommended to implement experimental or longitudinal studies with a full range of control variables (Buch 2015).

Third, it is worth mentioning that the possible limitations of the generalizability. Employees' attributions need to be seen as individual, due to the fact that they are based on employees' perceptions, and that each employee assign the downsizing a motive or cause (Niishi, Lepak and Schneider 2008; Brockner and Wiensfeld 1996). Although all respondents work in the same organization and should be given the same amount of information, LMX theory suggest that high-quality LMX are in position of better information than low-quality LMX (Harris and Kacmar 2005). Even though employees attribution and perceptions are individual, it is likely that employees' attributions and perceptions are influenced by their colleagues' opinions, which can be a limiting factor (Sverdrup 2014). In addition, the survey is limited to one organization and employees from one particular country (Norway), thus not including different organizations or a representative selection across countries and cultures. Likewise, the gender distribution, due to the low percentage of female workers in the organization, it is not representative to organizations beyond such a context. Notably, before drawing any conclusions, research in other countries and different organizations should be conducted (Kuvaas 2008).

Another weakness of the study concerns the reliability of the two scales developed, attribution of cost and attribution of necessity, which are lower than the benchmark of 0.70. With a reliability under .70, the mean of internal consistent is not satisfied (Hair et al. 2010; Ringdal 2013). However, Wittekind, Raeder and Grote (2010), along with John and Benet-Martinez (2000), argue that this should not be a threshold for every scale. Scales with reliability of .61 and .62 have been used by other scholars (e.g., Gulati and Sytch 2007). The scales with lower reliability coefficients should for future research be improved, as it is more difficult to find significant relationships (Cohen et al. 2003 in Wittekind, Raeder and Grote 2010).

Furthermore, to explore the relationship between the variables ‘attribution towards downsizing’ and ‘exchange relationship’ we formulated hypotheses, which are effectively tested using quantitative research (Bryman and Bell 2015). Collecting data at two different times, to make a time lag between measuring the dependent and the independent variables, would have been favorable (Podsakoff et al. 2003). The causal relationship between the variables should be interpreted with care, as we only collected data at a single time, thus are not able to rule out the possibility of reverse causality (Buch, Kuvaas and Dysvik 2010). Accordingly, future research should conduct experimental or longitudinal studies, to support the causality of our findings (Buch, Kuvaas and Dysvik 2010), even though predictor and criterion variables were separated, using questions about organizational support and perceived support from the organization, to reduce this weakness (Podsakoff et al. 2003).

It is also worth mentioning that the organization is going through sales negotiations, which could impact the collected data. Additionally, qualitative approaches, such as conducting interviews, could be beneficial to further explore the employees’ concerns towards the forthcoming sale. To gain a holistic view of the downsizing process, interviews with HR, management and line managers, would be useful in further interpreting the respondents answers, and give them greater freedom to express themselves (Johannesen, Christoffersen and Tufte 2011). Additionally, the questionnaire was distributed simultaneous as an in-house survey, making timing another potential weakness. Finally, it is worth mentioning the oil crisis possible affect on our study. The oil and maritime sector have gone through massive downsizing since 2014, and the crisis has had massive media coverage (Kaspersen 2016). The findings regarding employees’ attribution towards downsizing, and the classification of necessity and cost might have been influenced by an overall understanding of the need to perform downsizing.

Other exciting aspects might be to continue investigating attributions of downsizing, examining how attributions are formed, why they are formed, and what affects attributions, to be able to understand remaining employees thoughts after a downsizing. Since earlier literature divides attributions in two - internal and external (Nishii, Lepak and Schneider 2008), it would be interesting to see if the distinction between attributions would have significant impact on employee-organization relationships. There has also been a distinction between internal and external causal explanations of HR practices, were internal causal explanations are positively related to commitment, and external causal explanations are

unrelated (Koys 1988; 1991). As social exchange is an antecedent to affective commitment (Meyer and Allen 1991), this could be valuable aspect for future research.

To enhance and strengthen our empirical model, communication is a noteworthy factor to include. Employees may not understand the reason for downsizing, and may worry for their future in the company, wondering if more layoffs are ahead. Employees are therefore likely to seek information regarding the downsizing, making information a crucial element related to downsizing. Theory has predicted employees perceived fairness as an important factor for remaining employees' thoughts about downsizing (Brockner 1992), making communication a plausible aid for perceived fairness of downsizing (Appelbaum and Donia 2001). Appropriate and timely information before, during and after a downsizing, seems to be a possible antecedent for attribution, thus making the effect of communication an interesting approach towards attribution and exchange relationships. In addition, communication might be a possible moderator between attributions and exchange relationships. Fostering an understanding, trust might be maintained if employees feel valuable as part of the remaining workforce. The negative effect between attribution and social exchange might be reduced, if reasons of why downsizing is clearly communicated (Brockner 1992; Appelbaum and Donia 2001).

Moreover, after downsizing, new psychological contracts may form (Gandolfi and Hansson 2011). The ideas of perceived commitment and perceived reciprocity, may not be uphold during downsizing, resulting in breaches of the psychological contract. As breaches of the contract may lead to lower LMX, it is essential for leaders to strive to maintain the psychological contract (Rousseau 1989; Robinson, Kraatz and Rousseau 1994; Robinson and Rousseau 1994). Consequently, attributions of downsizing's effect on psychological contracts may be another interesting avenue for future research. Similar to our research, LMX may function as a moderator, building on theory presented by Restubog et al. (2010), suggesting leaders have the ability to reduce psychological contract breaches negative impacts.

## **5.2 Practical implications**

Despite the limitations in this study, the research holds interesting practical implications. First, the results propose that attributions of cost are negatively related to social exchange, and positively related to economic exchange. Although more research on the field is required, it is

important that organizations are aware of implications that may follow downsizing. By paying attention to factors that can evoke employees' sensemaking regarding downsizing, the organizations can proactively manage these factors (Chaudhry, Wayne and Schalk 2009).

Uncertainty related to downsizing is also a contributing factor that could impact the employee relationship. By providing timely and accurate information and including the employees in the change process, the organizations might be able to reduce or even dismantle employees' uncertainty. Including employees, might contribute to a successful implementation of downsizing, and may also shift employees' attention on how the employee organization relationship is affected. The organization might be able to manage employee perceptions and negative responses by holding staff meetings and or other initiatives.

When employees perceive a change in the context which their exchange relationship is embedded in, employees perceive that the exchange relationship also changes (McLean Parks and Kidder 1994). To restore balance in the exchange relationship, employees may change their contributions to the organization (Gouldner 1960). Furthermore, as different attributions of downsizing arise, how a downsizing is handled seems important to employees' attributions. Employees' attribution affect the exchange relationship, thus keeping the reductions of employees to a minimum is crucial to be able to prevent these negative consequences. However, if organizations are not able to prevent downsizing, high-quality LMX relationships are an advantage, as leaders with good relationships with their employees are able to hinder the negative effect.

In light of a continuously more globalized world, downsizing is a reality for many organizations. The changes that are caused by downsizing, can affect employees exchange relationship with the organization, and it is therefore critical that organizations acknowledge this influence, and initiate processes that can decrease and or eliminate negative reactions. If employees perceive that obligations they value are fulfilled, they are likely to have increased motivation, which leads to providing outcomes that are beneficial for the organization (Coyle-Shapiro and Kessler 2000).

## 6. Conclusion

We have in this study investigated how employees' attributions towards downsizing affects their exchange relationship, and whether leader-member exchange could be a moderating factor, thus serving as a buffer against negative reactions, illustrating leaders' ability to affect social exchange relationships. A new scale was developed to be able to investigate remaining employees' attribution of downsizing, by separating attributions of cost and attributions of necessity, while simultaneously researching the antecedents of social and economic exchange perceptions (Shore et al. 2006). Moreover, remaining employees' interactions with closest leader were investigated, recognizing LMX ability to improve outcomes in employee and organization relationships.

In line with our expectations, the results indicate that employees' attributions of necessity towards downsizing are positively related to a social exchange relationship. Interestingly, employee attributions of necessity towards downsizing were not negatively related to an economic exchange relationship. Moreover, we found a positive relationship between attribution of cost and economic exchange, and a negative relationship between attribution of cost and social exchange. Additionally, our study provides evidence that LMX moderates the attributions of cost towards downsizing and a social exchange relationship by showing that the negative relationship between attribution of cost and social exchange, is weaker under high-quality LMX. On the other hand, the positive relationship between attribution of cost and economic exchange was not weaker under high LMX as opposed to low LMX.

However, in order to strengthen our empirical model of employees' attributions, exchange relationships and LMX, future research should include other antecedents to attribution or possible moderators (e.g. communication).

In sum, a useful takeaway for organizations facing a downsizing, is to emphasize the necessity of downsizing to uphold social exchange relationships, in addition to include leaders as a trusted source for information before and along the downsizing process in order to reduce the negative implications on employees' attributions.

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## 8. Appendix

### 8.1 Appendix A: Principal axis factoring analysis with promax rotation.

Items	Nec	Cost
DN3: The previous workforce reduction in my organization was performed because it was necessary for the organization's survival	.64	
DN5: The workforce reduction was performed to gain competitive advantage	.61	
DN1: I experience the workforce reduction process as necessary	.57	
DN6: The previous workforce reduction was performed to make the organization more flexible in a volatile market	.52	
DC4: The previous workforce reduction in my organization was performed to increase profit		.71
DC5: The previous workforce reduction in my organization was performed to satisfy shareholders		.60
DC3: The previous workforce reduction in my organization was performed to increase top management bonuses		.47
DC6: The previous workforce reduction in my organization was performed to enable the organization to employ more temporary employees		.38
DC7: The previous workforce reduction was performed to eliminate low performers		.32
DN2: The previous workforce reduction in my organization was performed so that I could keep my job		
DN4: The previous workforce reduction in my organization was performed to satisfy stakeholders (including employees, management, suppliers, environment, owners, creditors, investors/shareholders)		
DN7: The previous workforce reduction was performed to eliminate jobs that were less crucial		
DC1: The previous workforce reduction in my organization was performed to keep costs down		
DC2: The previous workforce reduction in my organization was performed to exploit workers		
Initial Eigenvalues	2.49	1.82
% of Variance	27.69	20.20

Factor loadings less than 0.30 are not shown.

DN: Downsizing necessity. DC: Downsizing cost.

Items DN2, DN4, DN7, DC1 and DC2, was not included in the final scale.