

Recent Research of Note

'Exploring employee outcomes of organizational restructuring: A Solomon four-group study' by Tahira M. Probst in *Group and Organization Management*, September 2003, 416-439.

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Virtually every sector of the American economy is experiencing extreme financial pressures due to commercial rivalries around the globe, government deregulation of industry, and the ever-increasing pace of organizational technology change. In response, organizations have engaged in several strategies to tighten their corporate belts and remain competitive; organizational restructuring in the form of corporate downsizing, mergers and acquisitions, plant closings, and workforce reorganizations are affecting millions of U.S. workers each year. Since 2000, U.S. organizations have eliminated 2.2 million net jobs from their rolls and new job creation has been relatively flat.

These numbers reflect a new organizational trend of reducing corporate expenses through such organizational transitions. Organizational restructuring is a broad term encompassing many different organizational events ranging from downsizing, mergers and acquisitions, to other forms of workforce reorganizations with or without layoffs. Organizations frequently tout restructuring as the solution to many organizational problems leading to anticipated benefits such as increased employee morale, improved efficiency, and reduced turnover¹. Yet, research and anecdotal accounts suggest that these expected benefits often do not accrue as planned²

Despite the accumulation of evidence regarding the negative outcomes of organizational restructuring, there have been few longitudinal studies of these transitions on employees. In addition, rarely have studies compared groups of employees within the same organization that were relatively more versus less affected by the organizational changes. To address these limitations, the current study assessed the impact of a 5 government agency merger over the course of 6 months by comparing outcomes of affected and relatively unaffected employees prior to and following a major restructuring.

In July of 1997, it was announced by the governor of a Midwestern state that five state agencies involved in providing human services to the public were to be merged in an effort to consolidate their operations and reduce redundancy and duplication of services. Shortly thereafter, a task force was appointed to design and implement the internal merger. Following this announcement, agency employees were gradually notified about how these changes were going to affect them. For some employees, the changes would be minimal. For others, the restructuring would involve

¹ Lewin & Johnston, 2000

² E.g., Ashford, Lee, & Bobko, 1989; Buono & Bowditch, 1989; Burke & Nelson, 1998; Marks & Mirvis, 1985).

moving offices, changing supervisors, being demoted, learning new job-related technologies, a reduction in job status, and/or new work tasks. Layoffs had not been specifically mentioned during the announcement of the merger. However, rumors were rampant that they would occur. Consequently, within the same agency, some employees were in danger of losing key features of their job, their current position, or employment with the state, whereas others remained essentially unaffected by the reorganization.

Five hundred employees from all levels within the organization were selected from these 5 agencies. Two hundred and fifty were identified as being in positions that would be highly affected by the upcoming merger, whereas the remaining 250 were in less affected position. This determination was made by the Assistant Director of each agency based on pre-restructuring strategic planning. A total of 313 employees participated in the research (63% participation rate). Surveys were administered to employees immediately prior to the announcement of the workplace reorganization; follow-up data were collected 6 months later during the implementation of the merger. The surveys assessed variables such as perceived job security, organizational commitment, physical and mental health outcomes, job stress, job satisfaction, intentions to quit, and emotional reactions to the restructuring.

How did the organization and its employees fare? The simple answer is: not well. Employees who were identified as holding positions that were affected by the reorganization reported significantly more upheaval in their work life, experiencing an average of 4.5 major job changes during the 6 months compared to 2.9 changes on average for the less affected employees. One would expect employees on average to experience some job changes during that timeframe regardless of any organizational restructuring, such as a promotion or demotion, a new supervisor, and so on. Of greater interest here is the finding that individuals who were identified as being affected did, in fact, experience a greater level of workplace disruption over the 6 month period than those who were identified as less unaffected.

At the 6-month follow-up, individuals affected by the reorganization reported less job security, lower organizational commitment, more negative emotional reactions to the workplace reorganization, higher levels of time pressure, and lower levels of job satisfaction, as compared to individuals who were less affected by the workplace reorganization. Not surprisingly, when tracking employee outcomes over time, employees experiencing the greatest change also reported the greatest decline in their workplace attitudes and health outcomes. These employees reported significant declines in their job security, a greater propensity to consider quitting their job, lower commitment to their employer, and significant declines in their physical and mental health conditions over the 6 month timeframe.

The takeaway message from this research should be: *prepare*. Recognize that organizational restructuring, while possibly a necessity for overall organizational health and growth, is not necessarily a good thing for individual employees. In general, people do not like uncertainty, particularly when that uncertainty affects their employment. Thus, it is critical that organizations prepare themselves and their employees for possible changes during an organizational restructuring.

Here are a few suggestions for such preparation:

- *Explain why the restructuring is happening.* Employees need to decide for themselves whether an organizational event is justified and necessary³. Be prepared to explain and defend management's basis for the decision.
- *Describe the expected impact on individual positions.* Research suggests that organizational change does not necessarily result in negative outcomes⁴. But, employee reactions are best predicted by their perception of how their job will be impacted. Thus, be prepared to explain to employees how their individual jobs may be affected.
- *Provide a timeframe.* Be prepared to let employees know when and how events will unfold, and when they can expect their work life to return to normalcy. Continued uncertainty can have lasting negative impacts on the organization, ranging from more risk averse employees to a decrease in employee creativity⁵.
- *Offer psychological and career counseling.* Many organizations have employee assistance programs. Encourage employees to utilize these resources. Eliminate the stigma often associated with such utilization. In addition, if possible, offer career counseling, outplacement assistance (if necessary or applicable), and career development training to employees. Frame the restructuring as a career development opportunity, not just as something that will lead to increased workloads.
- *If you don't know the answer, say so.* One of the oft-repeated dictums in the teaching profession is: "If you don't know the answer to a student's question, say so. But, then come back later with an answer." Often, supervisors, managers, (and even teachers) do not like to appear unknowledgeable. However, if you do not know the answer to an employee's question regarding the restructuring, be prepared to say so, but then follow-up with an attempt to gather the needed information for your employees.

There is no guarantee that following these recommendations will lead to a *smooth* transition. However, following these suggestions will lead to a *smoother* transition for your organization and its employees. The current research notes organizational restructuring is overwhelmingly perceived to be a bane for employees; however, with a lot of work, it can perhaps be a boon, as well.

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³ Greenberg, 1990

⁴ Probst, 2002

⁵ Amabile & Conti, 1999; Lewin & Johnston, 2000

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