Redefining Loyalty: Motivational Strategies and Employee Loyalty in an Era of Downsizing

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Retaining employee loyalty after restructuring is a problem for all types of businesses. The major issue concerns how management and employees can establish a new, mutually acceptable "psychological contract" which ensures employee loyalty but not lifelong employment. Eighteen small businesses in Fairfield County, Connecticut, were surveyed to investigate loyalty and motivation after downsizing. A significant correlation was found between loyalty and motivation. Furthermore, several motivational techniques employed were inconsistent with employee needs. Suggestions are offered on how to retain employee loyalty.

One of the most prominent features of the global business environment that has continued to engage the attention of the corporate world since the mid-1980s has been the phenomenon of downsizing. This phenomenon, perhaps more than any other, appears to be a major factor in the on-going reexamination of the nature of the relationship between every employee and his or her work organization.

This relationship which is quite different from the formal contract between labor unions and management is generally known as the "psychological contract" or "corporate contract."[1] Unlike the formal contract that deals with such concrete matters as rate of pay, leave, health and retirement benefits, the psychological contract comprises the set of expectations that specify what the individual and the organization expect to receive from each other in the course of their working relationship.[2]

Obviously, it would be easier for the employer to violate the provisions of the psychological contract than the formal contract that the legal system recognizes. The major contention of those who stress the negative aspects of the new trend in downsizing or restructuring is that employers have accepted the "historical shift that has changed the rules of the game.[3] They have unilaterally reshaped the psychological contract, especially with respect to the issue of guaranteeing job security in return for employee loyalty.

Years ago when many employees signed on to work, it was for their total career in one organization. Recent events have made this somewhat inviolate contract of trust, loyalty and job security a thing of the past. Increasingly people are contract employees or temporary workers and change jobs on a regular basis. Employees now look out for themselves since they no longer believe that the company will look after them.

It was in response to global competition, unfriendly takeovers, leveraged buyouts, and the like that corporations decided to abandon the traditional practice of rewarding employee loyalty and good work with job security and generous profits.[4]

As companies begin to emphasize profitability, efficiency, and shareholder interests, measures which the psychological contract would permit them to apply only as a last resort became viable first options. Thus, workforce reduction and the replacement of permanent workers with temporary ones became the order of the day. Factories were closed or relocated to lower-cost countries.[5] The perceived violation of the psychological contract became, for the individual employee, a question of the termination of the rule of "fair exchange."[6]

A dilemma faced not only by large bureaucracies but also by any organization that downsizes is how to be as fair as possible to employees whose jobs are being eliminated. A related issue is how to retain the loyalty of the remaining workforce and restore their sense of security. With downsizing seen as a competitive imperative by many organizations, it is an ethical challenge for the 1990s.[7]

From the point of view of the employees, their contributions under the psychological contract (e.g., effort, skills, creativity, loyalty) appear to be undervalued. In reaction to

management's action, the employees have very few options. They could not fight back by reducing their contributions with respect to such measurable factors as skills, creativity, and effort. The obvious casualty in the revision of this psychological contract is employee loyalty, a variable which, though difficult to measure, remains one of the most important prerequisites for a successful organization. In fact, loyalty has been described as "the glue that holds the organization together."[8]

Business Week has labeled downsizing "job death." It appears that no company, however loyal it has been to its employees, is immune to this phenomenon. As *Business Week* noted, "In a quest for efficiency and survival, many of America's corporate behemoths have been shedding employees at unprecedented rates." Topping its list of the twenty-five largest downsizings is IBM—the company once famous for its "no layoff" policy—with 85,000.[9] Today, downsizing is deemed a prudent management option. Peak presented this "explanation" offered to her by one CEO: "If your competitors have downsized, but you haven't, then Wall Street will view you as behind the times and overstaffed to boot."[10] Peak suggested that continual downsizing has changed the face of business more than all the management fads of the past twenty years. Downsizing has eliminated the traditional agreement between employee and employer that tied a good service to a promise of continued employment.

Probably as a result of poor communication, employees in the United States seemed to think that downsizing was a local phenomenon. As a matter of fact, European workers were also affected by downsizing. For example, the British company Barclays Bank cut staff levels by about 20 percent while Siemens, the electronic conglomerate, freed over 3000 jobs in 1993. The German company Mercedes Benz even trimmed its management hierarchy levels from seven to five.[11] All these reductions resulted in a decline in employee loyalty.[12] As Robbins reports, a 1993 study indicated that 77 percent of workers surveyed felt that there was less loyalty in the companies studied than in 1988. He further indicated that employees were 60 percent less loyal than they were five years earlier.[13]

The revision of the psychological contract by the employer was never intended to result in the reduction of employee loyalty or a feeling of insecurity by the employee. In short, the unhealthy psychological contract that has resulted from downsizing was the last thing any organization that strives to remain viable would ever wish for. But the fact remains that employees today still feel a sense of betrayed loyalty when they lose their job or when they see colleagues lose their jobs.[14]

It is management's responsibility to ensure that decisions taken in response to the realities of the business environment do not adversely affect the psychological contract even when such decisions may result in the loss of job security for certain employees. This daunting task may not have a high success rate. As Schemerhorn suggests, "The management of psychological contracts is a difficult, but still essential, management task."[15]

Management does not want a situation in which employees operate under considerable stress. For one thing, efficiency and profitability cannot be achieved in an atmosphere of mutual distrust and uncertainty. Furthermore, a corporate image that suggests insensitivity with respect to employee needs is likely to damage rather than enhance the acceptability of the company's products. Thus, the apparent disagreement regarding the reasoning behind the concept of downsizing for profitability has a lot to do with how the employer balances the issue of providing job security in return for employee loyalty.

Attitudes toward downsizing often depend on how one is likely to be affected by the restructuring. In short, while higher executives who propose the exercise and shareholders who stand to profit from downsizing look forward to layoffs, company executives, especially middle-level managers, anticipate an impending downsizing exercise with trepidation. The fact that the stock market reacts favorably when companies merge or new chief executive officers committed to restructuring are hired illustrates the different attitudes held by beneficiaries and victims. However, one thing both the critics and implementers of downsizing agree on is that the era of job security as the natural reward for loyal service may be over. The fact that global competition has forced several companies to believe that "leaner is better"[16] should not be taken as a rejection of the need for employee loyalty. It is the failure by companies to properly

communicate the rationale for downsizing and to actively solicit employee loyalty that may be held responsible for the perception that loyalty is irrelevant or even unwise in today's business environment.[17]

Purpose of the Study

In spite of the well-documented negative attitude toward downsizing, there is no clear evidence that the initial sense of betrayal felt by survivors would significantly affect their loyalty to the company in the long run. It should not be taken for granted that employees who have survived downsizing would actively engage in seeking alternate employment opportunities. In fact, many employees may achieve self-actualization within the company after downsizing. For one thing, every downsizing opens doors for other workers who may be motivated to live up to the new standards demanded by the company. Bigger responsibilities, more participation in decision making, and new benefits packages might even be so enticing that commitment to the company would increase.

This is not to suggest that downsizing will always result in higher productivity or efficiency. A recent article in *The Economist* reports that companies such as Delta Airlines and Ford have suffered in terms of efficiency and profitability because of downsizing. A recent survey by the American Management Association (according to *The Economist*) found that "fewer than half of those companies that had downsized since 1990 went on to report higher operating profits in the years following the move; even fewer saw improved productivity."[18]

Studies such as the American Management Association's seem to support the idea that "companies that have cut back and retrenched have seen frustration and lower productivity instead of higher efficiency and profitability."[19] However, it is debatable whether studies that have found a drastic reduction in employee loyalty after downsizing may not have reflected the initial sense of outrage felt by employees on the sudden and arbitrary termination of the psychological contract which assured them of job security. If this were true, the external validity of such studies would be questionable.

Furthermore, the implementation of innovative benefit programs such as massage therapy, weight reduction facilities, and child care may have positively affected employees' attitude towards management, making workers less suspicious of the employers' intentions regarding the future of individuals within the organization.[20] Somehow society has learned to live with downsizing; it has become clear that companies have to react to global economic forces and the revision of the traditional psychological contract which guaranteed job security is inevitable.

It is generally accepted that "an important OB [organizational behavior] challenge will be for managers to devise ways to motivate workers who feel less committed to their employers while maintaining their organization's global competitiveness."[21]

To the extent that several corporations started to take steps to rekindle employee loyalty a long time ago, there is no evidence that workers would not learn to adjust to the new situation and restore a level of loyalty acceptable to management.

In view of the influence of several intervening variables that have been introduced in the workplace after the first major downsizing about a decade ago, there is a strong suspicion that more recent studies may not come to the same conclusions as the earlier ones. The present study reported here tried to fulfill the need to investigate to what extent management's more recent measures might have influenced employees' attitudes by focusing on the research questions provided in Exhibit 1.

Exhibit 1
Research Questions

1. How loyal are the employees of the companies selected for this study?
2. To what extent will variables such as gender, experience (length of service), and occupation type affect the level of employee loyalty?
3. How has downsizing affected the employee's level of morale in the selected companies?
4. To what extent has management succeeded in motivating employees by the range of innovative benefit programs introduced by the company?
5. Is there a significant correlation between employee motivation and loyalty?

Methodology

The study sample consisted of one hundred employees drawn from small businesses operating in Fairfield County, Connecticut. The businesses included finance, retail, and service-oriented operations. The companies were selected on the basis of two main criteria. First, in order to ensure that the study would not be gender-biased, companies with a sizable percentage of female employees were included. Second, only companies that had at least one reported downsizing exercise within the last three years were included. Thus, only those who knew what it was like to experience downsizing either as victim or survivor would qualify as subjects. All the participants would be able to compare the organizational environment before and after downsizing.

From a randomly selected list of thirty companies, eighteen were randomly picked. Each participating company studied was given ten questionnaires to distribute through a stratified random-sampling procedure which ensured the inclusion of male and female participants, experienced and less experienced workers, and middle management as well as nonmanagement personnel. Of the 180 questionnaires administered, 100 were returned, representing a response rate of 55.6 percent. Of these, 98 were considered valid for inclusion in the study.

A thirty-item questionnaire was developed. Respondents were asked to indicate, using a four-point Likert-type scale (1 = strongly disagree, 4 = strongly agree), the degree to which they disagreed or agreed with a particular statement. The questionnaire was designed to measure three variables: loyalty, motivation, and morale. Each variable was measured on a ten-item scale.

Loyalty was measured in terms of Schemerhorn's formulation about employees' commitment to the organization. According to Schemerhorn, "an individual who has high organizational commitment is considered very loyal."[22] Thus, in this study, the loyalty scale included features such as commitment to organizational goals, willingness to defend company policies, long-term employment commitment to the company on the part of the employee, and having a sense of belonging in the company.

Morale was measured in terms of the degree to which employees' needs are satisfied by the organization, employees' willingness to take risks, acceptance of innovation, creative thinking, and employee perceptions on whether the company was fair and caring. This is in agreement with current thinking in the literature. According to Certo "common signs of low morale in a company are workers who seldom initiate new ideas, go out of their way to avoid tough situations, and strongly resist innovation."[23] Similarly, Rachman et al. have suggested that some of the positive conditions that could contribute to high morale include fairness in dealing with employees, clarity of organizational goals, appreciation of employees, and responsiveness to employee needs.[24]

In measuring motivational strategies, the study considered the perception of employees regarding motivational strategies that have been found to be effective in today's global economy. These include training and retraining, behavior modification, flexible schedules (flextime), job design, job sharing, monetary incentives, and telecommuting.[25] Thus, in this study, motivation was measured in terms of the employees' perception regarding the degree to which traditional and nontraditional motivational techniques were utilized by the various companies.

Internal consistencies of the scales as measured by Cronbach's alpha were found to be quite high in all three subscales (alpha = 0.91, 0.89, and 0.93 respectively).

Follow-up interviews were also conducted to elicit information on specific organizational problems and motivational techniques being used in the organizations. Respondents' ages ranged from twenty to forty-four years and 79 percent of the sample were female. Forty-nine percent of the sample classified themselves as either clerical or technical staff, while 32 percent classified themselves as nonmanagerial salaried; 10 percent were lower-level managers; and 9 percent were middle-level managers.

Statistical Tests Results

Each respondent's scores were summed and the means for each variable computed. The scores were then converted into z-scores so that each subject could be categorized in terms of a standardized score on the relevant variables.

Respondents were categorized as high or low on a variable based on whether their score was above the mean of 50 (high) or below 50 (low). This enabled the researchers to recognize two categories of subjects on each of the variables that form the basis of this study: high loyalty–low loyalty; high motivation–low motivation; and high morale–low morale. Where necessary, hypotheses were formulated to test the significance of the relationships between the variables examined. Appropriate statistical tests (x^2, Pearson's r, and t-test of significance) were applied to test the hypotheses formulated in relation to the research questions. Chi square tests were used to determine if gender, level of experience, and occupational type were significantly related to employee loyalty. The Pearson's r was also used to determine if there was a significant correlation between employee motivation and loyalty.

Research Question 1: How Loyal Are the Employees of the Selected Companies?

In answering this research question, the responses to ten items dealing with such issues as willingness of the employee to remain in the company or leave if a more financially rewarding job was found were used to measure the respondent's level of loyalty. The items were scored and converted to z-scores (or standardized) in order to classify the subjects as high-loyalty or low-loyalty employees. The results are summarized in Exhibit 2.

Exhibit 2
Employee Loyalty

	Number	Percent
High loyalty	58	59
Low loyalty	40	41
Total	98	100

The exhibit shows that, 59 percent of the respondents were considered to have high loyalty, while 41 percent had low loyalty. This finding differs greatly from those in earlier studies such as the 1993 Moskal survey which indicated that 77 percent of the employees studied were not loyal.[26] While the case could be made that the samples used in these studies vary in several respects, it is necessary to note that attitudes towards management in any downsizing exercise are likely to be very similar. What has changed, and what could account for the difference between the finding in this study and previous ones may have to do with such factors as more education about the rationale for downsizing, better organizational communication methods, and an improvement in the mobility prospects of individual employees.

Some of the questionnaire items addressed employee grievances as well as the changing position on loyalty to the organization. For example, 60 percent of the subjects either strongly agreed or agreed with the statement, "I will not hesitate to quit this company even if the job I find does not have a higher pay." This indicates a serious lack of commitment to the present organization and a general dissatisfaction with the status quo. Loyalty cannot be a serious issue for an employee in such a situation. Another item which dealt with employee loyalty sought the worker's degree of agreement with the statement, "In this age of downsizing, loyalty to a company is a thing of the past." Again, the response was overwhelmingly unfavorable as 63 percent of the subjects either agreed or strongly agreed with the statement.

In general, the analysis of responses to items designed to measure the level of loyalty indicates that while most of the subjects could still be grouped under the "high loyalty" category, a substantial number are not too interested in being loyal any more. If, as some scholars have stated, loyalty is "the glue" that holds the organization together,[27] management will need to take measures to address issues that have led to a reduction in loyalty among employees. No organization can survive the fierce competition in the global market that has led to downsizing in the first place if employees are demoralized and not overtly loyal.

Research Question 2: To What Extent Do Such Variables as Gender, Experience (Length of Service), and Occupation Type Affect the Level of Employee Loyalty?

In answering this question, it was hypothesized that there would be no significant relationship between gender and the level of employee loyalty,

between experience and the level of loyalty, and between occupational type and the level of loyalty. Exhibit 3 summarizes the results.

The results as presented in this exhibit indicate that the proportion of male subjects who have high loyalty (71%) was not significantly greater than the proportion of female subjects who have high loyalty (56%), ($x2 = 2.24$; $p > .05$). There is no evidence to suggest that a particular gender was favored in the matter of downsizing. It is, therefore, not surprising that the level of employee loyalty is not significantly affected by gender.

to five years are classified as "inexperienced" A closer look at those classified as experienced employees reveals that 57 percent have high loyalty, while 61 percent of those classified as inexperienced employees have high loyalty.

Under normal circumstances the longer one remains in a company, the more loyal one is expected to be. However, since length of service (experience) did not appear to be an important consideration in the decision to downsize, the idea of loyalty growing proportionately with experience does not appear to hold true anymore.

Exhibit 3
Level of Loyalty by Gender, Experience, and Occupation

	High Loyalty Number	High Loyalty Percent	Low Loyalty Number	Low Loyalty Percent	Total Number
Gender					
Male	15	15.3	6	6.1	21
Female	43	43.9	34	34.7	77
$x2 = 2.24$[a]					
Experience					
Experienced	25	25.5	19	19.4	44
Inexperienced	33	33.7	21	21.4	54
$x2 = 0.17$[a]					
Occupation Type					
Manager	6	6.1	3	3.1	9
Supervisor	4	4.1	6	6.1	10
Clerical	24	24.5	24	24.5	48
Other (Technical)	24	24.5	7	7.1	31
$x2 = 7.815$[b]					

Note: a. $p < .05$.
b. $p < .05$.

Similarly, there was no significant relationship between experience and the level of loyalty ($x2 = .17$; $p > .05$). About 57 percent of those employees who have not spent up to five years with the company have high loyalty, whereas 43 percent of those who have spent five or more years have high loyalty. It is important to note that employees who have spent up to five years in the company are classified as "experienced" while those who have not spent up

On the question of the relationship between occupational type and loyalty, there appeared to be a significant relationship ($x2 = 7.815$; $p<.05$). This finding confirms the observation in the literature that companies are careful about the kinds of positions they eliminate. Generally, technical staff, especially those in the chemical industry, are rarely downsized. Workers in this category are less likely to lose their jobs through downsizing than other workers in less specialized

areas.[28] If this assumption is true, then this class of workers would enjoy a higher degree of job security. The fact that a substantial part of the sample studied consists of technical personnel would account for the significant relationship found between occupational type and level of loyalty.

Research Question 3: How Has Downsizing Affected the Level of Morale of Employees in Selected Companies?

The study found that about 41 percent of the respondents had a high level of morale while the majority (59%) had low morale. A further breakdown indicated that 40 percent of female subjects and 43 percent of male subjects had high morale, while 60 percent of the females and 57 percent of the males had low morale. The results are presented in Exhibit 4.

Exhibit 4
Level of Morale of Subjects by Gender

	High Morale		Low Morale	
	Number	Percent	Number	Percent
Male	9	43	12	57
Female	31	40	46	60
Total	40		58	

As the exhibit indicates, there is very little difference between the level of morale of male and female employees. This is not surprising, considering that the job environment for both sexes is identical and downsizing does not appear to be based on gender considerations. What may be considered surprising is that the number of people with low morale is not even higher. Perhaps management has started to take the issue of boosting morale more seriously in the wake of the overwhelmingly negative reaction to downsizing.

The findings on this question lend support to the predominant view which suggests that downsizing has adversely affected the morale of employees.[29] However, this study also supports the findings reported in McDonald to the effect that "the American worker is amazingly resilient."[30] McDonald reports that the attitudes of 3,300 workers studied "reveal they want their companies to succeed—and they want to be part of the process that makes that happen."

The fact that management has continued to pay for benefit programs designed to improve the work environment generally may be seen as an acknowledgment by management that something drastic would have to be done to offset the employees' negative feelings. While management may expect survivors of downsizing to feel that the company has enough confidence in them to retain them, survivors have a less flattering opinion of the situation. Survivors still operate in a climate of fear, having witnessed the sudden departure of their peers and superiors. Perhaps management is gradually coming to realize that the breach of the psychological contract between employee and employer would seriously jeopardize the survivors' morale. Thus, management had to target benefit programs to boost morale.

New programs designed to increase morale may have had some effect. This conclusion is supported by responses to some of the questionnaire items. For example, most subjects strongly disagreed with the statement that suggested they lived in constant fear of losing their job as a result of downsizing (15%). But at the same time there appears to be a high level of uniformity in their strong agreement with the statement that suggests their company has not been as fair and caring toward its employees as it had been in the past (31%). Morale appears to be low but not as low as to make employees live in constant fear of losing their job. If employees are too concerned about job security, they will be less willing to think creatively and to take risks. This insecurity can lead to lower motivation and threaten organizational productivity. According to Maslow's hierarchy of needs,[31] employees who worry about employment prospects are not likely to be motivated, creative, or productive. Their behavior will be influenced by persistent attempts to satisfy their safety and security needs. Thus, organizations will have to find ways of supporting and encouraging creativity and risk taking.

Research Question 4: To What Extent Has Management Succeeded in Motivating Employees by the Range of Innovative Benefit Programs Introduced by the Company?

The companies have introduced new programs designed to motivate employees in this era of downsizing. What is not so clear is whether these programs are achieving the desired effect. According to this study, only 57 percent of the employees are highly motivated. A closer look at the data reveals that 43 percent of the male subjects and 45 percent of the female subjects are highly motivated. In general, workers do not appear to have been positively affected by benefit programs; at least they had not attained the level of motivation desired by their companies.

The reasons for the low level of motivation are not difficult to understand. For example, only 25 percent of the subjects agreed that they had regular access to on-the-job training to enhance their performance (item 13). Companies also scored low on the availability of popular programs like healthcare, daycare, and elderly care. Only 42 percent agreed that they had sufficient access to at least two such programs even though all of the subjects agreed that these programs would be desirable. Finally, only 36 percent either agreed or strongly agreed with the statement, "My company has adequate training programs to develop, advise, and redirect workers." In short, while companies may claim to promote motivational programs, most employees do not agree that the programs are appropriate, adequate, effective, or even available. This finding also strengthens the popular belief that the loss of job security can lead to a situation where the company is stuck with a workforce that is not only unmotivated but is also demoralized.[32]

One of the problems related to motivation has to do with the fact that many companies wrongly assume that traditional strategies could be sufficient to motivate workers in an environment where employee loyalty has been negatively affected by downsizing. It would be a mistake to assume that since a traditional motivational technique such as a bonus is related to loyalty, all that is needed to solve the problem of declining loyalty is to increase the amount of the bonus offered.

This study found that an increase in the motivational technique would not necessarily result in increased loyalty unless that motivator is high on the employees' priority list of needs. With restructuring, it is only reasonable to assume that some traditional motivational techniques may become outdated in terms of their usefulness. Some nontraditional motivational techniques that are more relevant to the needs of employees who live in fear of losing their jobs have to be employed if an acceptable level of loyalty is to be attained.

A comparison of the relative importance of selected traditional and nontraditional motivational techniques indicated some major differences between techniques used by employers and those desired by employees.

As Exhibit 5 shows, bonus is ranked equally high by employers (1) and employees (2). But while employees consider training and retraining as the most desired motivator, employers rank training fifth in importance. Similarly, while profit sharing is rated highly by employers (ranked second), it is not considered very desirable by employees who ranked it sixth. A nontraditional motivational technique like flexible scheduling appears to be important to employees but it is apparently unimportant to employers. Not all nontraditional motivational techniques are rated low by employers. For example, job sharing was rated fourth by employers but only ninth by employees.

Research Question 5: Is There a Significant Correlation Between Employee Motivation and Loyalty?

In order to answer this question, it was hypothesized that there would be no significant correlation between employee motivation and loyalty.

The Pearson Product Moment correlation was computed and the t-test of significance was applied to the correlation coefficient obtained. The result indicated that the computed correlation coefficient ($r = .58$, $p<.05$) was significant. Thus, there is a significant relationship between motivation and loyalty. The hypothesis was, therefore, rejected.

The study subjects have experienced firsthand what may be described as a disloyal behavior on the part of management. It is only to be expected that they would not be highly motivated, even with the tremendous effort at motivation by management. Perhaps it is too soon to expect motivational efforts and other incentives by management to have reversed the downward trend in loyalty and motivation. However, as companies actively seek loyalty through more

relevant employee-oriented programs, employees may feel obliged to restore some degree of loyalty lost through downsizing.

Loyalty is being redefined by employees as they renegotiate the psychological contract with their employers.[33] Job security will be an important part of this new reality because of current trends in global economic practices, as well as the new orientation of the corporate world regarding issues such as efficiency, profitability, and shareholders' interests. At the same time, downsizing does not necessarily eliminate loyalty in the long run. This study highlights management's awareness of the continued importance of loyalty in organizations. However, whether the benefit programs introduced by the companies will be adequate to sustain loyalty for a long time is debatable.

Exhibit 5
Rank Order of Employer-Employee Preferences of Motivational Techniques

Motivational Techniques	Used By Employers	Desired By Employees
Training and retraining	5	1
Flexible schedules (flextime)	7	4
Quality of Work Life (QWL)	6	7
Telecommuting	10	10
Noncash rewards (e.g., employee discount, etc.)	3	3
Satisfying work	8	8
Life-balance programs (e.g., daycare, elderly care)	9	5
Job sharing	4	9
Profit sharing	2	6
Bonuses	1	2

Conclusions

It is evident that management and employees will have to work harder to meet the goals of the organization without disregarding the basic needs of the individual for some kind of job security. Perhaps job security would have to be seen from another perspective—the perspective of providing adequate training for the employees so that they can be employable in case of downsizing. Obviously, a drastic revision of the psychological contract between the employer and the employee is needed if the difficult task of meeting management's goals while at the same time taking care of the employee's professional needs is to be accomplished. Companies do not have to abandon their employees when they downsize. They can even profit from looking out for their employees. As Matthes points out, they can place former employees in new jobs or relocate some in positions elsewhere in the organization or in positions with affiliated organizations.[34] It is also possible to assist some employees through career transition training, job fairs, and retraining.

In handling the issue of motivation through innovative benefit programs, the following guidelines are suggested: Nontraditional motivational strategies may be very useful to reestablish loyalty. For example, training geared toward acquiring new skills (making employees more employable elsewhere) and flexible schedules may be very useful. However, not all nontraditional motivational strategies will be relevant in all situations.

Traditional motivational strategies are still useful provided management establishes through research that they are relevant with respect to the particular set of employees. This study indicates that profit sharing, job sharing, life-balance programs, and telecommuting are not considered particularly important as motivators by employees, regardless of what employers believe. Finally, the need for a more effective organizational communication cannot be overemphasized especially during a period of restructuring. In the present study, only 45 percent of the respondents agreed with the statement that their companies "readily shared relevant information about the company's future" with them. Obviously, keeping employees in the dark about an organization's future plans can be disruptive to employee performance. Open communication during downsizing or restructuring can keep rumors from getting out of control, improve morale, and allow employees to concentrate on improving performance in the organization. These findings highlight the need for better communication between employers and employees so that employers would know what employees consider important.

Employees should have an input in the implementation of some of the motivational techniques. Retraining and flexible scheduling could be considered in positive terms only if the

employee finds the training relevant and the flextime convenient. For example, follow-up interviews indicate that employees felt that the type of training provided by employers was aimed at enabling workers to take on more duties as a result of staff shortage due to downsizing. This is in stark contrast to employee expectation, which is to receive training that would make them more employable elsewhere in case of downsizing. This example highlights the type of communication problem that could negatively affect the effectiveness of any motivational technique.

A sign of improved organizational communication is the awareness on the part of employees that more benefit programs are being established for employees, thus ensuring that opportunities for personal growth are still available within the company. However, understanding the rationale for downsizing would not necessarily translate into unconditional loyalty as the findings on this research question show. In view of the disruptive effect of downsizing on employees in general as well as the much publicized position of employers regarding the virtual abolition of the clause on job security in the psychological contract, it is not surprising that less than two-thirds of the employees in this study were found to have a high degree of loyalty.

When we consider the fact that employee loyalty used to be taken for granted before the era of downsizing, the findings here indicate that the serious attention that management is beginning to pay to the issue of loyalty is fully justified. Obviously, it was not a conscious decision by management to trade profitability for reduced employee loyalty; but loss of loyalty has become an unintended consequence that management is learning to deal with.

If companies are to replace the perception of downsizing as a strategy used by mean-spirited executives to get rid of loyal employees with a more positive image of downsizing as a necessary strategy that could be of mutual benefit to employers and employees, they will need to go beyond traditional incentives. Employers will need to focus on specific needs of their employees in determining the particular mix of traditional incentives and nontraditional motivational strategies to be employed to motivate their employees to attain organizational goals in this era of downsizing.

Downsizing as a management strategy may not have achieved all it was designed to,[35] but it has made employees aware of the need to move away from the old practice of complacency which often leads to decline in productivity. No longer would people feel assured of a lifetime of employment with one single company. This realization has served as an incentive for risk taking and creativity on the part of employees who now strive to articulate their contribution as well as their continued relevance within the organization.

Companies that provide challenging and satisfying work can still expect a new form of commitment from their workers. Understanding the dynamics of teams will be crucial to the competitiveness of the organization in the future. Even though some employees feel no loyalty to management, they are willing to work hard to help their coworkers, if only for the motivation and support they obtain from such coworkers in times of downsizing, reengineering, or restructuring.

Endnotes

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