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Three Perspectives on Good and Bad in the Study of Downsizing.

by

Allyson House

A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE

DEGREE OF DOCTOR OF PHILOSOPHY

GRADUATE PROGRAM IN MANAGEMENT

CALGARY, ALBERTA

SEPTEMBER, 2021

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ABSTRACT

For more than three decades, the primary focus of downsizing research has been upon its determinants and outcomes, but what happens in the space *between* a firm's decision to adopt a downsizing strategy and its resultant outcomes? The three essays within this dissertation examine this question using different perspectives on good and bad in the study of downsizing. The first essay explores the relative strength of bad over good events in the context of firms' employment contraction/expansion magnitude. Through a longitudinal analysis of global energy sector employment, it finds that firms downsize as a response to bad events with greater magnitude than they correspondingly upsize as a response to good events. The second essay explores the coexistence of good and bad when employees are given early layoff notification. Using narrative interviews, it highlights how institutional norms of professionalism can generate feigning behaviours that diminish negative displays of emotion amongst soon-to-be dismissed employees - they feel bad but want to look good, as professionals. The third essay explores the instability of good and bad, wherein changing external conditions make some previously 'good' employees appear 'bad' and thus become more likely targets for layoffs. Through a longitudinal analysis of who firms choose to layoff, it finds that firms disproportionately remove employees who are high-paid relative to others at the same pay level, an effect that endures even amongst employees with high levels of individual performance. Separately, each of the three studies examine the relative strength, coexistence, and instability of good and bad, while also providing insight into downsizing magnitude, early layoff notifications, and who firms choose to layoff. In their entirety, they offer insights into the liminal space between a firm's choice to downsize and the outcomes of such a decision.

PREFACE

The introductory text, essay 2, and concluding text within this manuscript are original, unpublished, independent work by the author. Essays 1 and 3 are original, unpublished work co-authored with Dr. Peter Sherer, where the author of this manuscript has both completed the majority of the work and obtained co-author permission (see Appendix). The data reported in essay 2 are covered by Ethics Certificate number REB17-0013, issued by the University of Calgary Conjoint Ethics Board for the project "Waiting to Leave: Employee Effects of Advance Layoff Notification" on March 21, 2017. The data reported in essay 3 are covered by Ethics Certification number REB17-0138, issued by the University of Calgary Conjoint Ethics Board for the project "Downsizing in the Energy Sector" on October 12, 2017.

ACKNOWLEDGEMENTS

My sincere gratitude to all who made this journey possible. To Dr. Peter Sherer, whose supervision and guidance was pivotal to the completion of this body of work. To Dr. Alain Verbeke, whose mentorship supported my transition from industry to academic endeavours. To my committee members, Dr. Mark Anderson, Dr. John Dencker, Dr. Heechun Kim, and Dr. Nick Turner, I thank you all for your time and valuable feedback. My thanks to Dr. Loren Falkenberg for the early encouragement to pursue a doctoral degree and Lesley DiMarzo for her invaluable support along the way. To my fellow doctoral students, both past and present, I thank you all for the helpful conversations, encouragement, and friendship over the past years – notably, Dr. Carly Drake, Aidan Dumaisnil, Negar Ganjouhaghighi, Steve Granger, Nga Nguyen, Reiner Schaefer, Dr. Kanhaiya Sinha, Ke (Kerry) Wang, Dr. Shuai (Kevin) Yang, and Dr. Rong (Ratchel) Zeng. My thanks to the Haskayne School of Business, the University of Calgary, and the Government of Canada's Social Sciences and Humanities Research Council for both their financial support and ongoing commitment to graduate students. My heartfelt appreciation to my family for their unbounded love, patience, and support – without which I would not be where I am today.

DEDICATION

In loving memory of Jan and Dan, and to all others who find great meaning in the liminal space where science meets art, life meets death, head meets heart, and good meets bad.

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LIST OF ABBREVIATIONS AND NOMENCLATURE

The term downsizing is used throughout this manuscript. It is defined here exclusively in an employment context and adopts the definition put forth by Datta, Guthrie, Basuil, and Pandey (2010) in their synthesis of the first 25 years of downsizing research:

> *"…downsizing is a planned set of organizational policies and practices aimed at workforce reduction with the goal of improving firm performance. Thus, we view downsizing as an intentional event involving a range of organizational policies and actions undertaken to improve firm performance through a reduction in employees" (p.282)*

INTRODUCTION

Research on downsizing provides insight into the many challenges faced by both firms and employees when workforces are intentionally reduced. Its primary focus for more than three decades (Figure i.1) has been upon downsizing's determinants and outcomes (Datta et al., 2010), examining why firms adopt downsizing strategies and how these strategies impact firms or the individuals within them.

Insert Figure i.1 about here

How might perspectives on good and bad help to further illuminate the space *between* a firm's decision to adopt a downsizing strategy and its resultant outcomes? This space has been previously referred to as the 'black box' of downsizing, with longstanding calls for more research to better understand firms' internal downsizing processes and any external influences upon them (Datta et al., 2010; Freeman & Cameron, 1993). For example, how do prevailing bad events influence the magnitude of a firm's workforce reductions, particularly relative to the magnitude of growth for those that are good? Is providing early layoff notification to affected employees good or bad, and for whom – the employee or the firm? Or is early notification perhaps *both* a blessing and a curse? And how does adoption of a downsizing strategy change a firm's view of what constitutes a good or bad employee, thus influencing who is more likely subject to layoffs within the extant workforce?

These questions motivate the three essays that follow in this manuscript. They aim to provide insight into firms' downsizing processes and the contextual conditions that can affect them. Specifically, these downsizing processes include (i) firm decisions about the magnitude of downsizing, (ii) how early layoff notifications affect the individuals targeted to leave while they

remain within the firm, and (iii) firm layoff decisions based on employee pay and performance, which collectively provide the empirical material for the essays that follow.

Looking at Downsizing Through the Lens of Good and Bad

As a lens for the three essays that follow, I adopt different perspectives on good and bad. The adjectives good and bad are prevalent in both common language (Good., 2020) and management research[1]. The definition of the word 'good', when used in adjectival form, generally falls within an (i) effective, (ii) affective, or (iii) moral domain. In the effective domain, good phenomena are those that can achieve a desired or intended outcome. In the affective domain, good phenomena feel enjoyable and pleasant, while in the moral domain they are deemed right and just. Conversely, bad phenomena are ineffective, unpleasant, or immoral, as Oxford's primary definition of the word 'bad' is simply 'not good' (Bad., 2020).

The first essay explores the relative strength of bad events over good. Its definition of good (bad) falls within the first definitional domain – the effectiveness (or not) of a phenomenon at generating a particular outcome, in this case magnitude of downsizing. The second essay examines the coexistence of good and bad, exploring simultaneous tensions between the first and second definitional domains. It explores how employees given early layoff notification can, during their remaining time at the firm, feel 'bad' on the inside but outwardly comply with the institutional norms of 'good' professionals, whereby emotional detachment is a criterion for effective work performance (Freidson, 1970; Larson, 1977). The third essay explores the instability of good and bad, as defined within the first definitional domain, exploring variability in the meaning of what constitutes good or bad given a change in context. Contextual changes in

[1] As of July 31 2020, peer-reviewed, English articles in EBSCO Business Source Complete with good or bad in the title [TI Good OR TI Bad] yields 17,331 studies, ABI Business Premium Collection [ti(bad) OR ti(good)] yields 23,355, Web of Science (SSCI) [title:("bad") OR title:("good")] yields 32,010.

a firm's environment can make previously 'good' employees now look 'bad', making them more likely targets for downsizing.

These three explorations of good and bad extend beyond the most common good/bad perspective within management research – that of whether a single phenomenon is good or bad. Management studies often pose questions in the form of: Is *X* effective or ineffective, pleasant or unpleasant, right or wrong? Their findings can provide insights on new phenomena and often become the basis for assumptions going forward. However, the potential value in challenging extant assumptions via either a 'bad is good' (good is bad) perspective, or demonstrating the instability/coexistence of stable/disparate phenomena, respectively, has also been evident for some time (Davis, 1971).

The research questions addressed within this manuscript offer insight into the challenges faced by both firms and employees when downsizing. They enable a look inside the 'black box', examining the complex and underexplored, but no less important, liminal space between adoption of a downsizing strategy and its eventual outcomes. They also speak to the many difficult decisions faced by downsizing firms, which will impact not only the firm's ability to perform going forward, but also the livelihoods and well-being of employees who are dismissed.

Essay 1: Asymmetric Firm Expansion/Contraction: The Relative Strength of Bad Over Good Events

A long-standing body of research adopting the 'bad is good' perspective can be found in the cognitive and social psychology literature. Strong and consistent findings demonstrate that bad events elicit stronger negative responses in individuals than similar good events elicit positive responses (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001; Rozin & Royzman, 2001; Taylor, 1991; Tversky & Kahneman, 1991). In other words, bad is better than good at

eliciting a strong response. Baumeister et al. (2001) aptly title this phenomenon "Bad is stronger than good".

Firm contraction through downsizing is often a firm's response to a bad event. For example, downsizing is a common response to declining firm performance (for a listing and review see Datta et al., 2010), reductions in customer demand (Baumol, Blinder, & Wolff, 2003; Filatotchev, Buck, & Zhukov, 2000; Wagar, 1997), or declining conditions within a firm's economic or industry context (Carmeli & Sheaffer, 2009; Falato & Liang, 2016; Kawai, 2015). If the strength of bad events over good applies broadly across individuals and individuals are responsible for downsizing decisions within firms, then the magnitude of a firm's employment contraction response to a bad event may exceed the magnitude of employment expansion in response to a good event. It generates the question: *are the conditions underlying firm growth and decline asymmetrical?*

The first essay considers this question specifically in the context of firm employment expansion or contraction. Building on the cognitive and social psychology literature, we argue that bad events have more powerful effects upon actors in firms than good events. Bad events present the possibility of significant earnings losses and may even call into question the firm's very existence, good events present opportunities for gains and new strategic initiatives. However, good events do not make key actors question themselves, their strategy, or firm survival in the way that bad events do. The relative strength of bad events is also conditional upon their external or internal locus. Bad events exist in a firm's external environment, exogenous and outside a firm's direct control, and pose a greater threat, thus leading to a strong response. Bad events internal to a firm, malleable and even manipulatable, do not engender the same level of threat to and response of a firm.

We make use of data on 900 global oil and gas firms. Given the energy industry's cyclicality and price volatility, firms within it are particularly prone to good and bad events. In the years 2010 through 2013, the energy industry experienced extremely high oil prices and significant employment growth, as it emerged from the Great Recession. In 2014, oil prices collapsed, triggering massive employment downsizing over several years. Thus, the context of the study allows a juxtaposition of firms' employment expansion/contraction responses to both good/bad events, respectively.

We tested our hypotheses via random-effects regression models and find support for the strength of bad events perspective. Firms downsized with greater magnitude in response to a bad event than they expanded employment as a response to a good event. Bad events of external origin, such as poor market performance and economic conditions, elicited stronger firm contraction responses than bad events of internal origin, such as poor profitability. The findings provide insight into the seemingly incongruous or discordant strategic responses to good and bad events in firms. In so doing, we help to explain the particularly destructive character of bad events, whereby many good events, or a much larger one, may be needed to make up for the power of a single bad event (Baumeister et al., 2001).

Essay 2: Looking Good While Feeling Bad: How Professional Norms Drive Employee Feigning Behaviours

Looking good in the eyes of another, despite feeling bad, characterizes the large body of research on emotional labor – a field that demonstrates the important role of social context in the display of emotions at work (Hochschild, 2012). While emotional labor research offers insight into the simultaneous coexistence of bad and good, it tends to operate at a dyadic level (Ashkanasy & Humphrey, 2011; Ashkanasy, Humphrey, & Huy, 2017). These dyads primarily

focus on employee displays of emotion that induce a particular state of mind within either a customer or patient, in retail/service or healthcare settings, respectively (Ashforth & Humphrey, 1993; Hochschild, 2012). In the second essay, I further explore the coexistence of good and bad by building upon recent theorizing at a higher level of analysis, specifically how social norms at an institutional level can influence the display of emotions between employees themselves (Ashkanasy et al., 2017; Jarvis, 2017).

When employees act in accordance with institutional norms, despite incongruence with felt emotions, they are said to engage in *feigning behaviours* (Jarvis, 2017). The theory argues that feigning behaviours can cause strain within individuals, particularly when sustained over long periods of time, yet also contribute to stability and order within social space. To date, empirical examinations of this phenomenon have been hampered by the difficulty in parsing out feigned behaviours from felt emotion amongst research participants (Ashkanasy et al., 2017; Jarvis, 2017). Therefore, this study asks: *What types of institutional norms drive feigning behaviours? In organizational settings, how are emotions feigned, and by whom?*

Downsizing is known to be a highly emotional experience for those losing their jobs (Ainsworth & Hardy, 2009; Archer & Rhodes, 1993; Butler, Sweeney, & Crundwell, 2009; Gowan, 2014; Vickers & Parris, 2007). Social influences are likely to influence the display of these job loss emotions to others within the workplace, yet extant studies on the emotions of those who lose their jobs tend to assume these highly emotional experiences occur outside the organization, after employment is lost, and not from within it.

This assumption, however, ignores the temporality of downsizing – an oversight that has been drawing criticism since the 1990s, whereby downsizing is treated as an instantaneous event and not process implemented over time (Freeman & Cameron, 1993). Once the temporality of

downsizing is taken into account, it becomes apparent that employees' emotional experiences to job loss will also occur within the organization. For example, organizations may choose, or be required by law, to provide advance notification to employees facing layoffs, thus creating temporal space for job loss emotions to occur while at work. Acknowledging downsizing's temporality makes when firms notify their employees a relevant context of study, yet studies specific to advance notice remain relatively uncommon in the field, despite the known emotionality of the job loss experience.

In the second essay, I explore the disparity between employee felt emotions and feigning behaviours through narrative interviews with employees who experienced advance layoff notification. During the layoff notification period, leaders made direct appeals to institutional norms of professionalism. These norms, whereby work is to be performed with emotional detachment (Freidson, 1970; Larson, 1977), triggered employee feigning behaviours. These feigning behaviours took the form of a diminished negative display (Jarvis, 2017). The findings offer empirical evidence in support of feigning behaviours and highlight how employees' emotional responses to job loss are experienced from within organizations, while still working in the job they are about to lose. They also highlight how social order can be maintained via institutional norms of professionalism during an otherwise turbulent time in organizations – wherein 'good' professionals do not display to others that they are feeling 'bad'.

Essay 3: When is Good Pay Bad? High Relative Pay, Declining External Conditions, and Employment Separation

Evaluations of whether a phenomenon is good or bad are generally assumed to be stable. Research challenging this assumption often takes the form of 'too much of a good thing is bad' where curvilinear effects are explored as the magnitude of a good phenomenon increases.

Beyond an inflection point of a certain magnitude, a good phenomenon therefore becomes bad (Pierce & Aguinis, 2013). The third essay in this manuscript extends beyond the magnitude of a phenomenon to examine how contextual changes within a firm's external environment can contribute to the instability of good and bad.

Contextual changes in the external environment of firms have an important influence on the perceptions and actions of both organizations and the individuals within them (Cappelli & Sherer, 1988, 1991; Johns, 2006; Mowday & Sutton, 1993). For example, in the context of downsizing, Dencker (2012) demonstrates how a firm's temporal context influenced the choice of who to retain and who to remove within a firm's extant workforce. He found that downsizing decisions prioritized the removal of relatively high-paid employees (i.e., the upper end of a pay range for a given job level) during the early-era downsizing of the 1980s, a time when the prevailing view was that firms had to be 'mean-and-lean' (Budros, 2002). As the downsizing era progressed further into the 1990s, there became a growing recognition that removing high paid employees could also remove those with high performance, thus downsizing decisions changed – to prioritize the removal of low-performing employees.

Another important contextual influence is the broader economic conditions that surround firms. Context influences firms such that what might be viewed as good in the sense of valuable under favorable economic conditions might otherwise be seen as bad under unfavorable conditions. The moderating effect of context on perceptions and behaviors raises the question: How do economic conditions influence employer actions and perceptions of employees' value? The third essay examines this question by looking at employee pay and employee performance in relation to employee separations – extending Dencker's (2012) prior work by examining the contextual influence of changing economic conditions upon who firms choose to layoff.

During favorable economic conditions, high relative pay is evidence of a good employee. It reflects the employee's commitment to the firm and repeated positive performance over time. Employees with high relative pay are unlikely to be separated from their firms in that they do not ordinarily leave voluntarily and are generally not asked to do so by their employer. When faced with an economic downturn, is that same high paid employee now perceived differently by the employer? Will they go from being seen as good stable members of the firm, to bad - an excess cost who needs to be let go? And how does employee performance play into this? Does high individual performance neutralize any negative perceptions of, and actions taken toward, those that are high paid?

Using a longitudinal dataset of employee-level data (n = 294,622) from 196 energy sector firms over six years, this study examines how a firm's external context moderates the relationship between employee relative pay and employment retention/separation. The hypotheses are tested via moderating effects (two- and three-way interaction) within a random-effects logistic model. When external conditions decline, there are greater increases in the likelihood of employment separation among employees with high relative pay. Relatively high-paid employees go from being least likely to leave when conditions are favorable to the most likely target for separation when conditions decline. This greater effect for pay is robust to high levels of employee performance, as even firms' top performers at high relative pay are found to have greater increases in separation relative to other top performers at low relative pay. The results suggest having top performer status does not make these employees immune to separation when their relative pay is high and external conditions decline.

The findings reiterate the important role of context, specifically the broader economic conditions that surround firms, to the perceptions and actions of organizations and the

individuals within them. They suggest declining external conditions influence employer perceptions and actions toward certain employees within a firm's extant workforce, namely employees at high relative pay. When external conditions are favorable, high relative pay can be an asset for both employees and firms. However, high relative pay can quickly become a liability for employees when external conditions decline, even amongst those with top performer status. In other words, declining external conditions can make good pay bad.

Methodological Approach

The following three essays contain variety in both their data and methodology, adopting both quantitative and qualitative methods. This approach was chosen to both address each study's research question and ensure my research agenda encompasses a range of empirical perspectives on the phenomenon of downsizing. While each study adopts a different dataset and analysis method, all studies share the same empirical setting – that of energy sector employment pre/post the collapse of oil prices in late 2014. This price collapse resulted in massive downsizing across the sector over several years (Cattaneo, 2016; McCain, 2015; PetroLMI, 2019).

Statement of Contribution

All three essays are original and unpublished work. The first and third essays are co-authored with Dr. Peter Sherer, my doctoral supervisor. In both cases, I worked with Professor Sherer in establishing the research question and the theoretical argument. I collected all the data, performed all statistical analyses with his guidance, and am the primary author. Dr. Sherer provided several in-depth reviews of each essay, which informed subsequent revisions, and contributed to the framing of the paper and its theoretical argument, which is reflected in his writing principally in the introduction and discussion sections of the two papers. Co-author

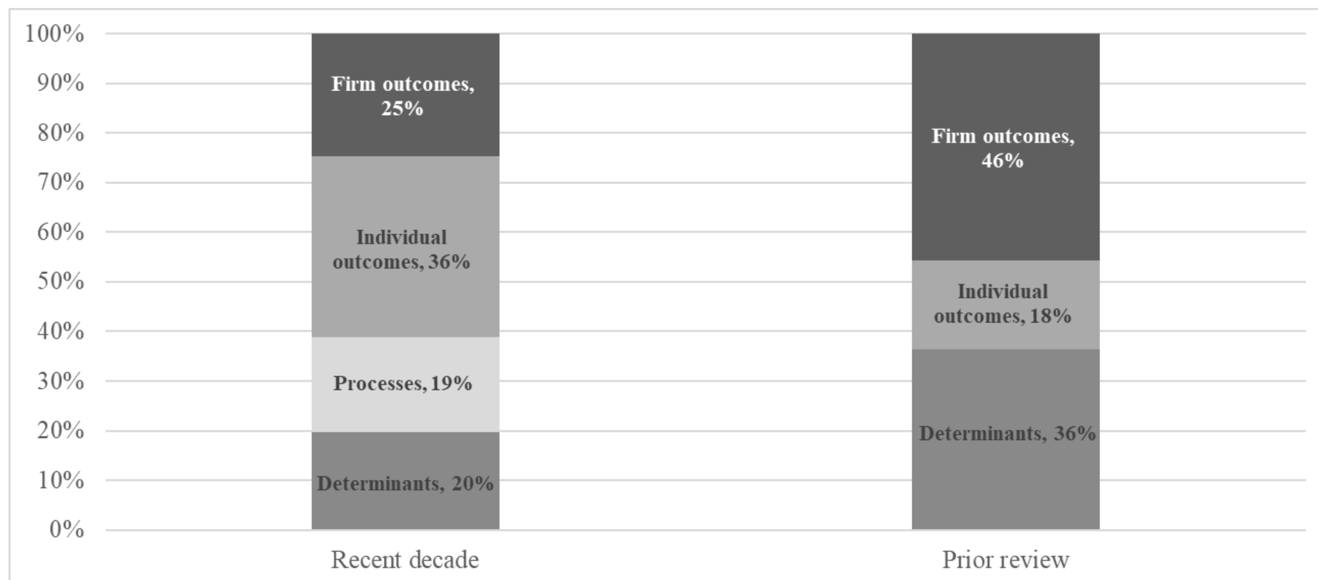
permission is documented in the Appendix. Professor Sherer extensively reviewed Essay 2 and contributed to the framing and ideas behind it but he and I believe this essay should be a single authored work by me alone, given it reflects my personal experiences.

Summary

Tensions between good and bad are typically examined in the context of downsizing's individual and firm-level outcomes. Alternative perspectives on good and bad help to strengthen our understanding of this complex and multi-faceted phenomenon. Separately, the essays that follow adopt three different perspectives on good and bad in the study of downsizing, specifically the (i) relative strength, (ii) coexistence, and (iii) contextual variability of good and bad. In its entirety, this manuscript helps to further open the 'black box' of downsizing, deepening insight into firms' downsizing processes and the contextual influences upon them, while offering perspectives on the tension between good and bad.

Figure *i.1*

Downsizing research over time



The graph titled "Prior review" refers to Datta et al. (2010)'s review of the first 25 years of downsizing research (1984-2008). The scope of this review included individual outcomes only for those *remaining* within an organization, not those displaced, and thus underrepresents the full body of research in this domain. The graph titled "Recent decade" spans my own review downsizing publications in top journals from 2009 to 2019. Its scope includes all forms of individual outcomes as well as downsizing processes. Top journals were defined and coded as those ranked AJG 3 or higher.

ESSAY 1: ASYMMETRIC FIRM EXPANSION/CONTRACTION: THE RELATIVE STRENGTH OF BAD OVER GOOD EVENTS

Introduction

Conditions underlying firm expansion and contraction are often assumed to be symmetrical. They are treated as two sides of the same coin - whereby good events, such as an economic upturn, are believed to trigger positive firm responses of the same magnitude as negative firm responses to bad events, such as an economic downturn. Under this assumption, firm decline is simply growth-in-reverse and vice-versa. But is that so; do firms respond symmetrically to bad and good events? We consider this question in the context of firm employment expansion or contraction, arguing that bad events have more powerful effects upon actors in firms, thus leading to stronger employment contraction responses to bad events relative to employment expansion responses to good events.

Our arguments build on a significant body of literature, primarily within cognitive and social psychology, that speaks of individuals' disproportionate responses to bad events relative to good ones (Baumeister et al., 2001; Taylor, 1991; Tversky & Kahneman, 1991). In a firm, bad events present the possibility of significant earnings losses, having to change top management or strategy, and may even call firm survival into question. Good events present the possibility of significant earnings gains, for new strategic initiatives, and for managers to take some chances in pursuit of opportunities. However, good events do not make key actors in firms question themselves, their current strategy, or firm survival in the way that bad events do. This relative strength for bad events is also conditional upon the origin of the event – whether external or internal to the firm. Bad events in a firm's external environment, exogenous and outside a firm's direct control, pose a greater threat, thus leading to a strong response. Bad events internal to a

firm, malleable and even manipulatable, do not engender the same level of threat to and response of a firm.

In this study, we make use of data on global oil and gas firms. Given the energy industry's cyclicality and price volatility, firms within it are particularly prone to good and bad events. A total of 5,047 observations for 900 firms were gathered from 2010-2017. This period was chosen because the energy industry experienced extremely high oil prices and significant employment growth in the years 2010 through 2013, as it emerged from the Great Recession. In 2014, oil prices collapsed, triggering massive employment downsizing over several years. Thus, the context of the study allows a juxtaposition of firms' employment expansion/contraction as a response to both good/bad events, respectively.

The results of the study support a strength of bad events perspective; firms downsized with greater magnitude in response to a bad event than they expanded employment as a response to a good event. Bad events of external origin, such as poor market performance and economic conditions, elicited stronger firm contraction responses than bad events of internal origin, such as poor profitability.

Our theoretical arguments and empirical findings provide insights into the seemingly incongruous strategic responses to good and bad events in firms. In so doing, we help to explain the particularly destructive character of bad events, the prolonged nature that growth takes in firms, as well as the long catchup that firms face in getting back to their prior employment levels after suffering bad events. Many more good events, or a much larger one, can be needed to make up for the power of a single bad event (Baumeister et al., 2001).

Theoretical Background and Hypotheses

Extant strategic management theorizing typically implies symmetry between firm contractions to bad events and firm expansions to good events. This assumption treats firm responses to bad events as simply the reverse of those for good events. For example, when customer demand decreases, a bad event, the firm will contract, while it will expand as customer demand increases. Similarly, efficiency-seeking drives expansion (Porter, 2008) while the removal of inefficiencies will drive firm contraction (Freeman & Cameron, 1993; Trahms, Ndofor, & Sirmon, 2013). These strategic perspectives, despite differences in their underlying mechanisms, all imply symmetry between firm responses to bad and good events.

The relative strength of bad events. Challenging this symmetry assumption are consistent findings within social psychology and cognitive psychology that bad events generate stronger negative responses than positive responses for equivalent good events (Baumeister et al., 2001; Rozin & Royzman, 2001; Taylor, 1991; Tversky & Kahneman, 1991). *Bad events* are those characterized by actual or expected: loss, decline, threat, adversity, wrong-doing, rejection, or disadvantage, while *good events* are those that reflect actual or expected: gains, growth, opportunity, acquisition, benevolence, praise, or advantage (Baumeister et al., 2001; Taylor, 1991; Tversky & Kahneman, 1991). The terms bad and good in this line of theorizing have to do with being unfavorable or favorable, as opposed to being morally wrong or right.

The relative strength of bad events is attributed to more time, attention, and effort spent figuring out the causes of bad events as compared to those that are good (Baumeister et al., 2001; Rozin & Royzman, 2001; Taylor, 1991). This heightened level of effort and mobilization of resources (Taylor, 1991) can aid survival, as the outcomes of a missed threat are likely to be more serious than those of a missed opportunity (Baumeister et al., 2001; Tversky & Kahneman,

1991). Bad events are typically unexpected and more infrequent - attributes known to garner heightened attention (Baumeister et al., 2001). Even previous experiments that disentangle an event's unexpectedness, (in)frequency, and negativity still find an effect for bad events (Taylor, 1991).

How managers' cognitions impact firm-level outcomes have been explored in research adopting an upper-echelons perspective (Hambrick & Mason, 1984). This line of theorizing emphasizes how managers' personalities and other experiences can influence firm-level actions and outcomes. It proposes that the responses of a few individuals, typically those in top management, can characterize the strategic actions of the firm as a whole. The general assumption is that a firm's strategic actions are, ultimately, a managerial decision – one that will reflect the traits, values, and other characteristics of individual managers. Despite its cognitive focus, upper-echelons research tends to examine the influence of stable managerial traits (e.g., Knight et al., 1999; Peterson, Smith, Martorana, & Owens, 2003; Resick, Whitman, Weingarden, & Hiller, 2009), and not the more variable state-based cognitions that result from situational events being perceived as either good or bad.

As an example, it has been proposed that managers', on average, have greater positive illusions than in the general population (Hiller & Hambrick, 2005). Positive illusions include traits such as unrealistic optimism, exaggerated perceptions of control, hubris, and other self-enhancing biases (Hiller & Hambrick, 2005; Taylor & Brown, 1988; Weinstein, 1980). While these personality traits suggest that a manager may underestimate the likelihood of bad events occurring and/or overestimate their ability to make good decisions and obtain positive outcomes, they do not say what the strength of a manager's response will be when a bad event does occur.

The strength of bad events perspective implies strong defensive actions by managers whose firms face an actual or potential threat. Firms facing an actual threat have been the focus of the retrenchment and corporate turnaround literature (Barker & Mone, 1994; Robbins & Pearce, 1992), as it exclusively examines firm responses to organizational decline – a bad event. This literature has previously argued that managerial cognition will play an especially important role in firm responses to organizational decline (Trahms et al., 2013), but it has said relatively little about what these cognitive mechanisms are and, in particular, what their relative strengths are when compared to growth.

Some strategic management research has challenged assumptions of symmetry. Price and Sun (2017) explore the asymmetry of positive and negative firm outcomes, respectively, for both corporate social responsibility (CSR) and irresponsibility. They find that the negative performance losses of irresponsibility, a bad firm action, are larger than the positive performance gains of CSR, a good firm action, with acts of corporate social irresponsibility negatively moderating the CSR-Performance relationship. Heinz and Swinnen (2015) find an asymmetry in media's reporting of bad firm actions, specifically announcements of mass layoffs, relative to good firm actions, announcements of mass hiring. Both studies highlight the negative firm outcomes of a bad act exceed the positive firm outcomes of a good act – thus supporting an asymmetry between bad and good within firms. While both studies support an asymmetry between the *outcomes* of good and bad firm actions, they do not directly address the question of whether any asymmetry applies to firms' *responses* to good or bad events.

Asymmetrical firm responses to good/bad events have been proposed by Freeman and Cameron (1993) who, in one of the earliest conceptual papers on organizational downsizing, argued that downsizing is neither growth-in-reverse, nor a simple reversal of the dynamics

associated with successful organizational adaptation to change. Research on performance feedback by Greve (1998, 2003a, 2003b) examines firm responses to performance feedback in the context of organizational change and provides some empirical evidence in support of asymmetric firm responses. Positive performance feedback results in a decrease in the rate of organizational change, while the same amount of negative performance feedback has little effect, if any, on the rate of organizational change (Greve, 2003b).

Asymmetric firm responses to bad and good events favor the relative strength of bad events. In the context of firm employment expansion or contraction, bad events will have more powerful effects upon actors in firms, thus leading to stronger employment contraction responses to bad events relative to employment expansion responses to good events. Therefore, we hypothesize:

H1. Firms' contraction responses to bad events are stronger than expansion responses to good events.

External versus internal bad events. Bad events external to the firm theoretically have a more powerful effect than do internally generated ones. Negative feedback from external sources is particularly potent, eliciting strong reactions from individuals (Taylor, 1991). For example, an individual's negative response to personal criticism from others will be stronger that for any internal self-deprecation.

Market performance acts as a form of external feedback in that low market performance reflects criticism from shareholders while high market performance captures praise. Poor market performance is particularly influential to the adoption of defensive firm strategies. For example, pressure from shareholders and fulfillment of analysts' earnings expectations has been attributed to the growing prevalence and legitimacy of employment downsizing strategies today (Jung, 2016; Schulz & Wiersema, 2018).

Accounting performance acts as a form of internal feedback (Greve, 2003a), which is less objective than external feedback. Firms are more able to manipulate internal performance measures in a positive direction (Greve, 1998). Any positive skew for internal performance feedback may cause weaker responses overall (Greve, 1998), making 'bad' internal events seem *less* bad. Therefore, the strength of bad external events will be amplified relative to bad internal events.

Changes in a firm's external competitive environment and broader economic conditions also serve as potential good and bad events. These external conditions may be the result of factors beyond a firm's control and thus generate a threat or opportunity for which the firm must respond. One of the most critical bad events in a firm's external environment is an economic recession. Recessions are typically perceived by managers as a "bad" thing – something that must be dealt with swiftly (Barbero, Di Pietro, & Chiang, 2017; Tangpong, Abebe, & Li, 2015) and effectively to mitigate any organizational decline or threat to firm survival. Taking action to mitigate these threats does not require actual declines in performance to be present (Lee, 1997). Instead, a firm may choose to take proactive actions before a performance decline occurs to mitigate any future losses. Therefore, firms can respond to bad events in their external environment regardless of any influence the event may, or may not, currently have upon its level of performance.

To summarize, the strength of bad events will apply to both external and internal events, with external bad events expected to have a stronger effect over those that are internal. Therefore, we hypothesize:

H2. Firm's contraction responses to external bad events are stronger than those of internal bad events.

Study Context

We focus on the global energy sector, which experienced a severe collapse in oil prices in 2014 (Baumeister & Kilian, 2016). In the years prior to the price collapse, the industry reaped the benefits extremely high oil prices as the world came out of the Great Recession, with employment levels surging. By the end of 2014, oil prices had collapsed by ~60% and forced firms to react to a drastic change in economic conditions over several years - reactions that included significant downsizing (Figure 1.1). This upsizing and downsizing response to high and low oil prices, respectively, allows a comparison of firm responses to both good and bad events within this study.

Insert Figure 1.1 about here

Methods

Sample. The sample was drawn from all publicly-traded firms in the energy services, exploration/production, and integrated segments of the global energy sector – as listed in Standard & Poor's monthly Compustat database for fiscal years 2010-2017. This period was chosen because it consists of three years both before and after the 2014 crisis year, plus an additional year to enable lagged calculations, while not extending into the previous great recession of 2007-2009. A total of 5,047 observations for 900 firms were gathered.

Dependent Variables. Two dependent variables were adopted in this study: downsizing magnitude (DOWN) and upsizing magnitude (UP). Downsizing magnitude is measured as a firm's annual decrease in number of employees, when the decrease exceeds 5% of a firm's total employment. This aims to exclude any voluntary employee turnover from the downsizing measure and the >5% threshold is consistent with methodological conventions in prior literature

(e.g., Ahmadjian & Robinson, 2001; Brauer & Laamanen, 2014). Upsizing magnitude is measured similarly for consistency - a firm's annual increase in number of employees, when the increase exceeds 5% of a firm's total employment. Measures reflecting actual changes in employment were chosen over publicized downsizing/upsizing announcements. Public downsizing announcements only reflect intent to downsize and do not always result in actual employee reductions (Jung, 2016), while upsizing is rarely announced publicly (Heinz & Swinnen, 2015). The natural log of both variables was taken to adjust for skewness in the measures.

Independent Variables. Three independent variables were adopted in this study. External performance (EXTERNAL) uses Tobin's q at *t-1* (Chung & Pruitt, 1994). This measure is consistent with prior downsizing literature and Price and Sun's (2017) earlier asymmetry findings related to CSR. To adjust for skewness caused by extreme positive outliers, the natural log was taken. Internal performance (INTERNAL) uses return-on-assets, calculated as the ratio of earnings-before-interest-and-taxes to total assets at *t-1*. This measure was chosen to be consistent both with prior downsizing and performance feedback literature. Extreme negative and positive outliers in the ROA variable were winsorized to values at the 1st and 99th percentile, respectively. The third independent variable reflects bad/good economic conditions (CONDITIONS) - a dichotomous variable equal to zero when conditions were bad were bad due to the oil price collapse, years 2014 through 2017, and one when conditions were good, years 2010 through 2013[2] (Figure 1.1)

Control Variables. Several control variables were also included. Because levels of employment are influenced by firms' technology and automation, the ratio of a firm's total

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[2] Firms with a fiscal year end in 2014 occurring prior to the price collapse (15% of observations in 2014) were coded as being in good economic conditions in that year.

property, plant, and equipment expense to total number of employees (logged, at *t*-1) was used as a control for firms' capital intensity (CAP.INT). A firm's total number of employees (logged, at *t*-1) was used to control for firm size (EMP). Prior year labor efficiency (L.EFF) was measured in two ways based on industry segment (SEGMENT). To allow for comparability, the two labor efficiency measures were standardized by year using *z*-scores and then combined into a single variable within the model. In exploration/production (EP) and integrated (INT) energy firms, prior year labor efficiency was measured as production output per employee. In energy services (SERV) firms, prior year labor efficiency was measured as revenue per employee, as these firms have no energy production output.

Seventy-one percent of the firms in the sample reported total employment during the period, even though it is not a legally required component of financial statements (Hallock, Strain, & Webber, 2012). To control for any non-response bias, a two-stage Heckman model (Heckman, 1977) was adopted. In stage one, a regression was run to compare those firms who reported number of employees and those who did not based on industry segment, firm age, and total assets - all of which were significant at $p < .05$. This model was then used to generate an Inverse Mills ratio that is used as a control variable in all subsequent calculations to improve generalizability. Table 1.1 outlines the operationalization of all variables in the study.

Insert Table 1.1 about here

Analysis Method. Magnitude of downsizing and upsizing were assessed using two random-effects regression models, one for downsizing and the other for upsizing. Random effects models offer the advantage of combining both within and between firm variance over

time to improve model efficiency, while also allowing for both time variant and invariant predictors (Certo, Withers, & Semadeni, 2017). The models were specified as follows:

$$DOWN, UP = \beta_0 + \beta_1 (EXTERNAL) + \beta_2 (INTERNAL) + \beta_3 (CONDITIONS) + \beta_4 (CAP.INT) + \beta_5 (EMP) + \beta_6 (L.EFF) + \beta_7 (SEGMENT) + \beta_8 (non\text{-}response) + e_{it}$$

Where;

DOWN = annual decrease in employees > 5%, logged;

UP = annual increase in employees > 5%, logged;

EXTERNAL = Tobin's q at *t-1,* logged;

INTERNAL = ROA at *t-1;*

CONDITIONS = one in years 2010-2013 and zero otherwise;

CAP.INT = property plant & equipment expense/# employees at *t-1,* logged;

L.EFF = production or revenue per employee at *t-1* standardized via z-scores;

SEGMENT = energy services, exploration/production, and integrated energy firms;

and non-response = Inverse Mills ratio.

The two models separately assess downsizing/upsizing magnitude, respectively, relative to all other firms in the sample. Both models retain a consistent sample size and offer a conservative test because they include the effects of any counter-cyclical firm actions. Counter-cyclical actions can include upsizing during recessions (Greer, Ireland, & Wingender, 2001) or downsizing when performance is high (Lee, 1997), whereby firms treat typical bad events as a good opportunity to expand or vice-versa. Tests for multi-collinearity were completed by examining variance inflation factors. All were less than or equal to 5.8, which is below the typical threshold of 10 (O'Brien, 2007). Table 1.2 includes the correlation matrix and descriptive statistics for the variables in the study.

Insert Table 1.2 about here

Results

As shown in Models 1 and 2 of Table 1.3, lower external performance is positively associated with magnitude of downsizing (Model 1, β *-1 = .49, $p < .001$), while higher external performance is positively associated with magnitude of upsizing (Model 2, β = .46, $p < .001$). Similarly, both lower internal performance (Model 1, β *-1 = .18, $p < .001$) and bad economic conditions (Model 1, β *-1 = 1.08, $p < .001$) are associated with higher downsizing magnitude, while high internal performance (Model 2, β = .15, $p < .001$) and good economic conditions (Model 2, β = 1.02, $p < .001$) are associated with higher upsizing magnitude.

Insert Table 1.3 about here

H1, which specified that firms would have stronger contraction responses to bad events than expansion responses to good events, is supported. The coefficient for downsizing magnitude in response to lower external performance exceeds that of upsizing in response to high external performance (.49 > .46). Low internal performance is also associated with higher magnitude of downsizing than that for high internal performance and magnitude of upsizing (.18 > .15). Likewise, bad economic conditions yield higher downsizing magnitude than do good economic conditions upon upsizing magnitude (1.08 > 1.02). For all three independent variables, firms had stronger contraction responses to bad events than expansion responses to good events, thus supporting H1.

H2, which predicted firms' contraction responses to external bad events to be stronger than those of internal bad events, is also supported. A comparison of the coefficients for both external firm performance and economic conditions with those of internal firm performance in Model 1 allows this hypothesis to be assessed. Both lower external firm performance and bad economic conditions increase the magnitude of downsizing by more than lower internal firm performance (49 > .18 and 1.08 > .18 in Model 1).

Several robustness checks were completed. All models were re-run using downsizing/upsizing thresholds of both 3% and 10% - a methodological convention often used in prior downsizing research (Ahmadjian & Robinson, 2001; Brauer & Laamanen, 2014). The results remain consistent when a 10% threshold is used. The 3% threshold provides a lower bound because employee turnover not initiated by the firm is more likely to be included. The results weaken but the pattern is consistent with that found for the 5% threshold.

A second robustness check re-ran both models excluding upsizing firms from the downsizing model and vice versa (see Models 3 and 4 in Table 1.3). These two models remove the effects of any counter-cyclical firm actions. Models 3 and 4 in Table 1.3 also yield support for both of this study's hypotheses. The coefficient for downsizing magnitude in response to lower external firm performance exceeds that of upsizing in response to high external performance (.38 > .25). Low internal firm performance is also associated with higher magnitude of downsizing than for high internal performance and magnitude of upsizing (.13 > .07). Likewise, bad economic conditions yield higher downsizing magnitude than do good economic conditions upon upsizing magnitude .88 > .57). In all cases, firms had stronger contraction responses to bad events than expansion responses to good events, thus reinforcing support for H1. Both lower external firm performance and bad economic conditions increased the magnitude

of downsizing by more than lower internal firm performance (.38 >.13 and .88 > .13 in Model 3), thus reinforcing support for H2. As one might expect, Models 3 and 4, which exclude any counter-cyclical firm responses, illustrate an even greater disparity between firm responses to bad/good events.

Discussion

We build upon arguments from social psychology and cognitive psychology on the relative weighting of decision makers and find bad events, particularly those that are external in origin, trigger a larger response in firms than do good events. Our findings suggest the notion of symmetry in the literatures on firm contraction and expansion does not necessarily hold and that different theoretical mechanisms underly these key firm actions.

Our findings and theorizing also have implications for other related literatures. They appear to stand in contrast to studies that have found minimal to no effects for organizations facing bad events. Theory and research on threat rigidity (e.g., Staw, Sandelands, & Dutton, 1981) finds organizations often do not take action in the face of threats. Staw et al. (1981: 502) suggest "…there may be a general tendency for individuals, groups, and organizations to behave rigidly in threatening situations." Theory and research on performance feedback (Greve, 1998, 2003a, b) similarly shows organizations make minimal to no changes in response to negative performance feedback. Finally, research in accounting on SG&A cost-stickiness (Anderson, Banker, & Janakiraman, 2003) finds that the cost decreases when revenues fall in firms are less than the cost increases when revenues increase by the same amount.

While each of these contrasting studies differ in a number of ways, what may distinguish our study from them is the certainty with which the bad event occurred and necessitated action on the part of organizations. Anderson et al. (2003: 49-50) argue that "…managers may

purposely delay reductions to committed resources until they are more certain about the permanence of a decline in demand." Similarly, Greve (2003b: 4) argues: "…organizations react conservatively to negative performance feedback: managers seem willing to believe that all is well until they have presented strong proof to the contrary." Thus, these studies do not so much argue that organizations are inertial in the sense that they do not respond to bad events. Instead, they argue organizations delay responding to bad events because either the magnitude of the bad event is uncertain, or they take a blind eye to such events (Hannan & Freeman, 1984).

It also can be argued that the inertial or limited responses to a bad event found in other studies is itself a strong action. An organization that freezes when faced with a major crisis has in fact responded - the lack of action a strong response. In this regard, (Greve, 2003b) finds that organizations faced with negative feedback respond less than organizations faced with positive feedback (even though the positive feedback prompts a decline in the rate of organizational change). When organizations take delayed or limited actions to bad events, they are in effect taking strong actions that may jeopardize their futures. Future research needs to unravel when an inertial or lack of response to a bad event is indicative of a strong reaction.

Our findings and theorizing also speak to the importance of boundary conditions in extant theories of firm expansion (Pitelis, 2009), provide empirical evidence to the long-standing proposition that downsizing is not simply a case of growth-in-reverse (Freeman & Cameron, 1993), and align with calls in the corporate turnarounds and retrenchment literature for more research on managerial cognitions - specifically how they will vary when responding to decline, as opposed to growth (Trahms et al., 2013).

A known challenge within the strength of bad events perspective is that one can never be certain that the magnitude of the good and bad events are equivalent (Baumeister et al., 2001).

As such, the arguments presented here need to be tested for other types of good and bad events. For example, exogeneous shocks can generate either windfalls in profits, or shortfalls related to unpredictable market changes. These and other such events provide fertile ground for testing whether good and bad events trigger similar or different responses.

That we cannot assess whether strong responses to bad events are an over-reaction provides a contrast to the work of Baumeister et al. (2001) and Tversky and Kahneman (1991). The Baumeister et al. (2001) perspective is agnostic as to whether the magnitude of the responses to similar good and bad events should be proportional, as it does not cast the argument in terms of biases. The theoretical argument developed by Tversky and Kahneman (1991) calls for seeing decision makers' heuristics as an overresponse to bad events due to their risk aversion bias. As such, even if risk aversion is grounded in some evolutionary or survival purpose, Tversky and Kahneman (1991) view it as bias and faulty decision making. We make no such claim. Future work is clearly needed to assess the outcomes of firms' reactions, specifically what the 'right' magnitude of responses might be. More research examining other firm contraction strategies, such as asset divestments or reductions in a firm's level of output, portfolio, product offerings, or geographic footprint (Schmitt & Raisch, 2013), would be beneficial.

Conclusion

A critical implication of the findings is that undoing the effects of a single negative event, particularly one externally triggered, will either take several positive events, or a much larger positive event (Baumeister et al., 2001). Thus, not only does this study help to explain why bad events generate high rates of job loss, but also why firm employment can be slow to recover when conditions improve (Hall, 2005; Monastiriotis, Gordon, & Laliotis, 2021). Both

policymakers concerned with unemployment rates and leaders in firms should consider the potentially destructive nature of bad events, and the long road to recovery.

Asymmetry inherent to the strength of bad events both offers insights and creates directions for future research on how much firms contract or expand, as a response to changing conditions. It discourages the assumption that theories of firm contraction are simply expansion-in-reverse, while encouraging future conceptualizations that more fully capture the mechanism that distinguishes firm expansion from contraction.

Figure 1.1

Reported energy sector employment and oil price (2010-2017)

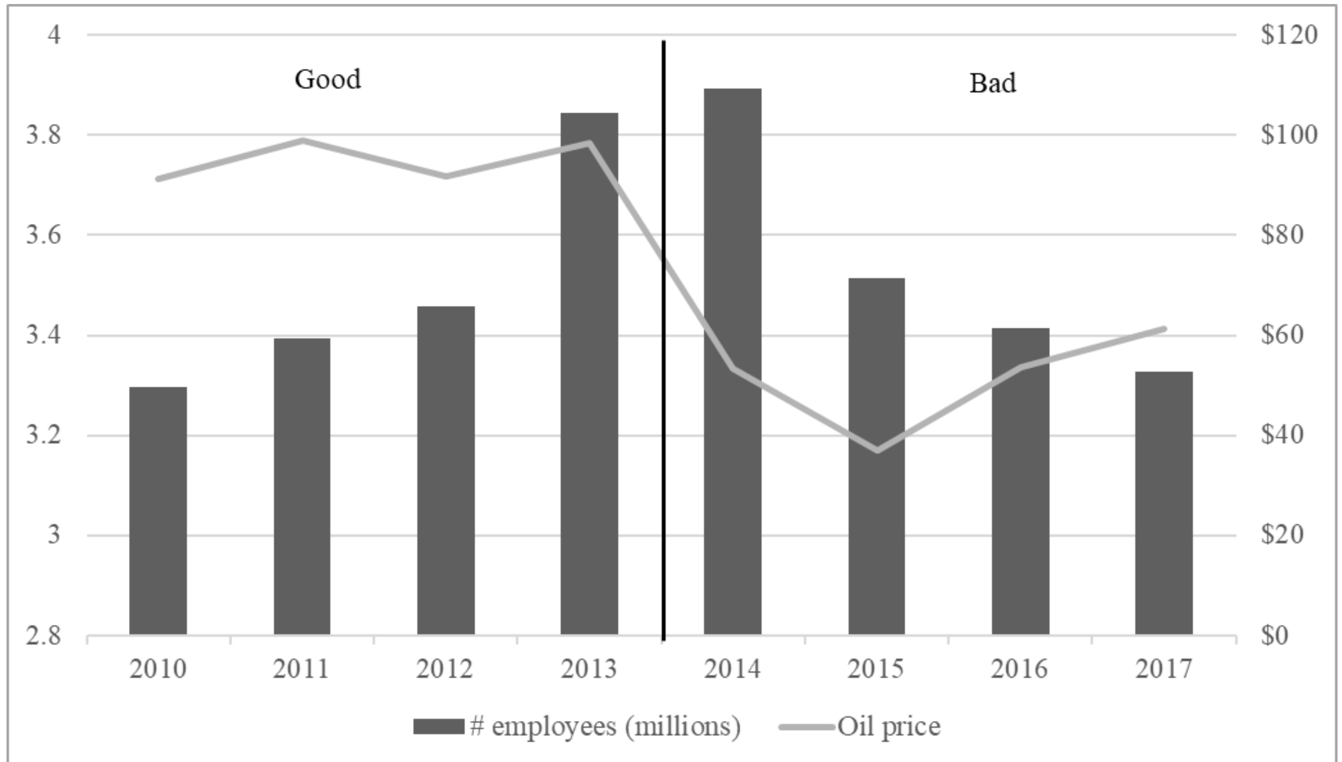


Table 1.1

Operationalization of variables

Variables	Operationalization
Downsizing magnitude (DOWN)	Annual *decrease* in # employees exceeding 5%, logged
Upsizing magnitude (UP)	Annual *increase* in # employees exceeding 5%, logged
External performance (EXTERNAL)	Tobin's q at *t-1*, logged
Internal performance (INTERNAL)	Return on assets at *t-1* (extreme outliers winsorized at 1st and 99th percentile)
Economic Conditions (CONDITIONS)	1 = good, years 2010-2013 0 = bad, years 2014-2017
Controls	
Capital intensity (CAP.INT)	(Property, plant, and equipment expense / # employees) at *t-1*, logged
# Employees (EMP)	# employees at time *t*, logged
Labor efficiency (L.EFF)	Standardized z-scores based on: a) Production output per employee at *t-1* for exploration/production and integrated energy firms b) Revenue per employee at *t-1* for energy services firms
Industry segment (SEGMENT)	1000 = Energy services firms (SERV) 2010 = Integrated energy firms (INT) 2020 = Exploration/Production firms (EP)

Table 1.2

Correlation matrix

		mean	s.d.	1	2	3	4	5	6	7	8	9
1	**DOWN**	1.34	2.36	1.00								
2	**UP**	1.49	2.32	-.36	1.00							
3	**EXTERNAL**	.29	1.27	-.20*	.01	1.00						
4	**INTERNAL**	.05	1.96	.05*	.10*	-.60*	1.00					
5	**CONDITIONS**	.43	.49	.26*	-.19*	-.10*	-.16*	1.00				
6	**CAP.INT**	.94	1.85	-.14*	-.10*	-.20*	.19*	.06*	1.00			
7	**EMP**	5.40	2.70	.34*	.25*	-.30*	.24*	.07*	-.25*	1.00		
8	**L.EFF**	-.05	.85	-.04*	-.04*	-.02	.02	.01	.19*	-.07*	1.00	
9	**SEGMENT**	1744	452.7	-.22*	-.21*	.06*	-.04*	-.05*	.69*	-.43*	.09*	1.00

Table 1.3

Magnitude of firm downsizing and upsizing

Variables:	**MODEL 1:** DOWN	**MODEL 2**: UP	**MODEL 3**: DOWN	**MODEL 4:** UP
EXTERNAL	-.49*** (.06)	.46*** (.07)	-.38*** (.08)	.25** (.08)
INTERNAL	-.18*** (.03)	.15*** (.03)	-.13*** (.04)	.07* (.03)
CONDITIONS (1 = good, 0 = bad)	-1.08*** (.09)	1.02*** (.09)	-.88*** (.12)	.57*** (.11)
Controls:				
CAP.INT	-.12** (.04)	.19*** (.04)	-.07 (.05)	.16** (.05)
EMP	.33*** (.03)	.27*** (.03)	.48*** (.04)	.42*** (.03)
L.EFF	-.02 (.04)	-.06 (.04)	-.04 (.03)	-.07* (.03)
SEGMENT (SERV)	1.59*** (.34)	2.15*** (.32)	3.28*** (.44)	3.66*** (.42)
SEGMENT (EP)	1.63*** (.33)	1.17** (.34)	2.76*** (.40)	2.34*** (.44)
Constant	-1.38*** (.38)	-2.23*** (.42)	-2.95*** (.48)	-3.37*** (.51)
# Firms	579	579	522	549
# Firm years	2680	2680	1727	1838

Random-effects regression on magnitude of downsizing and upsizing (annual change in number of employees exceeding -5% or +5%, logged). Robust standard errors in parentheses. Models 1 and 2 compare downsizing/upsizing with all other firms in the sample. Models 3 and 4 exclude upsizing/downsizing firms from the downsizing/upsizing models, respectively. Industry segment is reported relative to integrated firms in the energy sector. All models include an unreported control for non-response.

*$p < .05$
**$p < .01$
***$p < .001$

ESSAY 2: LOOKING GOOD WHILE FEELING BAD: HOW PROFESSIONAL NORMS DRIVE EMPLOYEE FEIGNING BEHAVIOURS

Introduction

Layoffs are known to trigger powerful negative emotions amongst those losing their jobs (Ainsworth & Hardy, 2009; Archer & Rhodes, 1993; Butler et al., 2009; Gowan, 2014; Vickers & Parris, 2007). Research on job loss often assumes these strong emotions are experienced outside the organization (e.g., Brewington & Nassar-McMillan, 2000; Fraher & Gabriel, 2014; Messmer, 2000; Wang & Greenwood, 2015), after the job is lost, and not from within it. Providing employees with advance layoff notification challenges this assumption, generating the question: How are the emotions associated with an organization-induced loss experienced from *within* the organization?

The social context within which advance layoff notification occurs will influence not only how emotions are experienced, but also how they are displayed to others. For example, emotional labor research illustrates how social interactions can generate disparities between felt emotions and socially-appropriate emotional displays (Hochschild, 1979, 2012). Its focus has largely been in customer-service settings and at individual or interpersonal levels of analysis (Ashkanasy & Humphrey, 2011). However, these disparities are also likely to exist with respect to interactions *between* organizational members and could be influenced by social norms at *higher* levels of analysis (Ashkanasy et al., 2017; Jarvis, 2017).

Research on feigning behaviours (Jarvis, 2017) attempts to bridge this micro-macro gap (Ashkanasy et al., 2017). Employees are said to engage in feigning behaviours when compliance to prevailing institutional norms requires an emotional display that differs from felt emotion (Jarvis, 2017). To date, this area of inquiry is largely theoretical, with empirical separations of felt emotions versus feigned behaviours difficult to access by researchers (Ashkanasy et al.,

2017; Jarvis, 2017). This difficulty leaves many research questions open for further inquiry – what types of institutional norms trigger feigning behaviours, how are emotions feigned, and by whom?

In this study, I explore the influence of institutional norms in employee displays of emotion during advance layoff notification. Motivated by recent theorizing on feigning behaviours, it specifically explores how norms of professionalism drive employee feigning behaviours. Enabling this exploration are narrative interviews with 15 employees who were given advance layoff notification. Two themes emerge from these interviews: (i) leaders in the organization made direct appeals to professionalism during the layoff notification period, and (ii) employees given layoff notification diminished displays of negative emotion via feigning to retain their valued status as professionals. Employees given advance layoff notification kept a stiff upper lip during the notification period - outwardly displaying a business-as-usual approach so they could leave the organization with their 'head held high' as professionals.

This study illustrates that 'good' professionals do not show others that they feel 'bad'. The findings provide some early empirical evidence in support of feigning behaviours, offering professionalism as one influential set of institutional norms. They extend emotion-related management research beyond its typical customer-service interactions to those between peers and suggest that feigning can be found within organizations that adhere to professional norms. The findings also contribute to the literature on downsizing - challenging the prevalent assumption that the emotional responses of those who lose their jobs occur outside the organization and not from within it.

Within research on the professions, this study reiterates the powerful role leaders play at the boundaries of professional organizations (Mintzberg, 1993). It illustrates leaders' direct

appeals to professionalism occur not only when new employees enter organizations to facilitate socialization (Freidson, 1970), but also when employees are about to exit. Although professionals are typically granted considerable autonomy and discretion in their work (Mintzberg, 1993), the findings suggest little room for discretion in the enactment of professional norms, specifically those requiring a lack of visible emotion. The influence of professionalism in this study reiterates how social order can be maintained within organizations, even when the legitimacy of organizational control is threatened or at greater risk of dispute by its employees.

Theoretical Background

When thinking of emotions, words such as sadness, joy, anger, and excitement often come to mind. These words refer to *felt emotions,* which are typically conceptualized as "physiological affective experiences" (Jarvis, 2017: 306; Scarantino & de Sousa, 2018) that occur in response to a stimulus (Hochschild, 1979). Felt emotions often characterize individual-level research on emotions at work – with topics such as within-person emotional states and between-person affective traits now long-standing areas of inquiry (Ashkanasy & Humphrey, 2011).

The social context and emotions. The experience of felt emotions also occurs within a social context (Hochschild, 2012). Social norms prescribe when, how, and where certain emotions can be displayed to others (Ashforth & Humphrey, 1993; Hochschild, 1979, 2012). For example, it is often socially-acceptable to cry at a funeral, while generally unacceptable to do so in a work setting (Bento, 1994; Doka, 2002; Hochschild, 2012). When individuals' felt emotions differ from those prescribed by prevailing social norms, a disparity emerges. This disparity pressures individuals to engage in behaviours that conform with prevailing social norms to avoid the shame or embarrassment that comes with any disrepute by other members of the interaction

(Goffman, 1956, 1959). Therefore, there can be a disparity between an individual's felt emotions and an individual's *expressed emotions* (Hochschild, 1979, 2012).

This disparity between felt and expressed emotions characterizes much of the research on workplace emotions (Ashkanasy & Humphrey, 2011). Emotional labor is, by far, its most prevalent construct and now a long-standing area of inquiry within the field. Emotional labor is an employee's suppression of felt emotion to produce a desired state of mind in another (Hochschild, 2012). Its focus is generally on employee-customer interactions; the classic case of offering service with a smile - even to the most egregious customers (Ashforth & Humphrey, 1993). This extensive body of literature primarily focuses on the customer service context and less so the social interactions between members of the organization itself (Ashforth & Humphrey, 1993; Ashkanasy et al., 2017).

While there is a significant, and growing, body of research on emotions at work, it largely occurs at individual and interpersonal levels of analysis (Ashkanasy & Humphrey, 2011). Yet the social influences upon emotion-related phenomena are also likely to operate at higher levels of analysis (Ashkanasy et al., 2017), such as the role of institutional norms in the display of emotions at work.

Institutional norms and feigning behaviours. Institutional norms are value-laden, taken-for-granted social conventions that guide the behaviour of many organizations and the individuals within them. Their established legitimacy, often developed over long periods of time, grant institutional norms a "rule-like, social fact quality", which becomes deeply embedded in day-to-day life (Zucker, 1987: 444). While institutional norms are known to guide and shape the activities within organizations, even driving the isomorphic nature of organizing itself

(DiMaggio & Powell, 1983), their influence upon emotional displays is only recently gaining the interest of scholars (Ashkanasy et al., 2017).

Jarvis (2017) offers theorizing on how employees' expressed emotions can be influenced by prevailing social norms at an institutional level. When employees act in accordance with institutional norms, despite incongruence with felt emotions, they are said to engage in *feigning behaviours*. Feigning behaviours are formally defined as "emotional displays decoupled either in intensity or valence from physiological experience as a function of satisfying institutionalised norms" (Jarvis, 2017: 306). Like emotional labor, this line of theorizing argues that displayed emotions are as relevant as felt emotions. However, unlike emotional labor, it acknowledges that the level of analysis for normative influences can operate at a level much higher than the interactions between two individuals.

The theory proposes that feigning behaviours contribute to stability and order within social space. Its propositions suggest that feigning can take several different forms, which vary either in strength or direction from felt emotion. For example, when feigning behaviours entail reduced or enhanced expressions of *negative* felt emotions, they are referred to as 'diminished negative display' and 'amplified negative display', respectively. Likewise, when they entail either reduced or enhanced expressions of *positive* felt emotions, they are known, respectively, as 'diminished positive display' and 'amplified positive display' (Jarvis, 2017).

Prior theoretical arguments suggest that all feigning behaviours, regardless of type, will generate strain within individuals. The strain makes it difficult to sustain feigning over long periods of time (Bakker & Demerouti, 2014). When feigning behaviours become too difficult to sustain, actual felt emotions will be displayed. These unfiltered behaviours, referred to as 'tightly coupled displays', are less socially appropriate (Jarvis, 2017). For this reason, tightly coupled

displays of emotion are more likely to occur either in the backstage of a workplace, such as amongst trusted colleagues (Goffman, 1959; Hochschild, 2012), or in an entirely separate non-work context, such as with family and friends. Although it has been argued that tightly coupled displays of emotion consume less psychological resources, cause less mental strain, and can be maintained over longer periods of time (Bakker & Demerouti, 2014), a lack of feigning behaviours threatens social stability and order (Jarvis, 2017). Predictability is desirable within any given social group (Evetts, 2011; Goffman, 1959), whereby norms influence behaviour and behaviours are mimicked by others over time to further legitimate norms in a socially-reinforced loop (Jarvis, 2017).

While the theoretical arguments that employees will engage in feigning behaviours to comply with institutional norms are compelling, it is a difficult task to parse out feigned behaviours from felt emotion amongst research participants (Ashkanasy et al., 2017; Jarvis, 2017). Doing so likely requires the researcher to be immersed in the organizational setting over a long period of time, to become a trusted member of the social group with access to both the frontstage and backstage display of emotion (Ashkanasy et al., 2017; Hochschild, 1979, 2012; Jarvis, 2017). While empirical explorations of feigning behaviours between coworkers in organizational settings would help to extend our knowledge on feigning (Ashkanasy et al., 2017), the equally significant methodological challenge has left this body of research primarily theoretical.

In summary, feigning behaviours specifically acknowledge the influence of institutional norms upon employee displays of emotion. Feigning behaviours provide a vital link between micro-level emotions and macro-level institutions that has been lacking in extant research (Ashkanasy et al., 2017). A lack of empirical work on the role of institutional norms, paired with

an historical focus on individual and interpersonal levels of analysis, generates several research questions: *What types of institutional norms drive feigning behaviours? In real-world organizational settings, how are emotions feigned, and by whom?*

Study Context

Any disparity between employee felt emotions and feigning behaviours is more likely to occur within an emotionally charged organizational context. To date, the experience of intense emotions at work is most often attributed to an emotional stimulus in the non-work lives of employees (Bento, 1994). However, the actions of organizations can also be emotional stimuli. An organization's actions often affect many employees at the same time, suggesting that a research context with organization-induced emotional stimuli could make any feigning behaviours more prevalent.

One example of an organization-induced loss is layoffs. Layoffs are known to be a tremendously emotional experience for those losing their jobs, with prior research demonstrating that coping with job loss is analogous to grief (Ainsworth & Hardy, 2009; Archer & Rhodes, 1993; Butler et al., 2009; Gowan, 2014; Vickers & Parris, 2007). During layoffs, organizations may immediately remove dismissed employees to mitigate the risk of retaliatory behaviours. In this case, there is little temporal space within which feigning behaviours can occur. This immediate layoff scenario characterizes much of the job loss research, which generally assumes layoffs are implemented very quickly (Freeman & Cameron, 1993) and, therefore, individual emotional outcomes from job loss are only experienced from outside the organization, after employment is lost (Ainsworth & Hardy, 2009; Albert, Allen, Biggane, & Ma, 2015; Archer & Rhodes, 1993; Crosina & Pratt, 2019).

Not all layoffs are implemented quickly. Organizations may choose, or be required by law, to provide advance notification to employees facing layoffs. Prior downsizing research demonstrates that it is the sense of rejection and other emotional trauma associated with involuntary termination of a valued relationship that most triggers an emotional response, and less so the loss of the job's instrumental features (Albert et al., 2015; Vickers & Parris, 2007). Therefore, when employees are given advance layoff notification, negative emotions associated with job loss can be experienced from *within* the organization - before the employment relationship is fully terminated. The negative emotions triggered by known future job loss may generate disparities between felt emotion and emotional displays in the workplace. Therefore, advance layoff notification appears to be an ideal context to explore feigning behaviours within organizations.

Examinations of advance layoff notification remain generally rare in extant downsizing research. Notable exceptions include: (i) Brockner, Konovsky, Cooper-Schneider, Folger, Martin and Bies (1994) who examine a sample of redundant, 'lame duck' employees who were given 60 days notice of a layoff, (ii) Butler, Sweeney and Crundwell's (2009) examination of 'temporary survivors' given 18 months notice of an automotive plant closure in France, and (iii) Parzefall's (2012) case study of moving employees to a transitional organization unit three months prior to job loss. In each of these studies, there is either a physical or methodological separation between employees given advance notice and those remaining in the organization. The social context within which employees' felt emotions occur is either ignored or only consists of other employees facing a similar loss. Therefore, how institutional norms generate disparities between employees' felt and expressed emotions during advance layoff notification remains a relevant context for further study.

Methods

In-depth narrative interviews were conducted with those who worked in organizations during prolonged periods of advance layoff notification. Qualitative methods, in general, are an appropriate choice for sensitive topics like negative emotions and job loss (D'Cruz, Noronha, & Beale, 2014). Prior to my doctoral program, I worked in the HR department of a downsizing organization, where I implemented downsizing strategies while facing considerable job insecurity myself. This personal experience helped me to gain the trust of interviewees during the study - who discussed both the front and backstage dimensions of their experiences during the layoff notification period. It also provided a unique lens through which the interview information could be interpreted.

Data collection. Interviewees were recruited both via personal networks (Peticca-Harris, 2019; van Marrewijk, 2014) and advertising on a university's participant recruitment website. To be included in the study, interviewees had to meet at least one of the following two conditions: (i) an employee given advance layoff notification and expected to continue working, or (ii) a direct colleague/manager of those given advance layoff notification.

All interviews were completely voluntary, confidential, and conducted in two rounds. Recruiting participants was difficult – either due to painful memories, or fear of negative employment consequences (D'Cruz et al., 2014). This was the impetus for two separate rounds of interviews separated by several years. Of the 15 interviewees, five experienced one round of downsizing and were subject to a layoff. Eight interviewees experienced at least two rounds of downsizing, where they were 'safe' in the earlier downsizing round but left the organization during a subsequent round. The remaining two were close colleagues or managers of those given notice. Interviewees represent different genders, ages, years of tenure, job functions, and levels

of responsibility. Semi-structured interview questions were prepared in advance, however interviews were permitted to evolve and become conversational so narratives could emerge. Interviews were planned for 60 minutes, yet five of the fifteen were longer, at the interviewee's request. Even with the challenges in recruiting participants, most interviewees had plenty to share, saying it was their first chance to openly talk about what happened and was a way of getting their voice back.

All interviewees given notice were expected to continue working with their colleagues for at least a month, and in most cases 6-12 months or more. Most participants (12/15) were employed by the same large-multinational firm, albeit in different business units and, in some cases, working in overseas assignments. The remaining interviewees (3/15) offer contrasting cases to the focal organization.

Data analysis. All interview materials were uploaded and coded in NVivo software. During an open coding process, it became apparent that employees' emotional reactions were at the core of the data. Interviewees reported felt emotions such as anxiety, depression, denial, loss/grief, powerlessness, mistrust, injustice, and shame. Yet, when asked about what they did at work during that time, interviewees reported behaviours such as keeping their mouth shut and trying to keep a business-as-usual approach. The presence of negative felt emotions coupled with attempts to minimize their expression to others suggested that feigning behaviours might be present. Several iterations between the data and extant literature ensued, which looked for types of normative influences and disparities between felt and expressed emotion.

Findings

The focal organization operated as an internal labor market and was characterized by long tenure. Once hired, very few people left before retirement. Many of the firm's older employees had 25-40 years of service.

"The overall corporate philosophy is that they like training blank slates, somewhat more than hiring in experts."

"I went straight into this directly out of university. So, it was my first job and I had been there forever."

Internal labor market conditions and long tenure suggested employees had a high degree of socialization, both to the company's culture and its institutional environment.

"I'd always been an internally facing person who only knew [the company] and nothing else in the world…"

"I think the majority of us had so much love in our hearts for [the company] and so much invested."

The organization's culture and institutions were long-standing and firmly rooted within the engineering profession. Therefore, entering the organization as a 'blank slate' meant meeting the minimum requirements of one's profession, i.e., a considerable level of education and expertise, yet relatively early in one's professional career. The organization was large enough to also employ a considerable non-engineering workforce, which included many others with professional expertise in corporate support functions such as HR, IT, finance, project management, and procurement.

The organization had been on a multi-year journey to offshore much of its corporate administrative work when a severe economic shock hit the industry. Multiple waves of downsizing and layoffs ensued over several years. The organization had a standardized and well-established downsizing procedure, which was strictly adhered to in any case of layoffs. Fundamental to the process was giving laid-off employees at least three months notice, but it was

often much more. Notified employees faced strong incentives to remain with the company until the layoff date, as quitting voluntarily would forfeit a generous severance package. Therefore, no interviewees given layoff notification left early in this study.

"Having been there 18 years, my payout was significant…and I had performance shares that weren't going to vest until that exact time. So, I was giving up significant financial benefits if I left before that time."

Although the interviewees from other organizations also found themselves getting advance layoff notification, their organizations were neither as rooted in the professions, nor characterized by long tenure. These interviewees all had less than 2 years of tenure and most did not see themselves working long-term for their employer.

"I definitely didn't see myself there in the long term. One of the most attractive things to me and the main reason I took the job to begin with was it paid extremely well."

Two primary themes emerged from the data, which are described in the sections below and illustrated within a theoretical model in Figure 2.1.

Insert Figure 2.1 about here

Leaders' explicit appeals to professionalism. The first theme centers upon institutional norms of professionalism, specifically leaders' explicit appeals to these norms when extant socialization faced a threat. Providing advance layoff notification created an ingroup-outgroup division within the organization, as some employees were slated to leave, while others would remain. This division damaged the prior sense of cohesion and, in many cases, conflicted with values favoring long tenure and commitment to the organization. In the words of one leader responsible for downsizing decisions:

"It was a family, and we broke up the family."

Despite knowing that damage had been done, leaders continued to appeal to the togetherness of the entire group:

> *"The message [we got from leaders] was: 'keep doing your job', 'we know this is happening', 'we're all in the same boat', 'it's not like you're being singled out', 'we all still want to keep this business running'…"*

> *"People were being cut from the team, and it was taking such as very long time for it to be over. It had been 30+ years I worked there. I couldn't retire until I knew people would be looked after. I had an obligation to them, I owed it to them to stay until I knew they would be taken care of after I was gone."*

In light of the threat to social cohesion, leaders made explicit appeals to notions of professionalism:

> *"Once it was happening, we just focused on professionalism and helped build the team. It was the least we could do. We were asking them to work for years knowing their jobs were slowly going to people abroad - who could not do it as well as they could and for far less money."*

Norms of professionalism included an emphasis on the continued performance of work tasks and to do so objectively, without emotion:

> *"There are contrasting views about people, but the [layoff] process needs to start from a place of no emotion."*

> *"The not knowing created by being open with people and drawing out the notice creates some pain, but that pain can be fixed by just doing – focusing on tasks, getting distracted by work. It refocuses, keeping people busy is a positive thing."*

Professionalism is a long-standing and normatively powerful institution (DiMaggio & Powell, 1983; Freidson, 1970; Larson, 1977). Historically, professionalism characterizes the 'pure' professions, such as doctors and lawyers, whereby independent work behaviour is guided via expertise in standard bodies of knowledge, adherence to self-regulated codes of ethics, and an orientation towards independently serving the general public (Freidson, 1970; Larson, 1977). Today, professionalism has become immersed within much of organizational life. Those granted professional status are now more likely to include individuals in managerial positions and/or

with less-specific types of expertise. Being professional now is less about the nature of one's expertise or specific occupation, and more about one's personal character, prestige, and work ethic (Larson, 1977).

From the perspective of leaders, professionalism is an internalized mechanism for social control over subordinates (Evetts, 2011; Larson, 1977). It minimizes the need for managers to exert direct control and improves efficiency. While managers in organizations may, at first, impose professionalism from above to "increase trust among strangers" (Larson, 1977: 6), professionalism endures over time when groups of individuals communicate, promote, and enforce prevailing norms. These institutional norms become embedded within organizational cultures to shape the beliefs and behaviours of its members in a self-reinforcing loop (Bledstein, 1976).

Although leaders attempted to maintain social cohesion during the layoff notification period, a loss had inevitably occurred. The upcoming layoff triggered loss-related emotions amongst employees:

> *"It was the long lead time that allowed me to go through all those different emotions. They talk about phases of loss; it was funny because I was looking at those phases and thinking - huh, that's kind of what's happening right now."*

While job loss was the primary (most obvious to others) loss, those slated to leave the organization also reported other types of secondary losses. The most prevalent secondary loss was a loss of pride:

> *"I never told people about my leaving - that was private. I was not proud of it. I was ashamed that I was. I wasn't good enough, wasn't worthy, for whatever reason."*

> *"The hurt I was feeling was not that I was leaving, it was that I felt unrecognized for what I'm worth."*

> *"A lot of people were quite emotional, not necessarily outwardly, but just really struggling with their sense of pride. Confidence was shaken, trying to*

figure out 'how do I still do my work?' Some people felt like maybe others were judging them. But things were different now, there were the winners and the losers."

The magnitude of lost pride and negative emotions was a function of the intrinsic value employees received from their work – the extent to which their identity was tied to their employer.

"My life and what I worked towards was just shattered. My identity, part of who I am was that I worked at [the company]. Because I'd never done anything else. I came there right out of school. I was recruited as a student…so yeah, it was depression."

"My whole world fell out from underneath my feet on that day when we all found out. I was in the DB pension plan. I thought I was going to retire there. I was a total lifer. Then, I just remember that the world fell under my feet."

"[Leaving the company] was a mix of… 'Who am I now?', 'What do I do?', or 'What does this mean?' It was 'how much did I actually lose?' and 'how much is still there?'"

From the perspective of employees, professionalism is a source of pride. The intrinsic value of work fostered within professionalism suggests one's profession is a vocation - it supports fulfillment of the self. Work becomes bound within an individual's identity and provides a source of pride (Larson, 1977). The intrinsic value derived from the completion of one's work becomes an internalized mechanism of control (Larson, 1977) - what Bledstein (1976: 27) calls a perfect institution, whereby the realization of the inner self comes via recognition from others.

This combination of personal identification with work and its intrinsic value also instill a "sense of duty" (Larson, 1977: 62) to perform professionally - at a level beyond that which minimum compliance requirements might otherwise suggest. Therefore, as component of the self, the loss of one's job also results in a loss of personal dignity, self-esteem, and pride where norms of professionalism have taken hold.

Feigning behaviours. The second theme emerging from the data centers upon feigning behaviours amongst those given layoff notification. Both explicit appeals to professionalism by leaders and the intrinsic value in maintaining one's professional pride induced employee feigning behaviours. These feigning behaviours were consistent with norms of professionalism - specifically that work be performed without visible emotional involvement. In the case of those given layoff notification, they diminished any negative displays of emotion during the notification period. These diminished negative displays were consistent with having a 'stiff upper lip' about the situation:

"The harder part was having to pretend like everything was fine and then just disappear."

"Nobody knew what to say to anybody. So, nobody said anything."

"I think there were some things left unsaid."

"I remember trying to be open with the person leaving our team. She would do her best to say a simple good/not-so-good answer, but you could tell she wasn't being fully open, there was more to it than that – and this was a person I knew very well."

One outcome from these feigning behaviours was that leaving employees continued to perform their jobs to the best of their ability, despite feeling poorly.

"I always worked hard because I couldn't do any less, I always did the best I could do, sometimes at personal cost. Even when I tried to do less, I couldn't. It was my own pride."

"We could never bring ourselves to do something against the company. I think we're all bitter and angry over the layoffs. But still, we wouldn't".

"We all still showed up and got the job done."

These comments did not appear to be self-enhancing illusions on the part of leavers, as even those remaining with the organization acknowledged how much work leavers got done:

"Even though they knew they were leaving, they still did 100% in their jobs, even documenting their work and training others to do it."

“Work still got done…and there wasn't a whole lot of talk of it [layoffs] or, let's say, unprofessional type of behavior.”

Another outcome of these feigning behaviours was that all who complied with norms of professionalism retained their professional status, which was reinforced by others in the organization.

“I continue to be impressed with people’s professionalism, give them enough space and their self-worth shines through. They do good work, even though it [job loss] takes a long time. It isn’t painless but it works.”

“The sense of identity and professionalism was amazing to see in other people.”

“You could see, they [leavers] even said it, that they wanted to go with their head held high, give their all right until the end, and that they were ‘a big person’ for being on the receiving end of all of this.

“You didn't see any unprofessional behavior – sabotage, doing horrible things at work, emotional breakdowns - none of that.”

Feigning behaviours in compliance with institutional norms of professionalism confer benefits to both individuals and organizations. From the perspective of individuals, professional work is seen as prestigious and desirable. Therefore, those performing prestigious/desirable work enhance their individual status in the process. The peer-esteem (Larson, 1977) offered by others when feigning in compliance to prevailing norms is used by individuals to enhance their own personal sense of prestige. Conversely, individuals who dissent or revolt against prevailing norms will be deemed unprofessional by others. Because a profession is an individual’s means of earning an income, being seen as unprofessional can not only reduce an individual’s status, but also their belief in prospects for future work (Larson, 1977). Therefore, employees given advance layoff notification, who want to preserve both their dignity and future work prospects, are likely to act in compliance with norms of professionalism.

Professionalism also confers benefits to the organization (Larson, 1977). In this study, layoffs threatened the organization’s legitimacy to direct and control employee actions (Larson,

1977). Faced with this threat, explicit appeals to institutional norms of professionalism were made to maintain control and minimize any productivity losses during the layoff notification period. Ideological appeals to professionalism minimized any 'them' versus 'us' sentiment through a shared status of professionals. Therefore, even if an organization's norm-violating behaviour diminishes, or possibly eliminates, its claim to hierarchical control over employees, the professional ideology allows this loss to be replaced with control via social mechanisms (Adler, Kwon, & Heckscher, 2008) - one's professional conscience emerges to further sustain the ideology (Hodgson, 2005).

To summarize, leaders made explicit appeals to norms of professionalism when their own legitimacy to control employee behaviours was comprised during advance layoff notification. The intrinsic value of work inherent to norms of professionalism generated secondary losses amongst those slated to leave the organization, as they were losing not only their job's instrumental value, but also a sense of personal pride, identity, and self-esteem. Loss-related emotions, when paired with institutional norms valuing the performance of work without emotional involvement, required those given layoff notifications to diminish any display of negative emotions and continue to perform their work to the best of their ability. Those who engaged in feigning behaviours, by adopting a stiff-upper-lip, were granted the status of 'professional' by others in the organization. This attribution served to reinforce the prevailing ideology of professionalism and maintained a predictable order within social space during a potentially turbulent time.

Discussion

This study set out to explore what types of institutional norms trigger feigning behaviours in organizations, how emotions are feigned, and by whom. Its findings highlight that (i) leaders

made direct appeals to institutional norms of professionalism during advance layoff notification and (ii) employees engaged in feigning behaviours consistent with these norms - diminishing any negative displays of emotion.

The findings offer early empirical evidence in support of the theory that employees will engage in feigning behaviours to comply with higher-order, institutional norms. This empirical evidence helps research to bridge the macro-micro gap within research on emotions at work – a research area previously deemed “insufficient” (Ashkanasy et al., 2017: 183). The findings also highlight the influence of professional norms upon feigning behaviours. Norms of professionalism expect professionals to perform their work without visible emotional involvement, whether they be pure professionals, such as doctors or lawyers, or those working within organizations more broadly who adhere to such norms. These norms say that negative, loss-related, or otherwise disturbing felt emotions triggered by organizations are to be concealed from one’s peers to retain a professional character. The diminished negative displays (Jarvis, 2017) of emotion found in this study were diminished to the point that they became an *absent negative display*.

The feigning behaviours found in this study align with prior findings on the emotional detachment expected of those working in health care settings (DiCicco-Bloom & DiCicco-Bloom, 2019; Jarvis, 2017). Historically, doctors, as professionals, became associated with a personal character that has “superior emotional control under duress” (Bledstein, 1976: 94). The emotionally detached professionalism of doctors has, over time, expanded into the related realms of nursing, long-term care, and hospice workers (DiCicco-Bloom & DiCicco-Bloom, 2019). This expansion has made health care and those dealing closely with illness and death a prevalent context for prior research on emotions at work (Jarvis, 2017). This study’s findings highlight

that professionalism's embedded rules of emotional detachment can apply beyond health care settings to those working in organizations more broadly.

Prior emotion-related research within health care settings also tends to focus upon interactions between health care providers and their patients and less so the interactions amongst the health care providers themselves. Recently, DiCicco-Bloom and DiCicco-Bloom (2019) examined the secondary emotional labor that results when the primary emotional labor performed by hospice workers (i.e. patient-directed) is disenfranchised by their superiors (i.e. leader-directed). The findings from the present study suggest the underpinnings of secondary emotional labor in health care settings may not simply result from leader-employee relationships but could rather reflect wider institutional norms of emotionally detached professionalism.

As a result, this study's findings also begin to extend knowledge of emotions at work beyond patient/customer-service contexts and leader-employee interactions to those *between* peers. For example, extant emotional labor research typically views one's peers as outlets to disperse of the strain caused by the emotional labor in their jobs. This study suggests that peers might also be both the impetus for and intended target of feigning behaviours.

This study also contributes to the literature on downsizing and job loss. Emotional responses during advance layoff notification challenge a common assumption in extant research - that the emotional responses when losing one's job occur outside the organization during unemployment, and not from within it. The findings also highlight that when layoffs are widely dispersed across an organization, those losing their jobs will feel shame or embarrassment for being the one/few chosen by management to leave amongst a team of colleagues who will remain. This dispersion of layoffs leaves one set of employees, those not facing the loss, to enact and reinforce prevailing norms (Bento, 1994) and another set of employees, the leavers, who

must continue to abide by them. Cases where everyone is losing their job, such as a plant or firm closure, may be experienced differently than cases where some employees remain and some leave. It reinforces the importance of social context to downsizing and job loss research.

The findings reiterate the important role leaders play at the boundaries of professional organizations (Mintzberg, 1993). Leaders are known to play an important role in the socialization of new employees when they enter organizations. With frequent, repeated, and deliberate appeals to professional norms, particularly during recruitment and onboarding phases of employment (Freidson, 1970), professionalism is said to emerge and endure (Larson, 1977). This study illustrates that leaders' explicit appeals to professionalism can not only occur at organizational boundaries when employees enter the organization but also when they exit.

Both emotional detachment and intrinsic value in one's work are consistent with prior research on the values inherent to professions (Bledstein, 1976; Freidson, 1970; Larson, 1977). Although organizations tend to grant considerable autonomy and discretion to professionals in the application of their expertise (Mintzberg, 1993), this study's findings suggest little autonomy or room for discretion when it comes to the enactment of professional norms. The resultant feigning behaviours are not stigmatized as deceitful, phony, or manipulative (Jarvis, 2017). Instead, they are socially desirable and validated by others. This social desirability aligns with the view that today's professionalism has become a state of mind, a set of attitudes vis-a-vis work (Freidson, 1970), which forms a professional etiquette amongst employees (Bledstein, 1976). Unlike emotional labor where the emotional concealment is to induce a desirable state of mind in another, it appears that the concealment of one's emotions via feigning generates a desirable (or at least less undesirable) state of mind within the focal person themselves.

Future research directions. Future job loss research may wish to compare cases of advance layoff notification where the social context differs. Shared versus unshared losses are likely to generate different experiences. When a loss is shared, there are no ‘others’ in close proximity to enforce or enact prior norms (Doka, 2002; Goffman, 1956; Hochschild, 1979). Conversely, when the loss is not shared, others can enforce prevailing norms. An example might include comparisons of employees’ emotional experiences during plant closures, a shared loss, with cases of disbursed across-the-board downsizing, an unshared loss. Similarly, shared versus unshared losses might also be compared in non-job loss scenarios. For example, the comparison of employee’s emotional experiences after workplace fatalities with those after the loss of a family member.

Future research may also wish to explore feigning behaviours in the context of positive emotions and professionalism. Although not the focus of the present study, a few interviewee comments suggested that even overly *positive* displays of emotions were deemed unprofessional. Therefore, studies of diminished positive display would offer a contrast to the diminished negative display found in this study. Diminished positive displays might be more easily accessible by researchers and, if found, would expand professionalism’s known expectation for emotional control when feeling bad to, perhaps, similar emotional control when feeling good. Such a finding would reinforce the norm of performing one’s professional work with *little* emotional involvement, regardless of whether that emotional involvement is positive or negative.

This study offers a methodological example of how to access felt versus feigned emotions to motivate future research on this topic. Its use of narrative interviews conducted by someone who shared a similar experience with those interviewed highlights the benefits of compassionate research methods in examining otherwise difficult-to-access emotional

phenomena (Hansen & Trank, 2016). It also supports the argument by Ashkanasy et al. (2017) that explorations of emotional situations in today's organizations, such as job loss, may only be accessible via somewhat less-conventional, but no less insightful, research methods. Therefore, future research either conducted by practitioner-scholars, or amongst scholars themselves may make emotional phenomena more accessible to research.

While advance notification of job losses has been explored here, other organization-induced losses may also produce feigning behaviour. Future research may wish to explore examples such as: employees acquired by another firm (Hunt & Downing, 1990), involuntary relocation (Butler et al., 2009), demotions, or work-related identity loss (Conroy & O'Leary-Kelly, 2014). While the cited studies offer examples of other organization-induced losses, neither have a primary focus on feigning behaviours, nor institutional norms, which future research is encouraged to explore. Likewise, losses originating in employees' personal lives, such as death/illness of a loved one or other life-changing events, might induce feigning behaviours while at work.

Like any qualitative study, these findings are subject to the interpretation of the researcher and may not fully generalize. Its aim is to provide a rich account on the phenomenon of early layoff notification and feigning to motivate further research on the topic.

Practical implications. This study illustrates the power of professionalism within organizations. Firms who effectively socialize their employees to such institutional norms will find that employees derive intrinsic value from their work and perform work tasks with little emotional display. At first glance, one might think that providing early layoff notice to some employees is a recipe for disaster from the organization's perspective. However, that was not the case in this study. Providing advance layoff notification to leaving employees did not trigger

rampant voluntary absenteeism, early intent to quit, verbal resistance, serious retaliation, or shirking. Instead, leaving employees put forth considerable effort to maintain a business-as-usual approach, as long others continued to recognize their professionalism. Managers are reminded that this is only likely to occur when norms of professionalism have already taken hold. Trying to develop these norms during layoffs with the aim of minimizing detrimental employee behaviours is far too late and likely to backfire.

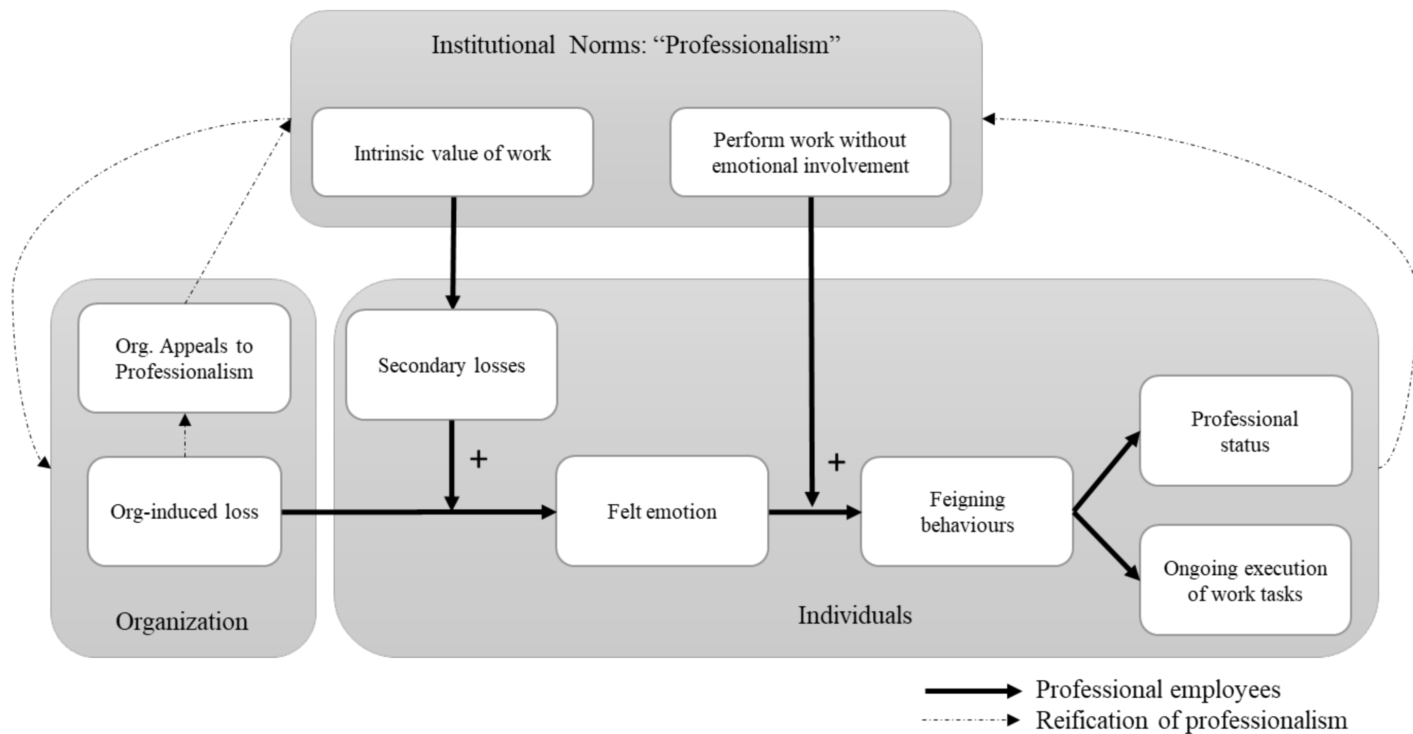
Managers who observe business-as-usual behaviours during emotionally charged situations should not assume that employees are not feeling strong emotions. A lack of visible emotion during layoff notification, or any other organization-induced loss, is not evidence that the organization's actions were acceptable to all employees. A loss has occurred; one that is inevitably felt in some way and feigning behaviours come at a cost to employees. They can induce considerable psychological strain and may not be enacted over long periods of time. Norms of professionalism, although powerful, are not infallible (Jarvis, 2017).

Conclusion

This study highlights how social order can be maintained by institutional norms, even when the legitimacy of organizational control is threatened, as in the case of layoff notifications. It offers an illustration of the normative power of professionalism on employee displays of emotion, despite disparities with employees' felt emotions, wherein 'good' professionals do not show others that they feel 'bad'. These feigning behaviours occur in compliance with socially appropriate expectations at an institutional level, which helps to bridge the micro-macro gap in the extant field of research on emotions at work.

Figure 2.1

Norms of professionalism during organization-induced loss



ESSAY 3: WHEN IS GOOD PAY BAD? HIGH RELATIVE PAY, DECLINING EXTERNAL CONDITIONS, AND EMPLOYMENT SEPARATION

Introduction

Context plays an important role in the perceptions and actions of individuals and organizations (Cappelli & Sherer, 1988, 1991; Johns, 2006; Mowday & Sutton, 1993). A critical contextual element in employment practices is the broader economic conditions that surround firms. Context influences firms such that what would be viewed as good in the sense of valuable under favorable economic conditions might otherwise be seen as bad under unfavorable conditions. The moderating effect of context on perceptions and behaviors raises the question: How do economic conditions influence employers' actions toward and perceptions of employees' value? This study examines the question by looking at employee pay and employee performance in relation to employee separations.

During favorable economic conditions, high relative pay (i.e., the upper end of a pay range for a given job level) is evidence of a good employee. In most instances, it reflects the employee's commitment to the firm and repeated positive performance over time, just not at a level to warrant promotion to the next highest level. Employees with high relative pay are unlikely to be separated from their firms in that they do not ordinarily leave voluntarily and are generally not asked to do so by their employer. But what happens when that same firm is faced with an economic downturn? Is that same high paid employee now perceived differently by the employer? Whereas in favorable times, that employee was viewed as a stable core member of the firm, are they now perceived as bad, an excess cost who needs to be let go? And, how does employee performance play into this? Do employers see high performing individuals in the same light? That is, do employers look at high paid high performers as bad relative to low paid high performers? Or, does high individual performance neutralize any negative perceptions of and

actions taken toward those that are high paid? These questions motivate the theoretical and empirical bases for this paper.

Using 2012-2017 employee-level data (n = 294,622) from 196 energy sector firms facing a severe economic shock, this study examines how a firm's external context moderates the relationship between employee relative pay and employment separation. When external conditions decline, it finds greater increases in likelihood of employment separation amongst employees with high relative pay, such that these employees go from being least likely to leave when conditions are favorable to the most likely target for separation when conditions decline. This greater effect for pay is robust to high levels of employee performance, as even firms' top performers at high relative pay are found to have greater increases in separation relative to other top performers at low relative pay. This finding reinforces the role of relative pay to employment separation and suggests that having top performer status does not completely neutralize any negative perceptions of and actions taken upon those with high relative pay when external conditions decline.

The findings reiterate the important role of context, specifically the broader economic conditions that surround firms, to the perceptions and actions of organizations and the individuals within them. They suggest that declining external conditions influence employer perceptions and actions toward certain employees within a firm's extant workforce, namely employees at high relative pay. Employees viewed as stable, core members of a firm when external conditions were favorable are now seen as an excess cost – no longer worth their benefits and thus should be let go. Even having top performer status does not completely shield employees against these changing views, as top performers with high relative pay also face greater likelihood of separation, relative to their lower-paid top performing peers.

The findings illustrate how employment separations can be disbursed across organizational levels, with *relative* pay an applicable criterion. The disproportionate removal of relatively high paid employees occurred in firms that resembled internal labor markets (ILMs) during favorable conditions, raising questions on the durability of ILMs (Doeringer & Piore, 1970) when conditions decline. Employees at the upper end of their pay scale may also have large amounts of firm-specific human capital and knowledge (Becker, 1975), whose removal from the firm might be detrimental to future firm performance if the value of the loss exceeds that of any compensation cost savings.

The results also highlight boundary conditions to the often-assumed negative association between employee pay and employment separation, as declining external conditions are found to reverse the direction of the effect. The study illustrates that when external conditions are favorable, high relative pay can be an asset for both employees and firms. However, high relative pay can quickly become a liability for employees when external conditions decline, even among those with top performer status. In other words, declining external conditions can make good pay bad.

Theoretical Background and Hypotheses

The perceptions and actions of individuals and organizations are influenced by the external context (Cappelli & Sherer, 1988, 1991; Johns, 2006; Mowday & Sutton, 1993). For example, when available alternatives in the external labor market offer higher pay, employees are more likely to leave their current job. Conversely, when these alternatives offer lower pay, employees are more likely to remain with their current firm. This highlights not only the importance of context to the relationship between employee pay and employment separation, but

also how firm employment can be vulnerable to changing labor market conditions over which firms have little control (Cappelli & Sherer, 1991).

Broader economic conditions surrounding firms are another contextual influence upon firms and the individuals within them. For example, declining conditions in a firm's external product market, such as an economic recession, increasing competitive pressures, or declining customer demand, have been associated with the adoption of downsizing strategies in firms. Downsizing firms intentionally reduce the size of their workforce to decrease compensation costs and improve future firm performance (Cascio, 1993; Datta et al., 2010; Freeman & Cameron, 1993).

Context can also influence the form that the downsizing strategies take. Dencker's (2012) examination of who gets laid-off during downsizing found that pay-based downsizing decisions, those prioritizing the removal of employees at high relative pay, were more prevalent to the early-era downsizing of the 1980s, while performance-based downsizing, which prioritizes the removal of low-performing employees, rose in prevalence through the 1990s. The targeted removal of employees with high relative pay in the 1980s was consistent with the widely-held view during that time that firms had to be 'mean-and-lean' (Budros, 2002). Subsequently, the rise in performance-based downsizing over time reflected a growing recognition that the removal of high-paid employees can also remove those with good performance, potentially undermining the benefits of any compensation cost savings within the firm.

The above examples illustrate the influence of contextual conditions to both employee-initiated and employer-initiated employment separation, specifically in relation to employee pay. Employee-initiated separations to obtain higher pay elsewhere are typically seen as good for the employee, yet detrimental to firms, undermining a firm's ability to both develop and predict the

stability of their workforce over time. Employer-initiated separations of higher paid employees are typically detrimental to the impacted individuals, yet seen as good for the firm, contributing more to per-capita compensation cost savings when downsizing. Both highlight that what is good for the employee can be bad for the firm and vice versa (Molinsky & Margolis, 2005).

Within firms, the influence of context is also such that what might be viewed as good, effective, or valuable under favorable external conditions might otherwise be seen as bad, ineffective, or costly under unfavorable conditions. The aforementioned study by Dencker (2012) offers an illustrative example, highlighting how a firm's temporal context changed the firm's view of high paid employees from 'bad for the bottom line' to 'good contributors to firm performance'. This moderating effect of context on perceptions and behaviors raises the question: How do economic conditions influence employer perceptions and actions with respect to the value of high-paid employees?

Employment separation and employee relative pay. When external conditions are favorable, an employee with high relative pay is seen as good – a stable, committed, and typically good performing member of the firm who is less likely to leave voluntarily. Obtaining high pay, relative to other employees at a similar level, binds employees to their current firm (Jacoby, 1984; Osterman, 1987), as this level of pay is more likely to exceed that of available alternatives elsewhere. As these employees reap the benefits of good pay, firms also reap the benefits of workforce stability and committed employees. Getting to the high-end of a pay range generally requires a consistent track record of competent performance. Thus, employees with high relative pay are typically sustained, good performers - their level of performance high enough to justify within-level pay increases. Therefore, when external conditions are favorable,

employees with high relative pay are neither likely to separate from their firms voluntarily, nor asked to do so by their employer.

When external conditions decline, an employee with high relative pay can be seen as bad – an excess cost whose benefits to the firm no longer justify their relatively high level of pay given the contextual change. When faced with an economic downturn, firms often focus upon reducing their costs, instead of increasing revenue, to improve future firm performance. This greater cost-reduction focus occurs because a firm's future costs are more predictable than its future revenues and compensation costs are often one of the largest expenses in a firm (Cascio, 1993). The more these costs fall via downsizing, the higher the potential contribution to future firm performance. And, compensation costs will fall by a greater amount when employees at high relative pay are removed from the firm. Therefore, we hypothesize:

> *H1. External conditions moderate the relationship between employee relative pay and employment separation. When external conditions decline, the increase in likelihood of employment separation is greater for employees with high relative pay.*

Employment separation and employee performance. An employee's level of performance is also a factor influencing employment separation (Dencker, 2012). Firms often assess employee performance within their performance management systems, dividing their workforce into cohorts using forced distribution rankings (Fryer, 2009; Giumetti, Schroeder, & Switzer, 2015). Employees granted 'top performer' status are often one such cohort. Typically, top performers are the best (~10%) of a firm's employees, who often possess both strong personal ambitions and senior management endorsement of their potential.

Relative pay's greater influence upon employment separation when conditions decline is likely robust to high levels of employee performance, with declining external conditions also shifting views of and actions toward high-paid top performers in a more negative light. Just as

firm's future costs are more predictable than its future revenues (Cascio, 1993), an employee's future compensation cost is more predictable that their future level of performance, particularly when that employee is expected to perform equally well (if not better) after being promoted to higher levels of the organization. This is especially true for top performers, whose promotion up the hierarchy is often based upon both their *actual* performance in the lower-level job and their *predicted* potential to perform well at the next highest level. Neither is an infallible measure of post-promotion employee performance, while the compensation pay ranges associated with promotion can be easily used to estimate future costs. A greater predictability for future compensation costs, over that of projected performance improvements, suggests that top performers' pay could become a consideration when external conditions decline.

Similarly, because reaching the upper end of one's current pay scale takes time, top performers at high relative pay may not be moving up the hierarchy via promotions as quickly as their lower-paid counterparts. This may be viewed as evidence either that high paid top performers have now 'topped out' and are not likely to be promoted to the next highest level, or that the firm's earlier assessment of their predicted potential was somehow flawed. When external conditions decline, perceptions of and actions taken toward these less-likely-to-be-promoted top performers may shift – akin to the 'up or out' policies in some organizations where those unfit for promotion face termination (Sherer, 1995; Sherer & Lee, 2002). Any removal of high paid top performers would generate both cost savings and space, within the now smaller downsized organization, for other top performers to be promoted. It would also help to re-establish target ratios within a forced distribution ranking system.

In summary, relative pay will drive employment separation decisions when conditions decline, an effect that is robust to levels of employee performance. Having top performer status

is unlikely to completely neutralize the negative perceptions of and actions taken toward those that are high paid. The moderating effect of external conditions upon the relationship between relative pay and employment separation is likely to endure even when high levels of employee performance are considered. Therefore, we hypothesize:

H2. When external conditions decline, the increase in likelihood of employment separation amongst top performers is greater for those at high relative pay.

Methods

Sample. The data are a multi-year (2012-2017) benchmarking database for the energy sector of a major oil-producing region. After several years of high oil prices and rising employment, the global energy sector experienced a severe economic shock in late 2014. Oil prices collapsed by ~60%, which triggered massive downsizing across many firms – amounting to ~40% of the region's employees during years 2015 and 2016. The dataset is comprised of employee-level HR data in 196 firms three years prior and three years after the collapse of oil prices and contains a high percentage (> 95%) of large firms in the overall population. Participating firms submitted data for all employees in the applicable region. The full dataset included 321,685 possible observations, within which the data were complete on most variables of interest in the study. A small number of firms (3%) did not report employees' top performer status and/or gender (5%). The resultant usable data included 294,622 person-years of data.

Dependent variable. The dependent variable, employee separation (EE SEP), was a dichotomous variable equal to one when the employee was no longer in the firm the following year. Data were right censored in 2017 because the dependent variable required one year of lead time.

Independent variable. The independent variable was an employee's relative pay (PAY) – a horizontal measure of pay relative to others at the same pay grade. Relative pay was captured

as a continuous variable, calculated as an employee's base pay divided by the highest base pay in the employee's pay grade at their firm. It is not a measure of absolute pay, which would increase as a function of vertical levels within a firm's hierarchy. Instead, the measure reflects an employee's pay as a percentage of the highest salary in their pay grade for a given year at their firm and thus accounts for any differences in base pay rates between firms. The data included fifteen pay grades that were standardized across firms: executives, three levels of management, seven levels of professionals, and four levels of hourly or para-professional jobs.

Moderator variables. External conditions was a dichotomous variable equal to one when there were declining conditions in years 2015-2017[3] (DECLINE) and zero when conditions were favorable in 2012-2014. The decline period was chosen to coincide with the economic shock of collapsed oil prices - during which massive employment downsizing occurred in the energy sector. The second moderator was an employee's status as a top performer (TOP). Top-performer status was captured as a dichotomous variable equal to one when the firm identified the employee as one of its top-performers and zero otherwise.

Control variables. Control variables included an employee's: job category, gender, age, tenure, division, and industry segment[4]. Job category (JOB CAT) distinguished between executive (EXEC), management (MGMT), professional (PROF), and hourly/para-professional (HOUR) jobs. Collapsing the 15 pay grades into these 4 broader categories aligns with the approach taken in Dencker (2012), while unreported robustness checks that controlled for each of the 15 pay grades separately yielded similar results. Gender was set to one when the employee was female (GEN). Both age (AGE) and tenure (TEN) were categorical variables reflecting whether the employee was in the low (< 25th percentile), mid (25-75 percentile), or high (> 75th

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[3] The 2014 benchmarking data were collected prior to the 2014 oil price collapse.
[4] Firm size was removed as a control variable in the final model, as its effect size was negligible.

percentile) range for each variable within their respective firm. Controlling for an employee's age and tenure help to remove any seniority-based effects, as employment relationships may take the form of deferred compensation contracts over time (Lazear, 1979). Using percentiles at a firm level in the measurement of these variables ensured any between-firm differences in workforce age or tenure were accounted for. Division was set to zero for employees in jobs associated with corporate functions (e.g., finance, HR, legal, IT), while the rest in non-corporate (NOT CORP) jobs were set to one. Industry segment (SEG) was a categorical variable reflecting either energy services firms (SERV) or exploration/production firms (EP), with integrated energy firms (INT) acting as the referent segment in the sample. The operationalization of all variables is provided in Table 3.1.

Insert Table 3.1 about here

Analysis method. Hypotheses were assessed via random-effects logistic models[5] on the log-odds of employee separation. Random effects models assess the separation effects of varying levels of relative pay *between* employees, while also retaining observations for variables that do not change over time (Certo et al., 2017). In this study, many employees' (non)top-performer status did not change over time. Therefore, adoption of a random-effects approach ensured all observations for top-performer status were retained in the analysis.

Five models were run within the study. The first model included main effects for relative pay, top performer status, declining external conditions, and controls on the log-odds of employee separation. The base model was specified as follows:

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[5] STATA version 14, xtlogit.

$$\text{Log-odds EE SEP} = \beta_0 + \beta_1 (PAY) + \beta_2 (TOP) + \beta_3 (DECLINE) + \beta_4 (EXEC) + \beta_5 (MGMT) + \beta_6 (PROF) + \beta_7 (GEN [F]) + \beta_8 (LOW\ AGE) + \beta_9 (HI\ AGE) + \beta_{10} (LOW\ TEN) + \beta_{11} (HI\ TEN) + \beta_{12} (NOT\ CORP) + \beta_{13} (EP) + \beta_{14} (SERV) + e_{it}$$

Where;

PAY = employee's base pay / highest base pay in pay grade in firm (mean centered);

TOP = one when firm identified employee as a top performer, zero otherwise;

DECLINE = one in years 2015-2017, zero otherwise;

EXEC = employee in an executive job;

MGMT = employee in a management (non-executive) job;

PROF = employee in a professional job;

GEN = one if female, zero otherwise;

LOW AGE = employee's age < 25th percentile in firm;

HI AGE = employee's age > 75th percentile in firm;

LOW TEN = employee's tenure < 25th percentile in firm;

HI TEN = employee's tenure > 75th percentile in firm;

NOT CORP = one if employee in non-corporate division, zero otherwise;

EP = exploration/production industry segment; and

SERV = services industry segment.

To test Hypothesis 1, a second model introduced an interaction between relative pay and declining conditions (PAY*DECLINE). Models 3 and 4 separately add interactions for top performer status (TOP*DECLINE) to the prior two models to assess whether any substantive change in the other coefficients would occur. To test Hypothesis 2, the fifth model adopted a 3-way interaction between relative pay, top-performer status, and declining external conditions (PAY*TOP*DECLINE).

Results

Table 3.2 lists univariate correlations between all variables in the study. Table 3.3 displays the results from the five random-effects logistic models. Model 1, which examines main effects only, illustrates that employee separation was 1.68 times more likely when external conditions declined (log-odds $\beta = .52$, $p < .001$, odds ratio = 1.68). The coefficient for relative pay was significant and negative (log-odds $\beta = -.22$, $p < .001$, odds ratio = .80), with separation 20% less likely amongst employees with high relative pay, when only main effects were analyzed.

Insert Tables 3.2 and 3.3 about here

In Model 2, the interaction term between an employee's relative pay and declining external conditions is significant ($p < .001$) and positive ($\beta = 1.24$). This result is illustrated in graphical form in Figure 3.1 at high and low levels of relative pay. It shows that the increase in an employee's likelihood of separation during declining external conditions was an increasing function of their relative level of pay. The finding supports Hypothesis 1, which expected a greater increase in the likelihood of employment separation amongst employees with high relative pay when external conditions declined. Model 2's addition of the interaction term also changes the main effect for relative pay, strengthening its negative effect from $\beta = -.22$ in Model 1 to $\beta = -.72$ in Model 2 (odds ratio = .49), making separation 51% less likely amongst employees with high relative pay when conditions were favorable. The change in the main effect for pay suggests that employment separations amongst employees with high relative pay were the most likely during declining external conditions and the least likely when external conditions were favorable.

Insert Figure 3.1 about here

Models 3 and 4 separately introduce the interaction between top performer status and declining external conditions into the first two models. In Model 3, the interaction term between top-performer status and declining conditions is significant ($p < .001$) and negative ($\beta = -.11$). This result equates to a smaller increase in the likelihood of separation amongst those with top performer status when external conditions declined. Model 4 simultaneously includes both interaction terms as a robustness check, with minimal change to any of the other coefficients.

To test Hypothesis 2, Model 5 in Table 3.3 adopted a 3-way interaction between employee relative pay, top performer status, and declining external conditions. The coefficients for main effects and 2-way interactions remain consistent with prior models, while the newly added interaction terms are also significant. For ease of interpretation, Figure 3.2 separately graphs these moderating effects for non top performers and top performers at both high and low levels of pay. In support of Hypothesis 2, the increase in likelihood of separation amongst top performers was greater for those at high relative pay. The moderating effect of declining external conditions upon the pay-separation relationship still held when levels of employee performance were high. Figure 3.2 also shows that the greatest increase in likelihood of separation occurred amongst high paid, non top performer employees. Low paid employees, both with and without top performer status, had lower increases in likelihood of separation relative to their higher-paid peers.

Insert Figure 3.2 about here

Ex-post analyses were completed to assess whether these results contained any temporal downsizing-related effects. All models were re-run for the year 2015 only with negligible changes in coefficients to those reported here for years 2015 and 2016 combined. This suggests that the targets for firm-initiated employment separations did not substantively change as the energy sector downturn progressed over time. Another ex-post analysis added a control variable for an employee's relative pay in the vertical sense (the ratio of an employee's pay to firm median pay) which was not significant, while all other coefficients remained similar to the results presented.

Discussion

The study illustrates how changing external conditions influence the relationship between pay and employment continuance/separation. When external conditions declined, employment separation became an increasing function of an employee's relative pay. Firms disbursed employment separations across hierarchical levels, with high *relative* pay the basis for pay-based downsizing decisions in firms (Dencker, 2012). The increasing effect for relative pay held for employees with high levels of performance. High paid high performers appeared less valuable, given the change in conditions, relative to their lower paid counterparts.

The findings suggest economic conditions influence employer perceptions of the value of their employees. An employee who is seen as a good-performing and committed core member of the firm when conditions are favorable, can appear as an excess cost to be let go when external conditions decline. The findings reiterate the important influence of employee pay to employment separation while highlighting boundary conditions to the typically assumed negative relationship – declining external conditions are found to reverse the direction of the effect.

Employees in these firms operated in what appeared to have been internal labor markets (ILMs) during favorable times. ILMs are characterized by stable employment relationships in which employees receive pay increases within a pay grade or job level and via promotions to higher grades/levels. Relative pay downsizing critically raises questions about the durability, if not the integrity of, the ILM. Do such actions undermine the ILM, representing a breach of an implied contract (Rousseau, 1989) and/or challenging the social community that an ILM involves (Doeringer & Piore, 1970)? Or, might it be the case in the Energy industry, given its cyclicality, that there are only "quasi-ILMs", whereby the typical rigidity of ILMs (Doeringer & Piore, 1970) is much more tenuous and porous, with greater movement of individuals in and out of firms during favorable times?

Firms with ILMs ordinarily do not guarantee employment but they make efforts to keep their employees, as their departure creates losses in firm-specific skills and knowledge (Becker, 1975; Doeringer & Piore, 1970). When firms engage in separation of relatively high paid employees, the question arises as to how it affects the stock of firm specific human capital. Does it deplete the stock or are there redundancies among employees in the same pay grade such that little of significance is lost?

Our data are left censored, so they do not allow us to identify fully which individuals moved into these firms from other companies, acting as "free agents", and which likely would have occurred during favorable times. It is quite possible certain individuals who moved from other organizations were placed higher in the pay grade, which acted as the premium firms' paid to poach talent (Cappelli, 2000). If that is so, it may be those free-agent employees who were particularly targeted via relative pay downsizing. Employers would thus be penalizing those with lower firm tenure who used their market power to bargain for higher wages. Results on the

control variables for age and tenure in this analysis illustrate higher separation likelihood for both high age and low firm tenure, which, in combination, could be illustrative of such a phenomenon.

The removal of those with relatively high pay reiterates the role of downsizing as a cost-reduction and/or efficiency-seeking strategy. If those removed had low firm-specific human capital and knowledge, and/or were redundancies, it is possible that pay-based downsizing would contribute both to cost savings and efficiency gains. Conversely, if those removed had high firm-specific human capital and knowledge, pay-based downsizing decisions would suggest the prioritization of cost savings at the expense of firm efficiency when downsizing. Any such cost focus could be a reflection of the study's empirical setting, as firms in the Energy sector generally sell commodity products at market prices, thus coping with an economic shock requires a focus upon reducing costs. Firms in other sectors where there is little opportunity to increase prices, differentiate products, or increase revenues in other ways might also be more likely to adopt such an approach.

The findings highlight the important role of external conditions to not only the size, but also the composition of a firm's workforce. They reiterate that external influences upon firm employment extend beyond those of external labor markets to include broader changes in a firm's economic environment. Declining external conditions not only contribute to lower levels of firm employment via downsizing but can also reshape the composition of a firm's workforce when employees with certain characteristics are removed in proportionately larger numbers. Compositional effects of downsizing tend to examine discriminatory traits, such as age, race, or gender (Bell, Berry, Marquardt, & Green, 2013; Elvira & Zatzick, 2002; Giumetti et al., 2015; Luojia & Taber, 2011) or attributes of the work performed, such as managerial roles (Atanassov

& Kim, 2009; Jung, 2016) and support functions (Blinder & Krueger, 2013; Duncan, 2011; Olsson & Tåg, 2017). The findings here also highlight the relevance of pay to such compositional effects and suggests shrinking pay gaps in the downsizing firms – albeit *within* any given pay grade and not the much more contested pay disparities *between* low and high pay grades in firms.

A major area of focus in prior downsizing research has been on the effects of those employees who remain after cuts have been made, the "survivors". Brockner, Tyler, and Cooper-Schneider (1992) examine downsizing's effects on employee commitment for those left behind and find that the biggest drop in employee commitment is from those employees who were previously the most committed and perceived the downsizing as unfair. Future research will need to determine how employees react attitudinally to the pay-based downsizing approach found in this study.

Practical implications. A critical issue facing managers is what the effects are of relative pay downsizing. Does relative pay downsizing deliver the highest cost savings? Or are there greater indirect costs when laying off high-paid non-top performers, such as large severance obligations due to the potentially long tenure of some of these employees?

The findings raise questions for managers about the effectiveness of such downsizing strategies in achieving their desired firm performance outcomes. Non-top performer employees at high relative pay have been associated with high levels of firm commitment, organizational memory, firm resilience, and sustained good performance over time (DeLong & Vijayaraghavan, 2003). The results of this study show that those most likely to be let go when external conditions declined were also more likely to remain with the firm when external conditions were favorable. This is consistent with prior arguments that a firm's good performers, also referred to as "B-

players", are highly committed to the firm, but often find their valuable contributions are overlooked or underestimated by leaders (DeLong & Vijayaraghavan, 2003). Therefore, downsizing in the manner suggested by the findings in this study may reflect a firm who has let go the best of its non-top performers without even realizing it.

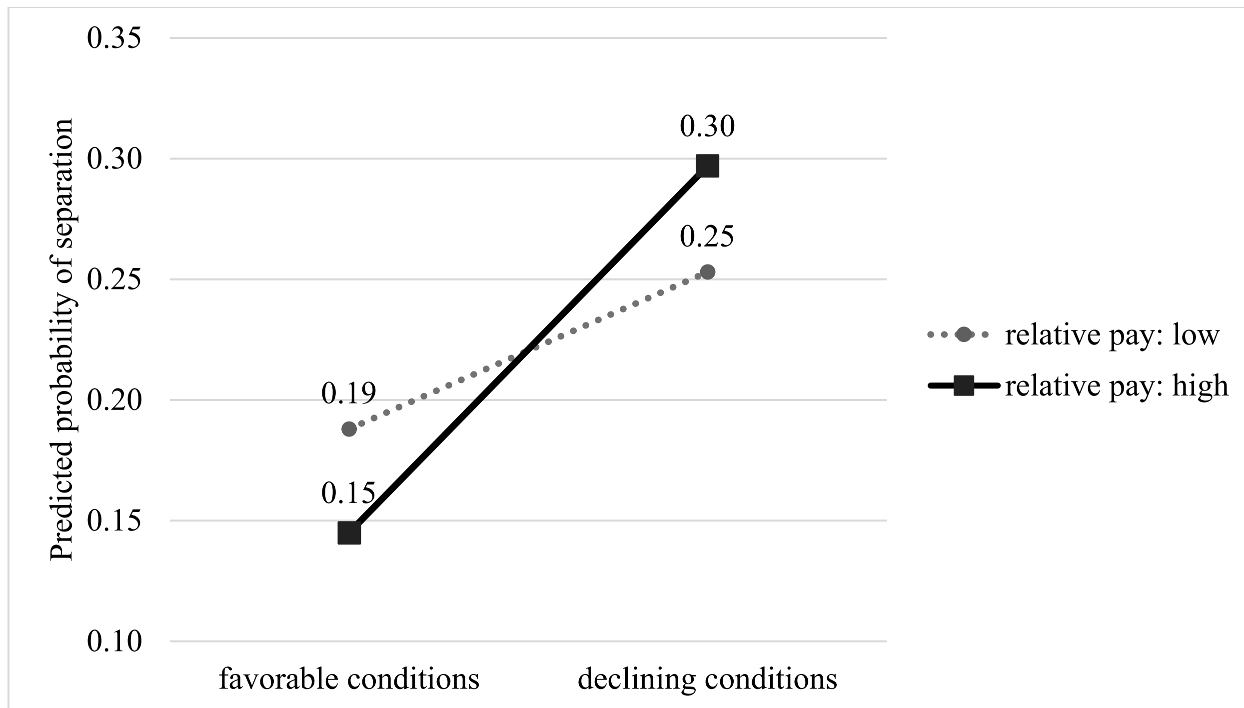
From the perspective of employees, the findings of this study suggest that taking a promotion, which moves an individual to the bottom of the next highest pay grade, is a preferred course of action. In that regard, employees moving up their current pay scale should be planning how they can get promoted and find themselves in a less vulnerable position. While some employees will have hit a ceiling on their job level, others will be looking for promotions wherever possible. This raises additional issues for managers as more employees may be vying for promotions.

Conclusion

Context influences the perceptions and actions of individuals and organizations such that what might be viewed as good under favorable external conditions might otherwise be seen as bad under unfavorable conditions. Employees with high relative pay are one such example. They go from being a firm's stable and committed pool of good performing employees, to that of an excess cost who must be removed – even when their level of performance is deemed to be high. Having high pay is simultaneously an asset and a liability for employees – when conditions decline, good pay is bad.

Figure 3.1

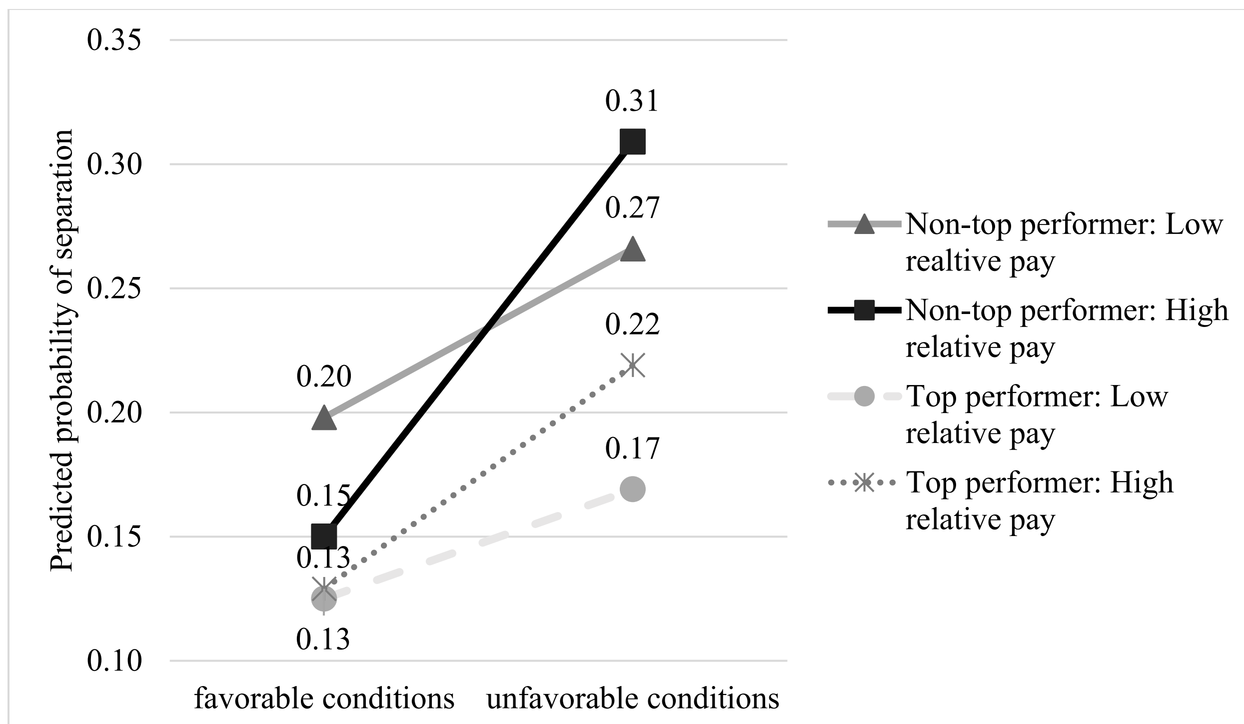
Moderating effect of declining external conditions on relative pay



Graphical representation based on 2-way interaction between relative pay and external conditions in Model 2 of Table 3.3. Predicted probability of separation calculated via the *margins*- command in STATA version 14.

Figure 3.2

Moderating effect of declining external conditions by top performer status and relative pay



Graphical representation based on 3-way interaction between relative pay, top performer status and external conditions in Model 5 of Table 3.3. Predicted probability of separation calculated via *margins* command in STATA version 14.

Table 3.1

Operationalization of variables

Variable	**Operationalization**
Employee separation (EE SEP)	0 = employee remains within firm in subsequent data year 1 = employee no longer in firm in subsequent data year
Relative pay (PAY)	Employee's base pay / Highest base pay in pay grade in firm (mean centered) Calculated for 15 pay grades, standardized across firms: Executives Management (3 levels) Managers/directors Supervisors of professional staff Supervisors of hourly staff Professionals (7 levels) Entry level to expert Hourly (4 levels) Entry level to non-supervisory lead
Top performer status (TOP)	0 = firm did not identify employee as a top performer 1 = firm identified employee as a top performer
Declining external conditions (DECLINE)	0 = years 2012-2014 (favorable conditions) 1 = years 2015-2017 (declining conditions)
Controls	
Job category (JOB CAT)	1 = Executives (EXEC), 2 = Management (MGMT), 3 = Professionals (PROF), 4 = Hourly (HR) The 15 pay grades were collapsed into 4 job categories, both for simplicity in the presentation of the results and to align with the approach taken by Dencker (2012). Robustness checks controlling for the 15 pay grades yields similar results.
Gender (GEN)	0 = male (M) 1 = female (F)
Age (AGE)	10 = Low: employee age < 25th percentile in firm 20 = Med: employee age at or between 25-75th percentile in firm 30 = High: employee age > 75th percentile in firm
Tenure (TEN)	10 = Low: employee tenure < 25th percentile in firm 20 = Med: employee tenure at or between 25-75th percentile in firm 30 = High: employee tenure > 75th percentile in firm
Division (DIV)	0 = corporate functions, e.g., HR, finance, IT, legal (CORP) 1 = non-corporate, e.g., Operations, Manufacturing (NOT CORP)
Industry segment (SEG)	10 = Energy services firms (SERV) 20 = Exploration/Production firms (EP) 30 = Integrated energy firms

Table 3.2

Correlation matrix

		mean	s.d.	1	2	3	4	5	6	7	8	9	10
1	**EE SEP**	.24	.43	1.00									
2	**DECLINE**	.42	.49	.06*	1.00								
3	**PAY**	.00	.15	.00	-.00	1.00							
4	**TOP**	.11	.31	-.08*	.10*	-.02	1.00						
5	**JOB CAT**	3.26	.74	.08*	-.06*	.20*	-.15*	1.00					
6	**GEN (F)**	.27	.44	-.01*	-.00*	-.24*	.03*	.01*	1.00				
7	**AGE**	20.51	7.45	.04*	-.06*	.05*	-.06*	-.10*	-.04*	1.00			
8	**TEN**	20.63	6.23	.02*	-.03*	.01*	.05*	-.15*	-.01*	.31*	1.00		
9	**DIV**	.72	.45	.04*	-.02*	.27*	-.05*	.14*	-.43*	-.02*	-.02*	1.00	
10	**SEG**	16.56	7.30	.05*	.00	-.09*	-.12*	-.01*	.04*	.02*	.04*	-.11*	1.00

Table 3.3

Random-effects logistic models for employee separation

Variables:	MODEL 1: EE SEP	MODEL 2: EE SEP	MODEL 3: EE SEP	MODEL 4: EE SEP	MODEL 5: EE SEP
PAY	-.22*** (.03)	-.72*** (.04)	-.22*** (.03)	-.72*** (.04)	-.77*** (.04)
TOP	-.51*** (.02)	-.51*** (.02)	-.45*** (.02)	-.46*** (.02)	-.45*** (.02)
DECLINE	.52*** (.01)	.52*** (.01)	.53*** (.01)	.53*** (.01)	.53*** (.01)
PAY*DECLINE		1.24*** (.06)		1.23*** (.06)	1.25*** (.07)
TOP*DECLINE			-.11** (.03)	-.10** (.03)	-.10** (.03)
PAY*TOP					.85*** (.17)
PAY*TOP*DECLINE					-.58* (.23)
Controls:					
EXEC	-.20*** (.05)	-.20*** (.05)	-.20*** (.05)	-.20*** (.05)	-.19*** (.05)
MGMT	-.24*** (.02)	-.24*** (.02)	-.24*** (.02)	-.24*** (.01)	-.24*** (.02)
PROF	-.22*** (.01)	-.21*** (.01)	-.22*** (.01)	-.21*** (.01)	-.21*** (.01)
GEN (female)	.07*** (.01)	.07*** (.01)	.07*** (.01)	.07*** (.01)	.07*** (.01)
AGE (low)	.11*** (.01)	.11*** (.01)	.11*** (.01)	.11*** (.01)	.11*** (.01)
AGE (high)	.29*** (.01)	.29*** (.01)	.29*** (.01)	.29*** (.01)	.29*** (.01)
TEN (low)	.09*** (.01)	.09*** (.01)	.09*** (.01)	.10*** (.01)	.09*** (.01)
TEN (high)	-.09*** (.01)	-.09*** (.01)	-.09*** (.01)	-.09*** (.01)	-.09*** (.02)
NOT CORP	.10*** (.01)	.10*** (.01)	.10*** (.01)	.10*** (.01)	.10*** (.01)
EP	.21*** (.01)	.21*** (.01)	.21*** (.01)	.21*** (.01)	.21*** (.01)
SERV	.94*** (.02)	.94*** (.02)	.94*** (.02)	.94*** (.02)	.94*** (.02)

Constant	-1.92*** (.02)	-1.92*** (.02)	-1.92*** (.02)	-1.92*** (.02)	-1.92*** (.02)
# Person-years	294,622	294,622	294,622	294,622	294,622

Random effects logistic regression reporting log-odds of outcome. Standard errors in parentheses. Executive, management, and professional job types are reported relative to hourly/para-professional jobs. Low/high age and tenure reported relative to the middle category (25-75th percentile in firm). EP (exploration/production) and SERV (services) industry segments reported relative to integrated energy firms.

*$p < .05$
**$p < .01$
***$p < .001$

CONCLUDING REMARKS

The three essays within this dissertation adopt perspectives on good and bad in the study of downsizing. They offer further exploration of the space *between* a firm's decision to adopt a downsizing strategy and its resultant outcomes, specifically decisions relating to downsizing magnitude, early layoff notifications, and who gets laid-off.

The first essay explored the relative strength of bad over good events in the context of firms' employment contraction/expansion magnitude. It found that firms downsize as a response to bad events with greater magnitude than they correspondingly upsize as a response to good events. Our theorizing and findings suggest a need to move beyond assumptions of symmetry and consider different theoretical mechanisms that underly firm contraction and expansion.

The second essay explored the coexistence of good and bad, whereby employees given early layoff notification both feel bad yet want to look good in the eyes of others. This study found that (i) leaders made direct appeals to institutional norms of professionalism during the notification period and (ii) employees engaged in feigning behaviours consistent with these norms - diminishing any negative displays of emotion. This study offers empirical evidence in support of the theory that employees will engage in feigning behaviours to comply with higher-order, institutional norms, specifically norms of professionalism. It highlights that professionalism's embedded rules of emotional detachment can apply beyond the pure professions, such as health care (Hodgson, 2005), to those working in organizations more broadly.

The third essay explores the changing meaning of good and bad, whereby shifting external conditions make some previously 'good' employees appear 'bad' and thus become more likely targets for layoffs. It found that when external conditions declined, employment separations in firms became an increasing function of employee's relative pay. This increasing

effect for pay held even amongst employees with high levels of performance. The findings suggest that economic conditions influence employers' perceptions of the value of their employees. They also reiterate both the important influence of employee pay to employment separation as well as the ongoing role of downsizing as a cost-reduction strategy.

In their entirety, these studies provide insight into firms' internal downsizing processes and the contextual influences upon them, illuminating the liminal space that firms must navigate between their initial decision to downsize and its eventual outcomes.

Future Research Directions

Findings from these three perspectives on good and bad when downsizing offer avenues for future research. Given evidence for the strength of bad events in firms, future research comparing the relative magnitude of other firm contraction strategies, such as reductions in a firm's assets, output, portfolio, or geographic footprint (Schmitt & Raisch, 2013) would be beneficial. Because the strength of bad events is relative, whether firms *over* respond to bad events or *under* respond to good events remains an open question. Future research assessing this question is also needed.

Feigning behaviours during advance layoff notification also highlight new research directions. Future job loss research may wish to compare cases of advance layoff notification where employees' social contexts differ, such as shared/unshared losses. Researchers may also wish to explore feigning behaviours in the context of positive emotions and professionalism. If professionalism says work is to be performed with little emotional involvement, then even overly *positive* displays of emotion might be deemed unprofessional by others. Also encouraged are future explorations of other types of organization-induced losses; such as employees acquired by another firm (Hunt & Downing, 1990), involuntary relocation (Butler et al., 2009), demotions,

work-related identity loss (Conroy & O'Leary-Kelly, 2014); and/or losses originating outside of work, such as the death/illness of a loved one and other life changing events (Doka, 2002).

The downsizing decisions found in the third study generate questions on whether the disproportionate removal of high-paid non-top performers will be effective at delivering intended firm outcomes, such as cost savings and/or improved efficiency. High-paid employees may be entitled to larger severance packages, thus undermining any potential cost savings in the short run. Similarly, if these employees are good performers with firm-specific human capital, their removal could hinder, not contribute to, any efficiency gains. Further explorations on how pay-based downsizing decisions influence these and other future firm performance outcomes are encouraged, as are those comparing the firm performance outcomes of pay-based downsizing strategies with those of performance-based downsizing.

Practical Implications

Taken as a whole, these three studies illustrate to managers that it is not enough to simply ask whether a downsizing strategy should be adopted or not. Instead, they show it is equally important to ask questions specific to how the downsizing strategy will be implemented – questions such as the magnitude of workforce reductions, when employees are given layoff notification, and who to remove from within the extant workforce. While contributing factors that lead to the adoption of a downsizing strategy are often beyond a firm's control, how the strategy gets implemented is almost exclusively at the discretion of a firm's decision makers. Aside from legal or contractual requirements, such as minimum notice periods, non-discriminatory terminations, or provisions within collective agreements, firms are otherwise free to choose the magnitude of layoffs, when notifications are given, and who to remove. Therefore,

downsizing strategies in practice must carefully consider, inter alia, the answers to these three questions.

Separately, each of the downsizing studies offered here provide recommendations and insights to managers in practice. The strength of bad events found in the first study highlights the tendency to take stronger actions when faced with poor or declining firm conditions, relative to the actions taken when conditions are favorable. It highlights to any manager trying to undo the effects of a single negative event that it will either require many small positive events, or a much larger one in order to do so (Baumeister et al., 2001). It also demonstrates how bad events can generate high rates of job loss and why, when conditions improve, firm employment may recover more slowly.

The second study illustrates the power of professionalism. Managers in organizations that adhere to professional norms may find that employees perform work tasks with little emotional display. Therefore, employees given advance layoff notification in professional settings are likely to maintain a business-as-usual approach, as long others continue to recognize their professionalism during a difficult time. Managers should not use this lack of visible emotion during layoff notification as evidence that the organization's actions did not trigger any felt emotion. A loss has occurred, and all losses are felt in some way.

The third study illustrates, from a practical perspective, that managers tasked with making difficult downsizing decisions may base layoff decisions on employee pay – not simply in the absolute sense, but relative to others at any given level. Managers who adopt this approach are cautioned that it may overlook a firm's best non-top performers - who can be relatively high paid due to a lack of promotion to higher levels. Prioritizing the cost savings of removing these

'good' employees could have detrimental impacts upon a firm's level of employee commitment, organizational memory, and firm resilience going forward.

Conclusion

The three essays within this dissertation further explore the tension between good and bad when downsizing. Findings extend the good and bad of downsizing beyond its consequences for employees and firms into the space between the decision to adopt a downsizing strategy and these outcomes. Separately, each of the three studies offer perspectives on the relative strength, coexistence, and instability of good and bad, while also providing insight into downsizing magnitude, early layoff notifications, and who gets laid-off. In their entirety, these studies provide insight into firms' internal downsizing processes and the contextual influences upon them. They further explicate the tensions between good and bad when downsizing to help drive this mature field of research forward in the decades to come.

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APPENDIX

Co-author permission:

"As a co-author for Essay 1 (pp.13-33) and Essay 3 (pp.59-81) within this manuscript, I approve the inclusion of these two works as part of the dissertation of Allyson House. The text associated with Essays 1 and 3 within the Introduction and Concluding Remarks section of the dissertation are also approved. I am aware that this dissertation will be added to the digital theses repository at the University of Calgary, The Vault (http://theses.ucalgary.ca/)."

Dr. Peter D. Sherer
September 8, 2021 (via email)