
‘Psst, We’re Losing our Jobs’

Rumor, Sensemaking, and the Stages of Downsizing



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Summary: Employee downsizing has often been claimed as helping to improve firm performance and competitiveness. However, the results of many previous studies point to downsizing initiatives that have failed to achieve the expected results. Part of the explanation for such poor results relates to the formal and informal communication processes and the employee emotions that precipitate and accompany the change. For instance, downsizing might generate a range of negative employee social media responses that impact firm reputation. Unfortunately, prior research has largely neglected the often-encountered grapevine activity’s role during employee downsizing. Given rumor’s ability to impact negatively on firm downsizing, the paper’s aim is to theoretically emphasize the factors that precipitate employee attention to rumor before, during and after the downsizing process. In doing so, we develop a model of how individuals rely on rumor to appraise and make sense of their environment during layoffs. This paper extends and contributes insights into contingencies of employee downsizing, emotion, and informal communication. This knowledge will help organizational leaders in a more digital and hybrid world of work to respond better to salient employee issues during downsizing.



‘Psst, Wir verlieren unsere Jobs’

Gerüchte, Wahrnehmungen und die Etappen des Personalabbaus

Stichworte: Personalabbau, Sensemaking, Emotionen, informelle Kommunikation, Gerüchte

Zusammenfassung: Der Personalabbau wird häufig als Massnahme zur Verbesserung der Unternehmensleistung und der Wettbewerbsfähigkeit angesehen. Allerdings zeigen die Ergebnisse früherer Studien, dass Personalabbauinitiativen nicht immer den erwarteten Erfolg erzielen. Das liegt vor allem daran, dass die formellen und informellen Kommunikationsprozesse, sowie die Emotionen der Mitarbeiter, während einer Entlassungswelle oftmals unterschätzt werden. So kann ein Personalabbau beispielsweise eine Reihe negativer Reaktionen der Mitarbeiter in den sozialen Medien hervorrufen, die sich dann wiederum umgehend negativ auf den Ruf des Unternehmens auswirken. Leider hat die bisherige Forschung die Rolle der in diesem Zusammenhang häufig anzutreffenden „Gerüchteküche“ beim Personalabbau weitgehend

vernachlässigt. Das Ziel dieses Beitrags besteht darin, die Rolle von Gerüchten und deren Einfluss auf die Mitarbeiter vor, während und nach dem Personalabbau theoretisch zu beleuchten. Zu diesem Zweck entwickeln wir ein Modell, das zeigt, wie Mitarbeiter Gerüchte nutzen, um ihr Umfeld während Entlassungen zu bewerten und zu verstehen. In diesem Sinn trägt der vorliegende Artikel dazu bei, die bestehenden Erkenntnisse über die Zusammenhänge von Personalabbau, Emotionen und informeller Kommunikation zu erweitern. In einer zunehmend digitalen und hybriden Arbeitswelt kann dieses Wissen helfen, besser auf wichtige Mitarbeiterprobleme während des Personalabbaus zu reagieren.

1. Introduction

Employee downsizing is a widespread strategy to improve operational effectiveness through workforce reductions (Schulz and Wiersema, 2018; Brauer, 2014), especially during times of economic crisis. Owing to the COVID-19 pandemic's profound economic impact, employee downsizing has been a prominent means to react to sudden demand shortfalls across various industries. Defined as "planned eliminations of positions or jobs" (Cascio, 1993: 96), employee downsizing has nevertheless been called into question as a strategy to improve a firm's long-term performance (Schulz and Wiersema, 2018; Zorn et al., 2017; Datta and Basuil, 2015). In this respect, the literature highlights how many employee downsizing efforts fail to retain critical levels of quality, productivity, and effectiveness (Drzensky and Heinz, 2015).

Given the controversial findings of prior downsizing research, recent studies have started to provide insights into the internal and external contingencies impacting the effectiveness of employee downsizing (e.g., Cascio et al., 2021; Aaken et al., 2022; Richter and König, 2017). In addition, earlier studies have explored the effects of workforce reductions on 'victims' (Pugh et al., 2003) and 'survivors' (Mishra and Spreitzer, 1998). The results of these studies collectively highlight that the effect of workforce reductions on firm performance highly depends on the leaders' implementation strategies. In this respect, one particular but rather underdeveloped stream of research has explored whether a leader's effective communication strategy can help to improve the overall performance of workforce reductions (Homburg et al., 2012; Datta et al., 2010). Given that communication is an important aspect to focus on during organizational downsizing (Liu and Perrewé, 2005), it is striking to observe that organizational change is perceived and interpreted differently by initiators and recipients of that change (Richter and König, 2017). This issue is particularly salient for organizations in the digital age where downsizings might trigger negative social media reactions (e.g., Twitter, LinkedIn, TikTok etc.), in turn harming firm reputation. This is because downsizing processes have often been characterized by a climate of employee uncertainty, anxiety, and fear (Homburg et al., 2012) that precipitates job insecurity and distrust (Brockner, 1992; Brockner et al., 1995). Consequently, effective communication based on helpfulness, openness, as well as accuracy, timing, and completeness has been found to help mitigate these negative effects (Datta et al., 2010; Cascio et al., 2021).

More generally, leadership or managerial communication characterized by remaining fair and honest is best to support a downsizing strategy (Mishra et al., 1998). Chadwick et al. (2004) also emphasize the beneficial role of extensive communication for downsizing performance and employees' commitment levels once the workforce reductions have been implemented. Other scholars have further explored the difficulties (Brockner, 2006) and

limitations (Wiesenfeld et al., 2007) of adopting fair and open downsizing communication strategies. However, we know little about the important role of informal communication during employee downsizing. This is surprising given that informal grapevine activity (i.e., rumors, gossip) are especially prevalent during employee downsizing processes (Homburg et al., 2012). In addition, several studies have asserted that grapevine activity represents a significant amount of the entire communication within organizations (e.g., Davis, 1969; DiFonzo et al., 1994). During organizational change, rumor can preempt formal managerial announcements by predicting the nature of the change or anticipating the positive and negative consequences for employees (Bordia et al., 2006). With regard to workforce reductions, managerial communication often falls short of fulfilling employees' information and emotional needs (Cameron et al., 1991) leading employees to increase their attention to alternative sources of information that establishes an informal sense-making process (DiFonzo et al., 1994). In other words, a range of emotional responses can occur in terms of what the downsizing is likely to mean for each employee, triggering a search for, and giving attention to, informal communication such as rumor. With increasing digital advances and sophistication, organizational leaders need to pay attention to grapevine activity (Harrington and Bielby, 1995), including how social media aids employee sense-making (Mirbabaie et al., 2021; Seidel et al., 2020). Given the importance of communication for the overall downsizing performance, it is argued that an appreciation and understanding of emotion and rumor are therefore necessary during employee downsizing.

This article theoretically explores the factors that precipitate employee attention to rumor before, during and after the downsizing process. We extend and contribute to the literature on employee downsizing and communication in several ways. First, we strengthen the concepts of emotion and rumor within the employee downsizing literature. Second, we derive a theoretical understanding of how the individual perception of, and emotional response to, employee downsizing activities shapes their attention towards rumor during different stages of the downsizing process. Finally, we discuss the individual and organizational (leadership) implications of rumor during employee downsizing initiatives that allow leaders to steer employee sense-making in the digital age.

2. Employee Downsizing, Emotions, and Communication

For more than three decades, the practice of employee downsizing has been an integral part of organizational transformation and has gained strategic legitimacy as a reorganization strategy (Cascio et al., 2021; Cirillo et al., 2022). In its broadest sense, organizational downsizing refers to a set of management activities aiming at improving organizational efficiency, productivity, and/or competitiveness (Aaken et al., 2022). Since the economic crisis that accompanied COVID-19, many organizations have been faced with a 'new normal' associated with different patterns and places of work (Jacks, 2021). For example, demands for more flexible and hybrid work contain implications for employee interactions, and how many employees are required. This article focuses on employee downsizing and considers intentional personnel reduction strategies (e.g., transfers, outplacement, retirement incentives, buyout packages, layoffs, and attrition) that impact an organization's work processes. Following early definitions (Cascio, 1993), we consider employee downsizing as an organization's planned implementation of workforce reduction strategies in an attempt to increase organizational performance.

Prior studies have provided contradictory results regarding the employee downsizing's effects on firm profitability (Zorn et al., 2017; Kim et al., 2020; Schulz and Wiersema, 2018). While some researchers have found that employee downsizing leads to sustainable performance improvement (e.g., Perry and Shivdasani, 2005), others have observed harmful effects (e.g., Guthrie and Datta, 2008). Such conflicting results have led to studies that explore moderators and antecedents of effective downsizing processes (Cascio et al., 2021; Datta and Basuil, 2015; Love and Kraatz, 2009). While these studies do not call into question the concept of employee downsizing per se (Schmitt et al., 2012), they point to important contingencies that influence the overall performance of workforce reduction strategies.

One particular interest in the downsizing literature explores the relationship between communication and employee downsizing (Gopinath and Becker, 2000; Tourish et al., 2004; Datta et al., 2010). Employee downsizing has been found to involve risk and uncertainty (Sronce and McKinley, 2006) which contribute to employees' emotional feelings of vulnerability and stress (Swanson and Power, 2001). Drawing on Lazarus' work on appraisal theory to understand emotions and coping (e.g., Lazarus 1991a; 1991b), it is suggested that individuals proceed through two stages of appraisal of their environment: primary appraisal (does the downsizing affect me?) and secondary appraisal (who or what has caused the downsizing event? In what way will I be impacted by the downsizing? Will I be able to cope with the change?). Lazarus (1991a) further argued that each emotional response contains behavioral implications. For instance, anxiety might create a search for meaning to understand the downsizing situation or it might predict distraction from one's job; excitement or a sense of happiness might engender behaviors which support the downsizing such as endorsing it to others or clarifying the perceived benefits to co-workers.

Therefore, different communication techniques (formal and informal) have the potential to counterbalance any negative emotional effects by reducing uncertainty and enhancing employees' perceived control, well-being, and job satisfaction (Bordia et al. 2004). Others (e.g., Nelissen and van Selm, 2008; Kramer et al., 2004; Tuten et al., 1998) have similarly confirmed the beneficial role of communication on reducing uncertainty and stress during organizational change. Providing frequent and timely communication is vital for the successful implementation of employee downsizing as it explains the motivation, procedure, and rationale of planned layoffs (Mishra and Spreitzer, 1998; Tourish et al., 2004; Brockner and Wiesenfeld, 1996). These studies are consistent with theories on the pragmatics of human communication (Levinson, 1983), indicating a potentially more complex role between communication and uncertainty perception. Messages carry more meaning than their explicit content (Homburg et al., 2012). Listeners rely on cues from the situational context and interpret messages during transmission under the assumption that they are directly relevant to them.

The above-mentioned studies suggest that communication varies in its effectiveness. Consequently, communication strategies are critical to the reduction of exaggerated and inaccurate rumors (DiFonzo, 2018). Following Chadwick et al.'s (2004) argument that the success of employee downsizing is closely related to the way it is implemented, we subscribe to the idea that communication during employee downsizing does not relate to whether or not it contributes to success, but rather how a communication strategy should be implemented.

Also known as grapevine activity, rumor and gossip are inherently linked to informal organization (Grosser et al., 2012; Michelson et al., 2010; DiFonzo, 2018). While rumor and gossip have often been conflated and used interchangeably, several scholars (e.g., Hafen, 2004; Michelson and Mouly, 2000; Foster and Rosnow, 2006) have emphasized important differences between these two informal communication types. Rumors are located in the public sphere of communication and typically rely on unsubstantiated information (Hafen, 2004) that can be often found on social media. In this sense, rumor is a process through which unconfirmed information is widely transmitted from person to person, with few social and other constraints, in a so-called 'rumor mill' (Houmanfar and Johnson, 2004). When passing on the information, individuals can modify the content according to their own desires or hostilities (Levin and Arluke, 1987). In contrast, gossip is more likely to occur in a context of 'privacy' (i.e., among friends, trusted colleagues) and characterizes informal, evaluative communications among intimate small groups of people about other non-present persons or groups that often serve social and political agendas (Kurland and Pelled, 2000). In organizations, gossip has been found to function as a coping mechanism for stressful situations and/or helps to clarify matters not well explained in the formal communication system (Farley et al., 2010). Consequently, speculative talk about a possible employee downsizing event are called rumors, whereas murmurs about someone's poor performance that should lead to the removal of a particular individual during a layoff would be called gossip. Because trust between individuals is usually a condition of gossip transmission but not rumor, Foster and Rosnow (2006) emphasize that individuals are less likely to question the veracity of gossip than rumor. Given that employee downsizing contains important and organizational-wide implications – as opposed to being a localized issue among small intimate groups – we therefore focus only on rumor in this article.

For employees, rumors often represent a major source of information about their organization (Grosser et al., 2012) as they constitute a large part of the employees' interactions. Various studies have repeatedly noted that rumor has the potential to harm an organization's functioning by fostering uncertainty and transmitting false information (DiFonzo, 2018; Bordia et al., 2014; Bordia et al., 2006). Additionally, rumor can undermine productivity and lower morale (Michelson et al., 2010). In a more positive way, rumor has also been found to support organizational activities as it facilitates information flows between and among individuals and reduces transaction costs (Bolino et al., 2002).

Employee downsizing often occurs in response to inefficiencies aimed at increasing organizational productivity and performance (Guthrie and Datta, 2008; Datta et al., 2010; Chadwick et al., 2004). Rumors are especially prevalent during downsizing events as they often preempt formal announcements by management (DiFonzo et al., 1994). Moreover, employees aim to make sense of ambiguous and anxiety-provoking situations and thus use rumors as alternative information channels regarding the dire consequences, from their perspective, of employee downsizing (Bordia et al., 2006). In this sense, bad news is subsequently passed on to others' – often by means of social media – as this is congruent with the emotionally negative domain of downsizing (e.g., Heath, 1996). Nonetheless, as Lazarus (1991a; 1991b) reminds us, it cannot be assumed that all individuals will appraise an employee downsizing in a negative way. They may, for example, consider that they are not affected by the proposed downsizing, thereby not progressing any further to the secondary appraisal stage. In addition, if they do consider themselves impacted by the

downsizing, they might hold positive views seeing this as beneficial to themselves and/or the organization. In the case of the former, the employee might be close to retirement or was already looking for a change in employment and sees their pending job loss as something that provides unanticipated financial compensation through a payout; in the case of the latter, the individual may see the downsizing as providing the best opportunity for the long-term benefit of the organization.

Despite the importance of grapevine activity for staff opinion formation and effective change (Larkin and Larkin, 1994) as well as its increased spread via social media, the role of rumor has generally been neglected within the research on employee downsizing (for exceptions see: Homburg et al., 2012; Bean and Hamilton, 2006). It is therefore in the interplay between employee emotion, rumor and downsizing that we make our contribution. The preceding discussion has highlighted the importance of how employees appraise or ‘make sense’ of the process of change stemming from downsizing. We now turn to this theme, and explain it in more detail.

3. Employee Downsizing: A Sensemaking Perspective

The downsizing literature has largely focused on exploring the nature and consequences of leadership and survivor issues (Cascio et al., 2021; Sanchez-Bueno et al., 2020; Schenkel and Teigland, 2017). However, some research (e.g., Bean and Hamilton, 2006) has emphasized more interpretive perspectives regarding the communicative aspects of sensemaking triggered by downsizing. Defined as an individual’s efforts to create orderly and coherent understanding of an organization’s activities (Weick, 1995), the sensemaking process during employee downsizing has the potential to uncover critical factors that determine the overall success or failure of the downsizing strategy.

Generally, situations of organizational change have been found to represent critical and simultaneously difficult settings for sensemaking (Luscher and Lewis, 2008). As constitutive of experienced organizational reality (Weick, 1979), employees are captured in different understandings during the implementation of change (Hearn and Ninan, 2003). These understandings emerge from the individual’s own perception of the context, content, and process he/she experiences during change. The often new, increasing, or conflicting demands that appear in the individual’s work environment during change subsequently lead to perceptual ambiguity and misunderstandings (Warglien and Masuch, 1996). In response to these circumstances, employees adjust their mental frames to the discrepancies between their expectations and new experiences (Balogun and Johnson, 2004; Luscher and Lewis, 2008).

Sensemaking processes during organizational change have been mostly considered as an individual’s cognitive processes of reducing ambiguity (e.g., Gioia and Thomas, 1996). Individuals give meaning to organizational situations by cognitive processes and individual elements of interpretation and enactment (Gioia and Chittipeddi, 1991). However, and similar to others (e.g., Bean and Hamilton, 2006; Mills, 2000), we apply a social constructionist and communicative approach to sensemaking. This perspective considers sensemaking of organizational change as the outcome of an individual’s multiple available discourses (Mills, 2000). In this respect, employees’ social exchanges reflect how they make sense of various organizational events (Bean and Hamilton, 2006).

Watzlawick et al. (1974) argue that in situations of shocks or unintended events, employees realize that their existing frames of reference are obsolete and consequently they

start to alter meanings associated with the new situation. During employee downsizing, sensemaking thus emerges because of the risks associated with individual unemployment (Bean and Hamilton, 2006). Job insecurity may erode the employee's self-identity and create economic, social, and symbolic fear (Collinson, 2003). Faced with challenges to their current identity, individual established behaviors can assume new meanings before, during, and/or after an employee downsizing strategy. Owing to the fact that sensemaking aims at identity-maintenance based on previously formed meaning (Weick, 1995), the way employees perceive their work environment – including in a post COVID-19 and more digital world – plays a key role for the overall success of the employee downsizing initiative. While prior studies emphasized rumor's sensemaking function during organizational change (e.g., Houmanfar and Johnson, 2004; Mills, 2000) and thus established it as omnipresent during employee downsizings, we consider it more important to delineate the way individuals rely on grapevine activity. That is, rumors are frequent during employee downsizings but whether employees pay attention to them depends on their individual perception toward this information.

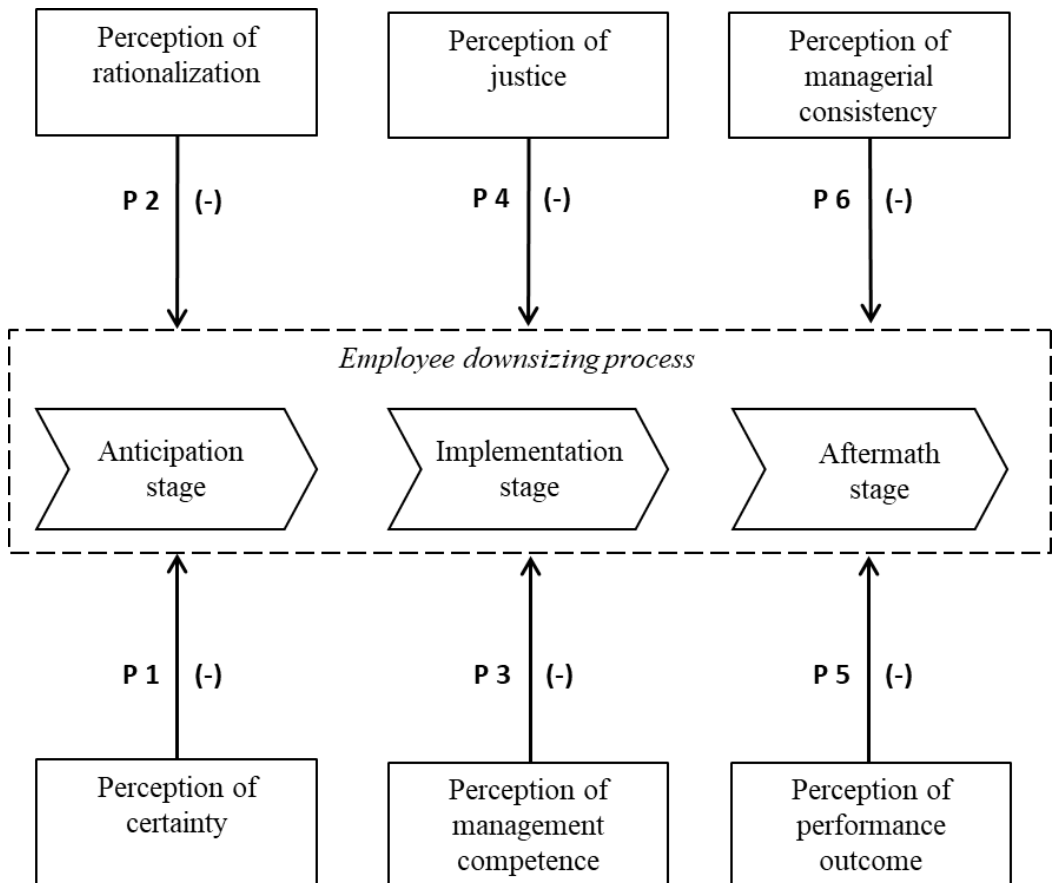


Figure 1: Model of individual attention to rumor during employee downsizing

4. Employee's Individual Attention to Rumor during Employee Downsizing

In comparison to previous research focusing on formal communication mechanisms during employee downsizing (e.g., Homburg et al., 2012; Pfeil et al., 2003), we present theoretical arguments on how attention to rumors can occur when organizations implement layoffs. Our analysis focuses on the individual employee as the level of analysis. By analyzing the role of rumor more comprehensively, we establish a better understanding of the inherent complexity of employee downsizing and raise awareness about the importance of change communication strategies in general (DiFonzo and Bordia, 1998). Following earlier studies (e.g., Paulsen et al., 2005), we distinguish three separate stages in the employee downsizing process: the “anticipation stage”, the “implementation stage”, and the “aftermath stage”. Our model is presented in Figure 1.

4.1 The Anticipation Stage

During the anticipation stage of employee downsizing, all stakeholders become aware of the imminent job losses but do not know whether or not they are directly affected by them (Paulsen et al., 2005). Whether or not employee downsizings are announced formally by the organization or informally through other channels (e.g., public and social media, market analysts etc.), the anticipation stage characterizes the commencement of an employee downsizing process. This creates a high level of ambiguity regarding the potential victims of employee downsizing as employees worry about their job security (Armstrong-Strassen, 2002), their ability to predict their future working environment (Jackson et al., 1987), thereby increasing their perceived level of stress (Schabracq and Cooper, 1998). Some studies (Paulsen et al., 2005) have found that uncertainty during the anticipation stage represents the highest level of stress for employees. Coupled with the disempowering effect of potential layoffs, employees experience a lack of personal control over the future (Lawrence and Callan, 2011).

In response to these circumstances, employees may attempt to gather as much information as possible from various online and offline sources to predict the upcoming changes (Brotheridge, 2005). Rumors, hunches, suspicions, and scattered bits of information can serve as a basis for a construed reality aimed at reducing existing uncertainty (Isabella, 1990). This highly active rumor mill has been found to serve as a sensemaking function for understanding one's environment (Houmanfar and Johnson, 2004). It also allows employees to express their fear or anxiety about the potential upcoming events (Rosnow and Fine, 1976). During times of uncertainty, spreading and discussing rumor via social media provides a means of relieving tension, reducing the lack of clarity (Rosnow, 1991), and regaining a sense of personal control in the work environment (Bordia et al., 2004). Regarding its validity, it therefore appears that rumor has the potential to provide a level of certainty during employee downsizing.

Moreover, rumor promotes the formation and maintenance of social relationships (Guerin and Miyazaki, 2006). During the anticipation stage, rumor transmission enables employees to increase their social status. For instance, Guerin (2003) found that being the first to relay new rumors permits individuals to leverage a so-called “conversational cash value” through which she/he gains and subsequently keeps a listener's attention. When the absence of formal communication from the organization allows for exaggeration or underestimation of the contingencies described by the rumors (Houmanfar and Johnson,

2004), high uncertainty during the anticipation stage of employee downsizing is directly related to an individual's attention to rumor. These arguments help construct the following proposition:

Proposition 1: *During the anticipation stage of employee downsizing, an individual's perception of certainty is negatively related to their attention to rumors.*

According to Salancik and Pfeffer (1978), an individual's perception and attitudes towards organizational activities depend on the source credibility of information. Others (Brotheridge, 2005; Aaken et al., 2022) have argued that social status influences employee attitudes towards organizational change. Bordia et al. (2004) have empirically found that the quality of leadership or managerial communication directly impacts the individual's level of perceived uncertainty and sense of control over personal issues related to organizational change. In this respect, Paulsen et al. consider uncertainty-management as one of the most "important tasks for managers throughout the various stages of downsizing" (2005: 488).

During the anticipatory stage of employee downsizing, supervisor support positively impacts employees' reliance on official sources of information (Armstrong-Strassen 2006). Similarly, Brotheridge (2005) considers the quality of managers' relationships with their employees as determining the nature (positive vs. negative) of individual attitudes towards organizational change. In situations in which formal communication channels fail to reduce uncertainty and anxiety, employees will seek other and often more informal online and offline sources of information during the anticipation stage (Lawrence and Callan, 2011). A leadership's poor communication policy during employee downsizings hence promotes the transmission of rumors for information purposes (DiFonzo et al., 1994) via digital communication channels.

Conversely, effective job-related communication strategies help to reduce employees' uncertainty about their jobs and work environment during the anticipatory stage of downsizing (Paulsen et al., 2005). While the actual implementation of any downsizing process remains somewhat specific to each case, we nevertheless consider that information about the reasons, scope, and timing of downsizing increases employees' knowledge about the upcoming changes and thus reduces job-related uncertainty. In this respect, Sronce and McKinley (2006) contend that when employees understand the rationale for employee downsizing it creates greater certainty about the pending workforce reductions. Consequently, the need to pay attention to rumors on social media, for instance, decreases when employees acknowledge the organization's motivation for downsizing. These arguments lead to the following proposition:

Proposition 2: *During the anticipation stage of employee downsizing, an individual's perception of the rationale for downsizing is negatively related to their attention to rumors.*

4.2 The Implementation Stage

The implementation of layoffs comprises the notification of individuals made redundant (victims) followed by the termination or cessation of their contracts (Pugh et al., 2003). Similar to the anticipation stage of downsizing, job uncertainty remains present among employees during the implementation stage (Armstrong-Strassen, 2002). Whereas the vic-

tims of downsizing experience uncertainty about current employment obligations and future redeployment options (Doherty et al., 1993), retained employees following the downsizing (survivors) wonder about new job responsibilities, wellbeing, future career opportunities, and operational implications (e.g., Brockner, 1992). Paulsen et al. (2005) empirically confirm high levels of uncertainty among both victims and survivors during the implementation stage of downsizing.

Given that employee perceptions of personal control represents an important element of effective coping strategies for employee downsizing (Latack et al., 1995), the absence of information from organizational leaders aggravates stress levels among employees and fosters high levels of uncertainty. Such unmet communication needs lead to mistrust about the way employee downsizings are implemented and stimulate rumors as a means of expressing individual attitudes of cynicism (Wanous et al., 2000). Not surprisingly, employee perceptions of poor management of the change process has been found to be a main stimulus for rumors (Bordia et al., 2006). By providing employees with the possibility of formulating and internally spreading their lack of confidence in management's ability to implement employee downsizings, rumors encapsulate and express the employees' pessimistic outlook of their highly uncertain future working environment (Bordia et al., 2006). Incomplete, limited, or ineffective formal communication thus reinforces employees' attention to rumors about possible mismanagement and managerial incompetence during the implementation stage. Hence:

Proposition 3: *During the implementation stage of employee downsizing, an individual's perception of management competence is negatively related to their attention to rumors.*

Several studies (Sanchez-Bueno et al., 2020; Cascio et al., 2021; Schenkel and Teigland, 2017) have confirmed that employee downsizing impacts employees' emotions, behaviors, and attitudes. Becoming conscious that they are no longer valuable for an organization can be a highly disempowering experience for downsizing victims (Mishra and Spreitzer, 1998). Similarly, survivors often suffer from guilt, anger, and job insecurity (e.g., Brockner, 1988) when they witness co-workers and friends losing their jobs. Consequently, much research has investigated how to mitigate the negative emotional impacts of employee downsizing (Hopkins and Weathington, 2006). In particular, previous findings show that employees base their perception of employee downsizing on their evaluation of the overall fairness in terms of how employee downsizings are enacted (Cohen-Charash and Spector, 2001).

Throughout employee downsizings, perceptions of justice can be distinguished between procedural and distributive justice (Schmitt et al., 2012; Brockner and Wiesenfeld, 1996). While procedural justice relates to fairness of methods used to plan and implement employee downsizing (Wiesenfeld et al., 2007), distributive justice describes the employees' perceived fairness of the outcomes of downsizing (Hopkins and Weathington, 2006). During the implementation stage, we consider a direct relationship between perceptions of justice and an individual's attention to rumor. Given that procedural justice has been found to express the level of employee trust in their management (McFarlin and Sweeney, 1992), employee perceptions of unfairness in implementing employee downsizing (e.g., discrepancies between the reasoning, procedures, and selection criteria of victims) stimulates uncertainty, mistrust and, subsequently, rumors. Accordingly, when employees perceive their

managers as fair in selecting victims, they start acknowledging layoff selection criteria, increasing their certainty and trust about the ongoing implementation of the downsizing, thus reducing their individual attention to rumors. In this respect, fair decision-making, incorporation and reflection of the victim's opinions, and conformity to normative moral and ethical standards positively impacts employees' procedural justice perceptions (Datta et al., 2010).

Similarly, we argue that the perception of distributive justice with its potential to stimulate counterproductive work behavior (Cohen-Charash and Spector, 2001) closely aligns with rumors during the implementation stage. In the context of employee downsizing, perceptions of adequate distributive justice have been related to the way that firms treat their dismissed employees (Brockner and Wiesenfeld, 1996). The fair treatment of dismissed employees (i.e. outplacement support, incentives, etc.) has been found to increase organizational support and commitment among survivors (Cohen-Charash and Spector, 2001). A positive perception of distributive justice thus decreases the likelihood of poor employee perceptions of the implementation stage of the downsizing strategy, which in turn reduces the way individuals pay attention to rumors (Bordia et al., 2006). In sum, we consider the impact of perceived justice on employees' emotions and attitudes as directly related to an individual's attention to rumors. The above-discussion results in the following proposition:

Proposition 4: *During the implementation stage of employee downsizing, an individual's perception of justice (procedural and distributive) is negatively related to their attention to rumors.*

4.3 The Aftermath Stage

Previous research suggests that negative reactions following organizational downsizing can impact those employees who remain as much as those who have left (Baruch and Hind, 2000). Commonly referred to as 'survivor syndrome', the term characterizes negative responses to downsizings among 'survivors' that can stem from increased workloads (Green-glass and Burke, 2000), loss of job security (Hellgren et al., 1999), or mistrust (Niehoff et al., 2001). Several studies (Brockner, 1988; Mishra and Spreitzer, 1998) have confirmed the presence of survivor syndrome during the aftermath stage of employee downsizing. As a consequence, employees who remain in the post-layoff environment (survivors) show reduced levels of work effort, job satisfaction and organizational commitment (Paulsen et al., 2005).

In such circumstances, Bordia et al. (2006) argue that rumors will emerge regarding the implications of the layoffs for subsequent service delivery and overall organizational performance. Employee downsizing has both quantitative and qualitative consequences for survivors (Schmitt et al., 2012) as they need to take on new tasks and increase their efforts to compensate for reduced human resources (quantitative) and loss of key knowledge (qualitative) in the organization. For instance, with COVID-19 ushering in substantial global job losses and the rise of more remote, digital and hybrid forms of work (Jacks, 2021), a lack of knowledge or time to adequately address customer service requests risks stimulating anger and frustration that are then conveyed to customers and other employees. An important US Government study on lay-off practices confirms that relatively few companies achieve their downsizing goals regarding efficiency gains,

competitive advantage, customer satisfaction, and financial returns which raises questions among survivors regarding the overall need for employee downsizing (Gore, 1997). Consequently, rumors during the aftermath stage of employee downsizing are most likely to reflect survivors' concerns about the impact of the job losses on their ability to provide effective performance outcomes. This argument is captured by the following proposition:

Proposition 5: *During the aftermath stage of employee downsizing, an individual's perception of performance outcome is negatively related to their attention to rumors.*

Generally, employee support and trust relies on the individual's expectation that what has happened in the past will continue to occur in the future (Korsgaard et al., 1995). During downsizing strategies, employees tend to be highly sensitive to leadership practices corresponding with expectations based upon previously established psychological contracts (Mone, 1997). Hence, employees are most likely to assess the congruence between managers stated or planned behaviors and actual behaviors during the aftermath of employee downsizing. In this respect, Levine argues that "when there is a wide divergence between the official pronouncement about the necessity for cuts and the actual occurrence of cuts, skepticism, cynicism, distrust and noncompliance will dominate the retrenchment process" (1978: 319).

If employees perceive that organizational leaders have acted inconsistently when comparing the rationale for layoffs (i.e., the amount and timing of layoffs, the performance implications, and expected financial results) and the achieved results, there is little likelihood that employees will stop paying attention to rumors. Consequently, we consider the emergence of rumors highly dependent on the employees' perception of managerial consistency between what was initially stated as objectives and the achieved results. If managers announce the often promised financial benefits for organizations undergoing employee downsizings (McKinley et al., 2000), they need to remain mindful of their earlier statements and demonstrate that the results of the downsizing have indeed lead to a financially healthier organization. The perceived consistency of managerial statements will maintain or build greater support among survivors (Mone, 1997) and simultaneously reduce the individual attention to rumors. Our final proposition summarizes these arguments as follows:

Proposition 6: *During the aftermath stage of employee downsizing, an individual's perception of managerial consistency is negatively related to their attention to rumors.*

5. Discussion and Conclusion

By focusing on informal aspects of communicating, we have provided a more comprehensive picture of the relationship between employee downsizing and the role of communication. According to the sensemaking literature (e.g., Weick, 1995), an individual's understanding of employee downsizing is composed of numerous discourses and social exchanges to give sense and meaning to this organizational strategy. The individual's attention to rumors in an increasingly digital world is thus consistent with prior results emphasizing that informal online and offline networks in organizations are used extensively by employees during downsizing and organizational change (DiFonzo, 2018; Richter and König, 2017).

Rumors, as unsubstantiated or unconfirmed information, are particularly prevalent in situations of organizational uncertainty and they face few barriers in freely and rapidly circulating in and around organizational contexts. This even extends to the operation of stock markets where rumors contribute to trading decisions, thereby reinforcing the sensemaking function of rumor (DiFonzo and Bordia, 1997). Workforce reductions are a major source of anxiety and uncertainty for employees (Tourish et al., 2004) and it was demonstrated that individual attention to rumor is prevalent during employee downsizing. Further, it was shown that this attention is influenced by several factors at different stages of the employee downsizing process: in the anticipation stage of employee downsizing, perceptions of certainty and rationalization were considered particularly important to an individual's attention to rumor; in the implementation stage of downsizing, perceptions of management competence and justice issues were presented as the most salient in accounting for attention to rumor; while in the aftermath stage of employee downsizing, issues surrounding the perception of performance and management consistency were identified as key factors in an individual's attention to rumor. In response to prior calls (Cascio et al., 2021; Schenkel and Teigland, 2017; Zorn et al., 2017), the model therefore highlights the nuances and contingencies of individual perceptions of the downsizing process and the role of rumor in that process. This knowledge is particularly valuable as organizations continue to experience digital transformation and hybrid work environments in the years to come.

Workforce reductions present negative consequences for those impacted. It is therefore unsurprising that employees will attend to information that is consistent with the emotional and financial cost associated with job loss. The results of our arguments provide some caution to research that exhorts leaders to combat rumors – especially distributed via social media – in a relatively simplistic and unsophisticated manner. Rather than suggesting that grapevine activities can be managed (Kimmel, 2004) in a more digitalized world, our theoretical position is that scholars and managers need to appreciate better how employees will pay attention to various discourses, actions, and events during different stages of the downsizing process. We have drawn on the literature to identify several factors likely to influence whether employees will pay attention to rumors, and how these factors will be more prominent during the anticipation, implementation, and aftermath stages of downsizing.

The model of an individual's attention to rumor was developed to examine the likelihood of how rumor may impact (positively or negatively) the implementation of an employee downsizing strategy. One possible limitation is that it does not provide any explicit comment about the influence of various organizational group memberships on an individual's willingness to give attention to rumor. While prior research has emphasized the presence of grapevine activity during employee downsizings (Bordia et al., 2006), we lack an understanding of what factors determine the employees' involvement in contributing to these informal sources of information. Future research could therefore verify whether our theoretical arguments help not only to explain an individual's attention to rumor but rather their participation or involvement in rumor. In addition, our model does not specify certain interrelationships (i.e., feedback, reinforcements, learning) between the anticipation, implementation, and aftermath stages of employee downsizings. For example, if rumors start forming in the first stage and these rumors are ultimately perceived to be accurate when the downsizing happens, would people pay more attention to and/or

engage in rumors in the latter stages? Research that answers this question would help us to derive a better understanding of how grapevine activity can contribute to more effective communication during change. At the same time, we acknowledge that some of the factors we theorize to be most important during each of the three downsizing stages do not simply ‘disappear’ or are assumed as unimportant for other stages. Our model was designed to highlight the most salient factors, not necessarily all relevant factors. Nevertheless, it would be useful to examine, for instance, the interplay between perceptions of managerial competence, justice and other identified factors. This line of inquiry would help equip leaders looking to balance relevant complexities as they navigate organizational change, including digital change, that results in fewer employees.

Our model has also been presented in such a way as to ostensibly indicate that organizational leaders and managers enact and manage the downsizing process while employees experience it. At the same time, the model infers that only employees pay attention to rumor while managers somehow do not. Such assumptions are false, and managers can be equally displaced during a downsizing strategy, while at the same time managers have long been known to engage in grapevine activity (Michelson et al., 2010). Indeed, we suggest that rumor attention and engagement can be an important leadership skill that helps organizational effectiveness. This skill is particularly pertinent as more hybrid work emerges and leaders need to ‘stay in touch’ with dispersed and virtual workforces. The model can therefore apply to all organizational members, whether they are managers or employees affected by job loss. Future studies comparing different levels of analysis (individual vs. group; employee vs. manager) could further distill important perceptual differences of rumors during downsizings.

Finally, while we have only looked at one manifestation of organizational change (employee downsizing) the model does not extend to making predictions about employee attention to rumor during alternatives to layoffs, such as reduced working hours, a pay freeze or cut, or changes in job design precipitated by digital transformation. Nor do we explicitly consider whether the organization has experienced previous job layoffs prior to the consideration of the latest downsizing strategy. Other research has also faced similar challenges (Blau, 2006).

In sum, our model and propositions should help researchers to better understand the role of rumor during employee downsizing in several ways. First, the model provides new insights into the range of factors that employees may consider when paying attention to grapevine activities, such as rumor during downsizing. Second, the model suggests different factors are considered more salient by employees at different stages of the downsizing process. This means that organizational leaders need to be conscious about the likely contingencies and issues across the job layoff process and to consider how their communications and actions can intensify or reduce an employee’s attention toward rumor. Consequently, our model should also be of interest and use to organizations and their leaders, especially in the post COVID-19 era as many organizations face new challenges associated with more employees undertaking remote, digital and hybrid work. These new working contexts arguably reduce employee interaction with other employees and managers, in turn impacting how they appraise their environments including increasing their perceived need for communication during organizational change. Spending time and other valuable resources refuting unsubstantiated rumors may be unnecessary if organizations appreciate the most critical (and differentiated) contingencies perceived by employees throughout the

downsizing process. Empirically validating our propositions may lead to future refinement to identify additional contingencies and employee emotions and sensemaking practices during downsizing situations.

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