

Justice and trust when organisations downsize

Lessons from a doctoral thesis

by Peter Curran



Downsizing in organisations is traumatic, not only for the employee, but also for the organisation and those tasked with the downsizing process. Peter Curran examines the latest research into how it can be done carefully, looks at the biblical insights, and concludes that a Christ-like approach results in building rather than destroying trust.

Justice and trust in the world of work

Justice and trust are important to people in almost every area of human interaction. ‘It’s not fair’ is a common reaction when we know something is unjust, as we appeal to some innate and widely held sense of what is right and just. Closely linked is the concept of trust. Whilst difficult to define precisely, trust is widely recognised as a necessary ingredient for relationships to form and develop, for us to take risks and make ourselves vulnerable to others, and for transactions to take place. It is not surprising that these important themes are found in the Bible. God, being wholly righteous, is portrayed as the ultimate arbiter of justice, and his people are exhorted to be righteous themselves and to show justice to others. The Bible exhorts people to express their faith in God by putting their trust in Him because He is trustworthy. Justice and trust are woven together in the message of salvation whereby our trust in the sacrifice of Jesus, which satisfies God’s justice, results in our being justified before God.

In the world of work and organisations, justice and trust are particularly relevant as individuals enter into employment contracts and expect fair treatment, putting trust in

their organisations, managers and colleagues. Indeed, the expectations of justice and trust emanate from a wider community as suppliers, customers, shareholders and other stakeholders expect a fair deal, and should be able to trust the organisation providing it. Issues of justice and trust are especially prominent in employees’ and managers’ minds when an organisation embarks on downsizing, the process whereby it reduces its size by cutting positions and jobs.

This brings me to the topic of my doctoral research; *Justice and trust when organisations downsize*. I chose this topic because, having worked in organisations as a Human Resources (HR) Manager, and latterly as a consultant, I have experienced and observed the effects of downsizing and the issues it raises. Despite what might be the good intentions of organisations, downsizing is often handled poorly, damaging the organisation together with those who leave its employment *and* those who stay. Many feel they are dealt with unfairly and lose trust in their organisation and/or its managers, making the job of rebuilding afterwards more difficult. To Christians, such situations create a desire to stand up for people who are unjustly treated, as well as find ways for all involved (individual



- ▶▶ employees, managers, and organisations) to handle downsizing more positively. In the case of managers it is further complicated by the fact that sometimes they are caught in the middle: having to make others redundant when they themselves are under threat of losing their own jobs and, at the most senior level, having to balance the future of the organisation (perhaps its survival) and a responsibility to shareholders with the fate of its staff.

In my research, I investigated the literatures on justice, trust and downsizing and, with these concepts in mind, undertook three investigative studies:

1. An organisational survey – a survey of nearly 500 employees who had experienced downsizing (leavers and stayers) from a range of organisations across several industrial sectors.
2. A case study – an interview-based case study in the HR department of a UK based multi-national company.
3. A focus group study – a series of three focus groups comprising participants who had experienced downsizing from various perspectives.



Saint Augustine

Detail of stained glass window by Louis Comfort Tiffany
Lightner Museum, St. Augustine, Florida

In this article I describe the concepts of justice, trust and downsizing, summarise the findings of the research studies, and seek to bring a Christian perspective to bear on issues of justice and trust.

Understanding justice

Our understanding of justice has come through both the Greek and Judeo-Christian traditions. Plato included justice alongside wisdom, temperance and courage in his scheme of four cardinal virtues (*The Republic* Part 5, Book 4). For him justice was keeping what is properly one's own and doing one's own job so that the different classes of people in the state did not interfere with each others' roles, which would harm the state and therefore be injustice. In the individual, he saw justice as the harmonic operation of the soul with each part allocated its particular function. Aristotle included justice in his catalogue of virtues which are necessary for a person to achieve the goal of human life, in his view happiness. His definition of justice is closer to what we think of today – in its universal sense he viewed it as being lawful, and in its particular sense as being fair (*The Nicomachean Ethics*, Book VI).

In the Christian tradition, Augustine picked up the cardinal virtues of Greek thought, seeing each as a different expression of love, where justice is love 'serving God only, and therefore ruling well all else' (*On the Morals of the Catholic Church*, ch.15). Aquinas in his *Summa Theologiae* too utilised the virtues of Greek, particularly Aristotelian, thought. He added to them the three theological virtues of faith, hope and charity (highlighted by St Paul in 1 Corinthians 13), defining the goal of human life which the virtues help people to achieve as friendship with God. Justice according to Aquinas is willing and doing good to others. Thus justice enacts what prudence discerns, helping people do what needs to be done in the way it needs to be done.

In the Old Testament, the word translated as justice is the same as that for righteousness, and means conformity to an accepted standard (that of the highest standard, i.e. God), rather ▶▶

▶▶ than fair play or legal equity in modern usage. Justice is therefore the moral standard by which God measures human conduct (Is 26: 7). As God is wholly righteous, his justice (righteousness) sets the standard of what is right and wrong in an absolute sense (Is 5: 16; Ps 33: 5), and he is the Judge of all the earth (Gen 18: 25). His people are exhorted to demonstrate their faithfulness to God by upholding justice (Amos 5: 24), and justice is highlighted as one of the attributes of the coming Messiah (e.g. Is 9: 7; 11: 4; 42: 1-4). Thus his people are to do justice to others and to seek justice for the vulnerable (Is 1: 17; Jer 22: 16). Those in authority are particularly expected to maintain justice and righteousness (e.g. 1 Kgs 10: 9). Justice is used to describe divine punishment (e.g. Ex 9: 27) and divine vindication (e.g. Prov 3: 33). We also find in the Old Testament a sense in which divine justice refers not only to what is morally deserved but to God's mercy (e.g. when David prays for forgiveness, Ps 51), and reference is made to the righteous (just) living by faith (Hab 2: 4) not because of their own merit but God's mercy.

In the New Testament, Jesus accused the Pharisees of neglecting justice (e.g. Lk 11: 42). St Paul goes on to explain how, through Jesus' sacrifice, God's justice is satisfied so that those who believe in Jesus are justified (declared righteous) not by their merit but by God's grace (Rom 3: 21-26). If we confess our sins, God is faithful and just (i.e. faithful to his promise) to forgive our sins (1 Jn 1: 9). We are to do justice through loving consideration to others (e.g. Mt 1: 19, Lk 23: 50).

In the seventeenth century the concept of justice received special treatment by Locke in

relation to human rights and by Hobbes in his analysis of valid covenants; it was revisited in the nineteenth century by Mill under utilitarianism. Similar to Biblical thought, they conceived justice as a normative ideal, and this approach has continued in the work of scholars such as Rawls. This has been supplemented by the descriptive work of social scientists, who "*focus on justice not as it should be, but as it is perceived by individuals*" (Colquitt et al., 2005: 4), i.e. what people *perceive* to be fair (the terms 'justice' and 'fairness' tend to be used interchangeably). It

was in the second half of the twentieth century, when social psychological processes were applied to organisational settings, that people's perceptions of fairness in organisations were given attention and the *organisational justice* framework developed. Whilst perceptions of fairness do not necessarily equate to normative justice (since my perception might differ from yours), they can be measured more readily without making definitive moral judgements. However, when many people perceive the same thing

to be unfair, it is likely to be unfair in an absolute sense too.

It was the organisational justice framework that I used in the research to investigate and measure perceptions of justice. According to this framework, fairness perceptions at work can be divided into several types:

1. Distributive justice – the perceived fairness of outcomes received in a given transaction, e.g. pay, rewards, promotions, the outcomes of dispute resolutions. The criteria used include equity (comparison with similar others), equality and need.



Lady Justice

Statue at court building in at tǎida Svobody street Olomouc, Czech Republic

- ▶▶ 2. Procedural justice – the perceived fairness of the decision-making process that leads to the outcomes. This includes influence over both the process and the decisions. For a process to be fair it should comply with criteria such as consistency, accuracy, freedom from bias, and the ability to appeal.
3. Interactional justice – the perceived fairness of interpersonal treatment an individual receives from an authority figure, usually framed in terms such as respect, propriety, truthfulness and a justification of decisions made. Some authors further divide this into interpersonal justice (respectful personal treatment), and informational justice (honest communication and explanation).



European Conference on Social fairness in Brussels in 2009

Similar types of justice can be found in the Bible. Various Old Testament laws outline the distribution of various resources (e.g. Exodus 22, Deuteronomy 24), and divine retribution and vindication depend on how people respond (e.g. Leviticus 26). Leniency towards the poor and vulnerable (e.g. through the cancelling of debts and freeing of slaves in the seventh year; Deuteronomy 15) shows that need as well as equity can be used to determine distribution. Fair distribution of resources is also the topic of Acts 6. Exodus 23 describes how laws are to be implemented and includes some procedural justice rules such as not showing favouritism. Judges should judge

people fairly without partiality or accepting bribes (Dt 17: 18-20). St Paul, in his quest to obtain a fair trial, exercised his procedural right as a Roman citizen to appeal to Caesar (Acts 25: 10-12). The Bible too is concerned with how people are dealt with interpersonally, that they should be communicated with truthfully, and treated with gentleness, care and compassion (Prov 12: 22; 2 Cor 6: 3-13; Col 3: 12-13).

In the context of downsizing, each of these types of justice is clearly manifested. Being treated fairly in terms of personal outcomes (distributive justice) is very important in downsizing. Will I have a job or not? Is the redundancy package fair? With this type of perceived justice, people are particularly minded to compare their outcome with others, e.g. 'I did just as good a job as he/she, so why am I being made redundant?'

The procedures used to make decisions during downsizing (procedural justice) are crucial to perceptions of fairness. Is the selection process based on objective criteria? Has it been applied consistently and without bias? Interestingly, previous studies have shown that if the downsizing procedure is perceived by employees as fair, they are more likely to view even negative outcomes more favourably.

Employees also judge fairness by the interpersonal treatment (interactional justice) they receive. Am I being treated with dignity and respect? Have I been communicated with honestly and given adequate explanation? When employees are treated in a poor way interpersonally, it violates their sense of dignity and worth and generates morally charged reactions as well as damaging relationships.

A matter of trust

Trust is a strong biblical theme. It is a key way that believers express their relationship of faith in God – the psalmists exhorted people to trust in the LORD (e.g. Ps 25: 1; 31: 14) because of his unfailing love and faithfulness (Ps 9: 10; 36: 5). Believers are encouraged to trust God for their hope and



▶▶ salvation (Rom 4: 5; 15: 13) rather than idols, riches or their own deeds (Is 42: 17; Prov 11: 28). They are exhorted to prove faithful in their handling of what God has entrusted to them (1 Cor 4: 1-2). Christians are encouraged to live their daily lives in a trusting relationship with God (Rom 15: 13) and others, characterised by love which ‘always trusts’ (1 Cor 13: 7).

There has been a resurgence in academic interest in trust within and between organisations in recent years, prompted by changes in the social structures of societies, economic exchange relations and organisational forms. Within organisations, globalisation, more flexible labour markets, continuous change and virtual teams have led to looser relationships between people that are less easy to monitor. Cooperative behaviours have become more important, and with hierarchy less able to bring these about, trust between people in organisations is seen as a way of promoting voluntary cooperation. However, despite this accepted need for more trust, many studies have shown that employees are becoming *less* trusting of their managers and employers. This has been attributed to threats to job security caused by downsizing, restructuring and re-engineering programmes, or to what is happening within organisations in terms of leadership styles, change management strategies and the levels of employee commitment. Scandals such as Enron, where trust in an organisation was clearly misplaced given its lack of trustworthiness, have further weakened trust. Herein lies the conundrum for organisations; more trust is needed yet there is less of it around!

Despite the difficulty in defining trust (because it is used in such multi-dimensional ways), there is now broad agreement that trust encompasses both ‘favourable expectations’ (i.e. that we can ascribe good intentions to and have confidence in the words and action of another), and a ‘willingness to become vulnerable’ (i.e. that we are willing to take a risk by putting trust in someone). Whilst there are many definitions of trust, one of the most commonly used is that of

Rousseau et al. (1998: 395): ‘*A psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another.*’

Most writers agree that there are inputs or antecedents to trust that enable us to put trust in someone. Two of the most important are:

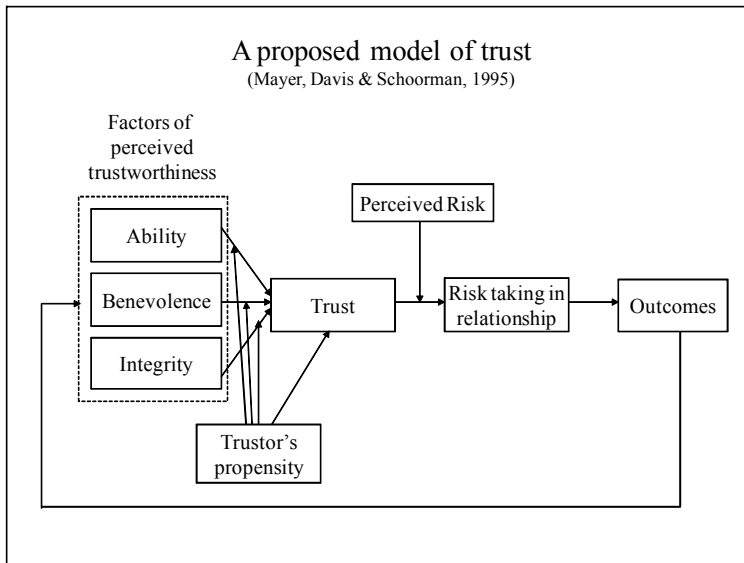
1. The *trustworthiness* of the trustee, usually described in terms such as ability (can they do what we expect of them?), benevolence (do they have our best in mind?) and integrity (do they have character we respect and values we share?). The Psalmist’s comment ‘I will trust in your unfailing love’ (Ps 13: 5) demonstrates how the Bible asserts we can put our trust in God because of his absolute trustworthiness.

2. Our own *propensity to trust* – some people are more trusting than others, and propensity to trust has been shown to be important in the early stages of a trusting relationship. The Bible similarly describes differences in the willingness of people to trust: some harden their hearts (e.g. Ps 95: 7-8), some show doubt (Mt 14: 25-31), while others respond positively (e.g. Mt 3: 19-20).

When the concept of trust is further unpacked, it is shown to be a process: the antecedents mentioned above lead to trust as ▶▶



►► a belief, which can then lead to a decision to make oneself vulnerable and to the associated risk-taking actions. The outcomes of these actions will determine whether trust is strengthened or not. Such a process has been captured in a model by Mayer et al. (1995) (shown below), and further elaborated by authors such as Dietz and Den Hartog (2006)



Different degrees of trust can also be defined (Lewicki et al., 2005; Dietz and Den Hartog, 2006) on a spectrum from *calculus-based trust* (suspicious, but the benefits outweigh the costs), to *identification-based trust* (extremely positive confidence based on shared interests and a relationship). Trust at the calculus end of this range is more cognitive, while at the identification end, more affective, i.e. involving emotion. The latter reflects the emotional bond in a relationship, and is evidenced by the emotional outrage displayed when personal trust is betrayed.

The Bible clearly underlines the importance of trust in relationships, in its paramount form the trust placed in God as an integral part of faith. This trust is built on God's trustworthiness. It is rational in that individuals need to weigh up the evidence – the benefits of trust in God versus the costs and risks involved, but primarily God calls us to the highest form of trust (identification-based) involving a reciprocated loving relationship, assuring us that 'the one who

trusts in him will never be put to shame' (Rom 9: 33, where Paul uses Is 28: 16 to speak of justification through faith in Jesus).

Downsizing in organisations

Downsizing refers to the intended and planned reduction in size of an organisation's workforce by the elimination of positions and jobs, usually to enhance performance. Redundancy refers to the process of employees losing their jobs; whilst not synonymous with downsizing, it is one of the most common ways in which downsizing is implemented. Downsizing is a process of change that involves loss. For some employees the losses involved can be significant, including position, job, career and associated benefits such as income, status and self-esteem. Whilst the Bible does not deal with downsizing *per se*, it has a lot to say about personal loss – the loss of land, security, livelihood, loved ones, self-esteem – and how to deal with it. Despite the changes, losses and discouragements we experience in life, God promises to support those who trust in him and assures them of a hopeful future (Jer 29: 10-14). The Bible calls on Christians to support each other and those experiencing difficulties (Mat 25: 34-40; Gal 6: 2).

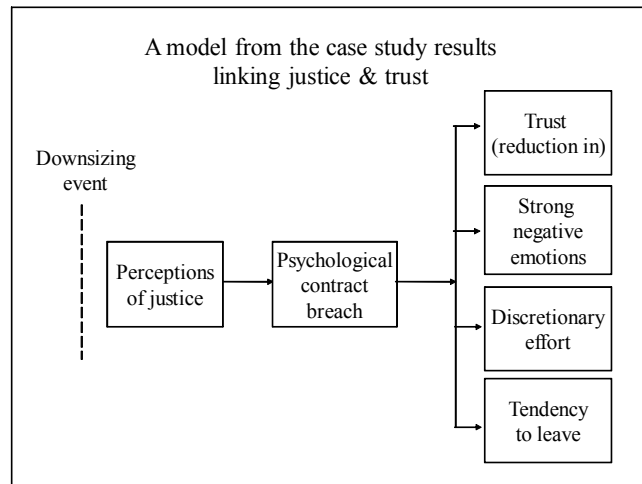
Downsizing, although sometimes necessary in a tough business climate, can be a traumatic event for an organisation, its managers and staff. If not handled well, it can damage the organisation, those who leave *and* those who stay. Despite its regular use since the 1980s as a strategic option to cut costs, it is still often handled poorly. Leavers feel let down or betrayed, the organisation's leaders feel guilty and just want to get it over with, the managers and HR professionals who implement it (often under threat of losing their own jobs) feel stressed and sometimes helpless, whilst those who remain can lose trust and with it commitment – vital ingredients if the organisation is to have a successful future.

Woe is me...

The first study of my research was a survey of nearly 500 people affected by downsizing ►►

▶▶ in a wide range of companies across several industry sectors. It showed that the majority thought they had been treated fairly on a personal level by their manager (interactional justice), but most regarded their personal outcomes as unfair (distributive justice), and indicated their lack of influence over procedures and the resulting decisions (procedural justice). Many stated that they felt the organisation had let them down, even betrayed them, and as a result trusted their management and organisations less. Such a loss of trust has been shown to reduce employees' commitment, performance, and job satisfaction. Thus the results confirmed that during downsizing, if factors of justice are overlooked, employees reckon they are being unfairly (unjustly) treated. Whilst not everyone will agree with an organisation on the fairness of their personal outcome (e.g. if they wanted to stay and are retrenched, or vice-versa), there is little excuse for an organisation failing to put in place fair procedures or treating employees well interpersonally – these cost little, yet have a big impact.

with strong negative emotions, a loss of the discretionary effort employees were willing to contribute, and an enhanced intention to leave the organisation.



Some of the strong emotions of downsizing – experienced by those implementing it as well as those impacted by it – are illustrated by the vivid sketched images shown below, produced by participants during a series of focus groups as part of a third study.

As demonstrated by the survey, the consequences of perceived injustice don't stop there – fairness perceptions affect the *trust* employees feel in the organisation, and how they interpret their relationship (psychological contract) with that organisation. In the second investigation, a case study of downsizing in a large multi-national company, the results demonstrated the very negative impact of poor procedure and tardy individual treatment. Even though many of those who were affected understood and agreed with the necessity of the company's actions, insensitivity and a less-than-fair process caused negative reactions among both those who left and those who remained. Feelings of injustice created the impression that the organisation had reneged on its obligations (that it had in fact breached the psychological contract held by employees and nurtured by the company) and, as shown in the diagram below, resulted in a reduction in trust in the organisation's leadership, together

Sketched images
of how focus group participants felt about downsizing

An HR Manager feeling small during management discussions about imminent downsizing.

The shock and emotional impact of being told you no longer have a job.

Mixed emotions: the sun setting representing the end of something but also the start of something new.

A line manager pressurised from above and squeezed from both sides, with the resultant tears of emotional stress.

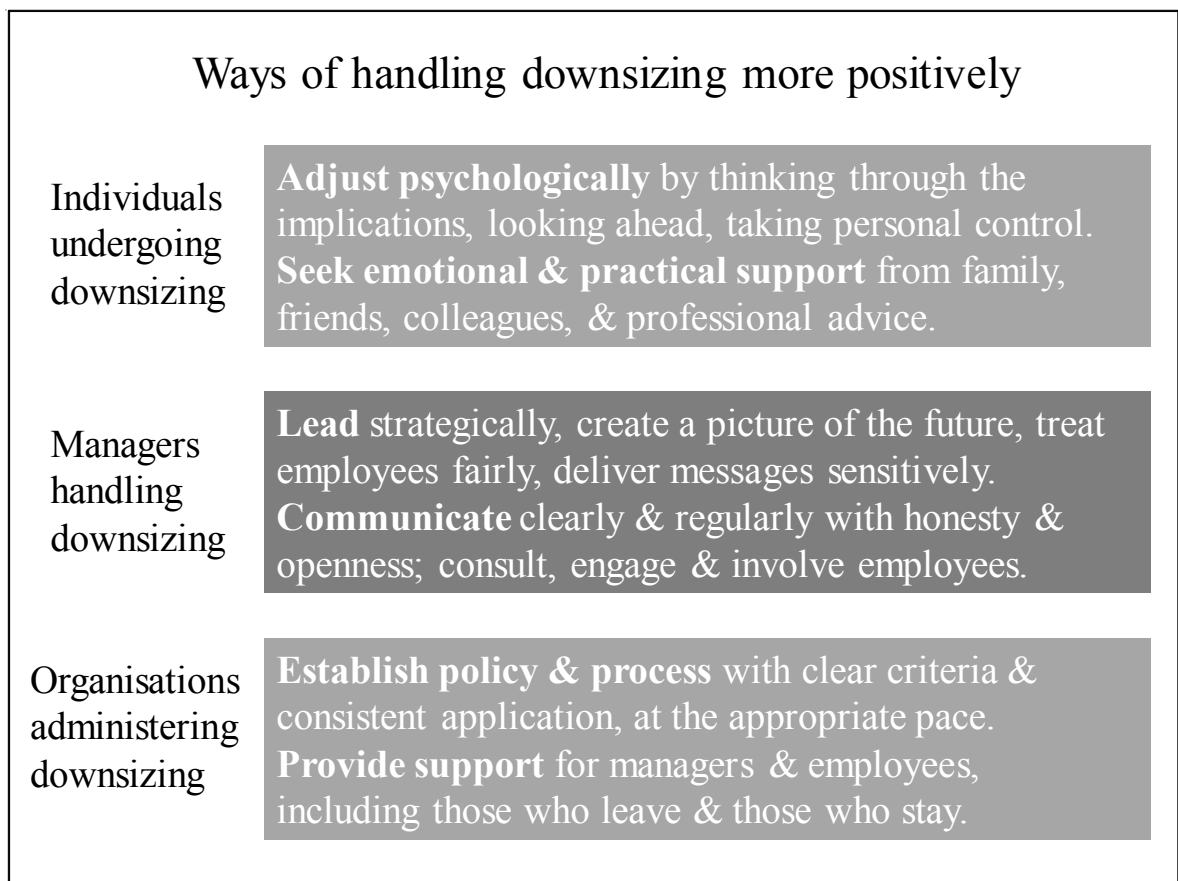


▶▶ **Handling downsizing more positively**

Does downsizing have to be as negative an experience as demonstrated by the studies cited above? Downsizing will always have negative associations for some employees since there are real losses involved (jobs, careers, income), and personal aspirations/individuals' views of fairness do not always align with the organisation's needs and its attempt to downsize fairly. A Christian approach to handling change and loss involves the fair, caring and sympathetic treatment of people in their time of need, support for them through the difficult period, and encouragement (through a positive psychology based on trust in God) to help them move towards a hopeful future.

Given these factors, are there ways of handling downsizing more positively? Three focus groups comprising a mix of managers, HR professionals, and others who had experienced and/or managed downsizing,

were asked to explore ways of handling downsizing more positively for all stakeholders. Several themes were highlighted (summarised on the figure below). For example, individuals can help themselves to adjust psychologically by thinking through what it means for them, looking ahead and seeking support. Organisations need to provide clear policy and process, and support for those charged with implementing downsizing. At the top level, leaders need to provide a coherent justification for the downsizing, and create a compelling picture of the future. Managers and HR professionals need to apply policies and procedures consistently, communicate openly and honestly, handle individuals sensitively, and provide practical and emotional support to those who leave and those who stay. Such measures are consistent with treating people in just and trustworthy ways that will help them better cope with the changes they are encountering, in addition to better positioning the organisation for a sustainable future.



►► Conclusion

So, when downsizing occurs do fairness and trust have to go out the window? I do not believe so. In fact, an understanding of how employees perceive justice (or injustice) and build (or lose) trust, can help organisations manage downsizing more positively. Whilst downsizing remains a deeply unsettling event for those involved and affected by it, there are ways of handling it fairly for all stakeholders and, with clear leadership, good

communication, consistently implemented processes, and sensitive treatment, trust can be retained or where it has been damaged, rebuilt. These, I believe, are Christ-like virtues and represent good practice based on the results of academic research. Additionally, through their concerns to uphold justice (not only perceived, but absolute), and build rather than destroy trust, they demonstrate a Christian approach to the contemporary business and organisational challenge of downsizing. ■

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The thesis referred to in this article is available through the library of the University of Surrey and at the British Library. A book is planned to make its findings more widely available for managers and human resources professionals who wish to tackle downsizing more positively. Peter Curran's PhD research was supervised by Dr Julie Gore and Dr Douglas Foster of the School of Management, Faculty of Management and Law at the University of Surrey.

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Biblical references and quotations are from the NIV version of the Bible.

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