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Equity Portfolio Incentives to CEOs for Downsizing:
Differential impacts on survivors vs. victims
in three countries *

Lakshman Chandrashekhar

Linh Chi Vo

Rani S. Ladha



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**EQUITY PORTFOLIO INCENTIVES TO CEOs FOR DOWNSIZING:
DIFFERENTIAL IMPACTS ON SURVIVORS VS.
VICTIMS IN THREE COUNTRIES ***

Lakshman Chandrashekhar¹
Linh Chi Vo²
Rani S. Ladha³

¹Tongji University School of Economics & Management

²Normandy Business School

³Professor, Indian Institute of Management Kozhikode, IIMK campus P. O. Kunnamangalam-673570, Email: rani.ladha@iimk.ac.in

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EQUITY PORTFOLIO INCENTIVES TO CEOS FOR DOWNSIZING: DIFFERENTIAL IMPACTS ON SURVIVORS VS. VICTIMS IN THREE COUNTRIES

Although downsizing research has examined victims' and survivors' reactions and justice perceptions, few studies have examined perceptions of corporate social responsibility (CSR). We examine the impact of CEO compensation for downsizing on CSR perceptions of downsizing decisions made by CEOs in three countries, France, India, and Vietnam. We use a 2x2x2x2 (performance linked bonuses, internal vs. institutional pressure, loss of human capital-yes/no, and role-victim/survivor) between subjects experimental design to examine factors that influence the CEO's downsizing decision. Results suggest that downsizing resulting in loss of human capital is negatively related to CSR perceptions. Downsizing motivated by deferred compensation and decline in performance linked bonuses are negatively related to survivor commitment, but not to victims' perceptions of fairness. We also find support for convergence across the three countries, with some divergence as a result of power distance. We provide a discussion of the results, limitations, and directions for future research.

Key Words: *downsizing, CEO responsibility, CEO compensation, CSR perceptions, human capital, institutional pressure*

Introduction

Downsizing (conscious, purposeful, and planned effort to reduce the number of employees to achieve specific objectives) has been used as a strategic tool since the 1980s to cope with the tough demands of an economy that is rapidly globalizing and advancing in technology (e.g., Datta, Guthrie, Basuil, & Pandey, 2010). Based on a comprehensive review of 91 studies conducted over the last three decades, Datta and colleagues (2010) use an integrative framework in classifying the studies into four broad streams, two of which have focused on the environmental and organizational antecedents of downsizing, and the other two on the individual and organizational consequences of this practice (see also Iverson & Zatzick, 2011). While much of this downsizing research has examined individual consequences such as victims' and survivors' reactions and justice perceptions (e.g., Mishra & Spreitzer, 1998; Spreitzer & Mishra, 2002), few studies have examined perceptions of social responsibility on the part of the organizations in question (see Lakshman, Ramaswami, Alas, Kabongo, & Pandian, 2014 for an exception). Additionally, few studies, if any, have investigated the impact of the antecedents of the downsizing on its consequences. In this study, we examine the ethics and CSR implications of downsizing decisions, with specific reference to the role of CEO compensation in the decision to downsize, hitherto unexamined. Consistent with the literature, we view the ethical dimension of a company's actions as a key component of social responsibility (e.g., Cacioppe, Forster, & Fox, 2007), in which companies go beyond compliance and engage in actions that can further social causes (e.g., McWilliams & Siegel, 2001).

Global corporate social responsibility (CSR) (Matten & Moon, 2008), especially in the context of downsizing, has come to be widely discussed in recent times. In calling for more cross-national investigations of downsizing, Datta and colleagues (2010) also identified a number of directions for

future research, including top management responsibility, governance mechanisms, and the convergence-divergence of such practices and outcomes across countries. Most downsizing contexts are fraught with uncertainty making it difficult to determine who or what is responsible for the downsizing. On the one hand, there could be several motivating factors leading top managers to make the downsizing decision. Brookman and colleagues (Brookman, Chang & Rennie, 2007) found a positive relationship between equity portfolio incentives of CEOs and their layoff decisions, thereby empirically identifying a motivational mechanism for such decisions to be made. Moreover, other researchers point to the commonly held beliefs among top executives that downsizing announcements are associated with positive stock returns (e.g., Beaver, 1995; De Meuse, Bergmann, Vanderheiden, & Roraff, 2004), whereby firms mimic the downsizing practices of other firms (see Datta et al., 2010). On the other hand, however, CEOs' prestige, power, and influence are damaged by layoffs, in addition to decline in accounting performance linked bonuses, and loss of firm-specific human capital (Iverson & Zatzick, 2011) that are diminished by layoffs (see Brookman et al., 2007). In this complex context, it is therefore difficult to determine the responsibility of leaders for the downsizing decision, given that there are several motivational and inhibiting factors. More importantly however, it is not clear if observers will view downsizing as socially responsible if it is seen to be motivated by CEO compensation. Additionally, it is not clear if observers will view the downsizing as socially responsible if it is seen to result in the loss of firm-specific human capital. We investigate these hitherto unaddressed issues in this study in three countries.

Using samples from France, India, and Vietnam, we examine whether there is a difference between survivors and victims of downsizing in how (un)favorably they view downsizing influenced by CEO compensation factors, in terms of ethics and CSR perceptions. With an interest in examining the impact of responsibility of business leaders (CEOs) on public perceptions of the ethics and corporate social responsibility (CSR) of these downsizing decisions, we consider a set of CEO compensation factors that may be critical in this regard. Given the strong role of organizational justice in evaluations of ethics (Cropanzano, Goldman, & Folger, 2003), we empirically control for the impact of organizational justice variables (in the implementation of downsizing) on CSR perceptions. Consistent with past research, we consider procedural justice as the fairness of organizational processes used in arriving at resource allocation decisions, and distributive justice as the fairness of distribution of outcomes to individuals (Greenberg & Folger, 1983). In addition to an examination of CSR perceptions, we also examine the impact of environmental (institutional pressure to downsize) and organizational (CEO compensation) antecedents of the downsizing on individual consequences such as victims' perceptions of fairness and survivor commitment to the organization, which is likely to be critical for successful organizational turnaround. Since all of these issues have escaped attention in the relevant literatures in North America, Europe, and Asia, this study makes theoretical and empirical contributions in the following ways.

First, we examine an issue hitherto unaddressed—victims' and survivors' perceptions of ethics and

CSR surrounding downsizing decisions influenced by CEO compensation. Next, very little of the downsizing research, globally speaking, examines the responsibility of business leaders for downsizing, although the relevant literature acknowledges the critical role of leaders in such contexts (Basu & Palazzo, 2008). The corporate scandals of recent times have made the labor force suspicious of the true intentions behind downsizing efforts and increasingly skeptical of top managers in such organizations (Van Buren, 1996). Interestingly, the GLOBE study (House, Hanges, Javidan, Dorfman, & Gupta, 2004) suggests that, across 62 countries, respondents wanted their leaders to be trustworthy, just, honest, a confidence builder, dependable, and a win-win problem solver—characteristics relevant to establishing a sense of ethics and CSR in organizations. We examine specific characteristics of the executive decision to downsize by considering the impact of both motivating and inhibiting factors (identified above) related to CEO responsibility on perceptions of ethics and CSR in France, India, and Vietnam. Comparison of these three countries provides interesting possibilities because of their differential position on cultural value dimensions (e.g., House et al., 2004). While many cultural values are interesting, in this study, we focus on the role of power distance, given its relevance for hierarchical organizational relationships and decisions (e.g., Lee, Pillutla, & Law, 2000). Power distance reflects the extent to which a society accepts the unequal distribution of power and accepts authority structures (e.g., Hofstede, 1980). By examining the potential role of power distance variation (individual level), we also take into account intracultural variation associated with a culture (Tung & Verbeke, 2010). Methodologically, we examine simultaneously all the above factors (performance linked bonuses, deferred compensation, loss of human capital, institutional pressure, and role–victim/survivor) using an experimental design. We use an experimental design to complement as well as to overcome inherent limitations of extant research that has predominantly used research designs that limit the ability to infer causality, as has been identified in a comprehensive review of this literature (Datta et al., 2010).

Below, we provide a description of the three country contexts, their economies, and the importance of examining these issues in these cultural contexts. This is followed by a literature review of the downsizing phenomenon, and a discussion of how CEO responsibility in the form of motivating factors such as performance linked bonuses and deferred stock compensation affect employee perceptions. We also discuss how the inhibiting factors such as loss of human capital and external pressure are likely to impact perceptions of survivors and victims. Drawing from this review and theory, we develop hypotheses. We then turn to a description of the study’s methodology, results, and finally a discussion of its implications for further research and managerial learning.

Country Contexts for Comparison

Issues of globalization and divergence in national systems, cultures, and strategic decision styles are important in the context of increasing cross-continental co-operation (Carr, 2005). We chose France, India, and Vietnam for this study as they belong to different society clusters and thus represent different cultural profiles (House et al., 2004). Using a linear function of nine cultural dimensions

(i.e., discriminant analysis) GLOBE researchers found support for ten different societal clusters that differed on these cultural dimensions. Thus, France was classified into the Latin Europe cluster, India into the Southern Asia cluster (see House et al., 2004). Although Vietnam was not included in GLOBE's cluster classification, by virtue of a relatively long Chinese influence, it can be reasonably argued to fit into the Confucian Asia cluster, but definitely not the southern Asia cluster.

France: Although downsizing is legal in France, as evidenced by the increasing number of social plan filings with the Labor ministry (de Saint-Julien, 2007), the labor laws and associated procedures are quite complicated (Mohan & Chen, 2010). Compared to the U.S.A., the level of job security is much higher in France, as also in the rest of continental Europe, and social attitudes deeply favor job security measures for employees over strategic options for businesses (Mohan & Chen, 2010). In a study of stock market reactions, Mohan and Chen (2010) found that the markets responded positively to the announcement of the new law allowing companies the right to fire new employees under the age of 26, during their first two years of employment, and then responded negatively after the law was repealed later that year, following massive protests.

India: India's culture, economy, and markets are very different from those of Japan and China, which have received much attention in Asian research (Bruton & Lau, 2008). India is one of the strongest emerging economies of the world as a result of a move from the insular command oriented economy of the past 50 years to a more liberalized, open, and market-oriented economy (Luo & Peng, 1999). While studies show significant positive changes in the economic environment, with increased munificence, improved infrastructure and institutional support, and lower regulatory barriers (Manimala, 1996) the incidence of downsizing is also on the increase (e.g., Varadarajan, 2008). Although downsizing is legal and its incidence is increasing in India, both by multinationals and by companies of Indian origin (Ramesh, 2008; Varadarajan, 2008), there are very few studies that examine issues surrounding downsizing in India. Hence an examination of ethics and CSR in India, especially in the context of CEO compensation for downsizing, can add value to the relevant literatures.

Vietnam: The growing volume of research on Asia has mostly focused on Japan and China to the exclusion of other important emerging economies in this region (e.g., Bruton & Lau, 2008). Downsizing is common in Vietnam. Downsizing state-owned enterprises have been an important economic component of macro-economic reforms and an indicator of Communist party and government commitment to such reform policies (Thayumanavan, 2001). Despite this common practice, research on downsizing in Vietnam is almost absent. The only exception is the study of Rama (2002), in which the author used data from Vietnam to describe several types of analysis that could be conducted before launching a major downsizing operation to identify possible gender effects. Additionally, Vietnam's export oriented economy is subject to global economic fluctuations such as the financial crisis and subsequent slowdown of recent years, making it subject to more frequent layoffs.

Vietnam is a highly populated developing country located in the Southeast area of Asia. For the last 30 years, the country has recovered from the ravages of war, the loss of financial support from the old Soviet Bloc, and the rigidities of a planned economy (World Factbook, 2012). While Vietnam's economy remains dominated by state-owned enterprises, which still produce about 40% of GDP, Vietnamese authorities have reaffirmed their commitment to economic liberalization and international integration (World Factbook, 2012). Structural reforms have been made to modernize the economy and to produce more competitive export-driven industries.

Vietnamese culture is very complex due to significant domination by the Chinese lasting over 1000 years, by the French for 100 years, and by the Americans for 20 years (Lam, 2010). Chinese culture, especially its Confucian social and moral ethics, has a deep impact on Vietnam's culture and civilization. The French colonial period exposed Vietnam's culture to influences from the Europeans, including the spread of Catholicism and the adoption of Roman alphabet. During the socialist time, Vietnam's cultural life was disproportionately influenced by the emphasis on learning the culture of communist nations such as the Soviet Union. Since the opening up of Vietnam's economy and the lifting of US embargo on Vietnam, the country has had a greater contact with culture and media of other countries all over the world. However, throughout the invasions, wars, strife, and pain, the culture of Vietnam remains very similar to that of other Southeast Asian nations (Hoang, 2008). Comparing data from such culturally (and institutionally) contrasting countries would help us gain insights into where and for whom perceptions surrounding downsizing are similar or different, thereby aiding in creating more cross-nationally inclusive models of downsizing and CSR.

Theory and Hypotheses

Downsizing

The strategic activity of downsizing (e.g., Cascio, 1993) is typically designed to improve organizational efficiency, productivity, and/or competitiveness. Although a significant amount of research has been devoted to examining the causes and consequences of downsizing, there has been no effort to examine the impact of perceived causes of downsizing on its consequences (Datta et al., 2010). A huge volume of literature has examined the survivors' and victims' reactions to downsizing, including consequences of downsizing on ongoing behaviors in organizations. This literature suggests that layoffs evoke a variety of psychological states in survivors, including job insecurity, anger, and relief (Brockner et al., 1992). Such psychological states are manifested in work-related domains such as performance, motivation, satisfaction, commitment, and organizational citizenship behaviors (OCBs - important extra-role behaviors that are not mandatorily required) (Mishra & Spreitzer, 1998). What is surprising, however, is that some survivors respond by feeling more insecure, whereas others feel increased security (Cascio, 1993). While some survivors feel distressed, others feel energized (Emshoff, 1994). While some increase their efforts after the downsizing, others decrease or show no change in their efforts (Brockner et al., 1992). Some survivors increase their OCBs while others show reduction in their citizenship (Naumann et al., 1998). In fact, one of the words that Datta and

colleagues (2010) use quite often to characterize the findings of research studies on downsizing is 'equivocal' (11 occurrences), as a result of numerous moderators, among other factors. Although moderators (e.g., justice, job insecurity, supervisory support, management trustworthiness, and uncertainty) may result in these varied responses, the effect of top management's responsibility for the downsizing, by virtue of their compensation, on survivor or victim responses has remained unaddressed. A variety of employee attitudes and emotions are affected by the nature of responsibility attributions they make for explaining the events happening around them (Lindsley, Brass, & Thomas, 1995). A focus on the motivating factors (e.g., equity portfolio incentive, performance linked bonus, institutional pressure etc.) and inhibiting factors (loss of human capital, CEO prestige etc.) is likely to contribute to the varied responses noted above. Knowledge of such factors and their impact on survivor and victim reactions is likely to enhance research on CSR perceptions of downsizing by providing this greater understanding.

CSR and Downsizing

We define CSR as the commitment of businesses to contribute to sustainable economic development, while acting as a good corporate citizen by balancing the interests of multiple stakeholders such as employees, the local community, and society at large (see Cacioppe et al., 2007; Carroll, 2004). Researchers have begun to investigate, albeit in an exploratory mode, the ethics of downsizing decisions (Lamsa & Takala, 2000; Stjernberg & Tillberg, 1998). The bulk of the downsizing literature examines and analyzes the phenomenon from economic, strategic, institutional, ideological, and rational perspectives, with the economic perspective being dominant (e.g., Cascio, Young, & Morris, 1997)¹. Although the economic perspective considers downsizing to be necessary for a firm's survival and performance improvement and therefore ethical (Gopinath & Becker, 2000), research on the impact of downsizing on organizational turnaround is inconclusive (Datta et al., 2010; Lewin & Johnston 2000). The negative impact of downsizing on surviving employees is one of the major contributing factors to the failure of downsizing as a strategy for turnaround. Organizational justice factors and participatory involvement of such survivors and implementers of downsizing are critical for downsizing initiatives to succeed (Brockner, DeWitt, Grover and Reid, 1990; de Saint-Julien, 2007). The dominant theme in these studies is that employees' (survivors') attitudes following downsizing negatively affect their performance.

Several studies have identified the negative impact of downsizing on individual outcome variables such as job involvement and organizational commitment (e.g., Iverson & Zatzick, 2011). Such a negative impact on these outcomes has been found to be moderated by factors such as supervisory support, management trustworthiness, and coping strategies of survivors, among others. It is to be noted, however, that downsizing has a negative effect on some of these potential moderators such as management trustworthiness (Amabile & Conti, 1999; Luthans & Sommer, 1999), thereby worsening

¹ Much of this literature is US centric.

the negative impact of downsizing on job involvement and organizational commitment. Greenberg and Folger (1983) found that the workers who were given “voice” (an opportunity to express their view) felt more satisfied than those who were “mute.” Brockner and colleagues (1992) examined survivors’ reaction to layoffs and observed that survivors’ attitudes were adversely affected if they perceived unfairness on the part of management, especially if some of those laid off were more deserving (to survive) than themselves or some of the others. Brockner and colleagues (1990) found that survivors perceived the layoff of co-workers positively if their managers explained the reasons for the layoff.

Distributive and Procedural Justice. Although the issue of whether a decision is ethical or not depends on the eye of the beholder, certain universal criteria such as utilitarianism, human rights, and justice have been utilized to evaluate the ethicality of decisions (Cropanzano, Goldman, & Folger, 2003). Factors such as time and timing of the downsizing communiqué, the method of such communication, and the content of such communication, have been identified as being relevant for such an assessment of ethicality of the downsizing decision (Hopkins & Hopkins, 1999; Lamsa & Takala, 2000). Individual and cultural value systems drive the processes of evaluation of issues of equity and rights in the context of downsizing (e.g., Tyler & Blader, 2000). We use individual values, procedural justice, and distributive justice as control variables here, rather than investigating their impact on ethics perceptions directly. Although the terms ethics and CSR have different meanings, CSR is a broader construct, and the ethical dimension is common to both concepts (Cacioppe et al., 2007). It is necessary for a downsizing decision to be ethical for it to be also seen as socially responsible. However, being ethical (micro focus) is not sufficient for the downsizing to be rated high on CSR (macro focus; see Cacioppe et al., 2007). Other issues such as balancing the needs of multiple stakeholders, minimizing the negative impact on the natural environment or the local communities, and so forth, are key concerns in the social responsibility realm (Cacioppe et al., 2007; McWilliams & Siegel, 2001).

Leader Responsibility and Attributions of such responsibility. Aside from utilitarianism, justice, and rights, people are also likely to think about who is responsible for the plight of many who are downsized or are subject to insecurity and uncertainty (see Lange & Washburn, 2012). The CEO decision to downsize is thus a critical variable influencing people’s reactions. Therefore, one’s attribution of responsibility for the downsizing has a key impact on one’s perceptions of whether or not the action is socially responsible. Although justice variables have been examined in such research, none of these studies have examined the impact of CEO responsibility for downsizing on the attitudes of employees (see Lakshman et al., 2014 for an exception). Most downsizing contexts are fraught with uncertainty making it difficult to determine who or what is responsible for the downsizing. First, there could be several motivating factors leading top managers to make the downsizing decision. As noted earlier, researchers have found a positive relationship between equity portfolio incentives of CEOs and their layoff decisions (Brookman et al., 2007), thereby empirically identifying a

motivational mechanism for such decisions to be made. Also as noted earlier, there is an institutionalized belief among top executives that downsizing announcements are associated with positive stock returns (e.g., Beaver, 1995; De Meuse et al., 2004), leading to mimetic effects (see Datta et al., 2010). Research suggests that although the price of a company's stock goes up immediately after the announcement of a downsizing initiative (e.g., Brookman et al., 2007; Chalos & Chen, 2002), it eventually declines in subsequent periods, accompanied by a loss in profitability or productivity (e.g., Beaver, 1995; Cascio et al., 1997; De Meuse et al., 2004). Nevertheless, recent reviews suggest that the effect of downsizing announcements on stock price may be contingent on external factors (e.g., Brookman et al., 2007; Datta et al., 2010). Stock price usually goes up following a downsizing announcement in non-recession years, with a negative effect only in recession years (see Brookman et al., 2007; Chalos & Chen, 2002). Consistent with this U.S. evidence, a recent study in France reported a positive stock market effect on the announcement of a legal change allowing the right to fire, followed by a negative stock market effect after the law was repealed following massive protests there (Mohan & Chen, 2010).

On the contrary, however, CEOs' prestige, power, and influence are damaged by layoffs, in addition to decline in accounting performance linked bonuses, and loss of firm-specific human capital (Brookman et al., 2007; Iverson & Zatzick, 2011). Although senior managers could be under serious pressure from stockholders to improve performance through downsizing (e.g., Cascio et al., 1997), the layoff decision could be difficult for CEOs with relatively longer tenure who are entrenched, making them less willing to make such difficult decisions (Brookman et al., 2007). Therefore, new CEOs are sometimes hired to implement downsizing (Weisbach, 1995) and these new CEOs are more likely to announce layoffs (Brookman et al., 2007). Based on the theory of equal returns, some researchers suggest that, now more than ever, there is a greater moral freedom and greater responsibility for business leaders (Demacarty, 2009). In other words, business leaders could potentially have intensified interests in championing CSR, firmly believing in the view that it is unnecessary to resort to 'unethical' means to obtain better financial results. In the presence of this confusing mix of motivational and inhibiting factors, it is therefore difficult to determine the responsibility of leaders for the downsizing decision. We examine whether there is a difference between survivors and victims of downsizing in utilizing these CEO responsibility characteristics, especially in terms of the consequences of these responsibility factors on CSR perceptions, fairness, and commitment.

CSR Perceptions: The spate of downsizing has sparked debates about the language games being employed by corporations to mask the real causes and intentions for downsizing initiatives (Van Buren, 1996), and about the 'death of the good corporation' (Reich & Moskowitz, 1993). The arguments range from finding fault with external forces of globalization and technological change on the one hand to taking issue with top managers for perhaps resorting to less than ethical means to raise profits (Carmeli & Sheaffer, 2009; Lange & Washburn, 2012). Other arguments in these debates remind us to not confuse bad managerial decisions with irresponsible actions. Following these

arguments we believe that CEO responsibility variables in the form of compensation, among others, are critical in forming and shaping such attitudes that can impact productivity and performance. As noted in the review above, there are several motivating variables that influence CEOs to make the decision to downsize. Among these motivating variables, there are some that are likely to have negative public reaction and those that are likely to have a neutral, if not positive reaction. Specifically, if the CEO decision to downsize is primarily motivated by decline in performance linked bonuses, for instance, employees are likely to react negatively to such a situation with heightened perceptions of stress, uncertainty, insecurity, lack of energy (e.g., Cascio, 1993; Emshoff, 1994), and reduced levels of effort, commitment and OCBs (e.g., Brockner et al., 1992; Naumann et al., 1998). Such a negative reaction is likely to be stronger if these employees do not see any scope for performance improvement or successful organizational turnaround as a result of the downsizing. Cascio and colleagues (1997) differentiated between pure employment downsizing and that associated with asset restructuring (new strategy) and identified that the latter type of downsizing is more likely to lead to successful turnaround than the former. Downsizing decisions primarily motivated by decline in performance linked bonuses are more like the pure employment downsizing case in Cascio and colleagues' (1997) work. Thus, in the absence of clear indications of performance turnaround, employees are likely to see such CEO decisions as manifestations of greed and thereby unethical and perhaps irresponsible. Thus, controlling for other types of situations, we would see a negative relationship between downsizing decisions driven purely by decline in performance linked bonuses and perceptions of ethics and CSR. Thus the following

Hypothesis 1: CEO downsizing decisions perceived to be influenced by decline in performance linked bonus are negatively related to perception of CSR.

Alternatively, if the CEO decision to downsize is motivated by a contractually expected increase in stock compensation as a result of anticipated increase in stock performance (*deferred compensation*), employees are likely to see a way out of the uncertainty, insecurity, and stress in the not too distant future. In other words, employees are likely to categorize this type of downsizing as one that is associated with asset restructuring (a la Cascio et al., 1997) and perhaps a renewed strategy for organizational turnaround. Therefore, downsizing decisions motivated by such deferred compensation are likely to be seen as positive and evaluated positively in terms of perceptions of CSR. More importantly, unlike in the previous case, this situation is not likely to be seen as a manifestation of greed. Thus, controlling for other factors, we would see a positive relationship between deferred compensation and perceptions of ethics and CSR. Thus the following

Hypothesis 1a: CEO downsizing decisions perceived to be influenced by *deferred compensation* are positively related to perception of CSR.

One of the critical factors in successful turnarounds is the retention or loss of firm-specific human capital that possesses the requisite experience and knowledge in the key business domains of the organization (De Meuse et al., 2004; Iverson & Zatzick, 2011). Researchers studying human capital suggest that maintaining survivor commitment after downsizing is very important especially for organizations that rely on human capital for competitive advantage (Becker & Huselid, 1998). However, when the firm stands to lose some of its critical firm-specific human capital, employees are likely to react negatively and perceive heightened levels of stress, uncertainty, and loss of energy. More importantly, employees are not likely to see a clear path forward towards successful organizational turnaround, in instances of such human capital loss. Thus, controlling for other factors, loss of firm-specific human capital is likely to lead to negative perceptions of ethics and CSR. Thus the following

Hypothesis 1b: CEO downsizing decisions perceived to result in loss of firm-specific human capital are negatively related to perception of CSR.

Continued poor performance of firms is often associated with intense institutional pressures to engage in asset restructuring types of downsizing (Beaver, 1999; Brookman et al., 2007; Cascio et al., 1997). Brookman and colleagues (1997) suggest that firms with relatively more independent boards are likely to monitor CEOs more closely, perhaps as a result of being attentive to these institutional pressures, and thus more likely to lead to layoffs. If the CEO decision to downsize is mainly motivated by external pressure from institutional investors, employees are likely to see it as a situation where the CEO had been relatively helpless and perhaps forced to make the downsizing decision. Employees and others are likely to see this more as poor management leading to poor performance and therefore less as a manifestation of greed. This would trigger relatively more neutral, if not positive reactions and may not result in the negative consequences for effort, commitment etc. as in some of the previous cases. Thus, controlling for other factors, downsizing decisions influenced by external pressures from institutional investors are likely to be seen positively in terms of perceptions of ethics and CSR. Thus the following

Hypothesis 1c: CEO downsizing decisions perceived to be influenced by intense pressure from institutional investors are positively related to perception of CSR.

Convergence vs. Divergence in CSR perceptions

Although a number of researchers believe in the role culture plays in the formation of CSR perceptions, there is a growing number of studies pointing to the convergence of CSR perceptions, while still pointing to some minor divergences (Beekun, Westerman, and Barghouti 2005; Hartman et al. 2007; Jamali et al. 2009; Kashima et al. 1988). First, although Hartman et al. (2007) expected to see a difference in the way in which CSR activities are communicated by USA and European

companies, they found both similarities and differences. Broadly, although they did not expect European companies to use financial justifications for their CSR activities as much as they expected the USA companies to, they found that European companies do use financial justifications in addition to social responsibility reasons. This is largely consistent with the relatively worldwide shift from implicit CSR to explicit CSR identified by Matten and Moon (2008). These and other studies point to increasing evidence of convergence in ethics and social responsibility judgments, with some divergence effects as well.

Relative to external pressure, when the downsizing is believed to be a result of CEO compensation, it is not likely that employees in any culture would consider it as socially responsible, especially if they believe that it was within the control of top management to have pursued an alternative course of action. Employees around the world are likely to feel that top managers do not pay for their mistakes. These employee feelings are more likely to vary in magnitude and intensity across cultures rather than in direction. Of the cultural value dimensions initially presented by Hofstede (1980) and later refined and extended by GLOBE (House et al., 2004), we feel that power distance is the major variable of interest that could potentially bring out these differences (see also Lee et al., 2000). Power distance is relevant because it pertains to the nature of hierarchical relationships and authority structures across countries (Hofstede, 1980) and thereby influences employee perceptions of top management decisions. Power distance can interfere in the transparency of processes, the value of timing of downsizing announcements, and the participation and involvement of employees, all of which are known to affect employee attitudes in the downsizing process. In high power distance cultures, employees are more likely to accept lower levels of transparency, participation, and involvement in processes surrounding downsizing. Although we believe that downsizing influenced by CEO compensation, or downsizing resulting in loss of firm-specific human capital are likely to result in negative perceptions of CSR across the three countries examined here, we do think that power distance could be the variable that leads to some divergence effects across cultures. We therefore hypothesize the following:

Hypothesis 1d: The associations of the independent variables in this study (i.e., CEO compensation factors, loss of firm-specific human capital, and external pressure) with the dependent variable (CSR perceptions) will be in the same direction in all three countries, although the magnitude of the effect sizes will be different as a result of differences in power distance.

Survivor Commitment

The impact of organizational justice on survivor attitudes has been well documented (see Datta et al., 2010). However, the attributions of leader responsibility which employees are likely to make, especially in the context of CEO compensation motivating downsizing decisions, are also crucial for survivor attitudes and could distinguish between the subsequent positive versus negative consequences, as earlier suggested. These responsibility attributions have never been examined in

any culture, including France, India, and Vietnam, examined in this study. We begin by focusing this discussion on survivor attitudes with the well-known effect of justice variables and move on to the crucial test of CEO responsibility variables, once we have controlled for these.

Of all the groups involved in downsizing, survivors are probably the single most important group in terms of making a difference between success and failure in the downsizing strategy. This is because their attitudes and feelings have a significant impact on future productivity (Brockner et al., 1992). Both distributive and procedural justice factors have been shown to impact survivor attitudes and feelings in general, and OCBs in particular (Naumann et al., 1998). Violations of organizational justice lead to survivor dissatisfaction and reduced levels of OCBs. Such justice violations are also related to increases in perceptions of uncertainty about the firm's future and their own future within the firm. This is manifested in lower levels of commitment to the organization. This is essentially because they are not sure how they will be treated by the organization in the future.

Earlier studies have found that while some survivors are energized, feel more security, increase efforts, and have higher commitment, other survivors have the exact opposite feelings and attitudes (e.g., Cascio, 1993; Emshoff, 1994). Attributions of top management responsibility for the company's downsizing initiative may play a key role in distinguishing between these two sets of survivors (Lange & Washburn, 2012). Thus, we examine the role of CEO responsibility variables, after controlling for the effects of justice variables in our experimental design, where other moderators have not been identified for these findings (see Datta et al., 2010). When survivors see the top management as being responsible for the downsizing they are likely to feel less energized, increased insecurity, reduce efforts, and have lower commitment, especially when the top management is stable and has not been restructured. On the other hand, when survivors attribute the company's downsizing to external factors, they continue to trust top management and hence feel relatively more energized, more secure, lower uncertainty and higher satisfaction.

Specifically, when survivors perceive the CEO downsizing decision to have been motivated by decline in performance linked bonus they are likely to experience negative emotions and heightened uncertainty about the future and their treatment within the firm. This is likely to lower their commitment and reduce their efforts, including reduction in their OCBs. However, when survivors perceive the CEO downsizing decision to have been motivated by anticipated increase in *deferred compensation*, they are likely to have relatively more positive reactions than in the previous case. Thus, they are not likely to have lower levels of commitment, work effort, and OCBs. In the context of loss of firm-specific human capital, however, survivors are likely to experience heightened discomfort at the loss of key individuals critical to the firm's business. This is likely to make them experience a loss of energy and lower morale, all of which lowers their commitment. Finally, with reference to the CEO downsizing decision as a result of institutional pressure, survivors are likely to feel less resentful of top management and their potentially greedy motivations than in other cases noted above. Although survivors may still have concerns about top management's ability in bringing

about successful turnaround, they are not likely to have strong negative reactions in such situations. Based on this discussion, we propose the following hypotheses.

Hypothesis 2: CEO downsizing decisions perceived to be influenced by decline in performance linked bonus are negatively related to survivor commitment.

Hypothesis 2a: CEO downsizing decisions perceived to be influenced by *deferred compensation* are positively related to survivor commitment.

Hypothesis 2b: CEO downsizing decisions perceived to result in loss of firm-specific human capital are negatively related to survivor commitment.

Hypothesis 2c: CEO downsizing decisions perceived to be influenced by intense institutional pressure are positively related to survivor commitment.

As in the case of perceptions of CSR, we expect the relationships in Hypotheses 2 – 2c to be in the same direction across the three countries examined in this study, while allowing for differences in effect sizes as a result of differences in power distance. Thus,

Hypothesis 2d: The association of the independent variables in this study (i.e., CEO compensation, loss of firm-specific human capital, and external pressure) with the dependent variable (survivor commitment) will be in the same direction in all three countries, although the magnitude of the effect sizes will be different due to differences in power distance.

Victim Perceptions of Fairness

Similar to the case of survivor perceptions, victim perceptions have been well studied vis-à-vis organizational justice variables. We contribute to this literature by adding CEO responsibility variables. As noted earlier, these CEO responsibility variables are likely to distinguish two groups of survivors, one that is negatively affected and the other that is not. These CEO responsibility variables also help in distinguishing the reactions of survivors and victims. Specifically, although previous research has noted that both survivors and victims are likely to perceive the downsizing as fair when procedural and distributive justice are high, survivors and victims are likely to react differently to CEO responsibility variables. We elaborate on this here.

It is difficult to imagine a situation where victims of downsizing ever perceive it as fair. However, justice researchers have observed that although victims have been dealt negative outcomes, they still perceive the downsizing positively if it is inevitable, and is implemented with a high level of procedural justice. Although this logic may apply to CSR perceptions, we doubt that victims of downsizing will ever perceive the downsizing decision itself as fair, unless there is a high level of distributive justice (such that outcomes have been distributed in a fair manner). If the downsizing was inevitable and the decision to layoff specific individuals was made based on appropriate criteria of

performance and seniority, even victims are likely to see the downsizing decision as fair. That is, distributive justice would be positively related to victims' perception of fairness. In our examination of CEO responsibility variables, therefore, we control for the impact of organizational justice, in this study.

Top management responsibility for the downsizing has been argued to be a critical factor for survivors. At the end of the downsizing process, attributions of individual and organizational performance are likely to be interconnected for survivors but are likely to be independent for victims. Thus, unlike for survivors, the role of CEO responsibility variables such as types of compensation may not be crucial for victims. Victims are not likely to worry about the loss of firm-specific human capital or about the intensity of institutional pressures, especially when the organization provides them with assistance in transitioning to a new job. Thus, with respect to victims' reactions, our principal argument is that these are very different from survivors. In other words, victims' perceptions of fairness are not likely to be dependent on CEO responsibility variables, beyond the impact of organizational justice variables.

Hypothesis 3: Survivors and victims differ in their reactions to downsizing motivated by a) decline in performance linked bonus, b) deferred compensation, and c) institutional pressure; and to downsizing resulting in loss of firm-specific human capital.

Hypothesis 3a: Victims' reaction to downsizing motivated by CEO compensation, institutional pressure, and resulting in loss of firm-specific human capital will be in the same direction in all three countries, although the magnitude of the effect sizes will be different as a result of differences in power distance.

METHOD

Study Design and Sample

The hypotheses were tested using a 2x2x2x2, between-subjects experimental design. The factors that were crossed in this experimental design were 1) Decline in Performance Linked Bonuses as a result of company poor performance preceding the downsizing decision (Yes or No), 2) Pressure leading to the downsizing decision (Internal - Deferred Compensation or External -Institutional Pressure), 3) Loss of firm specific Human Capital associated with the downsizing (Yes or No), and 4) Role (Survivor vs. Victim). Scenarios were developed to cross each of the above factors, which were then randomly distributed to a) 200 MBA students in a top business school in France, b) 212 executives enrolled in an executive education program in a premier business school in India, and c) 197 participants of an executive education program in one of the leading business schools in Vietnam. For France and Vietnam, the scenarios were first designed and written in English and then translated into French/Vietnamese, then back translated into English for verification (by one of the authors). We used the English version of the scenarios in India because they are the most appropriate choice. We

provide sample characteristics in Table 1, which contains information on gender, experience, and power distance orientation of the participants.

Table 1. Sample Characteristics

S. No.	Country	N	Years of Experience		Category	Gender		Power Distance	
			Mean	Sd		Male	Female	Mean	Sd
1	France	200	8.09	3.50	MBA Students	103	95	2.13	0.59
2	India	212	11.10	4.25	Executives	174	36	2.74	0.89
3	Vietnam	197	3.65	2.26	Executives	78	115	2.77	0.44
		609	7.73	6.02		255	246	2.58	0.74

After reading one scenario each, the subjects responded to a number of manipulation checks and questions pertaining to their perceptions of commitment (or fairness), ethics and social responsibility of the company involved in the downsizing. A subset of these questions were different for survivors and victims, with survivors responding to a set of questions on their commitment, and victims responding to a set of questions on perceived fairness².

Scenarios & Manipulations

A total of 16 scenarios were used in the study. Each scenario represented one of the unique conditions in this orthogonal experimental design. As is common in such research designs (e.g., Cho, Martens, Kim & Rodrigue, 2011), we took a number of steps to ensure the ‘reality’ of the experimental conditions, and hence the external validity of the study. First, as is evident from our literature review, our scenarios were developed carefully and based on real-life situations. Next, to ensure that the respondents perceived them as real and typical in the current business environment, we used two questions that addressed this issue. To the first question addressing the issue of how common it would be for a company to find itself in a situation as described in the scenario, the responses were either at 3 or higher in exactly 87.3% of the cases, with a median response of 4 (on a five point scale). To the next question asking the respondents how typical events in the scenario were in the current business environment, the responses were again at 3 or higher in exactly 86.3% of the cases, with a median response of 4. Thus, our scenarios were quite high in believability and realism both by design and as perceived by the subjects in the study, while also giving us excellent control for internal validity.

Performance Bonus Manipulation (Yes or No). In the ‘Yes’ condition, subjects were informed that some informed people think that the downsizing decision by the CEO may have been influenced by a decline in the CEO’s performance linked cash bonus as a result of the losses leading to the downsizing. In the ‘No’ condition, nothing was mentioned about performance linked bonuses.

²Questions on commitment are not appropriate for victims and thus were not included for them.

Pressure for Downsizing decision Manipulation (Internal vs. External). In the ‘internal pressure’ condition, subjects were informed that some informed people think that the downsizing decision by the CEO may have been influenced by the expected (contractual) increase in grant of stock options for the CEO if the downsizing helped in increasing stock value. In the ‘external pressure’ condition, subjects were informed that some informed people think that the downsizing decision by the CEO may have been influenced by intense pressure from institutional shareholders who are worried about the declining value of the company’s stock.

Loss of Firm-specific Human Capital Manipulation (Yes or No). In the ‘yes’ condition, subjects were informed that the CEO’s downsizing decision could lead to loss of some key people with critical knowledge and experience in this business, which could make it difficult to improve performance in the near future. In the ‘No’ condition, subjects were informed that the CEO’s downsizing decision does not involve a loss of key people with critical knowledge and experience in this business, but rather reflects a new strategic approach to improve business performance in the near future.

Role Manipulation. The scenario described the subject as either one of the employees being laid off (victim) or one of those that were not part of the layoff (survivor).

All the scenarios provided the same information about how the downsizing decision was handled in terms of implementation, to control for procedural and distributive justice, which are known to impact ethics perceptions (Cropanzano, Goldman, & Folger, 2003). Thus, for this objective, all the scenarios carried the following information:

Your manager has informed everyone that the decision about who to layoff has been made based on an appropriate combination of performance and seniority. The rationale for the decision sounds fair to you.

Your manager called in the people that are being laid off for a consultation and explained the process that was followed in making the decision. Your manager also offered to provide any assistance they might require in transitioning to a new job.

Measures

The subjects first responded to a series of manipulation check questions, followed by questions pertaining to the dependent variables. They were asked whether or not they were being laid off, with a yes/no option, to check the role manipulation. We used two questions each to check each of the other manipulations, on a five point scale varying from ‘Not at all’ to ‘Extremely’. For the performance bonus manipulation, subjects were asked to indicate the extent to which they agreed with two statements. The first of these questions asked them if they thought that the decline in the performance linked bonus was responsible for the downsizing decision, and the second asked them if they believed that the downsizing decision was influenced by the performance linked bonus. To check the pressure for the downsizing decision manipulation, we asked two sets of questions, one pertaining

to *deferred compensation*, and the other pertaining to institutional pressure. First, subjects were asked about the degree to which they thought the possible increase in deferred compensation influenced the decision, and the degree to which they thought the downsizing decision was a result of the anticipation of increase in deferred compensation. Next, subjects were asked to indicate the degree to which they thought the downsizing decision was a result of intense pressure from institutional shareholders, and the degree to which they believed that external pressure from institutional shareholders influenced the downsizing decision. To check the loss of firm-specific human capital loss manipulation, subjects were asked to indicate the degree to which they thought the company would lose key people with critical knowledge and experience of the business, and the degree to which they believed that the downsizing decision would result in loss of such key people.

Independent variables. We used continuous measures of the treatment variables above as the independent variables in the regressions. Decline in performance linked cash bonuses were measured with two items ($\alpha = 0.85$) described above. Internal pressure measured as the degree to which deferred compensation influenced the decision was measured with two items ($\alpha = 0.80$). External pressure, measured as the degree to which institutional investors pressured the downsizing decision was measured with two items ($\alpha = 0.91$). Loss of human capital was measured with two items ($\alpha = 0.83$). The role variable was dichotomous, which was coded 1 (victim) or 2 (survivor).

Dependent variables. *CSR perceptions* ($\alpha = 0.82$) were measured with a seven-item scale (where 1 = strongly disagree and 5 = strongly agree) that assessed the degree to which subjects thought the firm's actions were favorable, ethical, legitimate, socially responsible etc. Some items were reverse scored. *Victims* responded to three questions assessing their *perceptions of fairness* ($\alpha = 0.85$) of the treatment meted out to them. Using a Likert scale (where 1 = strongly disagree and 5 = strongly agree), they indicated the degree to which the decision to lay them off was ethical, appropriate, and fair. For *survivor commitment* ($\alpha = 0.75$), survivors indicated also on a Likert scale (where 1 = strongly disagree and 5 = strongly agree) the degree to which they were satisfied with their treatment during the downsizing, the degree to which they would be comfortable continuing to work for the firm, the degree to which they would start looking for other jobs, and the degree to which they would be motivated to contribute their best.

Control variables. We included several control variables in our study, such as the individual difference of attributional complexity ($\alpha = 0.82$) using a 28-item measure to assess the degree to which respondents make complex external and internal attributions for events (see Fletcher et al., 1986), and hence relevant to control for in this context. Respondents rated the items on a Likert scale (where 1 = strongly disagree and 5 = strongly agree). Additionally, we controlled for distributive and procedural justice associated with the downsizing implementation, and for values of respondents (e.g., Tyler & Blader, 2000). For distributive justice, subjects were asked to indicate the degree to which appropriate criteria were used in deciding who to layoff. For procedural justice, subjects were asked to indicate the degree to which appropriate procedures were used in the layoff process. Respondent

values were measured in two different ways to assess reliability. First, respondents were asked to rank seven different values that varied in importance to them, with the most important to them being ranked 1, and the least 7. Second, they rated each of these seven values on a likert scale (where 1 = strongly disagree and 5 = strongly agree) indicating the degree to which these values were important to the respondent. We compared the means of the continuous measures of the two values (second from above) with the ranks (first from above) to establish the reliability of this approach. We found that respondents who ranked 'bottom line results orientation' as the most important (Rank =1) indicated to a higher degree (M= 4.34) that this value was important to them than those that ranked it the least important (M= 2.80 for rank 7, $F=10.52$, $p<0.000$). Similarly respondents who ranked 'employee well-being' as the most important (Rank =1) indicated to a higher degree (M=4.94) that this value was important to them than those that ranked it the least important (M= 3.38 for rank 7, $F=4.95$, $p<0.000$). Thus, our approach to measuring these values is reliable and fit for use in further analysis. We also controlled for the cultural value dimension of power distance (Baird et al., 1990; Hofstede, 1980; Lee et al., 2000).

ANALYSIS & RESULTS

Manipulation Checks: We conducted manipulation checks for all four treatment variables. For the performance linked bonus manipulation, although subjects in the 'yes' condition perceived to a higher degree (M = 2.24) that the downsizing decision was influenced by these bonuses than in the 'no' condition (M = 2.21, $F = .10$, ns), this difference was not statistically significant. For the pressure for downsizing manipulation, subjects in the 'internal' condition perceived to a higher degree (M = 2.54) that deferred compensation influenced the downsizing decision than subjects in the 'external' condition (M = 2.21, $F = 13.58$, $p < 0.001$). Additionally, subjects in the 'external' condition perceived to a higher degree (M = 3.80) that institutional pressure resulted in the downsizing decision than in the 'internal' condition (M = 3.54, $F = 8.43$, $p < 0.01$). For the loss of human capital manipulation, subjects in the 'yes' condition perceived to a higher degree (M = 3.34) that the downsizing would result in loss of firm-specific human capital than in the 'no' condition (M = 2.78, $F = 38.39$, $p < 0.001$). For the role manipulation, subjects in the victim condition identified themselves as victims, and subjects in the 'survivor' condition identified themselves as survivors in a significant majority of the cases (Chi-square = 368.28, $p < 0.000$). Thus, satisfied with the manipulation checks, we moved on to further analysis of the data to test the hypotheses using hierarchical regressions, where we first entered the control variables and then each of the independent variables in a sequence of steps. We describe the results of these main analyses below.

Hypotheses Tests: Table 2 presents the means, standard deviations, correlations, and reliability indices for the variables in the study. Cronbach's alpha for the various scales are presented along the diagonal. We present the results of the tests of the hypotheses in Tables 3, 4, & 5.

Table 2. Means, Standard deviations, correlations, and scale reliabilities (along diagonal)

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
Value Results Orientation	3.75	1.23	----												
Value employee well being	3.83	1.14	-.16**	----											
Distrib. Justice	3.12	.90	.03	-.00	----										
Proc. Justice	3.10	.98	.06	.01	.60**	----									
Power Distance	2.58	.74	.00	.11**	-.09*	-.07	.60								
Attribution Complexity	3.52	.42	.19**	-.07	.07	.09*	-.29**	0.82							
PLB	2.22	1.02	.09*	-.11**	-.07	-.11**	-.14***	.10*	0.85						
DC	2.37	1.02	.07	-.16**	-.03	-.06	-.13**	.13**	.60***	0.80					
HCL	3.04	1.10	.08	.03	-.17***	-.17***	.05	-.03	.23***	.16***	0.83				
Ext. Pressure	3.66	.96	.12**	-.01	.10*	.05	-.10*	.12**	.17**	.12**	.18***	0.91			
CSR Perceptions	2.77	.68	.04	.01	.44***	.38***	.04	-.02	-.11*	-.07	-.17***	.02	0.82		
Victims' Fairness Perceptions	2.46	.86	.07	-.08	.42***	.42***	.02	.06	-.14*	-.08	-.26***	.03	.56***	0.85	
Survivor Satisfaction	2.81	.88	-.04	.01	.17**	.14*	-.00	-.00	-.27***	-.15**	-.32***	-.05	.36***	----	0.75

* p < 0.05, ** p < 0.01, *** p < 0.001 (PLB = Performance Linked Bonus; DC = Deferred Compensation, HCL = Human Capital Loss)

Table 3. Regression on CSR Perceptions

Variables Entered	Step I β	Step II β	Step III β	Step IV β	Step V β	Step VI β	Step VII β
Country	.05	.05	.05	.05	.06	.06	.38**
Attributional Complexity	-.01	-.00	-.00	-.00	-.01	-.01	.01
Value employee well being	-.01	-.01	-.02	-.02	-.01	-.01	-.02
Value Results Orientation	.01	.01	.02	.01	.02	.02	.03
Distrib. Justice	.32***	.32***	.32***	.31***	.30***	.30***	.30***
Proc. Justice	.22***	.21***	.21***	.21***	.20***	.20***	.20***
Power Distance	.07	.06	.06	.06	.06	.06	.30**
Deferred Compensation		-.03	.01	.01	.01	.01	.01
Perf. Linked Bonuses			-.06	-.07	-.05	-.05	-.03
External Pressure				.03	.05	.05	.05
Human Capital Loss					-.10*	-.10*	-.10*
Role						.02	-.02
Country X Power Distance							-.44*
R²	0.22***	0.22***	0.22***	0.22***	0.23***	0.23***	0.24***
ΔR^2		0.00	0.00	0.00	0.01*	0.00	0.01*

Table 4. Regression on Survivor Commitment

Variables Entered	Step I β	Step II β	Step III β	Step IV β	Step V β	Step VI β
Country	-.20**	-.20**	-.19**	-.19**	-.18**	.14
Attributional Complexity	-.06	-.05	-.04	-.04	-.07	-.05
Value employee well being	.01	-.00	-.01	-.01	.02	.01
Value Results Orientation	-.04	-.03	-.01	-.00	.01	.03
Distrib. Justice	.12 [†]	.13 [†]	.12 [†]	.13 [†]	.08	.07
Proc. Justice	.10	.09	.08	.08	.07	.07
Power Distance	.04	.03	.01	.01	.01	.22
Deferred Compensation		-.13*	-.00	-.00	.00	-.00
Perf. Linked Bonuses			-.25***	-.24***	-.19**	-.18**
External Pressure				-.05	-.01	-.01
Human Capital Loss					-.27***	-.26***
Country X Power Distance						-.43 [†]
R²	0.04**	0.05**	0.09***	0.09***	0.15***	0.16***
ΔR^2		0.01*	0.04***	0.00	0.06***	0.01 [†]

Table 5. Regression on Victims' Perceptions of Fairness

Variables Entered	Step I β	Step II β	Step III β	Step IV β	Step V β	Step VI β
Country	-.09	-.09	-.09	-.09	-.05	.43*
Attributional Complexity	.01	.01	.01	.01	.01	.04
Value employee well being	-.07	-.07	-.07	-.07	-.06	-.06
Value Results Orientation	.02	.03	.03	.02	.04	.06
Distrib. Justice	.25***	.24***	.25***	.24***	.24***	.24***
Proc. Justice	.28***	.28***	.27***	.27***	.23**	.22**
Power Distance	.06	.06	.05	.05	.06	.45*
Deferred Compensation		-.02	.04	.04	.05	.06
Perf. Linked Bonuses			-.10	-.10	-.06	-.05
External Pressure				.02	.05	.07
Human Capital Loss					-.19**	-.19**
Country X Power Distance						-.70*
R²	0.21***	0.21***	0.21***	0.21***	0.24***	0.25***
ΔR^2		0.00	0.00	0.00	0.03**	0.01*

CSR Perceptions: The results of the tests of hypotheses (1, 1a, 1b, 1c, & 1d) pertaining to CSR perceptions are shown in table 3. As can be seen in step I of the regression in this table, the control variables of procedural and distributive justice are positively related to perceptions of CSR on the part of both survivors and victims. The CEO responsibility variable of *deferred compensation*, entered in step II of the regression is negatively ($\beta = -0.03$, ns) related to CSR perceptions but is not significant and therefore does not support hypothesis 1. As can be seen in step III of the regression, although *performance linked bonus* is negatively related ($\beta = -0.06$, ns) to CSR perceptions, this relationship is not statistically significant and fails to support hypothesis 1a. However, hypothesis 1b is clearly supported in that, the loss of firm-specific human capital, entered in step V of the regression, is significantly negatively related ($\beta = -0.10$, $p < 0.05$) to CSR perceptions. As can be seen in step IV, CSR perceptions are not related to institutional pressure driven downsizing decisions, although it is in a direction consistent with the hypothesis. Thus hypothesis 1c is not supported. Thus, the loss of firm-specific human capital emerged as the only variable to have an impact on perceptions of CSR. Our convergence hypothesis 1d is strongly supported as we explain here. First, the country X power distance interaction is significantly related ($\beta = -0.44$, $p < 0.05$) to perceptions of CSR as can be seen from step VII of the regression in table 3. Following Aiken and West (1991), we more closely investigated this interaction by examining the movement in the dependent variable for a change in one standard deviation on either side of the mean of power distance in each of the country samples. We plot these regression lines in figure 1a. and describe them here. As can be seen in figure 1a, the slopes of the lines for all three countries are in the same direction in support of the convergence hypothesis. In all three countries, employees with higher power distance orientations perceived to a higher degree that the downsizing was socially responsible, than those with lower power distance. However, power distance orientation does have a differential effect on CSR perceptions resulting from the downsizing decision, in that it varies in strength from one country to another in our study. The strongest impact of power distance orientation on CSR perceptions is seen in India (see Figure 1a; highest slope), followed by France and Vietnam respectively. Thus, the collective impact of the independent variables (*viz.*, deferred compensation, performance linked bonus, firm-specific human capital, institutional pressure) on CSR perceptions is in the same direction in all three countries, but it varies in strength across the three countries, in full support of hypothesis 1d.

Survivor Commitment: The results for survivor commitment are shown in table 4. Again, the control variables were all entered in step I. Hypothesis 2 is supported, with the decline in performance linked bonus variables significantly negatively related ($\beta = -0.25$, $p < 0.001$) to survivor commitment, as seen in step III of the regression in table 4. Hypothesis 2a is not supported, with the relationship between *deferred compensation* and survivor commitment being significantly negative ($\beta = -0.13$, $p < 0.05$) in a direction opposite to that hypothesized. Thus, regardless of the expected future turnaround, survivors do not see deferred compensation motivated downsizing favorably, contrary to our expectations. Next, as can be seen in step IV of table 4, external pressure does not seem to be

significantly related to survivor commitment, failing to support hypothesis 2c. However, the loss of firm-specific human capital is significantly negatively related ($\beta = -0.27$, $p < 0.001$) to survivor commitment, supporting hypothesis 2b. Our convergence hypothesis 2d is also supported in that the country X power distance interaction is only marginally significant ($\beta = -0.43$, $p < 0.10$) in terms of its impact on survivor commitment. This confirms that the relationships are in the same direction in all of the three countries and whatever the nature of the differential effect of power distance, it is but marginal. Survivors react negatively to both of the compensation variables by lowering their levels of commitment, in addition to being negatively affected by loss of firm-specific human capital.

Victims' perceptions of fairness: The results for victims' reactions to the downsizing are shown in table 5. As can be seen from this table, both forms of justice, viz., distributive justice and procedural justice respectively are significantly related positively to victims' perceptions of fairness. However, as hypothesized, victims' perceptions are not related significantly to any of the CEO responsibility variables, in a manner different from that for survivors. In other words, although survivor attitudes (commitment) are related to the CEO responsibility variables (as shown in Table 4), victim attitudes (fairness perceptions) are not related to any of these leader responsibility variables. Victims and survivors are similar only in their response to the loss of firm-specific human capital, with this relationship between victims' perception of fairness and loss of human capital being negative and significant ($\beta = -0.19$, $p < 0.01$). Our convergence hypothesis 3a is also supported as we explain here. First the country X power distance interaction is significantly related ($\beta = -0.70$, $p < 0.05$) to victims' perceptions of fairness. Following Aiken and West (1991), we investigated the impact of a one standard deviation movement on either side of the power distance mean, in each of the three country samples. We plot this interaction in figure 1b. As shown in figure 1b. the relationship between power distance and fairness perceptions of victims is in the same direction in all three countries. The strongest positive impact of power distance on victims' perceptions of fairness is in India (see fig. 1b, highest slope), followed by France and Vietnam respectively. Thus, higher the power distance orientation, higher the perceptions of fairness on the part of victims in general, with this being stronger in India than the other two countries, and with Vietnam being the case of the least positive impact. Thus, these results provide strong support for the convergence effect across these three cultures, while also showing more subtle differences as a result of power distance. We provide a discussion of these findings, followed by implications for research and practice in the next section.

DISCUSSION

Downsizing has been increasingly researched in recent years. Although much of this downsizing research has examined individual consequences such as victims' and survivors' reactions and justice perceptions (e.g., Mishra & Spreitzer, 1998), few studies have examined perceptions of social responsibility on the part of the organizations that are downsizing. We contribute to the literature on downsizing by investigating CSR perceptions of downsizing in France, India, and Vietnam by also examining several top manager responsibility and governance mechanisms in this

context, as suggested by recent reviews of the literature (Datta et al., 2010). Additionally, few studies, if any, have investigated the impact of the antecedents of the downsizing on its consequences. We contribute to this literature in this regard as well by examining the impact of antecedents in the form of CEO compensation variables on consequences such as CSR perceptions. We also examine the impact of loss of firm-specific human capital, a downsizing consequence, on CSR perceptions. Our results from the three countries are mostly supportive of the hypotheses developed from a review of the corresponding literatures. Contrary to our expectations, CEO compensation motivated downsizing decisions do not seem to be related to CSR perceptions in these three countries. However, the loss of firm-specific human capital is strongly negatively related to perceptions of CSR and thus seen as unethical and not responsible. In this regard, the distinction made between pure employment downsizing and those associated with asset restructuring, in an American context, with regard to subsequent organizational performance (see Cascio et al., 1997) seem to have a close parallel to the findings in this study. In other words, pure employment downsizing without regard to loss of firm-specific human capital can be counterproductive not only for the desired turnaround but also can be seen as unethical and socially irresponsible by observers. The asset restructuring mode of downsizing where firm-specific human capital is matched to strategy for the future is likely to be seen as ethical and socially responsible, while also holding a higher likelihood of success in the turnaround initiative. Thus, although the loss of firm-specific human capital as a result of the downsizing is negatively related to CSR perceptions, we were surprised to find that CEO compensation factors are not seen in a similar light.

We reasoned that downsizing decisions made by CEOs motivated mainly by decline in performance linked bonus are likely to be seen as ‘pure employment’ downsizing and perhaps even as manifestations of greed, in the absence of any clear strategy for the future. On the contrary, downsizing decisions triggered by an anticipation of *deferred compensation*, we reasoned, would be seen as asset restructuring in nature and thereby opening new windows of opportunity. Although this line of reasoning did not hold in the case of CSR perceptions, the results seem to support our line of reasoning for perhaps the most crucial variable in our study, viz., survivor commitment. However, as a departure from our line of reasoning, survivor commitment was significantly negatively related to both compensation factors. Thus deferred compensation was not viewed by survivors in our study as a component of ‘asset restructuring’ or part of a new strategy for turnaround. Survivors in our study were just as likely to be demotivated and anxious about the downsizing when it was motivated by deferred compensation as much as they were when it was motivated by decline in performance linked bonuses. Perhaps, survivors see all forms of compensation as ‘manifestations of greed’ or undesirable to say the least. Nonetheless, our result suggest that companies engaged in downsizing as a means of organizational turnaround need to be very careful in explaining compensation issues to survivors, if they are to succeed in the post-downsizing scenario. Thus, although our results did not support the negative relationship with CSR perceptions, they do suggest that CEO compensation could be a

crucial factor in successfully restructuring the company. Survivors are the most critical group in a downsized organization, and no company can ignore their lowered commitment and still succeed in the turnaround effort. This effect is more or less the same across the three countries examined here, indicating more convergence in this regard than divergence across cultures.

We contribute to the literature on downsizing by also identifying differences between different subsets of survivors and that between survivors and victims, in terms of their reactions to the downsizing decision. As noted in the literature, some survivors react negatively to the downsizing with increased uncertainty, more insecurity, lower levels of energy etc., while other survivors react positively with respect to uncertainty, insecurity etc. (Brockner et al., 1992; Cascio, 1993; Emshoff, 1994). We theorized that CEO responsibility variables would make the key difference between these types of survivors and demonstrated a negative relationship of survivors' commitment to downsizing decisions triggered by deferred compensation, and performance linked bonuses. Thus, these CEO responsibility variables are crucial for the continued success of downsizing initiatives, especially for successful organizational turnaround. Since previous studies have not examined these CEO responsibility variables, this study makes crucial contributions to the downsizing and CSR literatures.

This study has some important managerial implications for the design of CEO compensation packages and for CEOs making downsizing decisions. CEOs making downsizing decisions need to be wary of being seen to be driven by greed and need to engage more in asset restructuring (Cascio et al., 1997), reorganizing, or efficiency enhancing (Brookman et al., 2007) types of downsizing to preserve and protect their managerial reputations, in addition to fostering commitment among survivors in their organizations. The literature is replete with instances of CEOs walking away with huge stock options or severance packages in the same year as that of a significant downsizing (see Beaver, 1999). Our results suggest that these are increasingly likely to result in negative reactions not only from outsiders but could affect survivors within, thereby worsening the probability of successful turnaround. CEOs, especially those in organizations that depend on human capital for competitive advantage, would also do well to include this factor in their strategic planning, in addition to playing to shareholder audiences.

Despite our results and the associated findings, our study has certain limitations applicable to experimental designs using scenarios. However, we took all appropriate measures recommended in the literature (see Cho et al., 2011; Watson, Berkley, & Papamarcos, 2009) such as using and testing for realism of scenarios, utilizing theoretical frameworks for the development and testing of hypotheses, among others. We also used experienced executives (in India and Vietnam) and MBA students with work experience (in France), thereby matching subjects to experimental tasks (see Cho et al., 2011). One other limitation of our study is the limited effectiveness of the of the performance bonus manipulation. However, the results are good but could perhaps have been stronger with a more effective experimental treatment. Thus, the relationships demonstrated in this study would have been stronger but for the limitation of the experimental treatment.

Our findings show convergence across three cultures and some level of divergence in that the strength of the study relationships vary as a function of power distance. Moreover, power distance orientation (individual level measure) seems to have a differential effect across countries in that it is stronger in some and weaker in others, although the direction of the relationships is convergent across cultures. Thus, we point to the importance of intracultural variation and its impact on outcome variables in international business. People within a culture, especially in rapidly changing business environments (viz., India & Vietnam), can react differently to similar business situations, thereby increasing the complexity for managers to handle. However, our results are likely to be generalizable to other countries by virtue of the support for converge obtained here. Additionally, by controlling for values related to employee well-being and results orientation, we also take out some of the variance that can be otherwise attributed to culture and thus enhance the generalizability of the other findings. More importantly, we make crucial contributions to the literature by examining hitherto under-examined or unaddressed issues in this context, adding value to this study and its findings.

CONCLUSION

Downsizing continues to dominate the economic scene around Europe and the rest of the world, suffering from the consequences of the worst financial crisis to date and subsequent economic downturn. Downsizing continues to interest research scholars and professionals because of these environmental conditions. By examining the CSR consequences of downsizing, an issue hardly examined in the huge literature to date, we turn the attention of these interested scholars and professionals to this very important domain. By focusing on CEO responsibility characteristics and governance mechanisms we identify a number of interesting relationships that need to be carefully managed in practice, and examined in research in the years to come. Careful design of compensation packages, with complete consideration of their consequences, especially from the perspective of avoiding negative ethical and CSR implications are imperative, as evidenced by numerous debates in this context (Beaver, 1999; Lange & Washburn, 2012; Reich & Moskowitz, 1993). We hope that this study will be the trigger for moving away from simple debates to systematic research in this context. We also hope that more attention is paid to human capital from a strategic perspective contributing to competitive advantage in this context.

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Figure 1a. Interaction of Country and Power Distance on CSR Perceptions

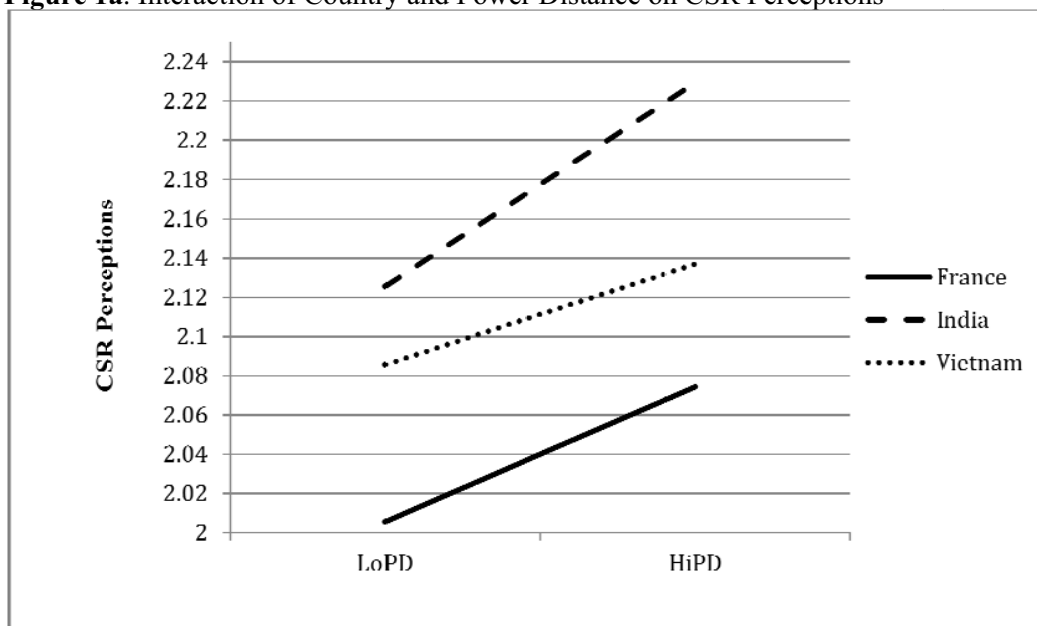
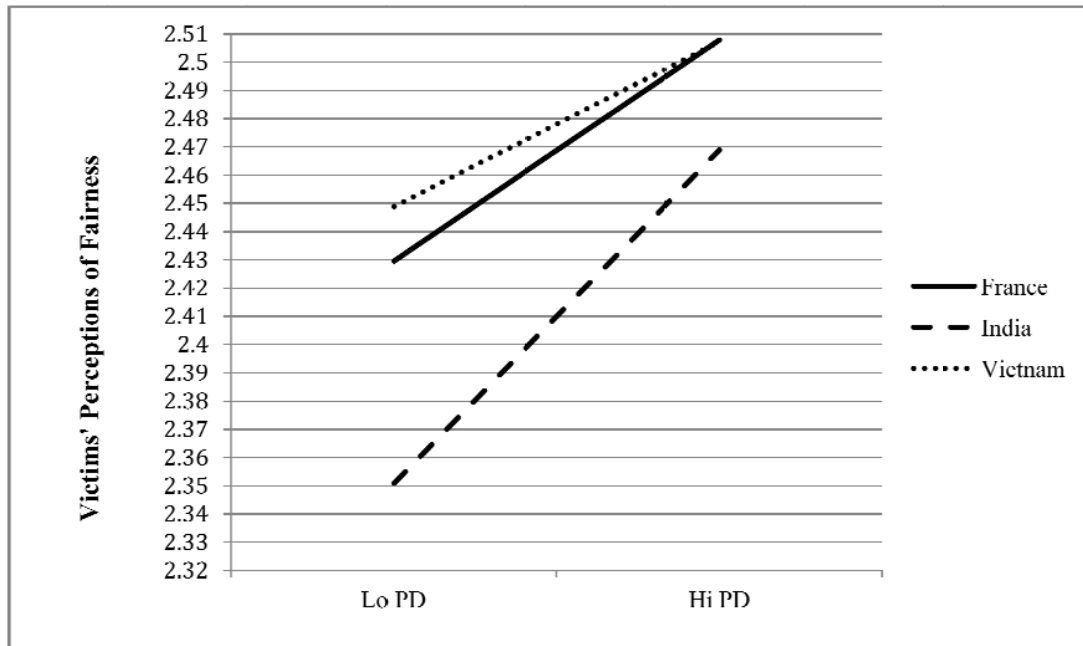


Figure 1b. Interaction of Country and Power Distance on Victims' Perceptions of Fairness



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<i>Author(s):</i>	<i>Institution(s)</i>
Lakshman Chandrashekhar	Tongji University School of Economics & Management
Linh Chi Vo	Normandy Business School
Rani S. Ladha	Professor, Indian Institute of Management Kozhikode, IIMK campus P. O. Kunnamangalam- 673570 Email: rani.ladha@iimk.ac.in
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Abstract: <i>Although downsizing research has examined victims' and survivors' reactions and justice perceptions, few studies have examined perceptions of corporate social responsibility (CSR). We examine the impact of CEO compensation for downsizing on CSR perceptions of downsizing decisions made by CEOs in three countries, France, India, and Vietnam. We use a 2x2x2x2 (performance linked bonuses, internal vs. institutional pressure, loss of human capital-yes/no, and role-victim/survivor) between subjects experimental design to examine factors that influence the CEO's downsizing decision. Results suggest that downsizing resulting in loss of human capital is negatively related to CSR perceptions. Downsizing motivated by deferred compensation and decline in performance linked bonuses are negatively related to survivor commitment, but not to victims' perceptions of fairness. We also find support for convergence across the three countries, with some divergence as a result of power distance. We provide a discussion of the results, limitations, and directions for future research.</i>	
<i>Key Words/Phrases:</i> downsizing, CEO responsibility, CEO compensation, CSR perceptions, human capital, institutional pressure	
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Research, Conference And Publication Office

Indian Institute Of Management Kozhikode

IIMK Campus P.O., Kozhikode 673 570

Kerala, India

Telephone +91 495 2809 238

E-mail rcp@iimk.ac.in

website www.iimk.ac.in