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HUMAN RESOURCE MANAGEMENT AND ORGANISATIONAL PSYCHOLOGY

The influence of Strategic Human Resource Management Maturity on downsizing harshness in public and private Icelandic organisations

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Abstract

The purpose of this study was to examine if strategic human resource management (SHRM) maturity influences downsizing harshness in Icelandic organisations and to see if there is a difference between sectors. The framework used to determine SHRM maturity was the maturity framework by Paul Kearns (2003; 2009), and the framework used to determine downsizing harshness was the downsizing alternatives framework by Einarsdóttir, Ólafsdóttir and Arnardóttir (2016). The data was collected from the CRANET research, and results from 195 organisations in both 2012 and 2015 were used in this study. The main findings were that organisations in the private sector are more mature in all domains of SHRM. Another finding was that the more mature organisations are, the harsher downsizing alternatives they use. All domains of overall SHRM maturity predict the use of harsher downsizing alternatives, however, overall maturity and compensation have the strongest unique contribution to downsizing harshness. The implications drawn from this study are that because private organisations are higher in SHRM maturity, they tend to use harsher downsizing alternatives. As this study is the first to explore these two frameworks together, it gives a new perspective into research of downsizing as well as within the field of human resource management and organisational behaviour.

Keywords: Strategic human resource management maturity, downsizing, downsizing harshness, downsizing alternatives, sector.

Úrdráttur

Tilgangur þessa verkefnis var að skoða hvort þroskastig mannauðstjórnunar í íslenskum fyrirtækjum og stofnunum hafi áhrif á hve hörðum samdráttaraðferðum þau beita. Einnig var skoðað hvort munur sé á milli opinbera og einkageirans. Mælitækið sem notað var til að skýra þroskastig mannauðstjórnunar byggir á hugmyndafræði Kearns frá 2003 og hugmyndafræði Einarsdóttur, Ólafsdóttur og Arnardóttur frá árinu 2016 var notuð sem skilgreining á samdráttaraðferðum eftir áhrifum þeirra á starfsfólk. Gögn voru fengin úr gagnasafni CRANET rannsóknarinnar frá árunum 2012 og 2015 og voru svör frá 195 fyrirtækjum og stofnunum notuð. Helstu niðurstöður rannsóknarinnar voru að einkageirinn er hærri í heildarþroskastigi, sem og í öllum undirflokkum, heldur en opinberi geirinn. Einnig eru þau fyrirtæki og stofnanir sem greinast á hærra í þroskastigi líklegri til að beita harðari samdráttaraðgerðum en þau sem eru að greinast lægri í þroska. Allir undirflokkar heildarþroskastigs spá fyrir um notkun harðari samdráttaraðgerða en heildarþroskastig og laun/hlunnindi hafa þar sterkustu sjálfstæðu áhrifin. Frá þessari rannsókn er hægt að draga þá ályktun að einkageirinn beiti harðari samdráttaraðgerðum en sá opinberi. Þar sem þessi rannsókn er sú fyrsta sem skoðar notkun samdráttaraðgerða út frá þroska mannauðstjórnunar kemur hún með nýtt kenningarlegt framlag til fræða á sviði samdráttaraðgerða og eins á sviði vinnusálfræði og mannauðstjórnunar.

Efnisorð: Þroskastig mannauðstjórnar, samdráttaraðgerðir, uppsagnir, launalækkunar, vinnumarkaður.

Preface

This thesis is submitted as a requirement of my MSc degree in Organisational Behaviour and Human Resource Management from Reykjavík University.

This research was inspired whilst working as a research assistant for the CRANET survey of Human Resource Management within Icelandic organisations. I would like to thank my supervisor Arney Einarsdóttir, whom has guided me throughout this MSc thesis journey. Arney has shared with me her vast knowledge in the field of Human Resource Management and has also been an exceptional mentor and inspiration, for which I am forever grateful.

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I wish to also express my gratitude to my friends and family, for their heartfelt interest in my studies and research throughout my academic journey. Especially my husband, Pedro Martins, for his help and support throughout my studies, not forgetting my son for his patience and love.

Reykjavík, 9th of May, 2016.

Arabella Samúelsdóttir Martins.

Declaration of Research Work Integrity

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document I confirm and agree that I have read RU's ethics code of conduct and fully understand the consequences of violating these rules in regards of my thesis.

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Date and place	Kennitala	Signature
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1. Introduction

The influence of Strategic Human Resource Management Maturity on downsizing harshness in public and private Icelandic organisations.

Organisations are often challenged by financial difficulties, whether they be economic or simply changes in the organisation or the environment. Many organisations are likely to address those challenges by laying off employees to quickly reduce operational costs (Mirabal and DeYoung, 2005). It can be argued that organisations differ in how they handle situations regarding human resource management depending on their HRM practises and systems. In this thesis, key HRM practises and systems are discussed and five main practises are considered to be the most important to measure strategic human resource management maturity. Strategic human resource management maturity, originally outlined by Paul Kearns in 2003, refers to developmental stages an organisation goes through to manage its human resources more systematically and strategically.

Strategic human resource management maturity has been measured in Iceland since 2006 (Einarsdóttir, Bjarnadóttir and Oddsson, 2006) and since then, Icelandic organisations have been faced with various economic difficulties, mostly because of the crisis that hit Iceland in 2008. This crisis forced many organisations to restructure their organisations and cut costs dramatically, and a priority for many in situations like this is to lay off employees, as it is a quick way to reduce costs (Mirabal and DeYoung, 2005; Greenhalgh, Lawrence and Sutton, 1988). This was very evident in Iceland as many people lost their jobs and the unemployment rate went from being around 2.3% in 2007 to 7.6% in 2010. Slowly, however, unemployment has been decreasing in Iceland, and between 2012 and 2015, Iceland's unemployment rate fell from 6% to 4% (Statistic Iceland, 2016).

This thesis will argue that laying off employees is not necessarily the best approach to reducing operational costs and that there are many different downsizing alternatives that can be used instead or alongside layoffs. Using those alternatives can minimise the negative impact on employees and also have a positive impact on the organisation and even the society as a whole (Einarsdóttir, Ólafsdóttir and Arnardóttir, 2011, 2016; Iverson and Zatzick, 2007, 2011).

2. Theoretical Framework

In this section the theoretical background of human resource management and its growth towards becoming a strategic tool for organisations is discussed. The effects of the use of layoffs and downsizing alternatives to reduce operational costs is also discussed and furthermore, the strategic human resource management maturity of organisations as well as the difference between the private and the public sectors will be explored.

Whether an organisation is a small, family-run company or a large multinational corporation, it cannot be run without human capital or employees. For that reason, employees are often considered to be the most valuable asset of every organisation, and if managed correctly can be the underlying reason for higher productivity, customer satisfaction and financial success (Delery and Doty, 1996; Arthur, 1994; Gerhart and Mikovich, 1990; Huselid, 1993, 1995; Tepstra and Rozell, 1993).

Publication of the works of Beer, Spector, Lawrence, Mills and Walton (1984) and Fombrun, Tichy and Devanna (1984) marked the beginning of the discipline known as Human Resource Management (HRM). Human Resource Management practises have dramatically shifted since then. The most evident change is that in the past, research focussed on specific micro perspectives within HRM, shifting towards a focus to macro perspective, in which the focus is on strategy and outcomes (Delery, 1996). In 1992, Wright and McMahn started testing empirically the association between HRM and organisational performance, which marked the beginning of Strategic Human Resource Management (SHRM).

2.1 Strategic Human Resource Management

Strategic management has several definitions, however, the common understanding is that it is a set of actions and decisions brought by human resources to achieve exceptional organisational performance, not only now but in the future (Aktouf, 1996; Hill and Jones, 1998; Wheelen and Hunger, 2011; Wright and McMahan, 2011). Strategic management is an ongoing process that needs to be adjusted constantly whilst taking into consideration management values, the environment as well as resources available. In order to do this there needs to be a fit between the strategy and the environment (Aktouf, 1996). Strategic Human Resource Management is similar to strategic management but is more concerned with the fit between the business strategy and the human resource strategy of an

organisation than general HRM. Together they form an overall competitive strategy for the organisation (Boxall and Purcell, 2008).

The SHRM literature can be divided into two main themes when it comes to what approach to HRM practise is the best. The first one is a very popular perspective amongst SHRM researchers, and argues that a coherent system of HRM practises is a better indicator of organisational performance than individual practises (Delery and Shaw, 2001; Dyer and Reeves, 1995; Huselid, 1995), whereas, the second one argues that individual practises are a better indicator (Arthur, 1994; MacDuffie, 1995; Kehoe and Wright, 2013). The first perspective has gained more popularity because employees are seldom exposed to just one individual HRM practice but are rather exposed to many HRM practices simultaneously. This perspective is called a system perspective and argues that an HRM system is not just a system made up of HRM practises but a powerful tool made up of a bundle of HR practises that are designed to accomplish organisational objectives and goals (Wright and Boswell, 2002; Lado and Wilson, 1994).

Although the system perspective has become very popular and has been studied, it seems to be hard to define the construct of an HRM system, and inconsistency between studies are evident (Jiang, Lepak, Han, Hong, Kim and Winkler, 2012). Few systems have been singled out with research such as high commitment HR systems (Arthur, 1994), high performance work systems (Huselid, 1995; Becker and Huselid, 1998), high involvement HR systems (Guthrie, 2001), and high investment HR systems (Lepak, Taylor, Tekleab, Marrone, and Cohen, 2007). These systems all have different practises as well as a different number of practises within each system.

Boselie, Dietz and Boon (2005) did a meta-analysis where they analysed a sample of 104 articles from a number of different journals. They found that the key HRM practises related to organisational performance are those that deal with selective recruitment and selection, compensation and performance-related pay, appraisal and performance management, training and development and employee involvement. In the next few pages these will be discussed.

One of the most fundamental activities of SHRM is to select and recruit the right talent. Many studies have, in the past, emphasised recruitment as a vital aspect of HRM without emphasising selection (e.g. Breaugh and Starke, 2000; Taylor and Collins, 2000; Rynes and Cable, 2003). In 2013, Breaugh published a review where he criticises previous research for not having a clear link between variables that tie the recruitment process together. Interlinking recruitment and selection in HRM has become a vital part

of the development of SHRM because the emphasis of recruitment and selection has become more strategic and has moved passed just finding employees that are fit for a specific job but who also fit into the overall strategy and culture of the organisation (Millmore, 2003). The definition of SHRM, as noted earlier fits with these arguments: 'SHRM is set of actions and decisions brought by human resources to achieve exceptional organisational performance not only now but also in the future' (Aktouf, 1996; Hill and Jones, 1998; Wheelen and Hunger, 2011; Wright and McMahan, 2011). The definition underlines the importance of HRM practises for organisational performance, and thus human capital must be the source of the competitive advantage. For this reason, the staffing process where the right talent is found must be the foundation for a competitive advantage (Barney, 1991).

To create competitive advantage, organisations must provide their employees with training and continuous development. Doing this helps the organisation adapt to changes, be able to compete and reach future goals (Salas, Tannenbaum, Kraiger, and Smith-Jentsch, 2012). In the last thirty years the concept of training and development has been studied intensely (Arneson, Rothwell and Naughton, 2013; Sharma, Garg, and Mittal, 2015; Seidle, Fernandez, and Perry, 2016; Salas and Cannon-Bowers, 2001). These advancements stem from the need for evidence-based information on the best way to deliver training. Many studies, including meta-analysis, indicate that when organisations approach training strategically and purposefully it affects organisational performance positively (Keith and Frese, 2008; Salas, Nichols and Driskell, 2007; Powell and Yalcin, 2010; Delaney and Huselid, 1996). Huselid (1995) found that high performance work practices (HPWP) (which includes active training) predicts employee and organisational performance.

Aguinis and Kraiger (2009) reviewed training and development literature from the year 2000. This review included multiple studies that linked training practices with organisational outcomes. The study showed that training is a key element for organisational effectiveness. The same applies for employer or manager training (Collins and Holton, 2004) and economic development (Aguinis and Kraiger, 2009).

How to get people to perform the best they can is another function of SHRM. This is where performance management (PM) is introduced to motivate employees and create a high-performance organisation (Boselie, 2014). The common definition of PM is that it is a set of activities set by an organisation or managers to improve employee performance and hence improve the overall performance of the entire organisation (see, for example,

Den Hartog, Boselie and Pauwee, 2004; DeNisi, 2000). Armstrong and Baron (1998) extended this definition by focussing more on the strategic nature of PM, which is constantly taking place and focussing on the future. In their study they found that the central characteristics of PM are clear goal setting as well as monitoring employees and employee development and thus could be viewed as part of training and development.

Performance management has mainly been associated with the ‘hard’ approach to HRM, which will be discussed in more detail later in this thesis. The hard approach emphasises the interests of employers and shareholders rather than employees, such as goals for the organisation and financial performance indicators. This happens by monitoring employees closely and with performance-related pay (Legge, 1995, 2005). Lately there has been a bit of a shift towards a ‘softer’ approach, where employers focus more on the well-being of their employees and what they want. However, an ideal PM balances both approaches to benefit the employer and the employee. Other and very important aspects of PM are employee acceptability and participation in developing performance evaluation (Boselie, 2014).

Compensation or employee pay is a topic which, over the years, has achieved great interest. The research into the importance of money in motivating individuals/employees and whether paying for employment performance has shown that it has both a positive and a negative effect on overall employee performance. Gerhart and Rynes (2003) divided pay for performance (PFP) into three dimensions, each considering different aspects. The first dimension is concerned with results (e.g. generated output and profits), the second with desired behaviour measures (e.g. how managers or customers evaluate specific wanted behaviours), both individually and as a whole organisation, and the third is concerned with incentive intensity.

There are many studies that hypothesise that PFP increases productivity. For example, Dickinson (1999) showed that participants in his study typed more letters when productivity was tied to compensation. Lazear (2000) got similar results when he observed changes in an installer’s performance after management in a large windshield production company changed compensation from being fixed to merit, and Shearer (2004) found similar evidence when he did a study on tree planters in Canada. However, studies have also showed that PFP can negatively affect performance. For example, applying PFP to employees and jobs where creativity and innovation are important may negatively affect employee performance because not all employees are motivated by money and rewards can lower creativity (McGraw, 1978; Kohn, 1993; Amabile, 1996).

Emphasis on good communication and sharing of information in organisations dates back to the Human Relations Movement in the 1930s (Boselie, 2014). In the literature the word involvement has many names, including participation, involvement, engagement and empowerment (Gollan and Xu, 2015). All refer, though, to procedures used in SHRM that allow employees and those who represent them to be involved in decisions made by the organisation. Involvement can be both direct and indirect. Direct involvement is when employees are given autonomy and the organisation makes an effort to keep employees involved. Indirect involvement is when employee representatives mediate on behalf of employees, sometimes referred to as institutionalised or formal involvement through unions and work councils (Lippert, Huzzard, Jurgens and Lazonick, 2014). All in all, involvement should build on two-way communication, from management to employees, and systematic information sharing from employees to management. For involvement to occur, management has to build up platforms and means for participation to take place. This can be through monthly staff meetings, surveys among employees or other platforms, however, it will always depend on the type of organisation and the type of workforce to determine which will be most appropriate and effective.

In summary, it may be appropriate to talk about the four key HRM practises instead of five as in can be argued that performance management is closely related to training and development. In this thesis, these four domains will be evident, as will the overall status of HRM.

2.1.1 Approaches of managing human resources, the soft and hard debate

When discussing the different practises of SHRM there is an evident consensus amongst them, and that is to maximise profits through employees. Two approaches to managing HRM are evident in the literature. These are the so called 'soft' and 'hard' approaches to HRM (Guest, 1987). The Harvard model proposed by Beer, Spector, Lawrence, Quinn Mills and Walton in 1984 (see Figure 1), which also goes by the name of developmental humanism model proposed by Karen Legge in 1995, is a strategic model that concentrates on the soft approaches of HRM. 'Soft' means that the model is centred on employee commitment to achieve strategic goals and views employees as the biggest source of competitive advantage. It encourages employee commitment through employee influence, reward systems, human resource flow and work systems. According to Beer et al., these systems are supposed to increase employee commitment, congruence, competence and be cost effective, which in return generates good HRM outcomes for the

long run. The Harvard model emphasises the interests of many stakeholders, including the management within the organisation, groups of employees and situational factors such as communities, governments and trade unions influencing HR outcomes and long-term consequences (see figure 1).

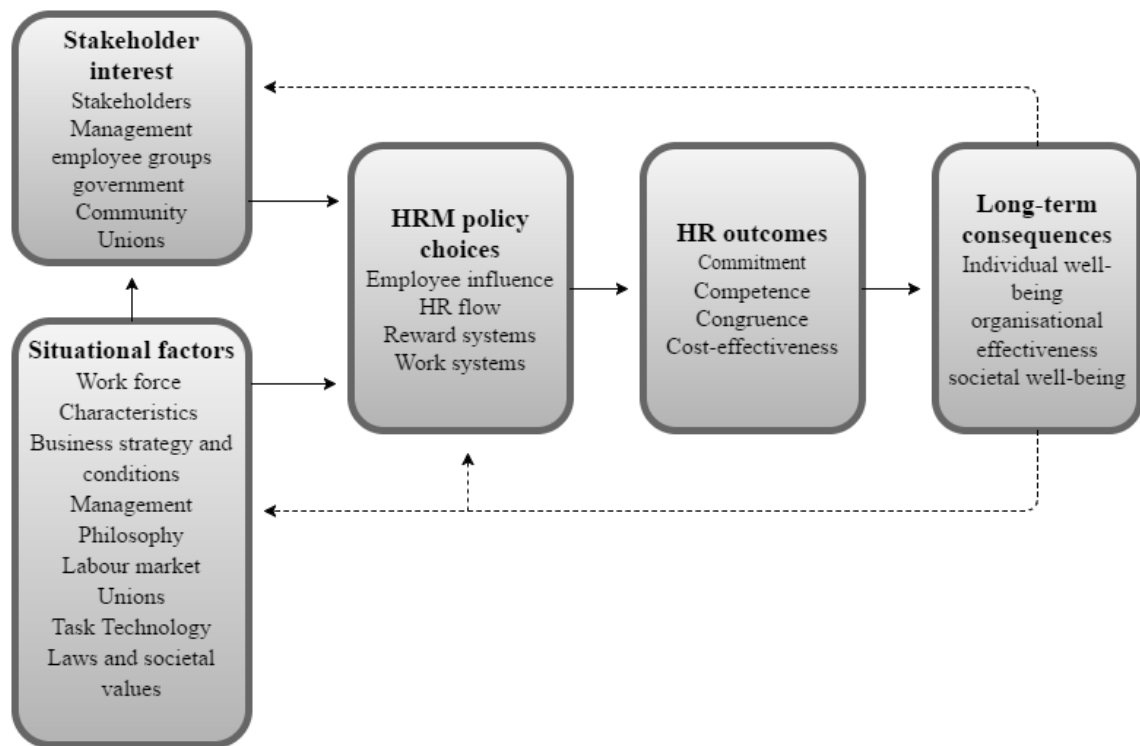


Figure 1. The Harvard Model of HRM.

Fombrun, Tichy and Devanna's Michigan model (1984), however, concentrates on hard approaches to HRM (see, Figure 2). In this model, employees are looked at as a resource, just like any other resource the organisation may have, and are used in a strategic way to achieve organisational goals. In regards to HRM, the hard approach assumes that optimising performance is the main objective to improve HRM (Storey, 2001). The model's focus is mainly on strategic and internal fit by fitting HRM procedures with the business strategy and certain HRM practices to a system that works for the organisation (Delery and Doty, 1996). Shareholder value is a very important feature and the model assumes that external forces influence the organisation's mission and strategy, which then affects the organisational structure and the human resource management (Fombrun et al. 1984).

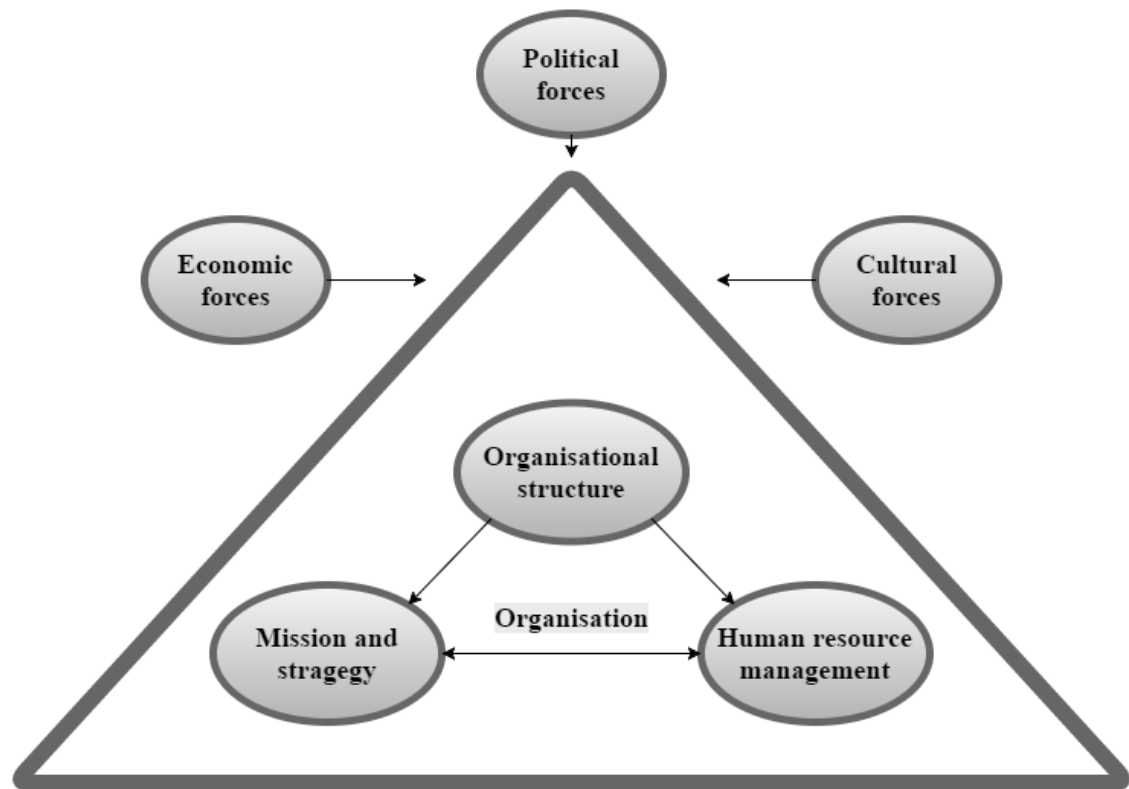


Figure 2. The Michigan Model of HRM.

The two approaches differ, with the Harvard model being more complicated and harder to implement mainly because of the many stakeholders. For this reason, many modern organisations have adopted the Michigan approach and are moving towards harder approaches (Boselie and Brewster (2013).

2.2 The Strategic Human Resource Management Maturity framework

The Strategic Human Resource Management maturity framework, originally proposed by Paul Kearns (2003; 2009), is a conceptual framework with developmental stages in which organisations can move/develop from one stage to another towards recognising the true value of human capital (see, Figure 3.). The framework can be used to analyse organisational SHRM maturity and is indeed very ‘hard’ in nature. Einarsdóttir et al. (2006, 2009, 2012, 2015) developed a tool to measure the maturity of strategic human resource management in Icelandic organisations. It has been evaluated through the CRANET research since 2006 and is measured on five domains that make up overall SHRM maturity. These five domains consist of the four key practises as mentioned above, and also a specific domain where HRM status is defined separately (see, Figure 3).

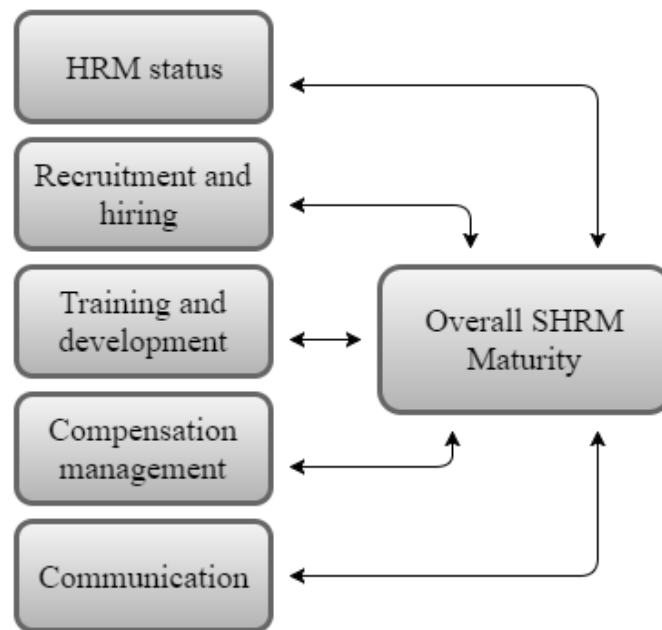


Figure 3. The measure of Strategic Human Resource Management Maturity.

The original scale by Kearns (2003; 2009) has nine stages that represent the value creation of the company ranging from minus two to six, from being a slavery organisation to an organisation that has become a holistic system (see figure 3). The stages are explained below:

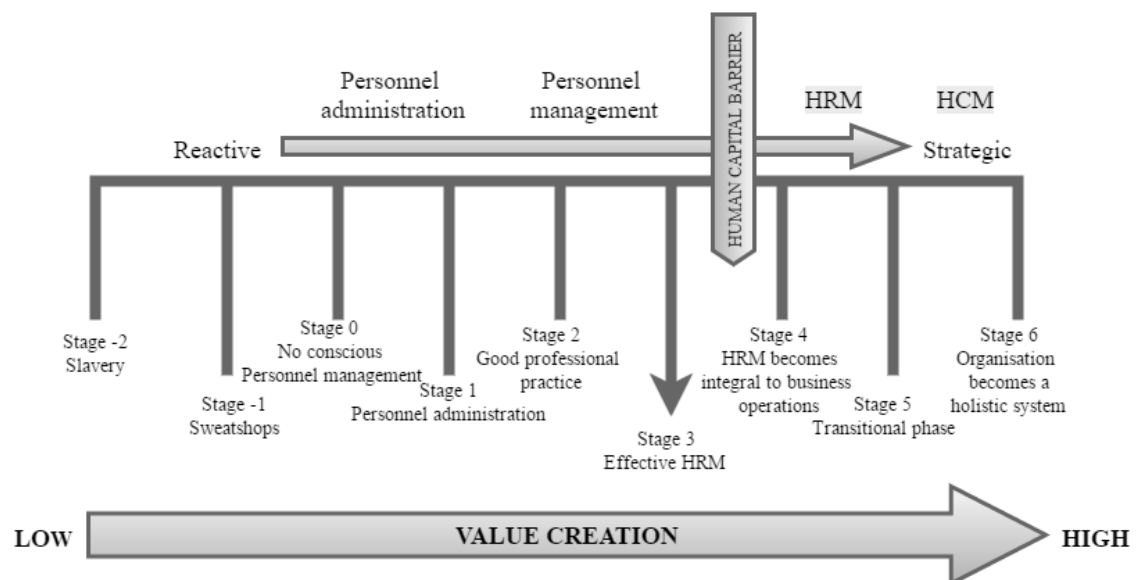


Figure 4. The Strategic Human Resource Management Maturity Model.

Stages minus two and minus one (Slavery and Sweatshops) are on the negative side of the scale as the names might suggest. It is a known fact that slavery still exists today, and research suggests that more than twenty-seven million people may still be trapped in slavery (Bales, 2012). This is partly because of the fast increase in the world population,

economic globalisation and modern agriculture, which has made farmers an easy target for enslavement and corruption in developing countries.

On stage zero, 'No conscious Personnel Management', personnel management is usually with the employer who hires and fires based on workload. There is no real human resource management, and no real value is gained from employees. Organisations on stage one 'Personnel Administration' make some minimal effort to have conscious control over personnel matters, such as keeping records of recruitments, following labour law and having employees on payroll. Stage two, 'Good professional practice', is the stage under which most Icelandic organisations fall (Einarsdóttir, Bjarnadóttir and Ólafsdóttir, 2015). At this stage an organisation has moved past just operational management when it comes to its employees and has moved towards realising that managing employees in a good, professional manner has benefits for the organisation. At this stage there is not necessarily a functioning personnel department or a human resource professional within the organisation, as the basic professional practises at this stage could be carried out by line managers.

The next stage, or stage three, is when HRM becomes effective. At this stage a shift takes place from the personnel perspective when dealing with employee matters, to active HRM where the employees are considered a very important resource. To be in stage three, a systematic approach to manage employees carried out by an HR professional is an important requirement. Recruitment, communication with employees, training and employee development is carried out thoughtfully and goals are set. It can be argued that in this stage, organisations have become more strategic and the approaches used are harder and more consistent with the Harvard model as explained in the previous chapter. To move from stage three to stage four, organisations have to cross a certain barrier where CEOs and executives need to know and acknowledge the true value of human capital, not that employees are just simply a resource worth investing in. If an organisation manages to cross the barrier and move on to stage four, 'HR becomes integral to operations', the HR department has become a business partner who is proactively seeking to add value. At this stage, line managers are mature enough to appreciate help from HR, the data from HR is linked with operational performance and employees are informed about how the organisation is operating. Here, manager performance as well as employee performance is measured and managers are expected to be coaches and advisors for employees (Kearns, 2009; 2010). At stages five and six, 'transition from operational HR to strategic focus and the organisation becomes a whole

system', training and development has been replaced with the concept of applied learning. At these stages, complete trust between employer and employee has been reached (Kearns 2010).

Stages -1, -2, five and six will not be included in this study. This is because stages -2 and -1 are not expected to apply in the developing world and stages five and six may be somewhat utopian in nature and additionally difficult to measure. Also, no Icelandic organisation has managed to develop further than stage four (Einarsdóttir et al., 2006; 2009; 2012; 2015), and that was only one organisation in 2009.

2.3 Strategic Downsizing, Layoffs and Alternatives

In the last three decades, a great deal of interest amongst scholars has been on downsizing and its effects (Gandolfi, Renz, Hansson and Davenport, 2012). Some feel that not enough research and knowledge has been established towards the matter (Macky, 2004), and others find it to be undefined although it has been studied extensively (Gandolfi and Hansson, 2011).

Downsizing as a strategic choice has been used for more than 30 years (Littler and Gandolfi, 2008). Initially, it was used mainly in organisations that were having financial difficulties due to economic challenges, however, in the last twenty or so years it has become a strategy of choice for many organisations. The main reason behind downsizing is usually a quick way to reduce operational costs and to increase performance and profits (Mirabal and DeYoung, 2005). In these three decades almost all economic sectors and individuals from all over the world have been affected by downsizing at some point. In the last economic recession alone, more than 50 million layoffs were conducted around the world, leaving many people unemployed (Cascio, 2015).

A common misunderstanding is thinking that layoffs and downsizing are the same thing (Cascio, 2015). Downsizing is a much broader term and refers to a strategic managerial tool which has changed thousands of organisations worldwide and the lives of millions of people (Amundson, Borgen, Jordan, and Erlebach, 2004). Cameron (1994) defined downsizing as 'a set of activities, undertaken on the part of the management of an organisation and designed to improve organisational efficiency, productivity, and/or competitiveness'. These activities can be classified into two main groups: layoffs and alternatives. Alternative strategies are those that are perceived as better by employees in terms of job security and do not affect employees as deeply. An example of these would be natural attrition or reduction in the workforce, or not hiring new employees when

others quit voluntarily (i.e. hiring freeze), and redeployment of employees to other places within the organisation (Iverson and Zatzic, 2007). These alternatives are usually preferred by employers, however, they take time, and cuts in costs are not as immediate as with layoffs (Greenhalgh, Lawrence, and Sutton, 1988). Layoffs, however, can be classified into two groups: compulsory and voluntary turnover. Voluntary turnover is when employees leave the organisation by choice, and compulsory turnover is when they are asked to leave (Burch and Holtom, 2015). Many organisations try and combine those two to minimise negative effects on employee morale. In a compulsory layoff process, evaluations based on performance are often used, which affect how employees perceive the procedure (Iverson and Pullman, 2000), and surviving employees can decide to leave if the process is not perceived as fair. In Trevor and Nyberg's research (2008) of over 200 companies, originally chosen to apply for *Fortune* magazine's "Best 100 companies to work for in America", found that organisations that are not laying off employees can expect to have a voluntary turnover rate of 10.4 percent. Their results also showed, however, that an organisation that lays off 10 percent of its employees can expect to see a 15.5 percent voluntary turnover amongst surviving employees. Therefore, it is important for management to consider all costs associated with layoffs. A study of more than 100 hospitals showed that if employees' morale and welfare is taken into consideration during a downsizing process, the organisation shows a better financial outcome (Chadwick, Hunter, and Walston, 2004). This suggests that it may be important to consider other alternatives than layoffs when downsizing.

2.3.1 Downsizing and effect on employees

When an organisation goes through a downsizing process, regardless of the nature of it, employees are those who are the most affected. Many studies have been conducted to explain the relationship between organisational downsizing and how it affects employees. The most popular topics within the literature are those concerning employees who have experienced layoffs and their views of the process (see, for example, Faihurst, Cooren and Cahill, 2002), as well as those who have survived (Susskind, Miller and Johnson, 1998). Another interesting aspect of the literature are studies relating to information seeking behaviours of employees when they know that downsizing is about to happen (Casey, Miller, & Johnson, 1997). This directly relates to SHRM maturity as communication is one of the five domains of the model and the one that relates the most directly to employees.

Berger and Calabrese (1975) proposed a theory to explain interpersonal communication called the Uncertainty reduction theory. The theory states that when people are uncertain about someone or a situation they seek to communicate in order to minimise uncertainty. The theory describes three stages of communication that people go through to reduce uncertainty, entry, personal and exit stages. These stages can be related to organisational downsizing because in the process of downsizing employees are often not informed, which leaves them uncertain about their future with the organisation. Casey, Miller and Johnson (1997) did research on information-seeking behaviours amongst employees during a downsizing process in a large insurance company in the US. Their results showed that 90% of employees felt uninformed about what was going on around them and did not have the opportunities to reduce uncertainty. This might indicate that organisations where communication is lacking in the process of downsizing employees don't have the ability to reduce uncertainty, which can have various negative effects such as voluntary turnover, as mentioned before. It is common knowledge that uncertainty can be reduced by the amount and frequency of communications, and thus it is a vital part of the downsizing process. However, the question that still remains to be answered is whether SHRM maturity in communication affects what downsizing alternatives are used.

2.3.2 Downsizing framework—Human capital downsizing alternatives (HCDA)

Layoffs and the effect they have on employees have been studied by many, and researchers agree that different methods can have different results on employees (Iverson and Zatzick, 2007; 2011). Iverson and Zatzick (2007) studied the association between organisations with high-commitment work practices (HCWP) and what downsizing strategies they use. HCWP is a system of HR practices designed to attract the best employees, retain them and keep them motivated (Cascio and Wynn, 2004). Their results showed that organisations with HCWP use softer and more employee-friendly alternatives than those who are low on HCWP. In another study published in 2011, Iverson and Zatzick found that organisations with high performance work practices (HPWP) use downsizing alternatives that consider employee welfare and morale (softer methods). HPWP are systems to manage employees in ways that increase employee productivity with employee engagement and support Jackson and Schuler (1995). Iverson and Zatzick's study showed that by using softer methods these companies prevented production losses. Building on Cascio and Wynn's (2004) notion that

downsizing strategies can be put into categories depending on how they affect employees, Iverson and Zatzick (2007) proposed a five-level downsizing harshness scale from low harshness to high harshness. The scale ranges from no downsizing (level one) to compulsory layoffs only, or compulsory plus alternative reduction strategies (level five). On this scale, various downsizing methods are clustered together on each stage.

Einarsdóttir et al. (2011; 2016) developed a framework to classify downsizing alternatives into three groups depending on how severely they impact the employees and how fast they impact organisational costs (see Figure 4). This framework, called Human Capital Downsizing Alternatives (HCDA) is built roughly on a framework originally proposed by Noe, Hollenbeck, Gerhart, and Wright (2010). It differs from the harshness scale by Iverson and Zatzick (2007), as it looks at individual methods rather than grouping them together in clusters.

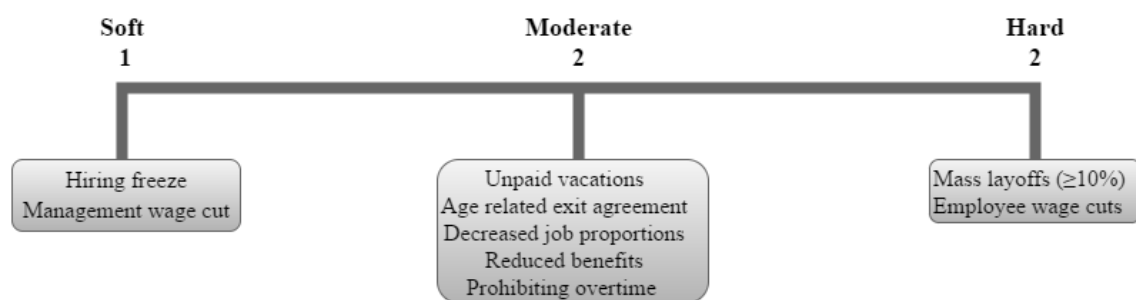


Figure 5. The Framework of Human Capital Downsizing Alternatives (HCDA).

The framework above shows how HCDA has been conceptualised and classified into three main categories. The classification was validated among 84 master's level business students in 2012. In an online survey, students were asked to evaluate each downsizing alternative and whether they perceived it as soft, moderate or hard. The mean from all were then calculated to conclude the perceived harshness. Management wage cut was perceived as moderate by students, however, the authors of HCDA built on their experience and classified it as soft because it is perceived positively if management shares the weight with employees in a downsizing process (Einarsdóttir et al., 2016).

In HCDA, soft downsizing alternatives consist of hiring freezes and management wage cuts. A hiring freeze is considered soft as it does not affect employees directly, unless someone decides to quit and no one is hired instead. Management wage cuts are also soft as managers often have higher wages than front line employees and thus it won't

affect them as much. Moderate downsizing alternatives (see Figure 5) consist of alternatives that affect all the employees' income in some way, but not as much as the harder alternatives (mass layoffs and wage cuts).

The main purpose of the classification was to study what HCDA are being used, whether Wage Rigidity Theory is applicable in the Icelandic labour market and what factors affect the use of hard alternative methods like employee wage cuts and mass layoffs. The main results were that there is strong flexibility in the labour market for both the public and private sector as organisations were using many and different HCDA's. The results also showed that Icelandic organisations are more prone to use soft and moderate downsizing methods than hard. The research spanned over two periods (20 months in total) after the economic collapse in Iceland in 2008 and showed that 80% of Icelandic organisations had used some downsizing alternatives. Twenty-one percent of them had used wage cuts in the first eight months, and 30% in the latter period. The results showed that Icelandic organisations are more likely to use soft and moderate alternatives and employers in the private sector were more prone to use wage cuts than layoffs, which indicates that employers were trying hard to not lay off employees and instead divide the burden amongst employees. This may have impacted unemployment in Iceland. When compared to other countries like Finland that have gone through similar economic crises, Iceland had an unemployment rate around 4-5 percentage points lower (Einarsdóttir et al., 2016).

2.4. HRM in the public and private sectors

What makes the private and public sector different is a topic that has been explored by many researchers with different outcomes. However, the fundamental differences between the private and public sector organisations are mainly due to three factors. The first factor is ownership of the organisation. In the private sector, organisations are usually owned by the person that started or bought the business and/or shareholders. Public organisations, however, are owned and operated by the government with the main goal of serving the interests of the society (Rainey, Pandey and Bozeman, 1995). The second two factors are funding and control (Boyne, 2002). Public organisations are mostly funded by the government with taxpayers' money and controlled by political power, whereas private organisations are funded with profits from customer charges and are operated with the goal of making profits (Boyne, 2006; Fogarty, Machin, Albion, Sutherland, Lalor, and Revitt, 1999; Perry and Rainey, 1988).

When relating the differences in both sectors to the field of human resource management, the working environment, laws and employee obligations are very different between sectors in Iceland. When it comes to hiring new employees, deciding on compensation, flexibility and downsizing, public organisations have to follow strict regulations and have to be able to justify every decision (Lög um réttindi og skyldur starfsmanna ríkisins nr. 70/1996). Private organisations are, however, more flexible when it comes to HRM, as they don't have to follow the same strict rules as the public sector.

In 2008, a study of more than 3000 employees in Iceland from both sectors revealed that private sector employees perceive more justice and organisational support than those in the public sector. They also perceive HRM to be more effective, are more committed and optimistic towards the organisation and show more organisational citizenship behaviour. Furthermore, they were less likely to report work-family conflict and more likely to report work-family enrichment (Kristbergisdóttir, Hafsteinsson and Einarsdóttir, 2008).

In recent years, public organisations in Iceland have been moving towards the use of similar SHRM methods as used in the private sector. In 1995, employment rules were changed in order to keep up with the flexibility of the private sector and to be able to compete for the best talent (Aðalsteinsson, 2010). The results from the CRANET research have shown that the public sector is slowly improving its SHRM methods and moving slowly towards keeping up with the private sector (Einarsdóttir et al., 2015). However, the question that still needs to be answered is whether organisations in the private sector are using harsher downsizing alternatives.

3. Objective and research questions

From the theoretical framework it is evident that a few questions need to be answered. It was shown in prior research that taking employee welfare into consideration during downsizing yields better financial outcomes. This can be done by using alternatives instead of layoffs when it is necessary to cut costs. Downsizing alternatives are, as noted before, classified by the HCDA model into three groups depending how severely they impact employees and organisational costs, with the last group being the harshest.

The objective of this study was to examine if SHRM maturity of Icelandic organisations influences what downsizing alternatives those organisations use. To do so, it was explored from a few angles, including exploring different domains of SHRM maturity as well as different sectors.

To the researchers' best knowledge, it has never before been studied if maturity of human resources within organisations affect what downsizing alternatives they use. Thus, it will be explored in this thesis further. Similar research has been done in the past by Iverson and Zatzic (2007; 2011), in which they checked for downsizing harshness in organisations with high-commitment work practices and high performance work practices, but it has never been researched in terms of SHRM maturity. For this reason the research questions and hypotheses are as follows:

1. Does Strategic Human Resource Management Maturity influence what downsizing alternatives organisations use?
2. Do some domains of Strategic Human Resource Management Maturity have more influence on downsizing harshness?
3. Is the private sector using harsher downsizing alternatives?
4. **Hypothesis 1.** The higher the organisations score in SHRM maturity the softer downsizing alternatives they use.
5. **Hypothesis 2.** The higher organisations score in the communication domain of SHRM maturity, the harsher downsizing alternatives they use.

5. Method

The objective of this research was to explore organisational SHRM maturity and its influence on the use of downsizing alternatives in Icelandic organisations. The following section of this thesis is intended to explain how this study was conducted. It explains the procedures used to gather data, as well as descriptions of the characteristics of the sample, how it was handled and the statistics used for data analysis.

5.1 Participants

The data consists of answers from human resource managers in Icelandic organisations that had 70 employees or more. The data used for this study consists of answers from 128 organisations from the private sector and 67 from the public, for a total of 195 organisations. These numbers proportionally represent the total population well (Einarsdóttir et al, 2012; 2015). Sixty-nine percent of participants were female and 31% were male. Information about private organisations was gathered from The Directorate of Internal Revenue and information about public organisations from The Financial Management Authority.

5.2 Sampling procedure

The sample used in this study is a combination of two samples collected in two periods (2012- 2013 and 2015), originally used for the CRANET survey. The first sample period was divided into two rounds of sampling, which took place in October 2012 and January 2013. Half of the survey questions were sent in each round. In the first round of sampling, 144 human resource managers participated out of 297 organisations, which gave a response rate of 48%. However, when the same human resource managers were asked to participate again, only 76 of them did, which gives a response rate of 26% for that period. In this study only those who answered both are used as the independent variables of this study were collected in the first round, and the dependent variables were collected in the second. The sampling procedure in the second period took place in spring 2015, where all questions of the survey were sent at once. Out of 322 human resource managers who were asked to participate, 119 managers answered, which gives a response rate of 37% for that period. All in all, when combined, this gives 195 responses.

Twenty-seven organisations answered in both years of the data collection, but due to the nature of the research they were not removed from the data. The argument for not removing those organisations is that between 2012 and 2015, some organisations may

have moved between stages in SHRM maturity and thus may have been using different downsizing methods, as they are three years apart.

The procedure of the collection in both 2012 and 2015 was very similar. All HRM managers in the reparative organisations received a standardised survey via e-mail. The original data was collected for the international CRANET survey, which analyses and compares human resource management across companies, countries and sectors. The research is conducted every three years in Iceland and the sampling method used for collecting the data is a total sampling method, where all Icelandic organisations with more than 70 employees are asked to participate.

The survey was back-translated from English to Icelandic with some additional questions which were also added specifically for Iceland, including the SHRM maturity questions used in this study.

5.3 Measures

The instrument used to conduct this study was the framework of Human Resource Management Maturity (Kearns, 2003; 2009). The overall SHRM maturity is measured on five domains: human resource management status, recruitment and hiring, training and development, compensation management and communication. The overall maturity and its five domains make up six independent variables that have values ranging from 0 to 4 depending how high they score in maturity. The maturity for each domain was measured through self-evaluation, as well as checking for certain requirements they had to fulfil using other questions from the survey. If the self-evaluation was higher than scores from the other questions, the scores were lowered. For example, when evaluating each domain, an HRM manager picks out one scenario out of five which h/she thinks best applies to his/hers organisation. An example of a scenario on maturity level four for compensation management is, *'Performance-related pay is systematically used throughout the organisation to improve individual and team performance and formal assessment of individual and group performance is used to support it'*. If an HRM manager chooses this scenario he must also fulfil the requirement of the organisation using *Individual performance-related pay for managers* and *Individual level pay for managers*. If those requirements are not fulfilled the score will be lowered from four to three. In this study, the five maturity scores (0-4) were recoded to a dictonomous variable, with two values, (0-2 and 3-4) in both overall maturity and all domains. The justification for this change is

that on step three a shift takes place in terms of HRM, and the organisation uses a more strategic and hard approach to HRM.

The framework used to determine the harshness of downsizing was the conceptual framework on downsizing alternatives conceptualised by Einarsson et al., (2016). The framework consists of nine downsizing alternatives, classified into a scale of three categories, soft, moderate and hard (see Figure 5, above). Soft alternatives consist of *hiring freeze* and *management wage cut*; moderate alternatives consist of *unpaid vacations*, *age-related exit agreement*, *decreased job proportions*, *reduced benefits* and *prohibiting overtime* and hard alternatives consist of *mass layoffs* and *employee wage cuts*. Sector was used as an independent variable and was classified into two groups, *private* and *public* sector.

The dataset was adjusted as both the independent variables, the five SHRM maturity domains and overall maturity and the dependent variable, downsizing harshness, were all categorical. Datasets from both years were combined and the downsizing variables were combined into one continuous variable. The nine downsizing alternatives were combined into one continuous variable with three values, soft, moderate and hard. These nine downsizing alternatives were given new values: soft alternatives got the value 1, moderate the value 2 and hard the value 3. The new scale ranged from 0 to 3, where 0 meant that no alternatives were used by an organisation, 1 meant only soft alternatives were used, 2 meant that moderate alternatives were used and 3 meant hard alternatives were used, irrespective of if other alternatives were also used. The reason for this classification was to make sure the variable had equal intervals.

5.4 Statistical analysis

Before conducting statistical analysis of the data, the internal consistency of the SHRM maturity domains was explored using Cronbach's alpha. Descriptive statistics were then computed to provide information on SHRM maturity (overall maturity and five domains), sector and downsizing harshness. The relationship between the variables was examined using Pearson product-moment correlation coefficient. The data was then split into two categories, depending on what sector they belonged to. Multivariate analysis of variance (MANOVA) was used to compare the means between sectors on all independent variables.

A hierarchical multiple linear regression was used to develop a model to explore if SHRM Maturity and its domains influence the harshness of downsizing alternatives in

Icelandic organisations after controlling for sector. Before conducting the hierarchical multiple regression, the appropriate assumptions of hierarchical multiple regression were tested. To begin with, the number of participants (195) were considered to be sufficient as the models consisted of six independent variables (Stevens, 2009). The correlations of each variable was checked (see Table 1), which revealed that no variable had a correlation of .9 or above. Tolerance and VIF were also checked and were all within accepted limits, thus the assessment of multicollinearity and singularity were met. Examination of Mahalanobis distance values implied that there were no multivariate outliers and scatter and residual plots implied that the assumptions of linearity, homoscedasticity and normality were all fulfilled (Pallant, 2013).

A two-step hierarchical multiple regression where downsizing harshness was the dependent variable was conducted on all SHRM maturity variables whilst controlling for sector.

6. Results

This section of this thesis reports the descriptive statistics of the independent variables and the dependent variable, as well as results from hierarchical regression analysis. Six hierarchical regression analyses were done on all independent variables separately.

6.1 Descriptive statistics

Table 1 displays descriptive statistics of SHRM maturity and its five domains after they had been recoded, as well as sector (public and private) and downsizing harshness. The relationship between the independent variables and downsizing harshness was examined using Pearson correlation coefficient. As mentioned before, preliminary analysis was carried out to make sure no violations of assumptions were broken.

Table 1.

SHRM maturity and downsizing harshness: Descriptive Statistics and correlations.

	N	Mean	Min	Max	Std	1	2	3	4	5	6	7
Sector (public & private)	195	0.3	0	1	.476	-						
Overall SHRM maturity	185	0.2	0	1	.379	.16*	-					
HRM status	191	0.1	0	1	.320	-.06	.40***	-				
Recruitment	188	0.4	0	1	.493	.04	.49***	.23**	-			
Training & development	182	0.2	0	1	.415	-.12	.52***	.09	.29***	-		
Compensation	180	0.2	0	1	.388	-.17	.30***	.13*	.08	.10	-	
Communication	176	0.5	0	1	.501	-.05	.43***	.22*	.31***	.33***	.22*	-
Downsizing harshness	195	1.4	0	3	1.064	.12*	.17***	.16*	.13*	.14*	.15*	.16*

Note. SHRM variables in this table have been recoded.

**Correlation is significant at the .05 level (2-tailed).*

***Correlation is significant at the .01 level (2-tailed).*

****Correlation is significant at the .001 level (2-tailed).*

There is a weak, positive and significant relationship between sector and overall SHRM maturity, $r = .16$, $n = 185$, $p < .05$. There is also a weak, positive and significant relationship between sector and downsizing harshness $r = .12$, $n = 195$, $p < .05$. The overall SHRM maturity has a weak, positive and significant relationship with downsizing harshness, $r = .17$, $n = 185$, $p < .001$, indicating that the more mature SHRM is in a sector, the harsher downsizing alternatives are used. As expected, all domains of SHRM maturity are highly correlated with overall maturity, and the strongest correlation is with *Training & development* $r = .52$, $n = 182$, $p < .05$ and *Communications* $r = .43$, $n = 176$, $p < .05$. All other domains of the SHRM maturity also had a significant relationship with downsizing harshness, *HRM status*, $r = .16$, $n = 191$, $p < .05$, *Recruitment* $r = .13$, $n =$

188, $p < .05$, *Training & development* $r = .14$, $n = 182$, $p < .05$, *Compensation management* $r = .15$, $n = 180$, $p < .05$ and *Communication* $r = .16$, $n = 176$, $p < .05$.

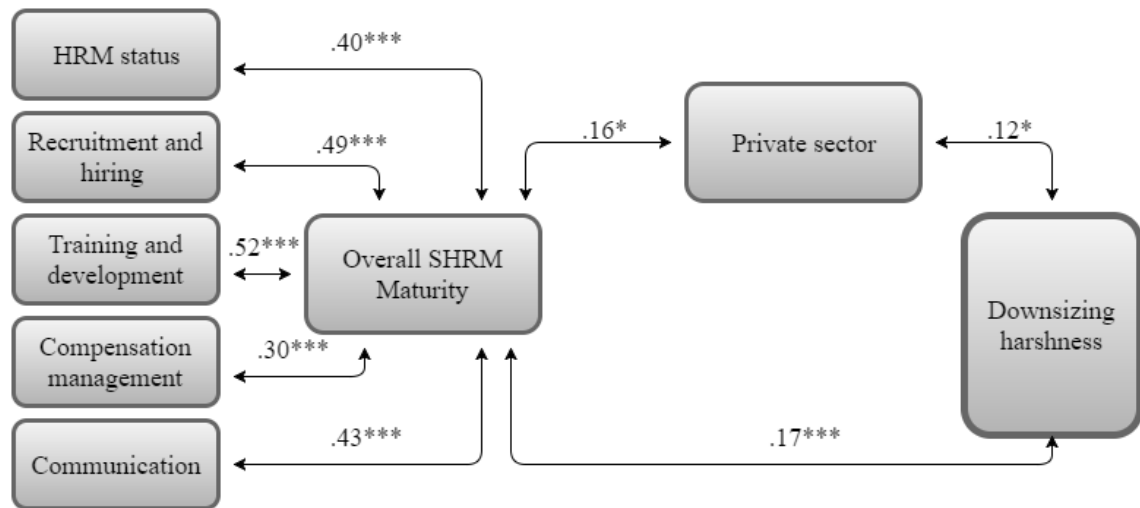


Figure 6. Visual presentation of correlations between variables.

Figure 6 shows visually the correlations between the variables used in this study. The numbers are derived from Table 1.

Table 2 shows the number of answers in overall SHRM maturity and each domain, the minimum and maximum values as well as the mean and standard deviation of the SHRM maturity before all variables were recoded.

Table 2.

Descriptive statistics of SHRM maturity.

	N	Min	Max	Mean	Std. Deviation
Overall SHRM Maturity	185	1	3	1.92	0.65
HRM Status	191	0	4	1.6	0.846
Recruitment and hiring	188	0	4	2.05	1.076
Training and development	182	0	4	1.99	0.762
Compensation management	180	0	4	1.8	0.842
Communication	176	0	4	2.22	1.116

The mean for HRM status is the lowest with a value of 1.6 and highest for communications with a value of 2.22. The average strategic human resource management maturity score is 1.92 for all participating organisations on all five domains. The Cronbach's Alpha for the overall SHRM maturity construct is 0.67, indicating a

questionable internal consistency, however, as it is a new construct it will be considered acceptable.

Table 3.

Descriptive statistics of the SHRM maturity model between sectors.

	N		Min		Max		Mean		Std. Deviation	
	Pr	Pu	Pr	Pu	Pr	Pu	Pr	Pu	Pr	Pu
Overall SHRM maturity	120	65	.50	.80	3.40	2.80	1.98*	1.80*	.67	.54
Recruitment and hiring	122	66	0	0	4	4	2.08	1.98	1.09	1.06
Training and development	117	65	0	0	4	3	2.04	1.91	.81	.65
Compensation management	117	63	0	0	4	3	2.01**	1.41**	.85	.69
Communication	114	62	0	0	4	4	2.24	2.18	1.18	1.00

Note. $N^{Private} = 128$, $N^{Public} = 68$. * $p < .05$, ** $p < .01$.

Table 3 shows that the SHRM maturity mean is higher on all variables in the private sector. However, the standard deviation is higher in the private sector than the public. Recruitment and hiring and employee relations have the highest standard deviation. The means between sectors on the overall SHRM maturity differ significantly ($p < .05$), however, compensation management is the only domain of SHRM maturity that differs significantly between sectors ($p < .01$), indicating that Compensation plays a big role in overall maturity between sectors.

6.2 Hierarchical multiple regression for variables influencing downsizing harshness

One way of showing whether sector and SHRM maturity predict the use of harsher downsizing alternatives is using a hierarchical multiple regression. Table 4 shows the results from a two-stage hierarchical multiple regression where the dependent variable is downsizing harshness. The regression was used to evaluate the ability of SHRM maturity to predict downsizing harshness after controlling for the influence of sector. The inter-correlations between the variables were stated in Table 1 above.

There is a high correlation between all the maturity variables, and if they are all put together in the same model the shared variance between them is removed. Thus, in the next six regression analyses, each of them will be put in individually with sector.

Table 4.

Summary of hierarchical regression analysis for sector and overall SHRM maturity influencing downsizing harshness (N = 195)

Variable	Model 1			Model 2		
	<i>B</i>	<i>SE B</i>	β	<i>B</i>	<i>SE B</i>	β
Sector	.269	.164	.120	.338	.163	.151*
Overall SHRM maturity				.554	.205	.197**
<i>R</i> ²	.014			.053		
<i>F</i> for change in <i>R</i> ²	2.690			7.307**		

Note. * $p < .05$, ** $p < .01$, *** $p < .000$

Table 4 shows results from a two-stage hierarchical multiple regression where the dependent variable is downsizing harshness. In this table, hierarchical multiple regression was used to evaluate the ability of overall SHRM maturity to predict downsizing harshness after controlling for the influence of sector.

We know from Table 4 that sector does not contribute significantly in the first step, and thus it won't do with all the following regression analyses. However, when the overall SHRM maturity was introduced to the model the whole model explained 5.3% of the total variance in downsizing harshness $F(2, 182) = 5.045$, $p < .01$, or an additional 3.8% after controlling for sector, R squared change = .038, F change (1, 182) = 7.307, $p < .01$. Sector and overall maturity make a statistically significant unique contribution to explaining downsizing harshness, however, overall SHRM maturity has a stronger unique contribution ($\beta = .197$) than sector ($\beta = .151$). With the overall maturity significantly contributing to downsizing harshness, it justifies checking for contribution of all the domains that make up the overall SHRM maturity.

Table 5.

Summary of hierarchical regression analysis for sector and HRM status influencing downsizing harshness (N = 195)

Variable	Model 1			Model 2		
	<i>B</i>	<i>SE B</i>	β	<i>B</i>	<i>SE B</i>	β
Sector	.269	.161	.120	.291	.160	.130
HRM status				.552	.238	.167*
<i>R</i> ²	.014			.042		
<i>F</i> for change in <i>R</i> ²	2.778			5.400*		

Note. * $p < .05$, ** $p < .01$, *** $p < .000$

Table 5 presents the results from a two-stage hierarchical multiple regression with downsizing harshness as the dependent variable. This time, evaluation of HRM status is reported to evaluate its ability to predict downsizing harshness after controlling for the influence of sector.

When HRM status was introduced in step two, the model as a whole explained 4.2% $F(2, 188) = 4.121, p < .05$ or an additional 2.8 % after controlling for sector, R squared change = .028, F change $(1, 188) = 5.400, p < .05$. HRM status contributes significantly ($\beta = .167$) to explaining downsizing harshness.

Table 6.

Summary of hierarchical regression analysis for sector and recruitment influencing downsizing harshness (N = 195)

Variable	Model 1			Model 2		
	<i>B</i>	<i>SE B</i>	β	<i>B</i>	<i>SE B</i>	β
Sector	.269	.163	.120	.256	.162	.115
Recruitment				.277	.156	.129
<i>R</i> ²	.014			.031		
<i>F</i> for change in <i>R</i> ²	2.734			3.151		

Note. * $p < .05$, ** $p < .01$. *** $p < .000$

Table 6 shows results from a two-stage hierarchical multiple regression where the ability of recruitment to influence downsizing harshness is reported. As before, sector does not contribute significantly to downsizing harshness on its own and recruitment was also not significant.

Table 7.

Summary of hierarchical regression analysis for sector and training influencing downsizing harshness (N = 195)

Variable	Model 1			Model 2		
	<i>B</i>	<i>SE B</i>	β	<i>B</i>	<i>SE B</i>	β
Sector	.269	.165	.120	.311	.165	.139
Training & development				.403	.189	.157*
<i>R</i> ²	.014			.039		
<i>F</i> for change in <i>R</i> ²	2.646			4.537*		

Note. * $p < .05$, ** $p < .01$, *** $p < .000$

Table 7 reports results from a two-stage hierarchical multiple regression where the ability of training and development to influence downsizing harshness is reported after controlling for the influence of sector.

When training and development was introduced to model two, the whole model explained 3.9%, $F(2, 179) = 3.618$, $p < .05$, or an additional 2.5%, R squared change = .024, F change (1, 179) = 4.537, $p < .05$ after controlling for sector. Training and development contributes significantly ($\beta = .157$) in explaining downsizing harshness.

Table 8.

Summary of hierarchical regression analysis for sector and compensation influencing downsizing harshness (N = 195)

Variable	Model 1			Model 2		
	<i>B</i>	<i>SE B</i>	β	<i>B</i>	<i>SE B</i>	β
Sector	.269	.166	.120	.333	.167	.149*
Compensation				.471	.204	.171*
<i>R</i> ²	.014			.043		
<i>F</i> for change in <i>R</i> ²	2.616			5.298*		

Note. * $p < .05$, ** $p < .01$, *** $p < .000$

Table 8 shows results from a two-stage hierarchical multiple regression where the ability of compensation to influence downsizing harshness, after controlling for the influence of sector, is reported.

When introducing compensation to model two, the whole model explained 4.3%, $F(2, 177) = 3.989$, $p < .05$ or an additional 2.9%, R squared change = .029, F change (1, 177) = 5.298, $p < .05$ after controlling for sector. Both sector and compensation contribute significantly to the model with compensation (.171) reporting a higher beta value than sector (.149).

Table 9.

Summary of hierarchical regression analysis for sector and communication influencing downsizing harshness (N = 195)

Variable	Model 1			Model 2		
	<i>B</i>	<i>SE B</i>	β	<i>B</i>	<i>SE B</i>	β
Sector	.269	.168	.120	.286	.167	.128
Communication				.343	.158	.162*
<i>R</i> ²	.014			.041		
<i>F</i> for change in <i>R</i> ²	2.557			4.700*		

Note. * $p < .05$, ** $p < .01$, *** $p < .000$

Table 9 reports results from a two-stage hierarchical multiple regression where the ability of communication to influence downsizing harshness is reported after controlling for the influence of sector.

As with all the other models before, sector did not contribute significantly in step one. When communication was introduced to model two the whole model explained 4.1%, $F(2, 173) = 3.656, p < .05$ or an additional 2.6%, R squared change = .026, F change (1, 173) = 4.700, $p < .05$ after controlling for sector. Communication contributes significantly ($\beta = .162$) in explaining downsizing harshness.

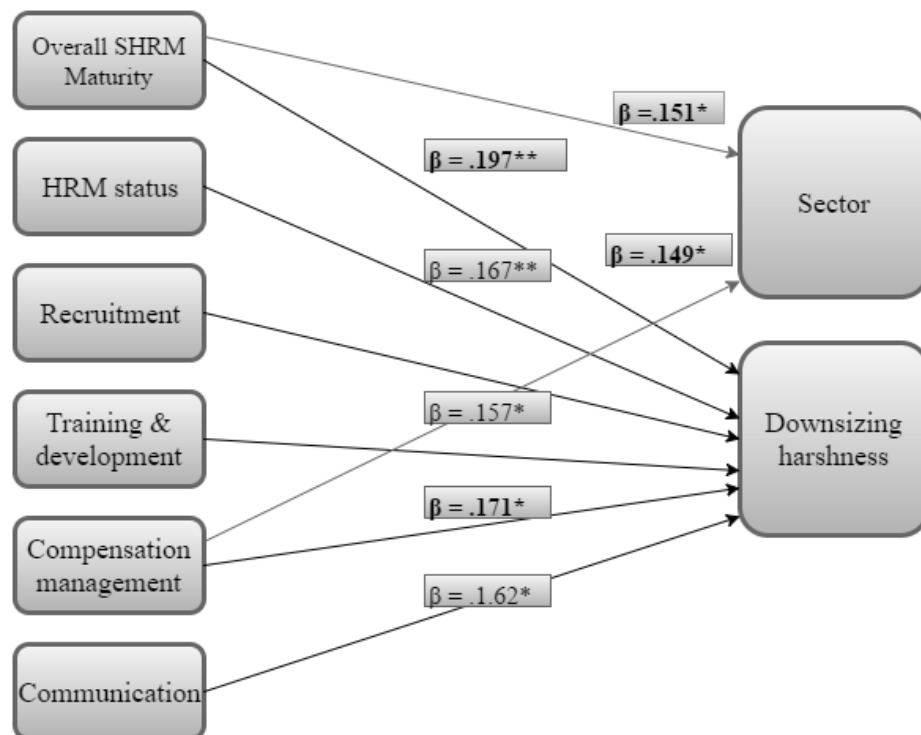


Figure 7. Visual presentation of individual unique contribution.

All in all, overall maturity and compensation management have a statistically significant difference between the means of both sectors (Overall maturity Private= 1.98* and public= 1.80*), (compensation management: Private= 2.01**and public= 1.41**). Overall SHRM maturity (beta = .197**) and compensation management (beta =.171*) also make the highest unique contribution in explaining downsizing harshness when sector is controlled. In these two models sector also made a unique contribution of beta = .151 with overall maturity and beta= .141 with compensation (see, figure 7).

7. Discussion

The study's objectives were to explore the relationship between SHRM maturity and downsizing harshness in Icelandic organisations, in regards to overall SHRM maturity and its different domains and sector.

To begin to explore these relationships, the SHRM maturity and its domains had to be explored in terms of sector. The private sector was higher than the public in the overall SHRM maturity and all its domains. The reason for this may be that public organisations are bound by laws and regulations in so many aspects of SHRM. What drags down the overall SHRM maturity in public sector organisations is the compensation management. This is no surprise as public organisations in most cases have to follow collective bargaining agreements in regards to salaries and to score high in compensation management, the organisation must pay managers in terms of performance and on individual basis; for example, the scenario for stage three is that *'Financial resources used for wages are systematically used to reward good performance but rewards are not necessarily based on formal performance evaluations'*.

It is interesting to see that even though private organisations are more mature in SHRM, there is a higher standard deviation between the organisations than in the public sector. This could mean that organisations in the private sector are not emphasising equally every domain that makes up overall maturity. The domains that have the highest standard deviations are communication and recruitment. The overall SHRM maturity has a significant mean difference between sectors, which means that the public and the private sector do differ significantly in SHRM maturity and that overall, the private sector is statistically more mature than the public sector. The only domain, however, that had a significant mean difference was compensation management, which, as stated before, was what mostly dragged down the overall maturity score in the public sector.

It was predicted that more SHRM mature organisations will use softer downsizing alternatives. The results of this study did not provide support for this hypothesis. On the contrary, the results indicated that the higher in SHRM maturity organisations are the harsher downsizing alternatives they use. The results indicated also significantly that all domains of the overall SHRM maturity predict the use of harsher downsizing alternatives. As the data used in this study was collected in 2012 and 2015, when Iceland was recovering after the crisis in 2008, these results are not completely unexpected. The reason might be that more mature organisations may be likelier to react quickly to save an organisation facing financial difficulties and layoffs are the quickest way to reduce

operational costs (Mirabal and DeYoung, 2005). Another reason may be that to reach stage three or higher in SHRM maturity, an organisation must have its HRM manager on the executive board. In more mature organisations, where HRM managers are on the executive board, they may be under more pressure to show their contribution to financial outcomes.

The second hypotheses, which stated that the higher organisations score in the communication domain of SHRM maturity the harsher downsizing alternatives they use was supported. As noted before, communication significantly influenced downsizing harshness, had a high correlation with SHRM maturity and had a significant unique contribution to downsizing harshness in the regression analysis. Organisations high in communication tend to use harsher downsizing alternatives. One reason for this could be that when the organisational culture consists of good clear communication there may be more trust and support. These organisations may be better equipped for harsher downsizing alternatives without risking employee welfare and morale (Chadwick, Hunter, and Walston, 2004), and are possibly less likely to experience negative side effects that uncertainty can have, like employees leaving the organisations because of an unfair process (Iverson and Pullman, 2000).

The results from the hierarchical multiple regression did show that overall maturity and compensation are the best predictors of downsizing harshness. The regression analysis showed that when they are put together with sector, sector also has a statistically significant unique relationship with downsizing harshness. This also relates to the fact that the overall private sector organisations are significantly more mature than the public sector in terms of SHRM maturity. As noted before, what brings down the of SHRM maturity score the most in the public sector is compensation management, and that is likely the reason why the sector and compensation both contribute uniquely when put together in the same model.

8. Conclusion

To the researchers' best knowledge, this study is the first of its kind, where the relationship between SHRM maturity and downsizing alternatives is explored. For that reason, this study gives a new perspective into the construct of downsizing as well as within the field of human resource management and organisational behaviour.

The practical implications for human resource managers from this study consist of a few important things. Organisations in the public sector tend to be lower in SHRM maturity and all its domains. As this is likely to be due to financial and law restrictions, public organisations can focus on those domains that don't have to be costly, such as strengthening upward and downward communication. The private sector is higher in SHRM maturity on all its domains and has a significant difference on all. This means that the private sector is more prone to use harsher downsizing alternatives and that both overall maturity and all its domains are predictors of their use.

As with all studies using surveys as a method of data collection, this study does not come without limitations. When collecting the data of SHRM maturity, HR managers were asked to self-evaluate their organisation. The measures used are thus based on their own perceptions of the organisation. However, this bias was reduced somewhat by checking if each organisation fulfilled certain requirements of each domain. If they did not fulfil them their self-evaluation score was brought down. Another limitation of this study is the length of the questionnaire used, which could increase fatigue amongst participants and thus influence their way of answering. Also, as there is a statistically significant difference in compensation between sectors, HR managers in the public sector may have lower salaries and thus be more negative towards their organisation, and that can influence the answers. Another limitation might be the internal consistency of the SHRM maturity model and conceptualisation of the downsizing alternatives model. The internal consistency of the SHRM maturity model is on the edge of being too low and the validity of the downsizing harshness model was tested amongst masters' students, not employees or HRM managers in the workforce.

Regardless of the limitations of this study, it offers a good enough insight into SHRM maturity and downsizing harshness in Icelandic organisations to provide support for further research in the downsizing field. Future research could take into account employee views, including uncertainty in a downsizing process. Uncertainty would also make an interesting topic in itself, and could be explored in terms of age and sector of an organisation, SHRM maturity and downsizing harshness. A comparison between

different countries and continents would also make for a very interesting study as different cultural views could potentially have an impact on downsizing harshness.

In summary, this study provides both organisations in the public and the private sector, an insight into methods of downsizing and how they seem to be used in terms of how mature SHRM is within these organisations.

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