

The Nexus between Technological Learning, Downsizing, Employee Commitment, and Organizational Performance

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Abstract

Purpose: The current paper aims to investigate the impact of technological learning on employee's commitment and organizational performance. **Prior Work:** This concept is well discussed in this research arena. Numerous such initiatives have ready been taken, however this concept invites a lot more addition, related companies are still in pursuit to materialize the research concepts. **Findings** The study found that downsizing is an important strategic tool for organizations in order to gain a competitive advantage and to display a positive relationship with organizational performance. **Approach:** This piece of writing is a solely based on extensive literature review. **Practical Implications:** This research provides insights to managers, shareholders and organizational professionals about the importance of technological learning. It is important for the all the strategic planners of the firms and the investor to be aware about adopted strategy that will bring positive or negative effect for the respective firms.

Key words: Technology adoption, Downsizing, Employee commitment, Organizational performance, Technological Learning



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INTRODUCTION

In the recent global recession, many organizations and industries around the world have been pushed to adopt numerous strategies to become more competent and to avoid themselves from financial losses. Firms have used various types of strategies to become more competitive and profitable (Tsai & Yen, 2008). Many organizations are facing competitive environment from few decades due to change in customer demands (Friedman, 2005). Whenever, any organization adopts innovation then it enters in competition. Competition depends of both innovation and quality of product. Companies need to adopt new technologies on the continuous basis to get competitive advantage (cooper, 1998). As demonstrated by (Ahmad & Shaheen, 2011) that organizational performance can be measured through employee turnover and employee commitment. Among many of these adopted strategies, downsizing has become most popular all over the world. This approach has adopted by many countries around the world especially in industrial countries. Downsizing has become one of the most famous management strategies in the world from 1980s to current era (Fisher & White, 2000; Cascio, 2002 & Landry, 2004).

Downsizing involves the activities undertaken by the management to reduce the workforce and cost to achieve efficiency, performance and competitively (Tsai & Yen, 2008). Although, downsizing has been widely practiced in western countries, it is still new in the Asian firms and rapidly adopted for corporate reconstructing by reducing labor costs. However, there are large differences b/w western and Asian firms in implementation of downsizing due to social and cultural barriers (Yu & Park, 2006). Even still, many of the Asian corporations and companies have started cutting their costs and reducing their workforce in order to increase profits. There has been little bit research on impact of downsizing on performance (Yu & Park, 2006).

The development of downsizing initiative is heavily related to the rising pressure from fierce competition in the marketplace. Therefore, most manufacturing and service organizations look it strategically to improve their performance, ultimately increase the market share (De Meuse *et al.*, 1994).

Few researches concluded that downsizing is used to improve performance through reducing cost (Freeman and Cameron, 1993; Cascio *et al.*, 1997). In addition, few studies described the impact of downsizing on employee commitment, job satisfaction or morality and performance of organization (Lee

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& Corbett, 2006). They found that there is negative relation between downsizing and employees commitment. Moreover, low commitment (Jackofsky, 1984) leads to high turnover and higher commitment leads to performance (Khan et al., 2010). In addition, job security enhances the level of commitment. Therefore, Downsizing has negative impact on firm performance. Numerous researches have showed negative relationship b/w downsizing and firm performance (Mentzer, 1996; Morris *et al.*, 1999).

Many manufacturers usually depend on transferring technology. Nevertheless, technology can be accessible by competitor. So, to gain competitive advantage, those firms must facilitate through technological learning (Lin, 2003). Therefore, there arises the need of technological learning for eliminating the severe consequences of downsizing to improve the organizational performance and efficiency.

Thus, the current study explores that how technological learning moderates the influence of downsizing on organizational performance being mediated by employees' commitment. Downsizing has become large problem for whole world.

THEORETICAL BACKGROUND

Downsizing has been an area of interest for researchers for few decades. Downsizing is currently one of the most critical issues for many firms around the world. Firms have faced long-term recession around the world and tried to find out ways to improve corporate profitability and save themselves from financial collapse. Many researches revealed that organizational performance could enhance due to consistently innovation. All of the Organizations compete one to another based on technology innovation. Few researches have analyzed that continuous innovation leads to major competitive advantage (Banbury & Mitchell, 1995; Bates and Flynn, 1995). In addition, continuous innovation is considered as competitive advantage (Porter, 1990).

Innovativeness is the tool to enter in competitive market. Innovation has a big scope of research due to its long history and it has been examined in numerous fields (Quintane *et al.*, 2011). Rowly, baregheh, and sambrook (2011) analyzed that innovation occur in response to customer lifestyle and demands. Continuous innovation is the cause of improvement and growth. It is considered as the lifeblood of growth. Wagar (1997) revealed that technology innovation is the main factor of high productivity and financial performance. Many of researches have concluded that innovation has positive impact on firm performance (Lanjouw and Schankerman, 2004; Hult and Ketchen, 2001; Wu *et al.*, 2003). Moreover, López-Mielgo *et al.* (2009) reported that innovation has also positive impact on quality management.

Drucker (1985) defined innovation as "the process of equipping in new, improved capabilities or increased utility". Several authors have acknowledged the importance of strategic flexibility in achieving competitive advantages in dynamic environments (Nayyar and Bantel, 1994; Hitt *et al.*, 1998). In addition, both of competitive variety and competitive speed produce better organizational performance (Milgrom and Roberts, 1995; Narasimhan and Das, 1999). Moreover, De Vries and Balazs (1997) also found that technology has impact on downsizing.

"Downsizing is a deliberate organizational decision to reduce the workforce that is intended to improve organizational performance" (Shaw and Barrett-Power, 1997).

Few Researches revealed that downsizing affects on employees commitment in both directly and indirectly. However, its indirect has strong impact (Lee & Corbett, 2006). Moreover, Many researches showed that downsizing has negative impact on performance and productivity (Worrell *et al.*, 1991; Cascio *et al.*, 1997; Lee, 1997; Hallock, 1998; Chen et al., 2001). However, Espahbodi *et al.* (2000) and Chen *et al.* (2001) found a positive effect from downsizing on organizational performance (Yu & Park, 2006). While, Mentzer (1996) found that there is no positive relationship b/w downsizing and profitability.

Although, Asian firms follow western human resource practices such as pay-for-performance and individual incentives as well as downsizing. Such as, Many Japanese firms adopted the downsizing practice as a strategic means for corporate restructuring (Mroczkowski & Hanaoka, 1997). Many researchers could not find any significant change in the financial performance of downsized firms but there are still some cases which proved that financial performance improves due to downsize it. Since, Yu and park (2006) examined that Samsung Electronics enhanced their profit from \$1.2 billion to \$6.0 billion

during 1996 to 2002 due to reduce workforce from 60,000 to 45,000 employees and stock price soared up \$83 to \$420 during 1996 to 2004.

Griffin (1991) found positive relationship b/w work redesign and commitment or job satisfaction. Most of researchers analyzed that there is no direct relationship b/w downsizing and employee's commitment (Cameron, 1994; Cascio, 1993).

There are many consequences of downsizing including reduced workforce, ethical problems and unemployment. Therefore, many researches highlighted the impact of downsizing on both the financial and organizational performance. Armstrong-Stassen (1998) analyzed that downsizing has negative impact on organizational commitment.

Employee commitment plays a vital role to enhance organizational performance. It defined as "a psychological state that binds the individual to the organization (Allen & Meyer, 1990). Every employee of organization tries his best to prove himself. Ahmad and Shaheen (2011) acknowledged that organizational performance can be improved by employee's involvement in decision-making and concluded that highly committed employees stay in same organization for long time. Many studies concluded that more committed employees don't wish to leave organization (steers, 1977; Green et al., 2000).

Williamm (2004) defined that "Affective commitment refers to employees' perceptions of their emotional attachment to or identification with their organization". Employee commitment is used as a tool, which helps to measure organizational performance, and it can be boosted through providing involvement right in decision-making (Ahmad & Shaheen, 2011). Chen, Silverthron and Hung (2006) also found that there is positive relationship b/w commitment and organizational performance. Many studies have conducted on commitment and concluded that commitment correlates performance positively. Such as, Chughtai and Zafar (2006) conducted a study among university lecturers in Pakistan and concluded that highly committed lecturers perform well than others. Barksdale and Shore (1995) studied a multinational firm and found that there is positive relation b/w affective commitment and job performance. Moreover, Khan et al. (2010) conducted a study on oil and gas sector in Pakistan and concluded that normative commitment positively correlates the job performance, which leads to organizational performance. However, Somers and Birnbanm (1998) studied on career commitment and suggested that there is no relation b/w organizational commitment and organizational performance but career commitment correlates with performance.

Employee commitment influences positively on organizational performance. Nonetheless, downsizing negatively affects organizational performance as demonstrated in literature review.

As discussed earlier, downsizing occurred to gain competitive advantage and for technological adoption. Downsizing is one of the significant decisions, which firms have to make for enhancement of performance and efficiency. Many studies have been conducted with the prime focus of the downsizing effect on the human resource or other variables. Even, in Pakistan literature related to downsize which is entirely focused on consequences of downsized employees. There has been little attention towards impact of downsizing on performance. Should it be positive or negative?

This research investigates and analyzes the effects of downsizing on the financial firms in Pakistan in terms of profitability and efficiency. Moreover, how technological learning moderates the relation of downsizing and organizational performance.

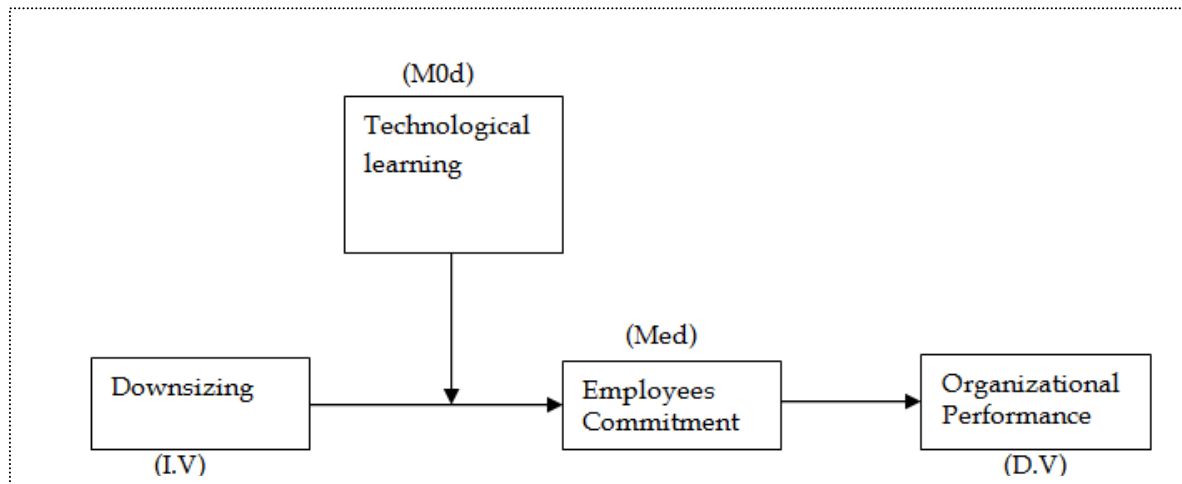
Employees are the best assets and key elements for the organization, which provide the important source of competitive advantage through deliberately working with optimal outputs (Prahalad, 1983). They develop new ideas, innovate new technology to improve performance of organization. Therefore, organization requires their employees to get train in order to achieve optimum level of output.

Correspondingly, Soltani and Liao (2010) demonstrated that employee training should associate with competitive advantage because of long term implications for their employees. So, it develops the strong relationship b/w training and technological learning and performance. Chiaburu and Tekleab (2005) defined training as "the planned intervention that is designed to enhance the determinants of individual job performance."

Moreover, Training is a learning process that consists of acquisition of skills and knowledge. Therefore, there arises an intense of need for training and technological learning because of lack of knowledge of

process implementation of new technology. Training practices in organizations specifically effect on employee commitment and motivation (Meyer & Allen, 1991). So, training and skill learning is a crucial tool for employees to be committed with their organization.

Figure 1. Downsizing, Technological Learning, Employees' Commitment, and Organizational Performance



DISCUSSIONS & PRACTICAL IMPLICATIONS

Downsizing refers to “an involuntary employment adjustment that firms intentionally implement for the purpose of improvement of organizational performance” (Gomez-Mejia et al., 2004). In addition, Downsizing is the systematic reduction of workforce and involves activities undertaken by management to enhance performance (Cascio, 1993). This current study focuses on the impact of downsizing on employee commitment and performance and how training technological learning as a moderator influences the relation of downsizing, employees commitment and performance.

Numerous studies provided evidences about the negative relationship of downsizing on commitment (Cameron, 1994; Cascio, 1993) and on performance (Lee, 1997; Hallock, 1998; Chen et al., 2001). Whereas, Williamm (2004) defined that Affective commitment refers to “employees’ perceptions of their emotional attachment to or identification with their organization”. Therefore, more committed employees perform well as compare to others and lead to better organizational performance. Chughtai and Zafar (2006) concluded that committed employees correlate performance positively. On the contrary, Studies also provided positive relationship of downsizing on performance (yu & park, 2006; Griffin, 1991).

However, the problem is still with employee commitment. Because downsizing impacts negatively employee commitment and thus, they become dissatisfied and results in poor performance (Armstrong-Stassen, 1998b). The need for downsizing arises due to technology adoption. Technology has negative impact on commitment and performance as well because it becomes the cause of downsizing. Correspondingly, new technology, Innovation and new ideas are required to improve performance. There is lack of knowledge of new technology, so, organization forces to fire those employees who are not efficient in performance. In order to satisfy, enhance commitment and retain them.

Therefore, there arises intense need of technological learning and training development in order to enhance commitment, performance and organizational performance. Chiaburu and Tekleab (2005) defined training as “the planned intervention that is designed to enhance the determinants of individual job performance.” Numerous studies provide evidences that technological learning and training influences employee commitment (Meyer & Allen, 1991). Hence, satisfaction, loyalty will increase and this results lead to better organizational performance.

The authors identify several managerial implications:

- 1) This research provides insights to managers, shareholders and organizational professionals about the importance of technological learning.

- 2) AS it is important for the all the strategic planners of the firms, the investors and many shareholders to be aware if the adopted strategy will bring positive or negative effect for the respective firms.

CONCLUSION

Downsizing is an important strategic tool for organizations in order to gain a competitive advantage and to display a positive relationship with organizational performance. The authors have explored the concept of downsizing and its influence on commitment and performance. The current study has shown evidence that employees' commitment positively correlate with the performance. The present study has extended the model given by (bullon & Bueno, 2010) by endeavoring technological learning in moderating the influence of downsizing on commitment and performance as well and has shown evidence that training and development leads to better employee performance, improved satisfaction and commitment.

As the current study is a conceptual paper, future studies therefore may extend the body of knowledge by empirically testing the model, which may contribute additional insights to this study.

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