Taking off the rose-colored glasses: The influence of crises on employee relationship management

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Abstract

Purpose

The central aim of this research is to deepen the analysis of the influence that crises have on employee relations by using the stakeholder relationship management model (SRM) to analyze organizational employee relationship management (OERM).

Design/Methodology/Approach

This study uses a questionnaire distributed in two organizations (UK-based public sector and private sector) that were experiencing a crisis at the time of data collection. Respondents identified whether they believed the organization was in crisis, if they defined it as in crisis classified what type of crisis it was, and then responded to questions about their relationship to the organization, the organization’s post crisis stability, and their own behavioral intentions.

Findings

The findings verify the applicability of the SRM in employee relations with three critical findings: (1) employees with higher income in the private sector were significantly less likely to believe their organization was in crisis; (2) the more ambiguous the blame for the crisis, the greater the damage on the relationship between organizations and employees; and (3) collective sensemaking in organizations is essential, but less likely when a crisis has damaged the relationship between employees and organizations.

Originality

In the last 40 years of Employee Relations the role of crisis in influencing OERM has not been meaningfully explored in the journal. Therefore, the piece makes an original contribution.

Keywords: crisis, organizational employee relationship management, stakeholder relationship management, employee relations

It is fair to say that 2020 and 2021 have underscored the reality that we are in an age of crisis. Not only has the global Covid-19 pandemic affected most people’s lives, but also their work, education, and overall well-being. However, rather than thinking of crises as we once did as high-impact, low-propensity events we should be thinking of them as Heath and Millar (2004) suggest:

untimely but predictable events that has actual or potential consequences for stakeholders’ interests…[and where the] organization must respond in many ways…to demonstrate the organization can regain control so that the crisis no longer exists or no longer harms stakeholders (p. 2).

The field of crisis communication has developed rapidly since the 1980’s; however, most research focuses on external stakeholders often forgetting the role and importance of employees during crises (Heide and Simonsson, 2015; Riddell, 2013). In the context of crisis communication, employees have been on the periphery of the field’s investigations for a host of reasons ranging from access to a business-centric focus in crisis communication (Diers-Lawson, 2020b). Yet, research suggests that employees are vital for organizations to manage emergent crises (Mazzei et al., 2012; Riddell, 2013).

Despite, the limited research, where there are studies directly connecting crises and various aspects of employee relations, the findings consistently demonstrate impact for the organizations. For example, Kim (2020) found that stronger relationships between organizations and their employees lead to better employee proficiency, adaptivity, and proactivity during crises, leading to more resilient organizations. Similarly, Promsri (2014) discussed that perceptions of poor crisis preparedness can lead to poor morale, and productivity. Overall, when organizations safeguard their relationships with employees, Kim and Lim (2020) found that an organization’s internal reputation significantly improved employee performance during crises. Thus, understanding factors that influence the organization and employee relationship during crises is necessary if we are to better understand crisis management and the influence of crises on employee relations.

Unfortunately, in the context of employee relations, analyses connecting crises and employee relations are limited. In fact, in Kataria, et al.’s (2020) review of 40 years of Employee Relations they found six dominant themes in the journal including;

- High performance work systems
- Industrial relations and the impact of human resource management
- Human resource management and organizational performance
- Workplace partnership and industrial relations
- Understanding organizational dynamics and changing roles of human resources professionals
- Employment relations and human resource management strategy

Where there was research connected to crises it was most often within the context of economic crises (Edvardsson and Teitsdóttir, 2015; Fijalkowska et al., 2017), connected to issues of industrial relations (Grady, 2013; Köhler, 2018), or connected to critical explorations of social change or social problems (Adisa and Gbadamosi, 2019; Stanojevic, 2018). In short, the crisis context has not been meaningfully addressed in the field of employee relations and in an age of crisis, change, and recovery it will be vital for organizations to view crises as a different context for managing its relationships with its...
employees. Therefore, the central aim of this research is to deepen the analysis of the influence that crises have on employee relations and organizational employee relationship management (OERM).

**Literature Review**

As a topic, employee relations is a rich field of study identifying critical connections between organizations, employee attitudes, and outcomes for both employees and their organizations (Ahmad et al., 2020; Choi et al., 2019; Men, 2014; Rousseau, 1997). This section will draw on that literature, but argue that the unique context of a crisis it is important that organizations view their employees as strategic internal stakeholders, managing their relationships with them as carefully as with strategic external stakeholders (Diers-Lawson, 2020b; Heide and Simonsson, 2015; Kim and Lim; Mazzei et al., 2012; Mazzei and Ravazzani, 2014). This section will address the challenges of the crisis context, analyze the relationship between organizations and employees, and consider outcomes associated with crisis and this relationship.

**Employees and the Challenges of the Crisis Context**

Employees are often overlooked during crises as organizations turn their focus to their external stakeholders (Heide and Simonsson, 2015). Recent studies have attempted to address this neglect, arguing that failure to manage internal crisis communication will exacerbate crisis damage (Ravazzani, 2016). Unfortunately, Publicly Available Specification “PAS” 200 guidance recommends that internal communication strategies should be adapted to take ‘staff involvement’ into consideration but fails to offer practical guidance about the necessary ‘adaptions’.

A 2019 Global Crisis Survey performed by Price Waterhouse Coopers (PwC) across 2000+ organizations revealed that 69% of business leaders, including heads of department, have experienced at least one serious corporate crisis since 2014, with operational disruption/failure ranked in third position (PwC, 2019). These data suggest that prioritizing crisis preparedness and managing employee perceptions of crisis should be a reality of being in modern organizations. However, the same study also found critical gaps in crisis planning in most organizations, leading to a lack of confidence in organizations and management by many employees. Research also suggests that employee evaluations quality of OERM is based on factors such as job satisfaction and mutual trust, which are also key predictors for a good crisis outcome (Ki and Brown, 2013).

**Theoretical Framework: Stakeholder Relationship Management**

To focus on OERM during crises, we must also shift our theoretical perspectives away from organization-centric theories to stakeholder-centric theories (Diers-Lawson, 2020a). In part, this is because much of the academic literature on crisis management and response focuses on describing and analyzing response strategies (Oles, 2010; Piotrowski and Guyette, 2010; Weber et al., 2011). The stakeholder relationship model (SRM) provides a way to organize previous findings establishing that stakeholder characteristics, pressure from engaged stakeholders, and stakeholder engagement all influence stakeholder evaluations and

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1 Publicly Available Specification (PAS) sponsored by the Cabinet Office, and its development was facilitated by the British Standards Institution (BSI).
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behavioral intentions towards organizations (Claes et al., 2010; Hong et al., 2010; Piotrowski and Guyette, 2010; Uccello, 2009). The model argues that by understanding the nature of relationships between stakeholder perceptions of organizations and issues we can build a deeper understanding of risk, issues, and the relationship management needs of stakeholders – no matter whether they are internal or external stakeholders (Diers-Lawson, 2020a, 2020b). However, while previous applications of the model have found it to effectively identify and predict factors influencing stakeholder attitudes about organizations and issues (Diers-Lawson, 2017b; Diers-Lawson and Symons, 2020; Diers, 2012), its only application to employees as stakeholders was in an analysis of whistleblowing (Diers-Lawson, 2021); therefore, it needs to be more robustly applied within the context of internal stakeholder analysis to test its effectiveness as an employee relations heuristic.

Factors Influencing Employee Crisis Perceptions

In defining SRM, Diers-Lawson (e.g., 2020b) argues that stakeholder characteristics are likely to influence both their perception of the health of their relationship with the organization and their evaluation of the connection between the critical issue(s) and the organization. Crises produce a significant amount of uncertainty (Galloway et al., 2019; Loosemore, 1999; Ulmer et al., 2017) and this is especially true amongst employees (Kim, 2020). Moreover, previous research has also found that in times of uncertainty employees need more information and engagement than usual (Cornelissen, 2014) to restore and reassure about the organization’s survival (Mazzei and Ravazzani, 2014). This is especially relevant in a crisis when employees may feel that their job security is threatened and identification with the organization is harmed by the crisis (Korn and Einwiller, 2013).

All of this assumes, however, that employees recognize that their organization is ‘in crisis’ in the same way and at the same time. Yet, this is not necessarily a safe assumption. It is very possible for people to experience and perceive being ‘in crisis’ very differently. It is well-established in the literature that some people may experience a situation as a crisis when others do not based on differences in risk perception and uncertainty avoidance (Bruine de Bruin et al., 2000; Fox and Tversky, 1995; Jung and Kellaris, 2004; Leonidou et al., 2013; Rickard et al., 2013; Rowsell et al., 2000). This seems to be true across organizational and situational settings. These findings also suggest there can be a variety of factors that may influence these crisis perceptions ranging from demographics, to organization type, employee tenure in organizations, and overall risk or uncertainty perceptions. Therefore, if we are to better understand employee crisis perceptions, we must first ask the question ‘do employees believe the organization is in crisis?’ by posing the following research question:

RQ1: What factors influence employees’ perception of the organization being ‘in a crisis’?
RQ1A: Do demographics (i.e., gender, age, income, and employment status) influence employee perceptions that their organization is in crisis?
RQ1B: Does the type of organization (i.e., public or private) influence employee perceptions that their organization is in crisis?
RQ1C: Does employee tenure in their organization influence their perception that their organization is in crisis?
Crisis and OERM

Crisis Perceptions and OERM

SRM also suggests that the relationship between the stakeholder and the organization is critical if the organization is to be successful in managing crises (e.g., Diers-Lawson, 2020b). Stakeholder attitudes towards organizations, especially those in crisis have been studied more than any other relationship in crisis communication (Diers-Lawson, 2020a; Diers, 2012). Previous research has identified that perceived knowledge (Diers, 2012), trust (Mal et al., 2018), reputation (Helm and Tolsdorf, 2013), value congruence (Koerber, 2014), and overall satisfaction (Ki and Brown, 2013) all influence stakeholder and organizational relationships.

Though scant research on the employee experience during crises exists, where it does, it suggests that organizations with strong internal reputations are significantly more likely to maintain a positive relationship with their employees, retain talent, and influence perceptions of the organization during periods of crisis (Kim et al., 2019). Research has also found that maintaining a strong relationship with employees means the relationship can be leveraged to influence external reputation as well with employees serving either as organizational ambassadors instead of as adversaries with a poor or weak relationship between employees and their organization (Heide and Simonsson, 2014; Kim et al., 2019). While previous research establishes that uncertainty reduces employees’ identification and satisfaction with the organization, there is a dearth of research that addresses whether employees’ crisis perception (i.e., being ‘in crisis’) alone influences their relationship with the organization (Korn and Einwiller, 2013). Therefore, to better understand the implications of employees’ crisis perceptions, we pose the following research question:

RQ2: Do employees crisis perception (i.e., ‘in-crisis’) influence their relationship with their organization?
RQ2A: Do employees crisis perception influence their perceived knowledge of their organization?
RQ2B: Do employees crisis perception influence their trust in their organization?
RQ2C: Do employees crisis perception influence their evaluation of their organization’s reputation?
RQ2D: Do employees crisis perception influence their evaluation of the value congruence between their organization and themselves?
RQ2E: Do employees crisis perception influence their overall level of organizational satisfaction?

Crisis Type and the Employee-Organization Relationship

As crises emerge, the type of crisis can reveal much about the risks posed to the organization by the crisis, potential stakeholder reactions to the situation and organization, and help guide crisis response strategies (Diers-Lawson, 2017a; Pearson and Mitroff, 1993; Seeger and Ulmer, 2002). The central reason that crises represent a threat to organizations is the damage the crisis can do to the relationship between an organization and its stakeholders; the more severely that stakeholders’ expectations about the organization have been violated, the greater the risk to the relationship (Diers-Lawson, 2017b; Jin, 2009; Jin, 2010). Therefore, stakeholder needs are likely to be different based on crisis type and how stakeholders believe a specific crisis may affect them, the organization, and/or their stake in the organization (Sellnow and Sellnow, 2014). This suggests that the degree of blame attribution and
perceived severity of the crisis will influence the relationship between the stakeholder and the organization (Diers-Lawson, 2020b; Rickard, et al., 2013). Blame attribution should be thought of as the degree to which stakeholders hold organizations directly accountable for the crisis that is triggered or its outcomes (Brown and Ki, 2013; Lee, 2004).

When blame attribution is examined in terms of its relationship to employees, the question is more often whether employees are to blame for a crisis and how that affects external stakeholder evaluations of the organization and crisis (Anagondahalli and Turner, 2012) and not how employees themselves attribute blame to the organization. However, in one of the few studies of the effect of blame attributions on the relationship between organizations and their employees, Costa and Neves (2017) found that when employees blamed the organization it negatively affected both organizational commitment and organizational citizenship behavior. Yet, we have little data connecting the type of crisis and the previously discussed (i.e., perceived knowledge, trust, reputation, value congruence, and satisfaction) formative predictors of the relationship between organizations and their stakeholders. Therefore, we pose the following research question:

RQ3: Do employees’ evaluation of the type of crisis influence their relationship with their organization?

RQ3A: Do employees’ evaluation of the type of crisis influence their perceived knowledge of their organization?

RQ3B: Do employees’ evaluation of the type of crisis influence their trust in their organization?

RQ3C: Do employees’ evaluation of the type of crisis influence their attitudes about the organization’s reputation?

RQ3D: Do employees’ evaluation of the type of crisis influence their attitudes about the value congruence between their organization and themselves?

RQ3E: Do employees’ evaluation of the type of crisis influence their overall level of organizational satisfaction?

Finally, in connecting the relationships between employee crisis perceptions, the relationship between employees and their organizations, and potential crisis outcomes discussed like perceptions of the organization’s stability (e.g., risk of closing or redundancies) and employees’ behavioral intentions towards the organization (e.g., preparing to leave, supporting, etc.), we pose a final research question:

RQ4: How do employee crisis perceptions and their relationship with the organization influence employee beliefs about crisis outcomes?

RQ4A: How do employee crisis perceptions and their relationship with the organization influence employee beliefs about the organization’s stability?

RQ4B: How do employee crisis perceptions and their relationship with the organization influence actions they would consider taking?
Methods

To answer these four research questions, employees of two large organizations that were experiencing a crisis at the time of data collection were surveyed anonymously.

Participants and Procedures

The procedures for data collection were the same in both organizations. The research team had access to the organization via an employee in each organization. Questionnaires were collected anonymously via SmartSurvey link so that no employee’s identity could be revealed (Eisenberger et al., 1990; Levenson, 2014). An employee distributed information about the study, its purpose, and the link to the questionnaire via email. Each employee made themselves available to answer questions, and data were collected across a three-week period with two reminder emails sent out for participation. Data were analyzed using SPSS.

The first organization is a large public sector organization that was experiencing an event type of a crisis where crisis blame is often ambiguous, so depends largely on whether the stakeholders hold it accountable or not (Diers-Lawson, 2020). In this case, British austerity policies and reduced revenues forced a local council to restructure many of its departments, causing disruptions to services and job redundancies. Through the overall organization has more than 7,000 employees, the part of the organization in crisis surveyed had approximately 500 employees and 228 responded to the questionnaire making a 45% response rate, which is well-within one standard deviation of the average response rate across organizational journals (Baruch, 1999).

The second organization is a large private sector organization connected to the health industry in the UK that was experiencing a transgression where the organization was at fault (Diers-Lawson, 2020). Specifically, an error in the manufacturing process for one of its primary products forced a recall affecting multiple layers of supply chains and created risk to people’s lives. A population of 600 employees were recruited for the questionnaire and 224 online questionnaires were completed for a 37% completion rate. It is within one-standard deviation (Baruch, 1999) and the HR department of the organization confirmed the sample demographics fairly represent the departments within the organization.

Participants in both organizations were also comparable to one another. Chi-square tests indicate no significant demographic differences between sample from public and private for gender (M = 1.73 – more women than men); age (M = 34.56 years); and income (M = £50,000-59,999). The only significant demographic difference was based on years employed by the organization. X² (14) = 67.70; p < .00 There were more newcomers overall (5 years or less) with the public sector (N = 129) compared to the private sector (N = 79). Additionally, there were more people with 10 years of service or more in the private sector (N = 121) compared to the public sector (N = 50).

Measures

For perceived knowledge (α = .83), trustworthiness (α = .96), and reputation (α = .92) Diers-Lawson’s (2020b) scales were used (for scales and scale development, see also Diers, 2012; Morgan and Hunt, 1994; Walsh, et al., 2015). For organizational satisfaction (α = .78) and value congruence Boukis, Kostopoulos, and Katsaridou’s (2014) scales were used. However, there were insufficient scales for employee attitudes about their organization’s
stability and actions that employees might take. As an initial exploration of those qualities of organizational stability, evaluation, and employee actions, exploratory scales were developed. Based on previous research identifying different types of uncertainty in an organization’s stability (see e.g., Korn and Einwiller, 2013), eleven questions were written, and six questions loaded into two different reliable factors (see Table I). Further, based on qualitative reports of behaviors that employees engage in depending on their relationship with the organization and the situation (see e.g., Heide and Simonson, 2014; Costa and Neves 2017), twelve questions were written identifying potential actions employees could take as a result of a crisis emerging in their organization and ten questions loaded into three different reliable factors (see Table I).

Table I

**Operationalization of Study Variables, New Scales**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Questions</th>
<th>Eigen-value</th>
<th>Variance Explained</th>
<th>Factor Loading</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stability: Overall Stability</td>
<td>I often worry about my org’s stability</td>
<td>3.54</td>
<td>50.62</td>
<td>.67</td>
<td>.85</td>
</tr>
<tr>
<td></td>
<td>I often worry my org will have redundancies</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>I often worry my org isn’t doing enough to ensure it is financially stable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I often worry that I will be made redundant</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stability: Crisis Prone</td>
<td>My org is prone to face serious crises</td>
<td>1.19</td>
<td>17.00</td>
<td>.88</td>
<td>.83</td>
</tr>
<tr>
<td></td>
<td>My org has a history of facing serious crises</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actions: CV Revision</td>
<td>Revise CV to get ready to look for a new job</td>
<td>1.08</td>
<td>9.02</td>
<td>.89</td>
<td>N/A</td>
</tr>
<tr>
<td>Actions: Public Comment</td>
<td>Tweet about the crisis</td>
<td>5.66</td>
<td>47.15</td>
<td>.88</td>
<td>.94</td>
</tr>
<tr>
<td></td>
<td>Post about the crisis on Facebook</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Post about the crisis on Instagram</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Blog about the crisis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comment in an online forum</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Write/forward emails about the crisis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comment on other social media sites</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actions: Sensemaking</td>
<td>Speak about the crisis with co-workers</td>
<td>2.07</td>
<td>17.21</td>
<td>.75</td>
<td>.71</td>
</tr>
<tr>
<td></td>
<td>Speak about the crisis with management</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Results**

These data demonstrate that by applying the stakeholder relationship model to the employee experience in crisis, we can better understand many of the factors affecting OERM and provide clearer insights into how employees make sense of and experience crises.

**RQ1: Factors Influencing Employees’ Crisis Perception**

These data found that despite both organizations being objectively in crisis, it did not mean that employees necessarily recognized the crisis was occurring. Approximately 17% of respondents did not believe their organization was in crisis (i.e., 75 of 452). Income and type of organization significantly influenced crisis perception. More specifically, RQ1A focused on the influence of demographics on this finding. Only income was significantly correlated (r
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= -.16; p < .01) to belief that the organization was in crisis. A simple regression (t = -2.93; p < .01 R²_adj. = .02) suggests that those with a higher income were less likely to perceive the organization as being in crisis. Research question 1B found the type of organization significantly influenced (r = .25; p < .00) the belief the organization was in crisis. A simple regression (t = 5.52; p < .00 R²_adj. = .06) indicates that those in the private sector were significantly less likely to perceive the organization was in crisis. Research question 1C found there was no significant correlation with organizational tenure and crisis perception.

As a post hoc analysis, a multiple hierarchical regression explored the potential for an interaction between income and organization type on the perception that the organization was in crisis. The multiple regression was significant (F (2, 318) = 20.72; p < .00 R²_adj. = .11) suggests that together income (β = -.14) and industry (β = .30) make a more significant predictor of the perception that the organization is in crisis suggesting that those at higher incomes who are also in the private sector are significantly less likely to believe the organization is in crisis than any other demographic.

RQ2: Employee Crisis Perceptions and Their Relationship with the Organization

These data suggest that crises significantly influence most aspects of employees’ relationship with their organizations. While crisis perception did not affect their perceived knowledge of their organization, it did affect all other aspects of the relationship. For example, in answering RQ2B, these data show a significant negative correlation between employees who believe their organization in crisis (1 = crisis, 2 = no crisis) and their trust in the organization (r = .24; p < .00). A simple regression (t = 5.21; p < .00 R²_adj. = .06) indicates that crisis perception is a significant negative predictor of employee trust in their organization. For RQ2C the data suggests there is a significant negative correlation between employees who believe their organization has been in crisis and their view of the organization’s reputation (r = .22; p < .00). A simple regression (t = 4.74; p < .00 R²_adj. = .05) indicates that crisis perception is a significant negative predictor of employees’ evaluation of their organization’s reputation. Similarly, for RQ2D, there is a significant negative correlation between employees who believe their organization is in crisis and their organizational satisfaction (r = .15; p < .00). A simple regression (t = 3.26; p < .00 R²_adj. = .02) indicates that crisis perception is a significant predictor of overall employee satisfaction with their organization. Finally, for RQ2E, there is a significant negative correlation between employees who believe their organization is in crisis and value congruence between their organization and themselves (r = .21; p < .00). A simple regression (t = 4.52; p < .00 R²_adj. = .04) indicates that crisis perception is a significant predictor of employees evaluating their organization as sharing their values.

RQ3: Employee Blame Attribution and Their Relationship with the Organization

Participants who responded that their organizations were in crisis were given definitions and representative explanations of different crisis types then asked to classify the crises the organization was facing. The analysis for this research question only uses those respondents who recognized their organization was ‘in crisis’. Respondents who did not recognize their organization was in crisis did not identify the crisis; therefore, had no response. A further 83 respondents did not describe their organization’s crisis; therefore, these findings reflect the 294 participants who both recognized the organization was in crisis and summarized the crisis. The crisis experienced by the public sector organization was an event and the private sector organization faced a transgression. However, these data suggest a
meaningfully different perspective from employees in both types of organizations (See Table II). In all measures, these data found that when employees defined the type of crisis their organization was experiencing as a transgression, there was less relationship damage than if they defined the crisis as an event.

Table II

Respondent Categorizations of Crises Experienced by Their Organization

<table>
<thead>
<tr>
<th>Crisis Type</th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transgression</td>
<td>122</td>
<td>12</td>
<td>134</td>
</tr>
<tr>
<td>Event</td>
<td>48</td>
<td>108</td>
<td>156</td>
</tr>
<tr>
<td>Reputational</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Disaster</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

In the ANOVAs run to evaluate the influence of crisis type on the relationship between employees and their organizations, organization type was included as a mediating variable; however, was not significant for any of the tests. Therefore, only main effects for crisis type were considered. There was no significant finding for crisis type on employees perceived knowledge of their organization. However, there were significant differences for each of the other research questions.

Research question 3B found that crisis type significantly affects employees’ evaluation of their organization’s trustworthiness ($F(3, 333) = 3.46; p < .05$ partial $\eta^2 = .04$). If employees define the crisis as a transgression ($M = 3.09$) or a disaster ($M = 3.00$) they view the organization as more trustworthy than if the employees define a crisis as an event ($M = 2.66$) or reputational problem ($M = 2.50$). However, because there were fewer than two cases of respondents identifying the crisis as reputational, post-hoc comparisons could not be made.

Research question 3C found that crisis type significantly affects employees’ evaluation of their organization’s reputation ($F(3, 288) = 3.13 \ p < .05$ partial $\eta^2 = .03$). If employees define the crisis as a transgression ($M = 3.38$) or a disaster ($M = 3.33$) they view the organization as more trustworthy than if the employees define a crisis as an event ($M = 3.02$) or reputational problem ($M = 3.00$). However, because there were fewer than two cases of respondents identifying the crisis as reputational, post-hoc comparisons could not be made.

Research question 3D found that crisis type significantly affects employees’ evaluation of their overall satisfaction with their organization ($F(3, 288) = 5.00 \ p < .01$ partial $\eta^2 = .05$). If employees define the crisis as a transgression ($M = 3.67$) or a disaster ($M = 3.50$) they are more satisfied with their organizations than if the employees define a crisis as an event ($M = 3.16$) or reputational problem ($M = 3.25$). However, because there were fewer than two cases of respondents identifying the crisis as reputational, post-hoc comparisons could not be made.

Finally, RQ3E found that crisis type significantly affects employees’ evaluation of the value alignment they feel with their organization ($F(3, 288) = 4.16 \ p < .01$ partial $\eta^2 = .04$). If employees define the crisis as a transgression ($M = 3.41$) they feel more value alignment with their organizations than if the employees define a crisis as an event ($M = 2.94$), reputational problem ($M = 2.00$), or disaster ($M = 2.83$). However, because there were fewer than two
cases of respondents identifying the crisis as reputational, post-hoc comparisons could not be made.

**RQ4: Employee Crisis Perception and Relationship Influence on Crisis Outcomes**

Together, these data suggest that both crisis perception and organizational relationship influence employee anticipation of what will happen to the organization and their own behavioral intentions toward the organization. In analyzing RQ4A, several variables were significantly correlated to overall stability, including industry as a mediator ($r = .28; p < .00$), indicating the private sector was more likely to view their organization as stable. Participants who viewed their organizations as being in crisis were more likely to view their organization as more stable ($r = -.12; p < .05$). Additionally there were significant negative relationships between overall stability and perceived knowledge ($r = -.17; p < .00$), trustworthiness ($r = -.42; p < .00$), reputation ($r = -.37; p < .00$), organizational satisfaction ($r = -.29; p < .00$), and value alignment ($r = -.35; p < .00$). A three-model hierarchical regression was run to evaluate the influence of sector, crisis perceptions, and employee relationship on attitudes about the organization’s overall stability (see Table III). The overall regression model was significant ($F(7, 359) = 17.33; p < .00$ $R^2_{adj} = .24$). In the final regression model, sector, crisis perceptions, perceived knowledge, and trustworthiness were all significant.

**Table III**

*Regression Model for Employee Evaluations of Organization’s Stability*

<table>
<thead>
<tr>
<th>Regressor</th>
<th>Model 1</th>
<th></th>
<th></th>
<th>Model 2</th>
<th></th>
<th></th>
<th>Model 2</th>
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<tr>
<td></td>
<td>Beta</td>
<td>SE</td>
<td>$t$</td>
<td>Beta</td>
<td>SE</td>
<td>$t$</td>
<td>Beta</td>
<td>SE</td>
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<tr>
<td>Intercept</td>
<td>.16</td>
<td>12.42</td>
<td>12.89</td>
<td>.19</td>
<td>12.85</td>
<td>.31</td>
<td>12.89</td>
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<td>Sector</td>
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<td>.10</td>
<td>5.62***</td>
<td>.35</td>
<td>.11</td>
<td>6.86***</td>
<td>.28</td>
<td>.11</td>
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<td>Perceived Knowledge</td>
<td>-.10</td>
<td>.06</td>
<td>- .28*</td>
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<tr>
<td>Trustworthiness</td>
<td>.29</td>
<td>.09</td>
<td>-3.09**</td>
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<td>Reputation</td>
<td>.07</td>
<td>.10</td>
<td>.77</td>
<td></td>
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<td>-.08</td>
<td>.07</td>
<td>-1.42</td>
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<td>Satisfaction</td>
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<td>.08</td>
<td>-.81</td>
<td></td>
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<tr>
<td>Value Alignment</td>
<td>-.06</td>
<td>.08</td>
<td>-.81</td>
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| F                  | 31.55*** | 26.34*** | 17.33*** |
| ΔF                 | 31.55*** | 19.52*** | 12.12*** |
| $R^2$              | .08      | .13      | .25     |
| $R^2_{adj}$        | .08      | .12      | .24     |
| $R^2$ change       | .08      | .05      | .13     |
| df                 | 1, 365   | 2, 264   | 7, 359  |

*Notes. * $p < .05$, ** $p < .01$, *** $p < .001$.

Based on the factor analysis, to answer RQ4B, there were three basic actions that emerged. The first action involved employees’ intention to revise their CV to look for a new job. Respondents were more likely to consider this after the crisis if there was damage to their relationship with the organization and if they were in the private sector ($r = .27; p < .00$). There were negative relationships between CV revision and trustworthiness ($r = -.25; p < .00$), reputation ($r = -.26; p < .00$), organizational satisfaction ($r = -.17; p < .01$), and value alignment ($r = -.26; p < .00$). In the two-model regression (sector x relationship), the overall
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regression model was significant \( F(6, 339) = 8.58; p < .00 \ R^2_{adj.} = .12 \), and while none of the individual relational factors were themselves significant; however, sector was \( t = 4.54; p < .00 \ \beta = .24 \). However, there was a .06 \( R^2_{adj.} \) change between model one and two suggesting that while sector was significantly predictive, employee relationship with the organization also influenced the likelihood of job seeking behaviour.

Second, two variables were significantly correlated with the likelihood that respondents would make public statements about their organization’s crisis including sector indicating a positive relationship with the private sector \( r = .14; p < .01 \) and crisis perception \( r = .22; p < .00 \). A two-model regression was run and was significant \( F(2, 342) = 9.65; p < .00 \ R^2_{adj.} = .05 \); however, in the regression model, only crisis perception was a significant predictor indicating that if employees believed their organization had been in crisis, they were unlikely to make a public statement about the crisis and their organization \( t = 3.49; p < .00 \ \beta = .19 \).

Finally, collective sensemaking, or employees being more likely to speak to co-workers to make sense of the crisis if they were in the public sector \( r = -.43; p < .00 \) or when they had positive feelings about their organization. Specifically there were significant positive relationships between co-worker sensemaking and the organization’s trustworthiness \( r = .43; p < .00 \), reputation \( r = .46; p < .00 \), organizational satisfaction \( r = .60; p < .00 \), and value alignment \( r = .52; p < .00 \). The overall two-model regression was significant \( F(5, 416) = 61.80; p < .00 \ R^2_{adj.} = .42 \). In the regression model; however, only sector \( t = -6.78; p < .00, \ \beta = -.27 \) and satisfaction \( t = 7.59; p < .00, \ \beta = .54 \) were significant.

Discussion and Conclusions

In addition to confirming SRM’s predictive value and application to better understanding employee relations, particularly during crises, there are three specific findings that further contribute to the literature on employee relations as well as key directions for future research identified as a result. First, these data found that employees both in the private sector and earning higher incomes were significantly less likely to believe their organization was in crisis compared to colleagues at lower levels of income and in the public sector. Is this a case of rose-colored glasses by those in more privileged positions? Perhaps, but it is more precisely discussed in the literature as optimism and is potentially very common amongst higher level managers, especially in the private sector. Previous research suggests that optimism enables leaders to improvise, restructure processes, and readjust roles to manage situational needs and all of this should apply effectively to crisis contexts (James and Wooten, 2011). There is a body of literature available associating optimism and crisis management (Bonanno, 2004; Fredrickson et al., 2003; Heath, 1998a; Heath, 2001; Meneghel et al., 2016). Scholars such as Scheier et al. (2001) propose that an optimistic attitude during crises is vital for success while others like Heath (1998b) argue that optimistic leaders can exacerbate crises. Future research should more directly explore this finding and the relationship between optimism, leadership, and their effects on employee relations during crises. This would be an important area for future research because it is possible that job security and personal financial well-being could also explain the relative level of optimism when comparing employees earning more money. Therefore, one of the limitations in the present research is being able to draw a definitive causal connection between the reason for the optimism and its presence amongst employees.
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Second, the finding that most employees in the public sector viewed the financial crisis as a transgression, when it is an organizational event, and most employees in the private sector viewed the transgression in their organization as an event is puzzling at first glance. Because of the structure and delivery of the questionnaire, the rationale for blame attribution was not assessed or explored. Therefore, the lack of a clear explanation for this finding is a second limitation in the study.

Despite the direct interrogation of this finding, the other findings in the study on sensemaking and crisis perception may help to explain the flipped attribution of blame between the public sector event and private sector transgression crises. Within an employee relations context, these data suggest the perception of being ‘in crisis’ and even judgments of crisis type are subjective assessments – employees choose to see the situation differently based on their own situation. Therefore, these data would suggest that the perception is tied to feelings of uncertainty and insecurity that accompany the feeling of being in crisis. In the public sector where the financial climate had already created job redundancies and where people are paid, on average, less than in the private sector a crisis would bring greater uncertainty and perceived risk when compared to the company in the private sector that had not had the same crisis history. However, even within the private sector, this would help to explain the differences in the findings between those earning more and those earning less. Coupled with the findings regarding collective sensemaking, there is a hesitancy to discuss crises when the situation is perceived more negatively. These data would suggest this is not a function of employees preserving an organization’s reputation; rather, a reflection of the perceived risk of the situation so rather than discussing to reduce perceived risk. Employees who feel threatened by a situation will amplify the blame attribution and move into a danger protection mode rather than a risk management mode. Witte’s (1992;1996) research on the curvilinear relationship between fear and action helps to explain this phenomenon. Her research suggests that risk is a motivator of action and engagement but only up to a certain point. Once a ‘fear’ response is triggered, instead of productively managing the risk people simply seek to protect themselves. These findings suggest that within an organizational context this can lead to reduced communication, reduced sensemaking, and even interpreting the nature of the crisis fundamentally differently. Those who view experience less threat in the situation are more likely to ‘downgrade’ the situation, even not recognizing it as a crisis; however, those who experience substantially more threat are more likely to ‘upgrade’ the situation amplifying blame attribution and changing their engagement about the crisis.

However, future research should explore employee judgments about the nature of the crisis as well as the relationship between clear communication about the crisis from the organization to better understand how these judgments are made given the reversal in both organizations of blame attribution for the crisis. However, this finding also suggests that it is vital for organizations to understand how their employees understand and make sense of crises experienced by the organization. Kim (2020) found that it is the uncertainty about crises that causes the most problems for employee resilience during crises and these findings extend Kim’s by suggesting that uncertainty in blame attribution to the organization is also significantly more damaging to the relationship between the organization and its employees.

Therefore, these data underscore the importance of sensemaking and sense giving for employees during crises (Klein and Eckhaus, 2017), but also provide insight into the contexts in which it is likely to happen. These data suggest that employees are more likely to discuss the crisis with other colleagues (including management) when they have a strong relationship with the organization in crisis and when they are in the public sector. These findings coupled
with the finding that employees will be looking for an exit strategy from an organization in crisis when the organizational employee relationship has been damaged suggest an important role for strong crisis leadership and employee relationship management during crises. Clearly, effective communication is necessary when a crisis is more severe and the organization is at fault and these data suggest this is the point at which employees are the least likely to discuss the situation or organization, even with each other. By itself, this represents a credible threat to the organization and suggests that organizational leadership initiating and engaging with employees is more vital to crisis success. Therefore, these data deepen the explanation of previous findings (e.g., Kim and Lim, 2020; Kim, 2020) that maintaining a positive relationship with employees during crises improves organizational performance during crises. We would suggest the positive relationship enables employees to remained focused on their work and being distracted by other concerns. Moreover, these findings suggest that the relationship is increasingly threatened by ambiguous crises, like organizational events; therefore, when possible OERM is improved when organizations can offer clarity and more certainty about the crisis, even if the organization is at fault. However, one of the limitations in this study were the measures related to employee actions and sensemaking. Specifically, the measures on perceived stability, each of the actions were single-item scales and sensemaking only had two-items. From a methodological perspective, these scales need to be further developed to improve the validity and reliability of employee post-crisis behavioral intention and crisis sensemaking. Therefore, we believe research developing employee-based post-crisis behavioral intention scales would make a meaningful contribution to the employee relations literature as well.

Overall, these findings provide direct evidence of causal relationships between crisis perception, risk perception, and sensemaking for employees whose organizations are experiencing crises. We believe these findings lay the groundwork for both qualitative exploration of emergent attitudes and also hypothesis testing and model build. Though these data compared two British organizations in two different sectors experiencing somewhat different types of crises, this study represents an important investigation into the factors that can meaningfully influence OERM during crises. These data also suggest there is a possible disconnect between employees at lower levels of the organization, especially in the private sector, and those at higher levels in defining whether the organization is in crisis. Therefore, these data also suggest it is vital to better coordinate these views or management may not be as sensitive to employee needs and uncertainties.
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References


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