

Total Quality Management & Business Excellence

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/ctqm20>

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Published online: 10 Nov 2014.



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To cite this article: Philip Cheng-Fei Tsai, C. Rosa Yeh & Shu-Ling Wu (2014): The conditioning effect of institutional legitimacy on stakeholder influence strategy: evidence from labour unions' reaction to corporate downsizing in Taiwan, Total Quality Management & Business Excellence, DOI: [10.1080/14783363.2014.976940](https://doi.org/10.1080/14783363.2014.976940)

To link to this article: <http://dx.doi.org/10.1080/14783363.2014.976940>

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The conditioning effect of institutional legitimacy on stakeholder influence strategy: evidence from labour unions' reaction to corporate downsizing in Taiwan

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Two important managerial practices in quality movement influence the quality of firms' strategies and their business excellence. One is 'downsizing', which often accompanies the lean production method, and the other is 'stakeholder satisfaction', which has been proven to increase the probability of a firm's long-term success. Stakeholder satisfaction also mitigates the negative impacts from downsizing. This research examines how institutional legitimacy influences the union stakeholders in their strategy selection during corporate downsizing. A quantitative survey was deployed, followed by a qualitative exploration of the phenomenon uncovered in the survey. The research findings showed an overwhelming conditioning effect of institutions which led a majority of labour unions to select a direct negotiation strategy as their reaction to business downsizing decisions. Institutional factors such as legal requirement, social expectation, well-publicised best practices, etc., dominated union leaders' decision on the best initial influence strategy. The findings carry practical implications for firms in managing the quality of labour relations during business downsizing and also contribute to the affirmation of institutional factors as an important dimension of stakeholder influence strategy theory.

Keywords: downsizing; institutional factor; labour union; stakeholder influence strategy; Taiwan

Introduction

According to Dahlggaard-Park (2011), the threat to both Lean and TQM has been the global financial crises, which has tempted many firms to only use the lean production methods for downsizing. The literature shows that such a strategy is not sustainable for firms in the long run (see, e.g. Dahlggaard-Park, 2011; Tsai & Shih, 2013). Looking for business excellence, many firms have turned to stakeholder satisfaction. Stakeholders can be internal or external. During a downsizing event, labour unions naturally stand alongside the firm's major internal stakeholders, the employees, and negotiate with the firm to protect employee rights and benefits. The influence strategy which labour unions adopt can therefore enhance or weaken the effect of the downsizing strategy on firm performance (Tsai & Shih, 2013). It is in line with the concept of business excellence that firms pay attention to the balance between internal and external stakeholder satisfaction (Dahlggaard-Park, 2011). However, in the past, studies on stakeholders focused largely on the definition of the specific stakeholders of a corporation and their specific needs. The issues related to influence strategies of stakeholders were rarely discussed. Without a thorough

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understanding of stakeholders' influence strategies, it is difficult for corporations to effectively predict and respond to stakeholder counteractions (Laplume, Sonpar, & Litz, 2008). This has made the identification of stakeholder influence strategies and their determinants a very important research issue.

Business downsizing is one of the most-adopted measures of companies in tough times (Love & Kraatz, 2009; Mckinley, Zhao, & Rust, 2000; Muñoz-Bullon & Sanchez-Bueno, 2011; Naumann, Bies, & Martin, 1995; Tsai & Yen, 2013). Workforce reduction in the form of layoffs is the most common form of downsizing. Regardless of the contents, workforce reduction plans always have an impact on the employees. Large-scale layoffs causes the most harm to employees and their families depending on the income of the employees, giving rise to various social problems (Mckee-Ryan & Kinicki, 2002; Naumann et al., 1995). As employees are the most important stakeholder within the company, as well as the most important asset (Stavrou, Kassinis, & Filotheou, 2007), their actions have enormous impact on business performance.

Stakeholder influence strategy theory predicts that when companies adopt practices which seriously affect stakeholder interests, such as a decision to layoff, employee stakeholders are likely to take resistant actions in an attempt to influence the company's management decision. During business downsizing, the unions become the major stakeholders because protecting the interest of their members is their fundamental responsibility. For their own interests as well as the members', they usually exhaust all their social networks and resources from every possible internal and external stakeholder to carry out strategies that may sway business downsizing actions one way or the other (Huang & Tsai, 2005). It is therefore most appropriate to study the unions as the stakeholders during business downsizing and to examine how they deploy influence strategies to fight for the employees.

Although those concepts discussed above can be found in the literature, there are relatively few empirical studies on this topic. Specifically, within the abundant studies on business downsizing, few have investigated the issue from the perspective of the stakeholders (Stavrou et al., 2007). Frooman (1999) made an attempt towards this regard and developed a resource-dependency-based model to predict stakeholder influence strategy. Tsai, Yeh, Wu, and Huang (2005) furthered the theoretical development of Frooman's model by adding an institutional factor dimension. However, both studies lack quantitative validation, which made generalisation of the result limited. Moreover, the study of Tsai et al. (2005) only showed the phenomenon of stakeholders' strategy choice with the addition of institutional legitimacy as a determinant. The reason why and the mechanism of how institutional legitimacy influenced the stakeholders in their strategy selection process during business downsizing were largely unknown.

This article reports the results of two studies targeting Taiwan's labour unions, one large-scale survey research and the other a qualitative study, to examine the effect of institution as a determinant in stakeholders' choice of an influence strategy during corporate downsizing. This article hopes to contribute to the validation of the stakeholder influence strategy theory, and at the same time provide a valuable frame of reference to corporations and stakeholders in a downsizing dispute.

Background and literature review

Business stakeholder influence strategy theory

Stakeholders are individuals or groups who have an impact on or are impacted by organisational objectives. Freeman (1984) advocates that when the interests and needs of stakeholders are satisfied, businesses are more likely to excel, making the study of stakeholders'

needs and the ways to meet those needs an important issue for corporate executives. Gray, Kouhy, and Lavers (1995) also believe that gaining support from stakeholders is crucial if a company wishes to sustain its operations, therefore, it will continue to adjust business activities to secure stakeholder approval. This is especially true when a stakeholder has more influence.

Rowley (1997) pointed out that the influence strategy a stakeholder adopts is related to his/her power and position in the network structure. Mitchell, Agle, and Wood (1997) also mentioned that to the corporation, stakeholders with power, legitimacy and urgency are more important and thus their requests usually receive clearer and more immediate attention. On the other hand, those stakeholders that do not hold resources critical to the company's operations can only influence the company's actions through other more important stakeholders. How organisations satisfy their stakeholders is usually a result of a calculated response to suspected stakeholder influence strategies. For these responses to be effective, it is critical to understand how stakeholders choose their influence strategies (Frooman, 1999; Tsai et al., 2005).

Frooman (1999) integrated Freeman's stakeholder theory with the resource-dependence perspective to develop a stakeholder influence strategy theory. As Frooman theorised, the balance of power will determine the stakeholder's choice of influence strategy. Based on the balance of power in a resource relationship, Frooman presented four strategy types in his model: (1) withholding strategy for low interdependence relationships, (2) indirect usage strategy when the relationship is marked by firm power, (3) direct withholding strategy when the relationship is marked by stakeholder power, and (4) direct usage strategy for high interdependence relationships.

However, Frooman did not collect empirical data to test the model in the real world. One empirical study found in strategic management texts was Sharma and Henriques (2005), which used Frooman's model to test how stakeholders influence Canadian forest products companies in their environmental management practices. At the same time, Tsai et al. (2005) also adopted the same model to explore employee stakeholders' selection of influence strategy in response to corporate downsizing decisions.

Conditioning effect of institution on corporate downsizing

A company is an open system, insofar as its operation and survival are influenced not only by internal stakeholders, but also by its external environment. Selznick (1996) believes when an organisation must compete for limited resources to survive in its institutional environment, it will attempt to imitate the structure, operation and practices of successful organisations to gain legitimacy in the eyes of its stakeholders such as the shareholders, customers and suppliers. In other words, a company has to respect the values or norms of specific groups in its institutional environment to strengthen stakeholders' perception of its legitimacy (Ruef & Scott, 1998). The institutional environment mentioned above refers to the social structure, rules, regulations, and norms in society (Oliver, 1991). The institution itself is stable, difficult to change, and established as shared values and meanings in society having the propensity to influence personal behaviours (Peters, 1999). Dimaggio and Powell (1983) once asked why there are so many existing organisations in similar archetypes and why they look so similar. They theorised that the forces of mimetic isomorphism, coercive isomorphism, and normative isomorphism form an institutional pressure that propels the organisations to develop similar culture, actions and performances. Under these forces, organisations will naturally conform to the values and cognitions of the institutional environment.

McKinley, Sanchez, and Schick (1995) adopted the institutional perspective and used the social forces of constraining, cloning and learning to explain the reason why an organisation proceeds with a downsizing decision even when it expects negative impacts on employee retention and uncertain effect on performance. McKinley et al. (2000) further explicated a 'social recognition process' through which managers are made to believe that corporate downsizing is necessary and legitimate, and, it is through this collectively reifying process that downsizing is accepted as an effective and inevitable management practice. An empirical study conducted by Tsai, Wu, Wang, and Huang (2006) supports the institutional perspective of McKinley et al. (1995, 2000) in that institutional factors do carry some weight in the corporation's decision to downsize. Furthermore, they found that institutional factors also affect corporate downsizing strategies and practices.

As described above, institutional factors can be found influencing the motives, strategies, and actions of a company during a downsizing event. Employees, as the most important stakeholders in such event, are most likely to deploy influence strategies in reaction to corporate downsizing decisions. Insofar as these stakeholders are part of the social institution and share a set of common social values, their influence strategies are also subject to the conditioning effect of the external institutional environment. When organisations adopt practices that gain legitimacy by conforming to shared social values, it will be more difficult for the stakeholders to solicit support in their attempt to change these practices. Similarly, it would seem wise for the stakeholders to react to corporate decisions with actions that are congruent with social norms and expectations so they, too, gain legitimacy and, hence, social support for their own claims. However, albeit the importance of these discussions, very few past studies have elaborated on the influence of institutional factors on stakeholders.

Tsai et al. (2005) conducted an empirical test on Froeman's model in the context of corporate downsizing using case studies of 18 Taiwanese corporations, and found that in addition to resource dependence, institutional legitimacy seemed to be another key determinant in stakeholders' influence strategy selection. As shown in Figure 1, a new model was developed to predict internal stakeholder influence strategy in a downsizing event. The model predicts:

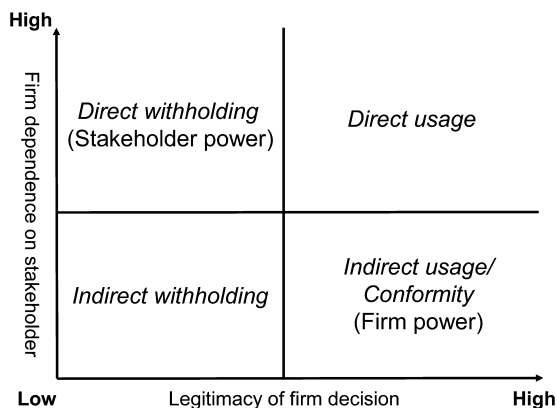


Figure 1. Influence strategy model.

- (1) When firms' dependence on stakeholders is low, and the legitimacy of firm decision is low as well, the stakeholder will choose an indirect withholding strategy to influence the firm.
- (2) When firms' dependence on stakeholder is high, yet the legitimacy of firms' decision is low, the stakeholder will choose a direct withholding strategy to influence the firm.
- (3) When firms' dependence on the stakeholder is low, yet the legitimacy of firms' decisions is high, the stakeholder will choose an indirect usage strategy to influence the firm or conform to firms' decisions.
- (4) When firms' dependence on stakeholders is high, and the legitimacy of firms' decision is high as well, the stakeholder will choose a direct usage strategy to influence the firm. As a direct usage strategy in a downsizing event most often involves bargaining and negotiating between the management and the employees, we will call this the 'direct negotiation strategy' in the following discussion.

Legitimacy of firms' decision in this model refers to the adoption of downsizing practices that conform to social norms and ethical business behaviours, such as a slower and gradual course of action instead of a radical cutback, linking downsizing decisions to business reengineering processes or a whole organisational system change, focusing on employee performance as the criteria for selecting layoff targets, complying totally with the law and regulations, and providing severance packages superior to what the law and regulations require (Tsai et al., 2005). When business downsizing practices are consistent with the expectation of the social institution, legitimacy of the decision to downsize is strengthened, and stakeholders' power to influence declines. Therefore, institutional factors have a conditioning effect on stakeholders' selection of influence strategies.

Union development in Taiwan

Unions carry the large responsibility of protecting the rights of the employees and are also an important stakeholder when a company makes policy decisions that affect employees' right. The development of unions in Taiwan can be divided into three stages.

- (1) The decoration period before 1980. In this period, the workers in Taiwan were regarded primarily as 'the cheap labour'. The unions established and controlled by the governing party were not able to fight for the welfare of their members and were mocked by the workers as a 'capon union'.
- (2) The period of independence during 1986–2000. With the martial law ended, there was a sudden emergence of social movements which brought forth the founding of many independent unions. Labour activists started to organise their actions to strive for a change in workers' social position, improving work conditions and welfare, fighting to end illegal termination or to bargain for year-end bonus. Many of these actions resulted in social turmoil.
- (3) The period of institutionalisation started from 2000 and continues till today. There has been an enormous impact on the employees due to the transition of political parties in 2000; in addition to the influence of globalisation, the transformation of industrial structures, and offshore migration, resulting in increased labour flexibility and job insecurity (Lu, Chiu, & Chen, 2003). Therefore, the union systems of Taiwan gradually developed themselves towards a stage of institutionalisation,

diversification, and formation of political alliances. They became the intermediary in a triangular relationship among labourers, employers and the government.

Study one

Research methodology

Study one deployed a questionnaire survey designed to investigate the reactions of labour unions towards downsizing and the impact of the institution and resource dependency on such a strategic selection.

Sampling

The labour unions of Taiwan were the target population of this research. The data were collected in Taiwan, which was an important member in the world's economic system. Taiwan's trade volume has been in the top 20 in the world for years. In the World Economic Forum during 2010–2011, Taiwan was ranked the 13th in the Global Competitiveness Index. Taiwan had also been an important strategic partner of many multinational enterprises competing globally. Therefore, it is logical to believe that the phenomenon discovered in such an environment will carry significant implications for both the research and the practice of international business management.

Downsizing provides the ideal context for this research because business downsizing brings an inevitable impact on employees, and the labour unions will certainly exhaust all resources from internal and external business stakeholders to influence the downsizing practice. Therefore, through the research of labour unions' reaction towards business downsizing, we can have a thorough understanding of the effect of institutions on stakeholder influence strategy.

A total of 991 questionnaires were sent out to union leaders registered with the Council of Labor Affairs in Taiwan, with 220 of them completed and returned to us. After removing the invalid questionnaires, a total of 152 questionnaires remained, yielding a valid return rate of 15.3%. The respondents came from 18 heterogeneous industries including manufacturing (traditional 43%, other 9%, and hi-tech 4%), banking and insurance (11%), transportation, storage and logistics (10%), construction (6%), etc.

Questionnaire design

The questionnaire was designed in reference to Frooman (1999) and Tsai et al. (2005, 2006). The contents included the following:

(1) *The degree of dependence of a firm on the employees' resources*: This part of the scale was designed to evaluate the degree of dependence of the labour union's respective company/organisation on the employees' resources during a downsizing event, with the following four items: 'The degree of skills possessed by the employees that are required by the firm', 'The degree of skills possessed by the employees that are required by the external market', 'Profitability of the firm', and 'The degree of excess manpower perceived by the firm (reverse coded)'. The 7-point Likert scale was used ranging from 1 'completely disagree' to 7 'completely agree'. The higher the scores, the stronger the degree of dependence was. After the reliability analysis, item four was deleted to achieve a Cronbach's α of 0.708.

(2) *The degree of institutional legitimacy of a firm's decision*: This part of the scale was designed to assess the degree of institutional legitimacy of the downsizing decision by

the labour union's respective company/organisation, using the following five items: 'Comply to related labour laws', 'Follow the practice of a peer company', 'Imitate benchmarking management methods', 'Willing to hold a conference with public figures concerning downsizing (e.g. government officials, councillors, etc.), and 'Attentive to the perception of the local community'. The 7-point Likert scale was used ranging from 1 'completely disagree' to 7 'completely agree'. The higher the scores, the stronger the degree of legitimacy was. The Cronbach's α of these items was 0.820.

(3) *Influence strategy of the labour union*: The influence strategy adopted by the labour union of a respective company/organisation was assessed by a multiple choice question for the respondents to select from the following. (a) Completely rely on the power of the labour union and the employees to directly force the company/organisation to stop taking any actions towards downsizing. (b) Rely on the power of the labour union and employees to directly negotiate with the company/organisation to proceed with downsizing only under acceptable terms by both sides. (c) Appeal to an external power (e.g. a government official, a political group, the federation of labour unions, etc.) to stop a company/organisation from proceeding with downsizing. (d) Appeal to an external power (e.g. a government official, a political group, the federation of labour unions, etc.) to negotiate with the company/organisation for a more favourable term of their severance. (e) Completely comply with the actions taken towards downsizing by the company/organisation.

Data analysis and results

Influence strategy selected by the stakeholders: Table 1 shows the influence strategies adopted by labour unions when facing business downsizing decisions. This result shows an overwhelming preference for the direct negotiation strategy as the main influence strategy among the labour unions.

Level of perceived dependence and institutional legitimacy: As shown in Table 2, study respondents reported an overall firm dependence on stakeholders of 4.5, and the level of institutional legitimacy of 4.7.

Table 1. Influence strategies adopted by unions during downsizing.

Influence Strategy	Frequency	Percentage
(1) Completely rely on the power of the labour union and the employees to directly force the company/organisation to stop taking any actions towards downsizing	8	5.3
(2) Rely on the power of the labour union and employees to directly negotiate with the company/organisation to proceed with downsizing only under acceptable terms by both sides	106	69.7
(3) Appeal to an external power (e.g. a government official, a political group, the federation of labour unions, etc.) to stop a company/organisation from proceeding with downsizing	8	5.3
(4) Appeal to an external power (e.g. a government official, a political group, the federation of labour unions, etc.) to negotiate with the company/organisation for a more favourable term of their severance	11	7.2
(5) Completely comply with the actions taken towards downsizing by the company/organisation	19	12.5
Total	152	100.0

Table 2. Level of firm dependence on employees and institutional legitimacy.

Dimensions	Mean	Standard deviation
Dependence	4.496	1.134
Legitimacy	4.706	1.210

This research adopted the seven-point Likert scale, therefore, such a result shows that the majority of the labour unions felt that the level of firms' dependence on employees and the level of institutional legitimacy were moderately high. According to the model of Tsai et al. (2005), when firms' dependence on stakeholder is high, and the legitimacy of firm decision is high as well, the stakeholder will choose a direct negotiation (usage) strategy to influence the firm. In this research, 106 labour unions, 69.7% of our total respondents, reported adopting the direct negotiation strategy when facing downsizing. As shown on Figure 2, the result appeared to support Tsai et al. (2005).

Study two

Research methodology

The purpose of study two is to help explain the domination of direct negotiation in labour unions' initial strategy selection as revealed in study one and to explicate the contents of institutional legitimacy and how these contents work to affect stakeholder strategy.

This study used focus group interviews as the research methodology. The quantitative method is structured with a priori design and has limitations in exploring the complex thought patterns of human beings that take place in their mind before an action. This research attempted to explore the sources and the contents of the conditioning effect of institutional legitimacy on stakeholder influence strategy.

Sampling

This research invited three types of stakeholders, including the leaders of labour unions (director or executive member of a council), senior executives of firms (chairmen,

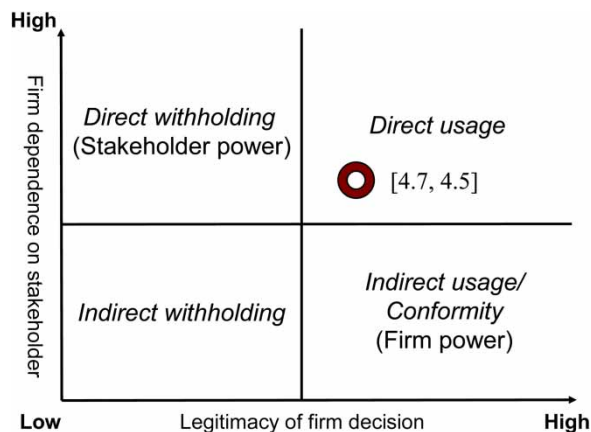


Figure 2. Position of strategy selection in the stakeholder influence strategy model.

general managers or directors), and managers of human resource departments, as the participants in focus group interviews. Participants were selected based on an assessment of their authority, ability and motivation in the research topic, the three conditions that allow a person to provide key information according to Delery and Shaw (2001). The reason for inviting three groups of stakeholders was to examine the influence of institutional legitimacy on stakeholder strategy through triangulation and the qualitative research method of rival hypotheses.

Interview procedures and analysis methods

Four focus group interviews were conducted in this study, two with the directors of labour unions, one with the human resource managers, and one with the senior executives. There were 6–8 participants in each interview. Related information on the topic was distributed to the participants before the interview and everyone was encouraged to speak freely during the interview. After thorough discussion, each focus group would draw conclusions on the consensus of participants. After the results were obtained from the above focus group interview procedure, content analysis and context analysis methods were adopted to categorise the reasons for selecting an influence strategy and the actual situation as the strategy dynamics unfold.

Data analysis and results

The focus group interview results from the three sample groups are summarised in Tables 3 and 4 which list the institutional factors that influence the labour unions' strategy selection during downsizing according to the following three aspects: social institutional factors in the external environment, and the internal institutional factors in labour unions.

Social institutional factors in external environment: Table 3 shows three influence factors related to the external social institution that all participants had mentioned and agreed on. (1) Social institution had reached maturity. For example, the 'Settlement of Labor Disputes' law required both sides to negotiate with each other first, only after which one may attain social legitimacy. Negotiation was already regarded as a common practice in this society to settle a conflict of interests. Both sides, management and labour union, had become more rational instead of being confrontational. (2) Firms and labour unions both cared about their images. (3) The time had come when it was no longer suitable to adopt a drastic confrontational method. In the discussion related to institutions achieving maturity, a participant expressed that Taiwan had already laid down many rules and regulations regarding the rights and interests of workers. These rules and regulations not only

Table 3. Social institution factors.

	Union leaders	Human resource managers	Senior executives
(1) Social institution has reached maturity	V	V	V
(2) Big firms care about their image and social perceptions (so do the labour unions)	V	V	V
(3) Context in time: the time when confrontation was the primary mean has passed	V	V	V

Note: 'V' marks the factor mentioned by each stakeholder group.

Table 4. Internal institutional factors of labour unions.

	Union Leaders	Human Resource Managers	Senior Executives
(1) The quality of cadre members of the labour unions has improved	V	V	
(2) The cadre members of labour unions now share similar thoughts towards labour disputes	V	V	V
(3) The ability of labour unions to integrate internal opinions has become more mature	V	V	V
(4) The labour unions generally believe that the management has recognised their organising ability, power of influence, and benefits to the firms, which gives them the power to negotiate	V	V	V
(5) The labour unions and the firms have already established negotiation protocols and have frequent interactions between them	V	V	V
(6) The labour unions have had sufficient training and development	V	V	
(7) Strategically, the labour unions in general do not wish to take extreme measures because that may lead the employer away from the negotiation table		V	V

Note: 'V' marks the factor mentioned by each stakeholder group.

regulated a firm's employment practices but also asked for compliance from both sides in the settlement of labour disputes. The laws and regulations are considered a compulsory normalising force in an institution, while, on the other hand, to care about public image and social perception is considered a soft normalising force. The common perception that the time was no longer suitable for adopting confrontational strategy was a reflection of a well-accepted social convention. Social conventions are results of a long history of social exchanges after which values and meanings are shared by all members of the society and become a stable set of commonly acceptable behaviours. According to Peters (1999), this institutionalised common cognition will affect the behaviours of social members.

The internal institutional factors in labour unions: From Table 4 of these factors expressed by the union leaders, human resource managers and senior executives, four factors were related to the union's internal institutionalisation force. (1) The cadre members of labour unions now shared similar thoughts towards labour disputes. They believed that though employers and employees may be on the opposite sides they shared the same boat and thus require a balance of power. The unions also carried a deep concern for the harm which might be caused to the members when confrontational actions failed. (2) The ability of labour unions to integrate internal opinions had become more mature. (3) The labour unions also believed that the management had recognised the unions' organising ability, power of influence, and benefits to the firm, which gave them the power to negotiate. (4) The labour unions and the firms had already established negotiation protocols and had frequent interactions between them. These factors shows that these union groups had acquired a consensus view by way of social interactions and social recognition process, and had accepted a common set of values and practices, which is a manifestation of internal institutionalisation (Mckinley et al., 2000).

Some contingency factors also surface during the focus group discussions. The first is when the labour unions had a thorough understanding of the business condition, management attitudes or difficulties of a company. That is, they understood the firm's legitimacy in proceeding with downsizing. The second is when long-term strategic objectives of both sides were met. This was when the firm and the union undergoing social interaction and recognition processes had both come to an agreement that downsizing was a necessary measure to keep the firm running well, and the only thing left to be done was to think about how to protect its employees in the best possible way, so as to minimise their loss. In this case direct negotiation was the most beneficial strategy for both parties on the long run.

Conclusion and suggestions

Summing up the quantitative and qualitative results of this research, when society forms a more mature method to settle disputes between firms and their stakeholders after a long process of interaction and recognition, institutionalisation will gain a greater effect on both parties in selecting strategies and behaviours that meet social expectations. In this case, the expectation of society is to adopt a direct negotiation strategy to settle a dispute between the firms and the stakeholders. When corporations and their union counterparts choose strategies that meet social expectations, it minimises the harm that a downsizing brings. In the quality movement, Dahlgaard-Park (2011) advocates that excellent organisations need to have higher standards of organisational behaviour to strive for economic, social and ecological sustainability. Taking care of stakeholder satisfaction meets the standards.

This research has empirically tested the effect of institutional factors on union leaders' decision for the best initial influence strategy in a downsizing event, and proved that institutional factors such as legal requirements, social expectations, well-publicised best practices, etc. had a conditioning effect on both parties. Institutional factors force the firms to adopt downsizing practices within socially and legally acceptable parameters, enhancing their institutional legitimacy (e.g. Tsai et al., 2006; Tsai & Yen, 2013). Labour unions working with a legitimate downsizing decision are also constrained by both external and internal institutional forces to proceed with a more rational reaction. Therefore, a direct usage influence strategy was selected by most of the union stakeholders in our research. These findings as pointed out by Frooman (1999) and amended by Tsai et al. (2005) have led to a further progress in the stakeholder influence strategy theory.

Research implications and suggestion

Apart from the resource-dependence factor, the institutional factor has been proven to be a necessary dimension for the stakeholder influence strategy model in the downsizing context. It implies that stakeholder satisfaction should be included in future studies on the effectiveness or quality of downsizing or lean. Moreover, the literature has proven that the biggest problem downsizing brings to business excellence is the loss of employee trust. Employees see downsizing as unethical (Tsai & Shih, 2013) because the event is often conducted without the respect, fairness, and honesty that Dahlgaard-Park (2012) argues as necessary to motivate employees. Ethics is a core value of an excellent business, and thus should also be examined in employee-related issues. Therefore, in future studies of business excellence, attention should be given to how employees are treated during a downsizing event and how it relates to stakeholders' perception of the firm.

Future research in stakeholder influence strategy in other contexts (e.g. on a different research topic or in another country) should consider the importance of the institution and its conditioning effect on the behaviours of all the actors involved. The institutional dimension should improve the generalisation and prediction ability of the stakeholder influence strategy model.

Practical implications

When a company behaves in a way that conforms to society's expectations, it increases its legitimacy, resources and sustainability and consequently maximises its chances of surviving and succeeding. Therefore firms are willing to adopt a negotiation strategy with the stakeholders to settle disputes and on the other hand, the stakeholders are also willing to adopt such a strategy to seek a minimum loss or a maximum benefit. The concept of both parties realising the importance of institutional factors and being conditioned to select socially and legally accepted strategies to solve a mutual issue not only can be considered an important reference to firms and stakeholders for settling labour-related disputes during downsizing, but can also be applied to the settlement of other disputes such as issues on environmental protection or public policies. Multinational companies, especially, need to pay more attention to the institutional factors in host countries when they settle disputes with stakeholders in their paths of global expansion.

Funding

This research was supported by Taiwan National Science Council [NSC 96-2416-H-160-001-MY3].

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