

Abandoning Ship? Employee Turnover Intention in Firms on the Decline: A Phenomenological Study

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Abstract

Organizational decline represents a critical stage in the corporate lifecycle that can lead to employee uncertainty, situational discontent, and possible turnover if not intentionally prevented by management. This phenomenological study explores the influence of management teams on employees' perceptions of corporate decline and their decisions to remain with or leave organizations as they progress through the stages of decline. This research, based on 14 qualitative interviews with employees who experienced corporate decline, examines participants' experiences, their perceptions of indicators of decline, the factors that influenced their stay-or-leave decisions, and the managerial strategies that effectively influenced employee retention. The study utilized a mixed-methods approach combining semi-structured qualitative interviews with a quantitative survey of decline indicators. Results indicate that the quality of managerial communication has the most substantial impact on employee retention decisions during organizational decline. While decline indicators trigger employee concerns, the decisive factor in retention appears to be management's response; specifically, honest communication, active listening, and employee inclusion in problem-solving. The findings provide evidence-based strategies for management teams seeking to retain key employees during organizational transitions and contribute to broader discussions on organizational sustainability, workforce management, and leadership effectiveness.

Keywords: organizational decline, employee perception, managerial influence, effective communication, change management, employee retention

Introduction

Corporate adaptation in an ever-changing business environment is necessary for organizational longevity (Kirecheva, 2022; Kozcu & Timurcanday, 2021; Sen & Gupta, 2020). As markets evolve due to changing consumer needs, advancing technology, competitive pressures, and aging infrastructure, companies must examine their current operations and align their offerings to meet market demands (Irimias et al., 2019). Organizations must enact change to remain competitive (Fedynets, 2022; Kozcu & Timurcanday, 2021). Companies that successfully implement change tend to remain viable in the marketplace, whereas those that continue to operate as they always have may face closure as markets evolve without them.

Employees possess sufficient market awareness to identify signs of corporate decline, including decreased revenue, aristocratic management styles, focus on budget balancing over innovation, diminished employee incentives, lower pay raises, negative management attitudes, and increased workloads (Nottenburg & Fedor, 1982; Weitzel & Jonsson, 1989). These perceptions may lead to internal dynamics that disrupt organizational operations. Employee reactions to corporate decline vary significantly, some may remain hopeful for an organizational turnaround, while others may seek positions elsewhere, potentially creating a talent flight that accelerates organizational deterioration.

Management has an obligation to retain highly talented employees despite knowing the corporation is in decline (Cameron & Zammuto, 1983; Han et al., 2021; Whetten, 1980). However, literature addressing corporate decline and managerial theories for alleviating employee concerns during this critical period remains limited. This gap necessitates research that examines employee perceptions during decline and evaluates managerial retention strategies.

Research Purpose and Questions

This phenomenological study describes the experiences of employees who underwent corporate decline and observed management strategies intended to alleviate concerns. The central research question is: What managerial strategies during corporate decline successfully changed the minds of employees deciding whether to remain with the company as it progressed through decline or to leave?

Sub-questions include:

- What signs of corporate decline did participants notice?
- What strategies from management had effects on employee decisions?
- What recommendations from employees would have helped retain talent?

Literature Review

Corporate Life Cycle and Decline

The corporate life cycle describes organizational development patterns, conceptualized initially by Adizes (1979) as a 10-stage model resembling human development from courtship to

death. The stages progress through courtship, infancy, go-go, adolescence, prime, fall (decline), aristocracy, recrimination, bureaucracy, and death.

According to Adizes (1979), during the fall stage, productivity and profitability decline as organizational departments recognize their political power and use it to control the company. Poor leadership that prioritizes financial needs over innovation contributes to this stage. Products or services may become outdated, leading to a decline in sales and limited spending on creativity and innovation.

Kavale (2022) identified key decline indicators across seven categories with effect scores (on a 1-5 scale):

- **Economic Signs** (highest impact, 3.43 average): Bankruptcy, weak finances, inadequate financing, delayed revenues
- **Human Resource Signs** (3.34 average): High employee turnover, toxic work environment, poor HR policies
- **Managerial & Leadership Signs** (3.17 average): One-person rule, unbalanced leadership, lack of experience, incompetence, poor communication
- **Strategy and Structure Signs** (3.0 average): Poor product/service, incorrect strategy, lack of planning
- **Corporate Signs** (2.67 average): Poorly structured governance, lack of discipline, transparency, accountability
- **Marketing Signs** (2.75 average): Market share loss, unresponsive market niche, overdependence on single customer
- **Technology Signs** (2.0 average): Poor or non-existent required technology

Corporations may respond to decline through regenerative approaches (returning to earlier lifecycle stages through reinvention) or preservative approaches (managed decline or controlled contraction).

Change Management Theory

Organizational change is the necessary process for modifying a corporation's trajectory. Kurt Lewin's foundational three-step model includes (Burnes, 2004):

1. **Unfreezing**: Breaking employees from comfortable routines and overcoming organizational inertia
2. **Moving**: Implementing new processes and training employees in new requirements
3. **Refreezing**: Stabilizing employees into new roles and procedures

Successful change requires careful planning, comprehensive stakeholder involvement, and methodical implementation (Laurentiu, 2016; Sen & Gupta, 2020). Leadership teams must identify the need for change, assess associated costs, develop change plans, motivate employees to embrace new plans, and oversee the timing of strategic implementation.

Managerial Influence on Employee Retention

Employees react positively to change initiatives when corporate environments encourage innovation, employees feel secure in their positions, and they maintain good relationships with management. This positive relationship represents "a prominent driver of change-oriented citizenship" (Chiaburu et al., 2013, p. 298).

Effective managerial communication is crucial to the success of change and employee retention. Research demonstrates strong links between change management success and communication quality (Arif et al., 2017; Islam et al., 2021). Managers must create positive visions, inspire followers, reassure personnel, and maintain constant communication throughout change processes.

Management teams initiate successful change by championing employee behavior, motivating active participation, and fostering a sense of value through increased responsibility and opportunities for creative expression (Taktakishvili & Tskhovrebashvili, 2023). When employees are the focus rather than mere spectators, change initiatives yield significant improvements.

Methodology

Research Design

This study employed a phenomenological, mixed-methods approach to understand employees' lived experiences during organizational decline. The design combined qualitative semi-structured interviews with quantitative surveys to measure recognition of decline indicators.

Participants

Fourteen participants were recruited through convenience sampling from the Montgomery County, Texas Business Network Group, the Montgomery County, Texas Association of Business Women, and the researcher's professional network. Participants were required to meet specific criteria:

- Employment during the organizational aristocracy/decline stage
- Personal observation of corporate decline signs
- A conscious decision to stay or leave based on corporate decline observations
- Management interactions that influenced their decisions
- Insight into managerial influence effects on retention decisions

Sample demographics included eight males (57.14%) and six females (42.86%), representing various organizational levels: nine employees (64.29%) and five managers (35.71%). Company sizes varied: small (2 participants, 14.29%), medium (5 participants, 35.71%), and large (7 participants, 50%).

Data Collection

The modality of data collection included semi-structured interviews lasting 20-40 minutes, which explored:

- Observed signs of corporate decline
- Personal concerns about the state of the company
- Employment decisions made by the employee
- Management strategies encountered
- Recommendations for improvement

A quantitative survey assessed participants' observation of 22 corporate decline indicators across seven categories adapted from Kavale's (2022) framework.

Data Analysis

Interview transcriptions were hand-coded to identify themes and patterns. Responses were grouped into categories and analyzed with respect to participant demographics and company outcomes. Reliability was established through systematic coding and direct participant quotations.

Results

Signs of Decline Observed

Participants identified 21 of 22 total decline indicators. The most prominent indicators were:

1. **High employee turnover** (79% of participants) - The strongest indicator across all demographic groups
2. **Incorrect company strategy** (71%)
3. **Lack of planning or poor planning** (71%)
4. **Lack of transparency/accountability** (71%)
5. **Poor internal communication** (64%)
6. **Lack of company discipline** (64%)
7. **Poor service or product** (57%)
8. **Failure to see need for change** (57%)

Notable demographic differences emerged. For "lack of planning," 89% of employees agreed compared to only 40% of managers. All female participants (100%) identified "lack of company discipline" compared to 38% of male participants. Companies in recovery showed lower agreement rates across most of Kavale's (2022) indicators than companies still in decline or dissolved.

Employee Decision-Making Process

After identifying decline signs, participants' primary concerns at their current companies included:

- **Increased workplace responsibilities** (42.85%) - Due to staff reductions without workload adjustments
- **Financial fears** (35.72%) - Concerns about job security and compensation
- **Fear of losing job** (21.42%)
- **Toxic work environment** (21.42%)
- **Lack of trust in management** (21.42%)
- **Ineffective communication** (21.42%)

Most participants (64.29%) made a conscious decision to leave their companies, while 35.71% chose to stay. Those who stayed often did so because they still had employment and decided to remain as long as possible. Only one participant stayed because they felt secure in their position.

Managerial Impact on Retention Decisions

The study revealed that managerial communication quality had the strongest impact on employee retention decisions. Most participants (57.14%) reported that management was willing to make changes only after learning of employees' departure decisions. However, 100% of departing employees stated that nothing management offered after announcing their departure convinced them to stay.

Effective managerial strategies identified:

- Honest communication from the beginning (recommended by 57.14%)
- Active listening to employee feedback (42.86%)
- Early transparency about company conditions
- Including employees in solution development

Ineffective managerial strategies observed:

- Poor communication (criticized by 35.71%)
- Unexplained layoffs (35.71%)
- Creating toxic work environments (28.57%)
- Management isolation from employees (28.57%)

Companies in Recovery vs. Decline

Critical differences emerged between companies that recovered and those that remained in decline or dissolved:

Companies in Recovery:

- 33% of participants felt management listened to their concerns
- 50% felt management communicated effectively
- Employees felt "heard" and saw their suggestions implemented

Companies in Decline/Dissolved:

- 0% felt management listened to concerns
- 0% felt management communicated well
- Employees felt frustrated and excluded from solutions

Discussion

Key Findings

This research demonstrates that managerial communication quality, rather than the severity of decline, primarily determines employee retention during organizational decline. While decline indicators trigger employee concerns about their future, the decisive factor appears to be the quality of management's response, specifically honest communication, active listening, and employee inclusion in problem-solving efforts.

The study reveals a critical timeline issue: by the time management attempts to retain employees, employee decisions are often already finalized. Participants could identify specific managerial discussions that served as "deciding points" for their stay-or-leave decisions. Those who stayed interacted with managers who were honest, transparent, listened to concerns, and included employees in addressing organizational challenges.

Theoretical Implications

These findings extend organizational decline theory by highlighting the human dimension of corporate decline management. While the existing literature primarily focuses on financial and strategic aspects of decline, this study demonstrates that employee perceptions and managerial responses significantly influence organizational outcomes.

The research supports and extends Lewin's change management model by showing that the "unfreezing" stage requires not just breaking organizational inertia but requires explicitly honest communication and employee inclusion. The findings suggest that successful organizational change during decline depends more on relational factors than on technical change management techniques.

Practical Implications for Management

The study provides several actionable insights for management teams:

1. **Establish proactive communication:** Build honest communication channels before decline becomes obvious
2. **Listen actively and implement suggestions:** Create formal and informal feedback mechanisms and visibly act on employee input
3. **Include employees in problem-solving:** Engage staff in addressing decline rather than excluding them from solutions

4. **Be transparent appropriately:** Share relevant information about company conditions while maintaining necessary discretion
5. **Prepare for "decision conversations":** Develop responses for employee concerns and identify those needing discussion before they reach decision points

Limitations and Future Research

Several limitations should be acknowledged. The convenience sampling approach may introduce selection bias, and the regional concentration (Southeast Texas) limits generalizability. The sample focused primarily on white-collar employees and excluded blue-collar perspectives. Additionally, the representation of company size may not capture experiences in very large or very small organizations.

Future research should expand demographic and geographic diversity, include blue-collar industries, evaluate specific managerial communication training programs, and examine multiple locations within the same organization. Research on the impact of economic conditions on employee decisions during decline would provide valuable additional insights.

Conclusion

This phenomenological study demonstrates that managerial communication significantly impacts employee retention during organizational decline. While decline indicators may trigger employee concerns, management response quality, particularly honest communication, active listening, and employee inclusion, largely determines retention outcomes.

The findings suggest that management teams can significantly influence employee retention by improving communication practices, even during periods of organizational decline. Organizations facing decline should prioritize management training in communication skills and create systems for ongoing employee feedback and engagement.

The research contributes to the organizational decline literature by highlighting the critical human dimension of decline management and by providing evidence-based strategies for practitioners. The study emphasizes that successful navigation of organizational decline requires not only strategic and financial management but also careful attention to employee relationships and communication quality.

Most significantly, this research reveals that employees are willing to remain with declining organizations when they feel heard, valued, and included in addressing organizational challenges. This finding suggests that honest, inclusive management approaches may be among the most powerful tools for organizational survival during periods of decline.

The implications extend beyond immediate retention concerns to broader organizational sustainability. Companies that successfully engage employees during decline may be better positioned for recovery, as evidenced by stark differences between companies that recovered and those that remained in decline or dissolved. This suggests that investment in employee

relationships during difficult periods may serve not only as a retention strategy but also as a recovery strategy.

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