

# KNOWLEDGE MANAGEMENT AND DOWNSIZING: IMPLICATIONS FOR ORGANIZATIONAL PERFORMANCE

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## ABSTRACT

Downsizing as a corporate restructuring strategy aims to reduce significantly the number of employees in order for the company to adjust to the reduction of revenues resulting from the influence of environmental factors. Workforce reduction is most often implemented during economic crises, which is why it is associated with ambivalent outcomes. Reducing the number of employees through reducing the budget for salaries can have a favorable impact on reducing costs and thus enable the company to operate in the short term. The departure of employees from the organization is associated with a potential loss of organizational knowledge that can reduce the company's competitiveness and have a negative impact on business. The purpose of this paper is to identify the impact of workforce reduction on knowledge management and organizational performance. A questionnaire filled out by managers from 75 companies was used to collect data. Correlation analysis and multiple hierarchical regression were applied to determine the relationship between the observed variables. The results showed that downsizing has a statistically significant and negative impact on organizational performance. Knowledge management has a positive impact on organizational performance and reduces the negative impact of workforce reduction on organizational performance during the implementation of downsizing. The obtained results give clear practical guidelines to managers that downsizing can have negative consequences on organizational performance if the protection of organizational knowledge is not taken into account and that managers must focus on knowledge in order to preserve potential for competitiveness and per-

formance. The obtained results have a much broader significance in all those situations (restructuring, digitalization, business model change, etc.) in which the company needs to reduce the number of employees.

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## 1. INTRODUCTION

Various factors from the global environment generate economic crises that imply significant challenges in corporate governance. The Covid-19 pandemic, although lacking an economic basis, has created a tremendous impact on business around the world through the introduction of various restrictions that have led to a reduction in economic and business activity. Negative trends at the level of the national economy are reflected in companies through a decline in revenues and/or rise in costs, creating pressure on company management to adapt to the circumstances (Koutoupis et al., 2021). The most common measure of quickly adapting to such business conditions is aggressive cost reduction. Starting from the fact that employees in each company generate serious costs that come from the salary budget, a significant number of management actions in times of crisis are implemented in order to reduce the number of employees through the application of some of the downsizing strategies. The focus is on rapidly reducing costs to align with current revenue, but this does not take into account the effect on other costs and processes in the organization that can affect negatively performance and in the long run lead to the loss of competitiveness (De Meuse & Dai, 2013). Downsizing as a corporate strategy is becoming an attractive option during a recession and economic crisis with the goal of maintaining business stability in the short term.

The process and effects of organizational restructuring are in the center of attention of all managers in the company, and certainly human resource managers, primarily due to the fact that a large part of restructuring activities relates to downsizing, ie reducing the number of employees (Dalton et al., 1996). The first serious wave of workforce reduction in companies in the world occurred in the late 1970s and early 1980s, and by the 1990s the number of people who lost their jobs increased dramatically (Feldman, 1996; Feldman & Leana, 2000). As modern business conditions are characterized by increasing competition and digitalization of business, it is realistic to expect that in the coming period the number of people who lose their jobs will increase, even when the effects of the Covid-19 pandemic weaken.

Downsizing can be described as a set of managerial activities whose primary goal is to improve organizational efficiency, productivity, and competitive advantage. It is a process of reducing the size of a company by eliminating assets, capital and employees (Freeman & Cameron, 1993). Since in most cases it means reducing the number of employees, downsizing is often equated with layoffs. However, the concept of downsizing differs from layoffs because its focus is on the organizational perspective rather than the individual level (Schmitt et al., 2012). Therefore, downsizing can be understood as reducing the number of employees, the number of jobs and job positions in the company in order to increase efficiency, and not as the layoffs or retirement of individuals (Cascio, 1993; Petković & Aleksić Mirić, 2009). Although it is one of the popular and frequently used strategies, downsizing often does not allow a firm to achieve the desired results (Dalton et al., 1996). The main reason for that are the employees themselves. After downsizing, it can happen that employees have a larger scope of work and extended working hours, which has a negative effect on their satisfaction. In addition, if the company has not created a clear strategy of downsizing and people who have specific and unique knowledge have left the company, it cannot achieve satisfactory performance (Evangelista & Burke, 2003). On the other hand, those employees who have “survived” downsizing often feel a loss of morale, fear, anger, depression or dissatisfaction, which leads to a decrease in organizational commitment, motivation, commitment to work, work effort and the creation of resistance to change. Such negative effects further jeopardize the functioning of the company: there is a decrease in productivity, loss of product and service quality, the creation of dissatisfied customers, high employee turnover and difficult recruitment of new workers. Ultimately they cause poor financial results and threaten the survival of the company in the market (Hutchinson, et al., 1997; Farrell & Mavondo, 2005; Devine et al., 2003; Trevor & Nyberg, 2008).

There are several reasons why downsizing does not lead to desired companies outcomes, such as structural and coordination problems, difficult planning, and delegation of authority (Orpen, 1997). Structural problems are reflected in the fact that the loss of a certain number of jobs, and consequently the dismissal of employees are at the center of the restructuring process. As a result, there is an increase in the range of control that requires from managers to spend much more time monitoring their subordinates. Difficult coordination, which has several causes, is an additional problem. First of all, those who remain in their position begin to care much more about performance at the workplace, without paying too much attention to how their work affects the performance of others in the company. Difficult coordination also occurs due to the fact that some employees

have difficulties in overcoming the newly assigned job, but also because of the increase in the total scope of work as a result of the integration of work obligations. Because of difficulties in coordination and the aforementioned control, managers are not able to effectively delegate responsibilities and have to perform a large number of tasks on their own, which leads to a reduction in time for dealing with planning tasks. In order to overcome these problems, it is necessary to carefully plan the strategy and goals of downsizing and connect it with the vision and strategy of the company, and this strategy should eliminate only those processes and positions that are not important to the company and do not generate value (Dalton et al., 1996; Evangelista & Burke, 2003; Lamarsh, 2009).

In order for the implementation of downsizing to be effective, human resource managers need to implement several important activities. At the very beginning, it is necessary to determine the clear reasons why downsizing is carried out. Additionally, when it comes to human resources, it is necessary to determine whether downsizing can be replaced by some other alternative that would keep employees within the company. If this is not possible, in the next step it is necessary to communicate to employees the clear reasons why downsizing is carried out, in order to reduce their stress and avoid negative reactions. Human resource managers must also plan future jobs, which means engaging employees in new tasks and determining the knowledge that employees must have. This activity is accompanied by the definition of a new way of measuring the achieved performance and the design of a system for providing feedback to employees (Campion et al., 2011; Hutchinson et al., 1997). What is very important in downsizing is that human resource managers must constantly keep in mind that employees with specific knowledge, skills and abilities must remain in the company (Orpen, 1997).

As early as the late 1980s, it became clear that knowledge was one of the most valuable components of an asset that could lead to business success. A resource-based view, as well as a knowledge-based view of the firm, assumes that employee skills, abilities, and experience are a source of sustainable competitive advantage (Bollinger & Smith, 2001; Sitlington, 2012). Of course, this is not only because of the knowledge of individuals in the company, but also the organizational culture, systems, structure, procedures and behavior that can lead to knowledge sharing between employees in the company and consequently achieving good business results (Walsh & Ungson, 1991). That is why it is necessary to keep people who have specific human capital in the company not only because they will successfully do the job thanks to their knowledge, but also because that knowledge can be used in the future to achieve strategic goals, and also to acquire additional knowledge (Madsen et al., 2003). If not implemented

carefully, downsizing can not only destroy valuable knowledge in the company, but can destroy individual and group connections, system, procedures and routine that enable successful knowledge exchange, leading to long-term negative consequences in business (Fisher & White, 2000; Littler & Innes, 2003). The company will be in deficit with specific knowledge, not only because some employees left the company, but also because of the so-called “survivor syndrome,” which refers to a state of stress, anxiety, and anger that prevents an employee from doing their job effectively (Sitlington, 2012).

Knowledge lost in the downsizing process must be compensated, which is why it is necessary to manage knowledge in order to avoid negative effects. Knowledge management strategies in the downsizing process are numerous and they can include activities such as preparing and planning changes in the company, documentation of policies and procedures, providing support to employees, improving and disseminating knowledge, codification and transformation of knowledge explicitly, providing training to employees and similar (Sitlington & Marshall, 2011; Cascio, 1993). The concept of knowledge management in the downsizing process gets a completely new role, with the basic goal of preserving existing knowledge in the company. This role implies the transition from the traditional to the knowledge-based approach, in which the criteria of downsizing that must be met are the determination of key competence, mapping, ie presentation of knowledge, identification of leaders, ie employees who have specific and unique knowledge and finally, the codification of knowledge and its personalization, ie transforming implicit knowledge into explicit (Babić et al., 2008). By preserving existing knowledge, the company will be able not only to improve its own performance, but also to preserve the existing network of formal and informal relations between employees which enable knowledge sharing, improvement of existing knowledge and development of new knowledge that will be of strategic importance in the company (Schmitt et al., 2011). Special attention must be paid to those who “survived” downsizing (Petković & Aleksić Mirić, 2009). In order to return their emotional state to normal, human resource managers must provide these employees with appropriate support in the form of communication, giving professional advice, information on working in a new position, etc. As downsizing involves elimination and integrating certain jobs and functions in the company, a particularly important strategy for knowledge management is to provide training and development to employees (Gandolfi, 2009). Those who remain in the company will often do new or additional jobs that require additional knowledge, which can be acquired through internal mobility, or job rotation at different functions and levels in the company, mentoring by managers at the same or different hierarchical levels, constantly giving feedback so that the em-

ployee knows what they need to learn, building team spirit, informal leadership and consulting (Feldman, 1996). In addition to preserving and improving existing knowledge, employee training also leads to easier acceptance of changes, advancement, delegation of authority that has a positive effect on job satisfaction and commitment to the company, and ultimately on performance (Gandolfi, 2009; Sitlington & Marshall, 2011).

## 2. MATERIALS AND METHODS

Research on the impact and importance of knowledge management during the implementation of the downsizing strategy was conducted using a questionnaire that consists of three parts. The first part of the questionnaire contained statements related to knowledge management (KM) and they were observed through three key knowledge management processes (Armistead, 1999): knowledge creation (example of items are “Stimulating formal and informal networking between employees and experts“, “Exchanging information with professionals and experts“, and “Exchanging the best practices“), knowledge transfer (example of items are “Formal mechanisms enabling exchange of the best practices“ and “Using procedures to collect and distribute suggestions coming from the employees, customers/clients and business partners“) and knowledge application (used items are “Applying suggestions given from the customers/clients for improving products/services“, “Application of knowledge and experience in a work process“ and “Using knowledge for practical purposes and problem solving“). To measure these variables, we used statements verified in the previous studies conducted by Darroch (2003), López et al. (2004), Lloria (2007), Huang & Li (2009), Wang & Ellinger (2011), Slavković & Babić (2013), and Anwar & Ghafoor (2017). The second part of the questionnaire included statements that measured organizational performance (OP), such as “Capability of reducing operative costs“, “Productivity comparison with the competition“, “Product/service quality in comparison with the competition“, “Satisfaction of customers/clients in comparison with the competition“, “Speed of solving new problems“ and “Organizational reputation“. The validity of these statements was previously confirmed through research conducted by Delaney & Huselid (1996), Lee et al. (2010), Goldoni & Oliveira (2010), Sheehan & Cooper (2011), Slavković & Babić (2013) and Shanker et al. (2017). The third part of the questionnaire contains categorical variables such as the size of the company measured by the number of employees, the type of industry in which the company operates and the change in the number of employees used as an independent variable in observing the downsizing strategy. Five-point Likert scale, from “Totally disagree“ to

“Totally agree“ was used to measure the state of variables in the first and second part of the questionnaire.

The process of conducting the research began with the formation of a sample through the definition of criteria for its constitution. Starting from the observed variables, such as knowledge management, organizational performance and reduction of the number of employees, it was concluded that they are part of the process of strategic human resource management. In practical terms, this gave indications that small firms and young organizations are not suitable to form a sample. The argument that they should be excluded from the sample was further confirmed by research conducted by [Kotey & Slade \(2005\)](#) which found that there is a significant difference in the level of formalities in human resource management practice between small and medium enterprises and large companies. Based on the above, it was arbitrarily decided that the sample consists of companies with more than 50 employees which were established more than 5 years ago. The reason for introducing the second constraint is related to two important arguments: first, the establishment of formalized processes and procedures for strategic human resource management and knowledge management requires some time, and second, greater certainty of organizational performance assessment if established companies instead of start-ups are observed. In addition to the above, an additional restriction was aimed at excluding public and state-owned companies from the sample. The reason for this limitation is reflected in several important facts: process efficiency or performance is usually not imperative in such companies, decisions in the field of human resource management are often based on political voluntarism, and the number of employees tends to be stable or increase, regardless of performance. Starting from the proportion for the sample size defined by [Green \(1991\)](#) for regression analysis models, it was determined that a minimum of 58 companies is needed for the validity of the research.

By using social networks, the authors contacted 110 representatives of companies operating in the Balkan region (Serbia, Bosnia and Herzegovina, Montenegro and Macedonia) and their representatives, who could give valid answers to the defined variables of the research, namely general managers, executive managers, human resource managers and project managers. After obtaining consents for participation in the research and positive verification that their companies meet the defined criteria for the formation of the sample, the process of distributing the questionnaire in electronic form began. After two weeks, an initial response rate of 37% and 41 valid questionnaires was obtained. To increase the response rate, the procedure suggested by [Menon et al. \(1999\)](#) was applied. An additional reminder was sent to complete the questionnaire and after three weeks, 75 valid

questionnaires were received, with an overall response rate of 68%. In that way, the condition on the required number of companies for the valid research was met.

### 3. RESULTS

After the research, the procedure of processing and analysis of the obtained data was initiated with the application of appropriate statistical methods. SPSS software package version 23.0 was used for data processing. Sample statistics show that companies with 50-249 employees make up 37.3% of the sample, while companies with more than 250 employees make up the largest part of the sample, or 62.7 percent. The results of the summary report presented in Table 1 show that there are more companies that generate revenue through the service industry than in the production industry, 52.0% and 48% respectively.

**Table 1.** Characteristics of the companies in the sample: summary report

|                             | Frequency | Proportion (%) |
|-----------------------------|-----------|----------------|
| 1. Number of employees      |           |                |
| 50 - 249 employees          | 28        | 37.3           |
| More than 250 employees     | 47        | 62.7           |
| Sum                         | 75        | 100            |
| 2. Type of industry         |           |                |
| Production                  | 36        | 48.0           |
| Service                     | 39        | 52.0           |
| Sum                         | 75        | 100            |
| 3. Workforce number changes |           |                |
| Increased                   | 23        | 30.7           |
| No change                   | 25        | 33.3           |
| Reduced by up to 10%        | 12        | 16.0           |
| Reduced by more than 10%    | 15        | 20.0           |
| Sum                         | 75        | 100            |

Source: Author's survey data

The last categorical variable in Table 1 shows the movement of the number of employees in the observed companies in the previous year. This variable was used to identify the application of the downsizing strategy. The companies in which the reduction of the number of employees was identified cumulatively make up 36% of the sample and represent the companies in which some of the types of downsizing strategy have been applied. A higher percentage of workforce reductions indicates greater organizational adjustment to the new circumstances caused by the Covid-19 pandemic and potentially greater challenges in

knowledge management and sustaining existing performance. Companies with no change in the number of employees make up 33.3% of the sample, while 30.7% of the sample is comprised of companies with an increased number of employees.

The first step in the analysis of the observed variables was the analysis of Cronbach's alpha coefficient. The obtained results showed that the value of Cronbach's alpha coefficient satisfies the necessary criteria for both observed variables measured with the Likert scale: knowledge management and organizational performance, which were 0.92 and 0.88, respectively.

The degrees of linear dependence between key variables were identified using correlation analysis, the results of which are shown in Table 2. The table itself clearly shows that knowledge management (KM) is positively correlated with organizational performance (OP) and Pearson's correlation coefficient of 0.777 shows a strong and statistically significant relationship between these two variables. The obtained result suggests that the improvement of the knowledge management process (knowledge creation, knowledge transfer and knowledge application) is positively correlated with organizational performance, ie the strengthening of knowledge management initiatives can be positively related to the business success of companies.

**Table 2.** Intercorrelations between Study Variables

| Variable              | 1        | 2        | 3     | 4 |
|-----------------------|----------|----------|-------|---|
| 1 KM                  | –        |          |       |   |
| 2 OP                  | 0.777**  | –        |       |   |
| 3 No. of employees    | 0.042    | -0.081   | –     |   |
| 4 Workforce reduction | -0.296** | -0.385** | 0.061 | – |

Source: Author's calculation, \* $p < .05$ . \*\* $p < .01$

The total number of employees, as a control variable in the correlation analysis, was not statistically and significantly correlated with any other variable in the model, which confirmed the homogeneity of the sample. In this way, the correctness of the application of the restriction that the sample consists only of companies with more than 50 employees was confirmed, which at the same time eliminates the influence of the number of employees, as a category variable, on other results of statistical analysis.

The reduction in the number of employees, as a variable representing the downsizing strategy, shows a strong negative correlation with knowledge management and organizational performance. The correlation coefficients of -0.296

and -0.385 are statistically significant and indicate the need for a more detailed analysis of the relationships between these variables. For that reason, the procedure of hierarchical multiple regression analysis was applied, which is shown in Table 3.

**Table 3.** Hierarchical Multiple Regression Analysis Summary of Organizational Performance

| Variable entered                   | R <sup>2</sup> | R <sup>2</sup> change | F        | β               | t                  | Tolerance      | VIF            |
|------------------------------------|----------------|-----------------------|----------|-----------------|--------------------|----------------|----------------|
| Block 1: Workforce reduction       | 0.148          |                       | 13.197** | -0.385          | -3.633**           | 1.000          | 1.000          |
| Block 2: Workforce reduction<br>KM | 0.630          | 0.482                 | 63.931** | -0.169<br>0.727 | -2.305*<br>9.892** | 0.912<br>0.912 | 1.096<br>1.096 |

Source: Author's calculation, \*p < .05. \*\*p < .01

Block 1 shows the impact of workforce reduction on organizational performance. The coefficient  $R^2$  explains 14.8% of the variance in the stated ratio. In Block 2, knowledge management (KM) was included as a variable and the  $R^2$  coefficient increased to 63.0%, which explains the increase in the variance of the introduced variable of 48.2%. The whole observed model, which consists of the following variables: downsizing strategy, KM (knowledge management) and organizational performance (OP), is statistically significant, which shows the value of  $F = 63.931$ ,  $p = 0.000$ , which also shows that the research model is relevant for explaining variance in organizational performance change. The standardized coefficient  $\beta$  in Block 1 shows a value of -0.385 which reveals the negative and high impact of workforce reduction on organizational performance. In Block 2, the coefficient  $\beta$  for the workforce reduction variable also shows a negative impact, but the value is significantly lower amounting to -0.169. On the other hand, in Block 2 the variable knowledge management is 0.727 and shows a very significant impact on organizational performance. At the same time, comparing the value of the coefficient  $\beta$  for the variable workforce reduction in Model 1 and Model 2, it can be concluded that in both models it retains a negative value, but in Model 2 the value of this coefficient decreases under the influence of variable KM (knowledge management). The multicollinearity test, which can be evaluated on the basis of VIF indicators, is important in the evaluation of the overall model. In relation to the allowed value, the VIF coefficient is 1.096 and significantly below the maximum allowed value, which is why it can be stated that there is no problem with multicollinearity in the model, ie that the influence of variables in the model is independent.

#### 4. DISCUSSIONS

Important finding in this study was that downsizing strategy or reducing the number of employees significantly affects organizational performance. First, the results of the correlation analysis showed an indication that downsizing or workforce reduction is negatively correlated with organizational performance (OP) and knowledge management (KM), with the value of the Paerson's coefficient being rated high and the relationship between variables being described as strong. In practical terms, these results show that the reduction in the number of employees is negatively related to organizational performance and knowledge management processes in companies. Reducing the number of employees will lead to a decrease in organizational performance and weakening of processes related to the knowledge management program: knowledge creation will slow down, knowledge transfer between employees will decrease, and the application of required knowledge in operational processes will be lower than required. Correlation analysis showed a strong positive relationship between knowledge management (KM) and organizational performance (OP), and this relationship can be assessed as extremely strong. In this way, it was found that strengthening the knowledge management initiative has a positive impact on organizational performance. The results of the correlation analysis indicated a linear relationship between downsizing (workforce reduction), knowledge management (KM) and organizational performance (OP), but did not establish a causal relationship between these variables.

Identifying the essence of the relationship between the observed variables and guidelines for practical implications in the implementation of downsizing was obtained through hierarchical multiple regression analysis. Two models were used in this analysis, in which OP was the dependent variable. Model 1 showed that downsizing has a statistically significant impact on organizational performance, but that the impact is negative. This confirmed the indications obtained in the correlation analysis. In Model 2, knowledge management (KM) was introduced as an independent variable and the obtained results gave two significant results: first, knowledge management has a positive and statistically significant impact on organizational performance, and second, the negative downsizing effect is reduced. Such results of regression analysis have significant practical implications for the implementation of the downsizing strategy. First, knowledge management significantly contributes to organizational performance during downsizing. Second, the negative impact of workforce reductions on organizational performance can be significantly offset by strengthening the knowledge management process and preparing employees for this process, which is in line with the results of research conducted by [Sitlington & Marshall \(2011\)](#).

The above indicates the strategic importance and implications of the downsizing strategy, which is why it is necessary for the reduction of the number of employees in the organization to be a planned decision and a determined process, as suggested by [Band & Tustin \(1995\)](#). The implementation of downsizing, as a corporate strategy, requires a planned approach that respects knowledge as a key resource for sustainable competitive advantage ([Babić et al., 2008](#); [Schmitt et al., 2012](#)). In human resource management practice, downsizing should result in enhanced knowledge management initiatives that will prevent negative effects. These measures should target employees as key constituents in the knowledge management process, and some of them include the following actions: mapping and retaining employees whose knowledge is crucial in the organization, encouraging and motivating talents to stay in the company, encouraging knowledge exchange between employees, mapping the existing knowledge among employees, application of knowledge to improve processes in the company and other.

## 5. CONCLUSIONS

Downsizing is not an unknown strategy in management practice and, as a rule, gains momentum in times of crisis. The Covid-19 pandemic caused significant negative consequences for the economy and actualized workforce reduction as a realistic strategic option in the intention of management to adapt to current challenges. Numerous previous papers and this research too have shown that knowledge management has a positive impact on organizational performance, as well as a positive contribution to organizational performance during the implementation of downsizing or during a significant reduction in the number of employees in the company. Downsizing, as a planned decision, should respect the knowledge resources or employees as key knowledge carriers in the company, in order to prevent knowledge erosion and thus jeopardize the competitive advantage in the long run. This is especially important if one considers the causal relationship between performance before and after downsizing ([Cascio et al., 2021](#)).

Despite the fact that downsizing is most relevant and important in times of crisis, it can be expected that this strategy will be relevant in the coming period, primarily thanks to the digitalization process. By digitizing business processes and through the investment in ICT and the replacement of human labor with machines many companies create the opportunity to reduce the number of employees. The process of company restructuring stimulated by digital transformation in the context of downsizing has the same strategic determinants as the restructuring of companies during the crisis, both in terms of knowledge management and in the approach to human resource management.

Based on the above, the practical implications of this work may be significant for management practice even after the normalization of circumstances caused by the Covid-19 pandemic. At the same time, it gives authors the opportunity to design future research in which the relationship between downsizing and organizational performance can be viewed in the context of business digitalization or digital transformation of companies. In addition to digital transformation, future research will focus on identifying other contextual variables that may reduce negative effects during workforce reduction.

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### Conflict of interests

The authors declare there is no conflict of interest.

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## УПРАВЉАЊЕ ЗНАЊЕМ И СМАЊЕЊЕ БРОЈА ЗАПОСЛЕНИХ: УТИЦАЈ НА ОРГАНИЗАЦИОНЕ ПЕРФОРМАНСЕ

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### САЖЕТАК

У суочавању са различитим изазовима који долазе из глобалног окружења, бројне компаније покрећу програме реструктуирања са циљем очувања или унапређења конкурентске позиције. Стратегија смањивања броја запослених, као корпоративна стратегија реструктуирања, циља на значајно смањење броја запослених како би се кроз снижавање расхода за зараде смањили укупни трошкови и ускладили са текућим приходима. Стављајући у фокус само финансијске аспекте примјене ове стратегије, менаџери компанија који су се определијелиле за програм редукције броја запослених, занемарују остале ефекте примјене ове стратегије која у фокус ставља запослене и њихово знање. Губитак вриједног и суштински важног организационог знања, који је посљедица одласка талената и кључних запослених из компаније, може да угрози организационе перформансе и конкурентску спо-

собност компанија. Пандемија проузрокована ковидом19 изазвала је бројне економске проблеме и актуелизовала атрактивност примјене стратегије смањивања броја запослених. Истраживање, чији су резултати приказани у овом раду, имало је за циљ да утврди утицај редукације броја запослених на управљање знањем и организационе перформансе. Подаци који су коришћени у анализу прикупљени су путем упитника који су попуњавали менаџери компанија које имају више од 50 запослених. За успостављање односа између варијабли и доношење закључака о међусобном утицају коришћена је корелациона анализа и вишеструка хијерархијска регресија. Резултати су показали да је редукација броја запослених негативно корелирана са организационим перформансама и управљањем знањем и да је тај однос статистички значајан. Модел вишеструке регресионе анализе је показао да редукација броја запослених има статистички значајан и негативан утицај на управљање знањем и организационе перформансе, али да управљање знањем има позитиван статистички значајан на организационе перформансе и да он током имплементације стратегије смањивања броја запослених смањује негативан утицај редукације броја запослених на организационе перформансе. Ово истовремено представља кључни научни допринос рада и даје смјернице за практичне импликације које указују на потребу управљања ресурсима знања, односно запосленима као кључним носиоцима знања организације током редукације радне снаге.

**Кључне речи:** *управљање знањем, стратегија смањивања броја запослених, организационе перформансе, економска криза, редукација радне снаге, пандемија ковида19.*

