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IMPACT OF SPIN-OFF RESTRUCTURING TOWARDS EMPLOYEES' BEHAVIOUR AND ATTITUDES

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Abstract:

Spin-off restructuring has become a prominent corporate strategy as multinational corporations pursue enhanced strategic focus, improved operational agility, and optimised shareholder value. However, despite the extensive financial literature examining market reactions and firm-level outcomes of spin-offs, comparatively limited attention has been devoted to their Human Resource (HR) implications, particularly employees' behavioural, psychological, and attitudinal responses. This study addresses this gap by investigating how spin-off restructuring influences employee behaviour and attitudes within the context of the corporate separation of a large United States (US) based multinational industrial corporation that focuses on employees based in Malaysia. Adopting a qualitative phenomenological approach, this study draws upon semi-structured interviews with employees based in Malaysia who directly experienced the spin-off transition. The research explores employees' interpretations of the restructuring rationale, their sensemaking processes during periods of uncertainty, and the evolution of motivation and organisational identity before and after separation. Notably, thematic analysis reveals that, while employees generally understood and accepted the strategic justification for the spin-off, the restructuring generated multidimensional uncertainty encompassing job security, career continuity, and identity stability. Leadership communication, perceived transparency, alignment with organisational purpose, and intrinsic motivation emerged as critical moderating variables in shaping employee adaptation. The study contributes to Human Resource Management (HRM) scholarship by conceptualising spin-off restructuring as a separation-based form of organisational change that challenges identity continuity and psychological contracts. Additionally, it underscores the importance of human-centred leadership, sustained communication strategies, and identity-sensitive HR interventions in preserving engagement during corporate separation.

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Introduction

Organisational restructuring has become a defining feature of contemporary corporate governance in an era characterised by globalisation, technological transformation, capital market pressures, and strategic realignment. Organisations increasingly rely on restructuring mechanisms such as mergers, acquisitions, divestitures, downsizing, and spin-offs to reposition themselves within volatile markets. Within Human Resource Management (HRM) scholarship, restructuring is widely recognised as a critical event that profoundly influences employee behaviour, organisational commitment, psychological well-being, and workplace dynamics.

Spin-off restructuring represents a distinct form of corporate transformation. Unlike Mergers and Acquisitions (M&A), which focus on integration and consolidation, spin-offs involve organisational separation. Specifically, a subsidiary or business unit was detached from its parent entity and established as an independent company with its own governance structure, leadership framework, and strategic orientation (Gordon, 1992). However, while the corporate finance literature has consistently documented positive shareholder value creation following spin-offs (Cusatis et al., 1993; Desai & Jain, 1999), considerably less attention has been devoted to understanding how such separations affect employees.

From an employee perspective, spin-off restructuring is not merely a legal or financial transaction. It is a psychological, social, and identity-based transition. In particular, employees must detach from a legacy corporate brand, reinterpret organisational purpose, reassess career prospects, and reconstruct their professional identities within a newly formed corporate entity. This process often unfolds amid uncertainty, limited information, and evolving leadership structures.

Notably, the spin-off of a large United States (US) multinational industrial conglomerate into three core businesses—aviation, healthcare, and energy—between 2022 and 2024 represents one of the most significant corporate separations in recent history. This restructuring marked the dissolution of a historic conglomerate structure and signalled a shift toward industry-focused specialisation. For employees globally, including those in Malaysia, this transformation entailed more than structural realignment. It required identity renegotiation and psychological adaptation.

Moreover, while strategic narratives emphasise focus, innovation, and leadership in the energy transition, employees confront practical concerns: job security, leadership continuity, reporting relationships, compensation stability, and long-term viability. Such concerns situate spin-off restructuring within the broader discourse of organisational change, psychological contract theory, and social identity theory.

In this context, this study examines the human consequences of spin-off restructuring by focusing on the lived experiences of employees from a large US-based multinational industrial corporation in Malaysia. It aims to explore how employees interpreted the spin-off rationale, how uncertainty influenced behavioural responses, and how identity and motivation evolved during and after separation.

Problem Statement

Existing spin-off research predominantly focuses on financial and strategic outcomes, including abnormal stock returns, improvements in firm valuation, and operational efficiency gains (Cusatis et al., 1993; Berger & Ofek, 1995). Although such outcomes are crucial for shareholders and investors, they overlook the internal human dynamics that shape long-term organisational sustainability.

Employees represent critical stakeholders in any restructuring process. During spin-off events, employees frequently experience:

- Uncertainty regarding job security and role stability
- Identity ambiguity due to separation from a legacy brand
- Psychological contract disruption
- Reduced trust if communication lacks transparency
- Shifts in motivation and organisational commitment

Organisational change literature demonstrates that uncertainty during restructuring can negatively affect employee engagement, performance, and well-being (Bordia et al., 2004). Furthermore, identity-based disruptions can create emotional strain and resistance if not managed effectively (Corley, 2004).

However, despite these risks, limited empirical research has examined spin-off restructuring through an employee-centred qualitative lens, particularly in emerging economy contexts such as Malaysia. Thus, understanding employee perceptions is essential to ensuring that strategic separation does not undermine organisational culture, engagement, and performance.

Aim and Objectives of the Study

This research aims to examine how spin-off restructuring influences employees' behaviour and attitudes within a multinational corporate context.
The study specifically seeks to:

i. Explore employees' lived experiences during spin-off restructuring.
ii. Examine behavioural and attitudinal shifts during and after separation.
iii. Analyse the role of leadership communication in shaping employee adaptation.

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iv. Investigate how organisational identity reconstruction influences motivation and engagement.
v. Extends change management literature by conceptualising spin-offs as identity-destructive separation events rather than performance-driven structural adjustments.

Literature Review

Spin-Off Restructuring as a Strategic Corporate Mechanism

Spin-off restructuring has long been recognised in corporate finance and strategic management literature as a deliberate mechanism for enhancing shareholder value and improving strategic focus. Specifically, a spin-off occurs when a parent company separates a subsidiary or business division into an independent entity by distributing shares of the newly formed company to existing shareholders (Gordon, 1992; Cusatis et al., 1993). Through this process, the parent and the spun-off entity operate as distinct organisations, each with its own governance structure, strategic objectives, and financial accountability.

Furthermore, the dominant narrative in the spin-off literature emphasises value creation and operational efficiency. Empirical studies consistently report positive abnormal stock returns following spin-off announcements (Veld & Veld-Merkoulova, 2004; Desai & Jain, 1999). Such findings are frequently interpreted as evidence that spin-offs reduce conglomerate discount effects, enhance transparency, and improve managerial focus. Lane et al. (1997) further argued that corporate focus resulting from spin-offs enables firms to allocate resources more efficiently, thereby strengthening competitiveness and productivity.

Nevertheless, while these studies provide crucial insights into firm-level outcomes, they predominantly rely on quantifiable financial indicators such as stock price reactions, return on assets, and productivity metrics. Consequently, the success of spin-offs has been mainly evaluated from shareholder-centric perspectives, leaving the internal human consequences relatively underexplored. This imbalance reflects a broader tendency within restructuring research to privilege economic metrics over socio-psychological dimensions.

From Financial Metrics to Human Consequences

Although corporate-level benefits of spin-offs are well documented, restructuring initiatives inevitably reshape internal organisational dynamics. Employees are central stakeholders in these transformations, and their behavioural and attitudinal responses significantly influence whether anticipated strategic gains are realised.

The existing literature suggests that organisational restructuring often generates heightened uncertainty, particularly regarding job security, role clarity, and career progression (Bordia et al., 2004). Uncertainty is associated with stress, reduced job satisfaction, and diminished organisational commitment. Job insecurity literature further demonstrates that perceived threats to employment stability negatively affect psychological well-being and work engagement (De Witte, 2005).

Despite these established findings in broader change contexts, spin-off-specific employee research remains limited. Much of the restructuring literature has focused on M&A, where integration and cultural assimilation are primary concerns (Grace Lee & Teo, 2005; Yousaf,

2015). Spin-offs, however, represent a fundamentally different restructuring logic. In contrast to M&A, which involves expansion or consolidation into larger entities, spin-offs entail demerging and separation into smaller, independent organisations. This distinction has essential implications for employee experiences, as spin-offs require detachment from an established corporate identity rather than assimilation into a new one.

The limited employee-centred research on spin-offs therefore represents a significant conceptual gap. Without examining psychological and behavioural responses, assessments of spin-off success remain incomplete.

Organisational Change and Employee Responses

Spin-offs can be situated within the broader framework of organisational change theory. Organisational change is frequently conceptualised as a disruptive event that alters structures, processes, and relationships (Meyer, 1983; Hannan, 1984). Employees' reactions to change are influenced by perceived fairness, clarity, and leadership credibility.

Armenakis (1999) asserted that readiness for change depends on employees' beliefs about the appropriateness of change, leadership efficacy, and personal capacity to adapt. When restructuring is perceived as justified and well-managed, resistance is reduced. Conversely, when communication is inconsistent or perceived as lacking transparency, trust deteriorates.

In particular, spin-off restructuring introduces a distinctive form of disruption: identity-based separation. Employees are not integrating into a new external organisation. Instead, they are detaching from a historically established corporate entity. This process challenges continuity and stability, potentially disrupting psychological contracts (Rousseau, 1995).

Additionally, psychological contract theory posits that employees hold implicit expectations about mutual obligations between themselves and their employer. Structural separation may alter perceived obligations, leading to feelings of breach when expectations regarding stability, advancement, or organisational support are unmet. Such perceptions significantly influence motivation and commitment.

The Role of Communication in Restructuring

Across organisational change literature, communication consistently emerges as a primary mechanism for reducing uncertainty and shaping employee perceptions. Bordia et al. (2004) demonstrate that uncertainty during restructuring is mitigated when employees receive timely and credible information. Similarly, Schweiger and Denisi (1991) revealed that structured communication programmes significantly reduced anxiety and turnover intentions during mergers.

Communication effectiveness is not determined solely by the volume of information provided but by its credibility, inclusiveness, and alignment with organisational values (Lewis, 2006). Employees evaluate change initiatives through the lenses of fairness and trust. Morrison and Robinson (1997) argued that psychological contract evaluations are shaped by perceived integrity and consistency in leadership communication.

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In the context of spin-offs, communication becomes even more significant. As employees navigate separation from a parent entity, clear articulation of strategic vision and continuity becomes essential. Inadequate communication may amplify identity ambiguity and exacerbate uncertainty.

Organisational Identity and Sensemaking

Organisational identity theory provides further insight into employee reactions during spin-offs. Organisational identity refers to shared beliefs regarding what is central, distinctive, and enduring about an organisation (Hatch & Schultz, 2002). Spin-offs challenge these shared beliefs by redefining corporate boundaries and strategic direction.

Furthermore, Corley (2004) suggested that spin-offs frequently generate identity ambiguity, as employees struggle to reconcile their attachment to a legacy organisation with the emerging identity of the new entity. Identity reconstruction is rarely instantaneous. Instead, it unfolds through ongoing sensemaking processes.

On the other hand, sensemaking theory (Weick, 1995) posited that individuals actively construct meaning from ambiguous events by interpreting cues from leadership, colleagues, and organisational symbols. During spin-offs, employees reinterpret branding changes, structural shifts, and leadership narratives to determine what the new organisation represents. Identity ambiguity may have significant motivational consequences. When employees perceive continuity in values and mission, identity reconstruction may be smoother. Conversely, perceived discontinuity may weaken affective commitment.

Motivation and Employee Behaviour during Restructuring

Motivation theories provide additional explanatory power for understanding behavioural outcomes during spin-offs. For example, Maslow's (1943) hierarchy of needs suggests that restructuring may threaten safety needs, particularly job security, thereby influencing higher-order motivational drivers. Similarly, Herzberg's (1964) motivation-hygiene theory distinguishes between extrinsic hygiene factors (e.g., salary, security) and intrinsic motivators (e.g., achievement, growth).

Self-Determination Theory (Ryan & Deci, 2000) emphasised intrinsic motivation arising from autonomy, competence, and relatedness. Spin-offs may increase autonomy within smaller, focused entities, potentially enhancing intrinsic motivation. Nevertheless, uncertainty and perceived instability may undermine relatedness and security.

Additionally, commitment theory (Meyer & Allen, 1997) further highlights that organisational commitment comprises affective, continuance, and normative dimensions. Structural separation may alter these components differently. For instance, affective commitment may decline if identity continuity weakens, while continuance commitment may fluctuate depending on perceived career prospects.

Thus, motivation during spin-off restructuring is likely to be dynamic and contingent on both structural conditions and individual interpretations.

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Theoretical Framework

This study is primarily grounded in Sensemaking Theory (Weick, 1995) as the central theoretical lens through which employees' experiences of spin-off restructuring are interpreted. Spin-off restructuring represents an ambiguous and disruptive organisational event that challenges established meanings, roles, and identity structures. Specifically, sensemaking theory posits that individuals actively construct meaning in response to equivocal events by interpreting cues from leadership communication, organisational symbols, and social interactions. In the context of corporate separation, employees engage in ongoing meaning reconstruction to understand strategic intent, assess personal implications, and recalibrate behavioural responses.

Complementing this primary lens, the study draws upon Organisational Identity Theory (Hatch & Schultz, 2002; Corley, 2004) to explain how structural separation disrupts identity continuity and necessitates identity renegotiation. Psychological Contract Theory (Rousseau, 1995; Morrison & Robinson, 1997) further informed the analysis by illuminating how perceived changes in implicit obligations shape trust, motivation, and commitment during restructuring. Finally, insights from Organisational Change Theory (Armenakis, 1999) provide an overarching framework for understanding readiness, communication effectiveness, and adaptation mechanisms.

Therefore, by integrating these perspectives, the study conceptualises spin-off restructuring as a separation-based change event. In this context, sensemaking processes mediate identity reconstruction and psychological contract evaluations, ultimately shaping employee behavioural and attitudinal outcomes.

Geographical and Cultural Context: The Malaysian Perspective

A notable limitation of the existing spin-off literature is its geographical concentration. Most empirical studies have been conducted in Western economies and selected emerging markets such as India (Aggarwal & Garg, 2019; Gupta et al., 2022). These contexts, while valuable, may not fully capture the influence of diverse socio-cultural environments.

Malaysia presents a distinctive context characterised by a multicultural workforce composition and hybrid traditional-modern business practices. In particular, organisational culture in Malaysia may shape leadership styles, communication norms, and employee attitudes differently from Western contexts. Cultural values related to hierarchy, collectivism, and relational trust may moderate responses to restructuring.

Therefore, examining spin-off restructuring in Malaysia contributes to both contextual diversity and comparative organisational scholarship. The Malaysian subsidiary context offers valuable insight into how global restructuring decisions are interpreted, experienced, and enacted within subsidiaries operating in emerging market environments.

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Identified Gaps and Theoretical Positioning

The literature review identifies three primary gaps:

- A dominance of shareholder-centric, financial performance research with limited employee-centred analysis.
- A concentration on M&A rather than separation-based restructuring.
- A scarcity of studies within Southeast Asian contexts, particularly Malaysia.

Additionally, there is limited integration of identity theory, psychological contract theory, and motivation theory within spin-off contexts. Existing studies often treat these constructs in isolation rather than examining their interaction during restructuring.

To address these gaps, the present study adopts a phenomenological approach to explore employees' lived experiences within a US-based multinational industrial corporation based in Malaysia during the spin-off restructuring exercise between 2022 and 2024. By integrating corporate strategy perspectives with behavioural and identity-based frameworks, the study seeks to provide a more comprehensive understanding of spin-off restructuring.

Methodology

Research Design and Philosophical Positioning

This study adopts an interpretivist research paradigm to explore the impact of spin-off restructuring on employees' behaviour and attitudes. Interpretivism is grounded in the assumption that organisational realities are socially constructed and subjectively experienced by individuals. Rather than seeking objective, quantifiable generalisations, interpretivist research aims to understand how participants interpret, assign meaning to, and make sense of their lived experiences (Crotty, 1998). Moreover, given that spin-off restructuring involves complex organisational transformation, with emotional, cognitive, and identity-based processes, an interpretivist approach is particularly appropriate.

Notably, a qualitative phenomenological research design was employed. Phenomenology seeks to understand how individuals experience and interpret a particular phenomenon within their lifeworld (Moustakas, 1994; van Manen, 1990). In this study, the phenomenon under investigation is spin-off restructuring. The approach allows for in-depth exploration of employees' perceptions, emotions, motivations, and behavioural responses during and after the restructuring process. By focusing on lived experiences rather than predetermined hypotheses, the study captures nuanced insights that may not emerge through quantitative methods.

Research Context

The empirical setting of this research is employees in Malaysia, following the corporate spin-off of a large US multinational industrial corporation between 2022 and 2024. In this regard, the spin-off represented a significant organisational transformation involving structural separation, leadership realignment, and identity reconstruction. The Malaysian context provides a relevant setting due to its multicultural workforce composition and emerging economy characteristics, which may shape employee responses to restructuring differently from Western contexts.

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Notably, the study focuses specifically on employees who directly experienced the spin-off process. This contextual grounding ensures that the data reflect authentic experiences of organisational separation rather than abstract perceptions of change.

Sampling Strategy and Participants

A purposive sampling strategy was adopted to select participants with direct, relevant experience of the spin-off restructuring. Purposive sampling is widely used in qualitative research to identify information-rich cases that provide meaningful insights into the phenomenon under study (Patton, 2015). Participants were selected based on the following criteria:

- Direct involvement in or exposure to the spin-off transition.
- Employee of a US-based multinational industrial corporation in Malaysia during the restructuring period.
- Sufficient tenure to compare pre-spin and post-spin organisational contexts.

The final sample consisted of five senior-level employees representing different functional areas within the organisation. The inclusion of participants from diverse roles broadened the perspectives while maintaining the depth of analysis. Although the sample size is modest, it is consistent with phenomenological research standards, which prioritise depth of insight over statistical representativeness. Furthermore, the adequacy of this sample size is supported by prior methodological scholarship. Dworkin (2012) observed that many qualitative studies successfully employ sample sizes ranging from 5 to 50 participants, depending on the depth and purpose of the inquiry. Morse J. (2010) further emphasised that the appropriate sample size in qualitative research depends on several factors. These factors include the scope of the study, the complexity of the topic, the richness and quality of the data obtained from each participant, and the specific qualitative design adopted. Similarly, Charmaz, K. (1990), Charmaz (2006), asserted that sample size should be determined by theoretical saturation, which occurs when additional data collection no longer yields new insights or properties relevant to the emerging conceptual categories. In this study, data collection continued until saturation was achieved, when further interviews no longer contributed substantively to the development or refinement of themes. Charmaz (2006) quoted that conceptual categories in a research project can be considered saturated "when gathering fresh data no longer sparks new theoretical sparks, nor reveals new properties of your core theoretical categories."

Data Collection Procedures

Data were collected through semi-structured, in-depth, face-to-face interviews conducted with five respondents within one month. Each interview lasted between 45 and 60 minutes. Semi-structured interviews are chosen to enable a rich and detailed exploration of employees' lived experiences during the spin-off restructuring process. Moreover, semi-structured interviews are particularly appropriate for qualitative and phenomenological research, as they allow respondents to articulate their perceptions, emotions, and interpretations in their own words while ensuring that the discussion remains aligned with the research objectives (Kvale, 2009; Creswell, 2018).

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The interview questions focused on several key areas:

- Perceptions of the rationale behind the spin-off
- Emotional reactions during the restructuring process
- Experiences of communication from leadership
- Perceived changes in motivation and engagement
- Reflections on organisational identity before and after separation

This format enabled participants to articulate their thoughts and feelings in their own words while ensuring consistency across interviews. Interviews were audio-recorded with participants' consent and subsequently transcribed verbatim to preserve accuracy and richness of data.

Notably, this study adopts a longitudinal observational perspective to examine employees' experiences of spin-off restructuring over a clearly defined period of organisational transition. The observation period began with the formal announcement of the spin-off and extended to six months following its implementation, encompassing approximately 40 months of cumulative spin-off restructuring experience.

Data Analysis

The data were analysed using thematic analysis following Braun and Clarke's (2006) six-phase framework. The process involved:

- Familiarisation with the data through repeated reading of transcripts
- Generation of initial codes capturing meaningful units of analysis
- Searching for patterns and potential themes
- Reviewing and refining themes
- Defining and naming themes
- Producing a coherent analytical narrative

The analysis was iterative and reflexive, allowing themes to emerge inductively from participants' narratives. It began with the verbatim transcription of audio-recorded semi-structured interviews, which were then imported into ATLAS.ti, a qualitative data analysis software that supports systematic coding, data organisation, and theme development. In the initial coding phase, the researcher adopted a deductive, line-by-line coding strategy, drawing on sensitising concepts derived from the literature and the research questions (Corbin, 2015). This approach ensured that the analysis remained anchored to the study's conceptual focus while systematically engaging with each segment of the data. Following this, the transcripts were re-read multiple times to identify inductively emerging sub-themes, capturing unexpected or nuanced aspects of participants' experiences that might not have been anticipated at the outset.

Through this iterative process, codes were progressively clustered into broader themes and sub-themes that represented patterned meanings across the dataset. These themes were then reviewed, refined, and validated against the original data to ensure internal coherence and distinctiveness. Coding focused on identifying recurring patterns related to uncertainty, communication, motivation, identity reconstruction, and behavioural adaptation.

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Consequently, the use of thematic analysis enabled systematic yet flexible interpretation of complex qualitative data.

Trustworthiness and Rigour

To enhance credibility and trustworthiness, several strategies were implemented. First, prolonged engagement with the data ensured thorough familiarisation and careful interpretation. Second, reflexive memoing was employed throughout the analysis process to document analytical decisions and minimise researcher bias. Third, thematic consistency was cross-checked across transcripts to ensure coherence and confirmability.

However, while qualitative research does not seek statistical generalisability, the study aims for analytical generalisation, in which findings contribute to a broader theoretical understanding of spin-off restructuring within HRM scholarship. The rich, contextualised data provide transferable insights that may inform similar organisational contexts.

Ethical Considerations

Ethical principles were strictly adhered to throughout the research process. Participants were informed of the study's purpose and provided voluntary consent prior to participation. Furthermore, confidentiality and anonymity were maintained by removing identifying details from transcripts and reports. Participants were assured that their responses would be used solely for academic purposes.

The sensitive nature of organisational restructuring necessitated careful handling of participant narratives to avoid potential reputational or professional risks. All data were securely stored and accessible only to the researcher.

Methodological Contribution

Overall, the methodological approach adopted in this study contributes to HRM scholarship by foregrounding employee voice within the context of spin-off restructuring. Although prior research has predominantly relied on quantitative financial data, this qualitative design provides deeper insight into psychological and behavioural dimensions of organisational separation. Specifically, the phenomenological approach captures what employees experienced and how they interpreted those experiences, thereby enriching the theoretical understanding of identity, motivation, and communication during restructuring.

Findings and Data Analysis

This section presents the findings derived from an inductive thematic analysis of semi-structured interviews with five employees of a US-based multinational industrial corporation operating in Malaysia, who directly experienced the spin-off restructuring process between 2022 and 2024. Following Braun and Clarke's (2006) six-phase thematic analysis framework, five major themes emerged from the data: (1) Understanding the Strategic Rationale of the Spin-Off, (2) Uncertainty and Emotional Responses during Transition, (3) Communication and Leadership Influence, (4) Organisational Identity Reconstruction, and (5) Long-Term Perceptions and Future Outlook. Together, these themes illuminate how employees interpreted, experienced, and adapted to the restructuring process.

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Understanding the Strategic Rationale of the Spin-Off

Participants consistently acknowledged that the spin-off was strategically justified. In particular, employees demonstrated awareness of the broader corporate rationale, including enhanced business focus, improved market positioning, and alignment with industry-specific growth strategies. Several respondents described the restructuring as a necessary step to increase agility and strengthen competitiveness within the energy sector.

This cognitive understanding reflects a rational acceptance of the corporate narrative. Nonetheless, intellectual agreement with strategic intent did not necessarily translate into emotional stability. Although participants recognised the logic of the spin-off, many simultaneously expressed reservations regarding its operational implications. This distinction between cognitive endorsement and emotional uncertainty underscores the complexity of employee responses during restructuring.

Uncertainty and Emotional Responses during Transition

Uncertainty emerged as a dominant theme across interviews. Employees reported feelings of ambiguity regarding job security, role clarity, reporting structures, and long-term organisational sustainability. Even in the absence of immediate layoffs or contractual changes, the prospect of separation from a historically stable corporate entity generated psychological tension.

Participants articulated concerns about career continuity, particularly regarding the loss of association with a globally recognised brand. Additionally, some expressed apprehension about the new organisation's future competitiveness, questioning whether the spin-off entity would maintain the same level of resources, reputation, and market strength.

Consequently, these findings highlight the emotional dimension of restructuring. Although employees did not uniformly express resistance, the transitional period was characterised by heightened vigilance and cautious optimism. Moreover, emotional responses fluctuated throughout the spin-off process, indicating that adaptation was dynamic rather than linear.

Communication and Leadership Influence

Communication was identified as a critical moderating factor shaping employees' experiences. Participants reported that regular town halls, leadership briefings, and official announcements provided reassurance and clarity. Transparent communication regarding timelines, strategic goals, and organisational structure reduced anxiety and enhanced trust.

However, some respondents noted periods in which information was perceived as limited or overly general. In such instances, informal conversations among colleagues became primary sources of interpretation. This reliance on informal networks occasionally intensified speculation and uncertainty.

Notably, leadership visibility emerged as particularly essential. Employees valued direct engagement from senior leaders, interpreting such interactions as signals of stability and commitment. When leadership communication was perceived as consistent and aligned with organisational values, employees demonstrated greater confidence in the transition process.

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Organisational Identity Reconstruction

Organisational identity reconstruction constituted a central theme in the data. Employees expressed strong attachment to the legacy of a US-based multinational industrial corporation's brand, describing it as synonymous with prestige, innovation, and global recognition. The transition to a new energy business required renegotiating this identity.

Additionally, participants described initial ambiguity regarding what the new organisation represented. The shift in branding, messaging, and strategic focus prompted reflection on professional identity and belonging. For some employees, alignment with the new organisation's emphasis on energy transition and sustainability fostered renewed motivation. Others required time to internalise and accept the emerging corporate narrative.

Identity reconstruction was not immediate. Instead, it unfolded gradually as employees observed leadership consistency, strategic execution, and market performance. The persistence of identity ambiguity during the early post-spin phase suggests that legal separation does not automatically resolve psychological transition.

Motivation and Behavioural Adaptation

Motivational dynamics varied among participants. Although uncertainty initially dampened enthusiasm for some, intrinsic motivation associated with the organisation's mission and industry relevance emerged as a stabilising factor. Employees who strongly identified with the new entity's strategic direction demonstrated resilience and proactive engagement.

Behaviourally, participants reported maintaining performance standards and professional commitment throughout the transition. Nevertheless, some described heightened caution in decision-making and more extended evaluation periods when considering career moves. These behaviours reflect adaptive responses to perceived environmental uncertainty.

Notably, no widespread disengagement was reported. Instead, motivation appeared to be conditional on leadership credibility and perceived organisational stability. As the spin-off progressed and operational continuity was maintained, confidence levels improved.

Long-Term Perceptions and Future Outlook

A recurring theme in the interviews was the long-term assessment of the spin-off's success. Participants consistently emphasised that it was "too early" to determine whether the restructuring would achieve its intended outcomes. Furthermore, employees viewed success as contingent upon sustained strategic execution, financial performance, and leadership consistency over time.

However, despite initial uncertainty, most participants expressed cautious optimism regarding the future. The successful public listing and continued operational stability contributed to growing confidence. Employees indicated that long-term identity consolidation would depend on tangible achievements rather than symbolic changes alone.

Therefore, this forward-looking perspective illustrates that employee evaluations of restructuring are iterative and contingent. Acceptance evolves through observed performance and experiential validation rather than solely through corporate announcements.

Summary of Key Findings

Overall, the analysis reveals that spin-off restructuring generates multidimensional employee responses encompassing cognitive understanding, emotional uncertainty, identity negotiation, and motivational recalibration. Although employees generally accepted the strategic rationale of the spin-off, uncertainty and identity ambiguity characterised the transitional period. In this context, leadership communication functioned as a stabilising mechanism, shaping levels of trust and engagement. Intrinsic motivation linked to organisational purpose supported behavioural resilience during uncertainty. Long-term perceptions of success remained conditional upon sustained strategic execution.

Hence, these findings demonstrate that spin-off restructuring is not solely a structural transformation. Rather, it is a psychological and identity-based process that unfolds over time. Consequently, employee adaptation depends on both strategic clarity and communication quality, leadership credibility, and meaningful identity reconstruction.

Conclusion and Recommendations

Conclusion

This study set out to examine how spin-off restructuring influences employees' behaviour and attitudes, with particular attention to employees' lived experiences in Malaysia during the separation of a US-based multinational industrial corporation during the 2022 to 2024 period. However, while existing spin-off literature has largely prioritised firm-level financial performance and shareholder value creation, this research adopted an employee-centred perspective to address a critical gap in HRM scholarship.

Collectively, the findings demonstrate that spin-off restructuring is a strategic or structural transformation, and a profoundly human process characterised by psychological adjustment, identity reconstruction, and motivational recalibration. Notably, employees in this study generally understood and rationally accepted the strategic logic underpinning the spin-off. Participants recognised that the separation aimed to enhance business focus, operational agility, and market competitiveness. This cognitive endorsement reflects the effectiveness of strategic framing at the corporate level.

Nonetheless, rational acceptance did not eliminate emotional uncertainty. The restructuring process generated apprehension regarding job security, career continuity, and long-term organisational viability. Uncertainty was particularly pronounced during the transitional phase preceding formal separation, when organisational structures, reporting lines, and leadership configurations were still evolving. These findings align with the broader organisational change literature, which suggests that ambiguity and perceived instability often accompany large-scale restructuring.

A central contribution of this study is to highlight communication as a moderating mechanism. Specifically, transparent, consistent, and credible communication from leadership significantly reduced employee anxiety and fostered trust. Employees who perceived leadership messaging as aligned with organisational values demonstrated greater adaptability and engagement. Conversely, information gaps or overly general communication amplified uncertainty and encouraged speculation. These findings underscore the importance of sustained, authentic communication strategies for managing structural separation.

Organisational identity reconstruction emerged as another salient theme. Employees expressed a strong attachment to the legacy of the US-based multinational industrial corporation's brand, which symbolised stability, prestige, and global recognition. The transition to a new business organisation required renegotiating this identity. Identity ambiguity persisted beyond the formal completion of the spin-off, suggesting that legal separation does not immediately resolve psychological attachment to a legacy entity. Over time, alignment with the new organisation's mission, particularly its emphasis on energy transition and sustainability, facilitated gradual identity consolidation.

Motivation during restructuring was dynamic and multifaceted. While concerns over job security and career prospects influenced emotional responses, intrinsic motivation associated with meaningful work and organisational purpose served as a resilience mechanism. Employees who aligned with the new organisation's strategic direction exhibited proactive engagement despite transitional uncertainty. This finding reinforces the importance of purpose-driven narratives in sustaining commitment during change.

Notably, employees' long-term evaluation of the spin-off remained conditional. Participants emphasised that it was premature to declare the restructuring a definitive success. Instead, long-term acceptance and identity stability depended on sustained strategic execution, financial performance, and leadership consistency. This finding suggests that employee adaptation to spin-offs is iterative rather than immediate.

Overall, the study confirms that spin-off restructuring is best understood as a separation-based organisational change process involving identity detachment and reattachment. The human dimension of restructuring cannot be treated as secondary to financial outcomes. Instead, employee perceptions, trust, and motivation are integral to ensuring that strategic objectives translate into sustainable organisational performance.

Theoretical Implications

This study contributes to the literature in several important ways. First, it extends spin-off research beyond shareholder-centric analyses by foregrounding employee experiences. By integrating insights from organisational change theory, psychological contract theory, identity theory, and motivation research, the study provides a multidimensional understanding of spin-off restructuring.

Second, it conceptualises spin-offs as separation-based change processes distinct from integration-focused restructuring, such as M&A. This distinction has theoretical significance, as identity detachment poses different psychological challenges compared to identity assimilation.

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Third, the findings highlight the persistent nature of identity ambiguity, challenging assumptions that restructuring effects stabilise upon legal completion. This insight invites further longitudinal exploration of post-spin identity development.

Finally, by situating the research within the Malaysian context, the study contributes to geographical diversification in HRM scholarship, which has been heavily concentrated in Western economies. Examining a Malaysian subsidiary further enables a deeper understanding of how global restructuring decisions are interpreted, negotiated, and experienced within emerging market organisational settings.

Practical Recommendations

Based on the findings, several practical recommendations are proposed for organisations undertaking spin-off restructuring:

i. Prioritise Transparent and Continuous Communication
   Organisations should implement structured communication frameworks that provide timely updates, clarify strategic direction, and address employee concerns. Communication should be consistent across leadership levels and reinforced through interactive forums.
ii. Strengthen Leadership Visibility and Accessibility
   Senior leaders must maintain visible engagement throughout the transition. Direct interaction signals commitment and stability, reinforcing employee trust.
iii. Manage Identity Continuity Strategically
   Rather than abruptly detaching from legacy identity, organisations should acknowledge historical achievements while articulating a coherent narrative for the new entity. Identity-sensitive change management can facilitate a smoother psychological transition.
iv. Align Organisational Purpose with Employee Values
   Emphasising meaningful organisational missions, such as sustainability and innovation, can strengthen intrinsic motivation and resilience during periods of uncertainty.
v. Adopt a Long-Term Change Perspective
   Organisations should recognise that adaptation to spin-off restructuring extends beyond formal separation. Ongoing engagement initiatives and performance reinforcement are essential to stabilise identity and commitment.

Limitations and Future Research Directions

This study is subject to certain limitations. The sample size, while appropriate for phenomenological research, limits generalisability. Moreover, the findings reflect experiences within a single multinational organisation operating in Malaysia. They may differ from those in other cultural or industrial contexts.

Thus, future research may adopt longitudinal designs to examine identity consolidation over extended periods. Comparative studies across industries or geographical regions could further enrich the understanding of contextual influences. Additionally, integrating quantitative measures of engagement and performance may complement qualitative insights.

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Concluding Remarks

In conclusion, spin-off restructuring is both a strategic corporate decision and a transformative human experience. Employees navigate uncertainty, renegotiate their identities, and recalibrate their motivation as organisations separate and redefine themselves. Successful spin-offs therefore depend not solely on financial engineering but on human-centred leadership, transparent communication, and purposeful identity construction. Ultimately, recognising the centrality of employee experience is essential to translating structural separation into sustainable organisational success.

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