2

Downsizing and Redesigning Organizations

KIM S. CAMERON, SARAH J. FREEMAN, and ANEIL K. MISHRA

I can't remember exactly what percent of the total cost direct labor is, but it's about 5, 6, 7 percent. It's peanuts. You know 85 percent is material cost. We concentrate like hell on the 7 percent, when there is more opportunity for cost savings in other places. I personally think that we have overdone the emphasis on headcount.
Automotive Product Team Manager

The most cost savings can be generated by improving coordination, collaboration, trust, communication, and information sharing. Most of our costs reside in these soft factors.
CEO, Auto Supplier

Downsizing led people to look at the appropriateness of what they were doing. It brought more activities together that make sense.
Stamping Plant Manager

EDITORS' SUMMARY

In this chapter, Cameron, Freeman, and Mishra present findings and conclusions from the most extensive and systematic study of organizational downsizing that has appeared in the organizational literature. In addition to reporting and interpreting the results of their multiyear, multiorganizational field investigation, the chapter makes important conceptual contributions by distinguishing organizational downsizing from related constructs such as organizational decline, nonadaptation, and growth-in-reverse.

Three questions are addressed, each important to both top managers and organizational scientists. The first is "How is downsizing implemented?" Cameron and his associates found three implementation strategies used: workforce reduction, organizational redesign, and a systematic strategy focused on changing the attitudes, values, and organization culture. Detailed descriptions and the relative frequencies of these strategies are presented, along with information about their combined use. The researcher also found two general orientations toward downsizing: a convergence, or reinforcement, approach involving incremental changes and a reorientation approach involving radical departures from previous conditions.

The second question addressed is "What are the organizational effects of downsizing?" Statistical analyses are presented that show the managerial practices that are associated with each of three organizational performance measures: (1) overall organization effectiveness, (2) improving performance over time, and (3) the presence of some common dysfunctional attributes in troubled organizations.

The last question addressed in the chapter, and one of great importance to managers, is "What are the best practices in organizational downsizing?" Here the authors use both statistical analyses and qualitative analyses of interview data to identify the managerial practices associated with highly effective firms. The rich discussion of these best practices amounts to the offering of a number of practical guidelines for managers faced with the challenge of managing organizational downsizing.

Given that the study of organizational downsizing is in its very early stages, it is not surprising that the authors end the chapter with a list of questions in need of investigation by organizational scientists. It is clear that by empirically addressing these questions, organizational scientists could contribute to organizational effectiveness and could extend the domain in which organization theory has been validated. ■

The 1980s marked a dramatic change in several fundamental assumptions underlying organizational performance and change. At the beginning of the decade, a perusal of organizational studies literature led to the conclusion that (1) bigger organizations meant better organizations; (2) unending growth was a natural and desirable process in organizational life cycle development; (3) organizational adaptability and flexibility were associated with slack resources, loose coupling, and redundancy; and (4) consistency and congruence were hallmarks of effective organizations.

By the end of the decade, each of these assumptions had been challenged, not because new theories were developed, but because of the changing dynamics observed in U.S. organizations. The replacement assumptions were opposite of the original assumptions as well as supplemental, namely: (1) smaller (as well as larger) also means better; (2) downsizing and decline (as well as growth) are also natural and desirable phases of the life cycle process; (3) tight coupling and nonredundancy (as well as slack resources and loose coupling) are also associated with adaptability and flexibility; and (4) conflict and inconsistency (as well as congruence and consistency) are also indicative of organizational effectiveness.

One reason for this transformation of assumptions has been the emergence of a particular type of organizational change that heretofore was viewed as an aberration from normal organizational functioning—namely, organizational downsizing. Shrinking, retrenching, or consolidating the organization was viewed as a last-ditch effort to thwart organizational demise or to temporarily adjust to a cyclical downturn in sales. It was almost always targeted at blue-collar or hourly employee layoffs, and it was always viewed negatively (see, for example, Hirschorn and associates, 1983). However, with recessions at the beginning of the 1980s and 1990s, coupled with the decade-

long deterioration in global competitiveness among American businesses, a potential weakness in U.S. organizations was highlighted—namely, many firms were overstaffed, cumbersome, slow, and inefficient. Fundamental ways of organizing and managing were thus reexamined. Downsizing became a strategy of choice among many, if not most, large organizations. This was evidenced by the fact that nearly all the Fortune 1000 firms engaged in downsizing between 1985 and 1990, and a majority indicated that they would engage in downsizing in the future (Heenan, 1990). In 1990 alone, for example, three times more employees were laid off in the United States than in 1989, and 1989 far outstripped 1988 in numbers of layoffs.

However, despite its ubiquitous nature, the study of organizational downsizing is currently in its infancy. Very little empirical work has been completed to date. When research is conducted on "hot" topics, as downsizing is likely to become, it often proceeds without a commonly accepted definition of the concepts and the domains involved, making it difficult for cumulative knowledge to develop. The topic remains a fad rather than a framework upon which other concepts can be built.

The intent of this chapter, therefore, is to define organizational downsizing precisely, to address conceptual issues associated with the phenomenon, and to report the results of a four-year empirical investigation of downsizing designed to answer three questions: (1) How do organizations downsize; that is, what processes are employed to make organizations smaller? (2) What is the impact of downsizing on the organization; that is, what organizational outcomes are associated with downsizing? (3) How do effective downsizing organizations differ from ineffective downsizing organizations; that is, what are the "best practices" that organizations use as they downsize?

Specifically, we try to lay a groundwork for future investigations of organizational downsizing by, first, reviewing why downsizing has become such a pervasive organizational phenomena, especially in U.S. organizations; second, discussing precisely what downsizing is and is not, mainly by contrasting downsizing with related concepts such as organizational decline, growth-in-reverse, nonadaptation, and layoffs; third, describing the empirical investigation of the 30 firms, including the methods used to collect and analyze the data; and fourth, reporting the findings that emerged regarding the three main research questions. The last section of the chapter summarizes both scholarly and managerial lessons learned, and it offers some prescriptions for the best downsizing practices for managers.

PRACTICAL IMPORTANCE OF DOWNSIZING

Ginzberg (1985), summarizing the conclusions drawn from a conference on the topic of downsizing, asserted that a tendency exists in almost all organizations to acquire more employees than are needed, especially managers. This is partly a reflection of the "bigger is better" ethic found in most Western cultures. More employees and larger units have been traditionally defined as an indicator of effectiveness, as a reward to successful managers, and as a measure and source of power and status.

After World War II, for example, corporations grew rapidly and, in particular, developed an appetite for more and more management staff. Many firms adopted a divisionalized structure, leading to the duplication of corporate staffs at the division

level. Geographic and international expansion led to expansion of management ranks to coordinate an ever-expanding set of activities in diverse locations. Technological advancements more often resulted in hiring additional staff than in replacing workers. When profits were high and growth was easily attained, managerial featherbedding frequently occurred because additional staff were easily absorbed and hidden. Whereas blue-collar layoffs were typical when cyclical downturns occurred, the white-collar workforce was seldom touched. [For example, of the firms that laid off blue-collar workers as a response to the slowdown of the economy in the early 1980s, 90 percent did not lay off a single white collar employee (Thurow, 1986).] Thus, ratios of managers to workers steadily increased. In U.S. manufacturing organizations, for example, 19 percent of the workers were nonproduction employees in 1950. In 1960 the figure was 24 percent, in 1970 it was 25 percent, in 1980 it was 30 percent, and by 1987, 32 percent of all manufacturing employees were nonproduction workers (i.e., managers, support staff, overhead) (Tomasko, 1987).

On the other hand, the 1980s brought about conditions that made unacceptable the continued expansion of managerial ranks and overhead costs. Factors such as recession, the entry into U.S. markets of low-cost competitors from offshore, merger mania that led to inefficient agglomerations of businesses and management redundancies, the emergence of new human-replacement technologies, especially in services, noncompetitive cost structures and inefficient organizational designs, and international events such as the unification of Germany and the formation of a European common market in 1992, all created redundancies and inefficiencies that combined to make downsizing an alternative that could hardly be avoided. This was especially true of managerial downsizing where, for the first time, white-collar employees became the target of cutbacks.

By way of illustration, U.S. white-collar productivity decreased 6 percent between 1978 and 1986, whereas blue-collar productivity increased by 15 percent. U.S. auto companies still have more than twice the number of hierarchical levels as their Japanese competitors. Japanese producers sold the same number of cars as General Motors, 50 percent more than Ford, and twice as many as Chrysler in 1990 with less than half the number of employees (Womack, Jones, and Roos, 1990). U.S. auto manufacturers still hold more than a $800 per car cost disadvantage to their Japanese rivals, mainly because of larger managerial overhead rates. Moreover, U.S. auto firms take twice as long to design and build a car as the typical Japanese firm, at least partly due to excessive management, cumbersome communication systems, over-attended meetings, and multiple sign-offs and required approvals.

This has led many U.S. organizations to turn to downsizing as a solution. Large reductions in workforce have occurred in such name-brand firms as IBM (almost 30,000 employees, or 7 percent of the company's workforce), ITT (over 100,000 employees, or 44 percent), AT&T (32,000 employees, or 10 percent), Kodak (14,000 employees, or 10 percent), K-Mart (45,000 employees, or 21 percent), and Sears (50,000 employees, or 12 percent). Over half a million American managers with salaries exceeding $40,000 lost their jobs in 1990, and between one and two million pink slips were handed out each year between 1988 and 1990. More than one-half of those employees took pay cuts of 30 to 50 percent to obtain new jobs.

As implemented in U.S. firms, however, it appears that downsizing has not significantly improved white-collar productivity. A 1990 survey by Right Associates, an out-

placement firm, found that 74 percent of senior managers in downsized companies said that morale, trust, and productivity suffered after downsizing (see Henkoff, 1990). A survey by the Society for Human Resource Management reported that more than half of the 1,468 firms that downsized indicated that productivity deteriorated from downsizing (Henkoff, 1990). Wyatt Associates surveyed 1,005 firms that had downsized between 1986 and 1991 and found that only 46 percent actually reduced expenses, only 32 percent actually increased profits, only 22 percent actually increased productivity, and only 17 percent actually reduced bureaucracy (see Bennett, 1991).

One explanation for these trends is that downsizing has not been managed effectively in many firms and, therefore, the intended cost reductions and efficiencies have not been achieved. Another is that downsizing has created resentment and resistance in firms, so it has hindered more than helped U.S. competitiveness. Unfortunately, not enough is known about the implementation processes associated with downsizing to reach a conclusion, to identify best practices, or to improve organizational outcomes. Despite its frequency of implementation, and its potential for harmful consequences, organizational downsizing has rarely been investigated by organization and management researchers.

THEORETICAL SIGNIFICANCE OF DOWNSIZING

From the discussion above, the question arises: Why has there been such a dearth of research on organizational downsizing among organization scientists? Few empirical studies have been published of the precursors, processes, and effects associated with downsizing, and little theory exists to explain what happens when organizations get smaller. Except when it is used as a proxy for organizational decline (i.e., as an indication of failure), downsizing per se has been largely ignored. A few studies have appeared on the effects of layoffs and firings on individuals and groups (e.g., Brockner, 1988) and of plant closings and exit from mature industries (e.g., Harrigan, 1982; Hambrick and Schecter, 1983). Studies by Freeman and Hannan (1975), Ford (1980), Montanari and Adelman (1987), and McKinley (1987) related decreases in workforce size to changes in structure, particularly the relative size of the administrative component. A hierarchy of layoff and attrition strategies was proposed by Greenhalgh, Lawrence, and Sutton (1988), and one study used their model to investigate relationships between the strategies and various organizational attributes and performance (Rosenblatt and Mannheim, 1988). But in no study has attention been given to the *processes* employed in organizations to downsize nor their effects on organizational effectiveness. Thus, unless it is equated with decline, downsizing has seldom been studied.

One possible reason for this is the past growth bias in organizational theory. Most of the models that have influenced current thinking in organizational design and change assumed, either explicitly or implicitly, that growth and expansion are the main predictors of effectiveness, especially when organizations are faced with a turbulent and increasingly complex environment. For example, the structural contingency models of notable authors such as Woodward (1965), Thompson, (1967), Lawrence and Lorsch (1967), Blau (1970), Pfeffer and Salancik (1978), and Huber (1984) all suggest that system elaboration and augmentation are required to cope with an

increasingly complex environment. Increasing boundary spanning units and environmental scanning activities are advocated as the best adaptation strategies in turbulent environments. Similarly, most models of organizational life cycles assume that continuous growth and increasing complexity are the natural path that organizations follow (see review by Cameron and Whetten, 1981). Information-processing theories of organizational design (e.g., Galbraith, 1977) also assume that, as the amount and complexity of information increases, an expansion of the information-processing mechanisms in the organization (e.g., additional monitors, vertical loading) is required. Even ecological theories suggest that in turbulent or unstable environments, generalist organizations (i.e., those that have evolved into complex, expansive entities) are more likely to survive than specialist organizations. Structural complexity is viewed as an enhancement to inertia, and inertia leads to organizational survival (see, for example, Hannan and Freeman, 1984; Carroll and Delacroix, 1982). Most organization adaptation theories (e.g., Miles and Cameron, 1982), adhere closely to Ashby's (1956) "law of requisite variety" in explaining successful adaptation strategies. In short, the organization must develop a comparable level of complexity to its environment if it is to cope effectively.

In sum, these major models of organizational design and change have not traditionally acknowledged the possibility of organizational downsizing as a desirable process. Instead, they have perpetuated a view that assumes a norm of growth and expansion in order to achieve effectiveness. However, current organizational practice demands that more systematic attention must be paid to organizational downsizing and its effects. The increase in downsizing activity has underscored the value of smallness and minimalism in organizations, the value of reductions in size and resources in order to achieve effectiveness, and the value of continuous downsizing as an ongoing and unavoidable organizational strategy.

Because downsizing is often confused with other terms in the popular and scholarly literature, however, a first step in identifying how downsizing is effectively accomplished is to be clear about its definition.

DEFINITION OF ORGANIZATIONAL DOWNSIZING

Organizational downsizing consists of a set of activities that are undertaken on the part of management, designed to improve organizational efficiency, productivity, and/or competitiveness. It represents a strategy that affects the size of the firm's workforce and its work processes. Downsizing is a term that has arisen out of popular usage, not precise theoretical construction. On the surface, downsizing can be interpreted simply as a reduction in organizational size. When this is the case, downsizing is often confused with the concept of organizational decline, which also can be superficially interpreted as mere reduction in organizational size. Yet important differences exist that make downsizing and decline separate phenomena, both conceptually and empirically. Several important attributes of downsizing also make it distinct from other related concepts such as growth-in-reverse, nonadaptation, or layoffs. These attributes of downsizing are briefly explained below, then a direct comparison is made between downsizing and each of the concepts that are sometimes confused with it.

It should be noted, parenthetically, that a discussion of definition and conceptual

uniqueness seems more relevant for theoretical purposes than for practical ones. That is, Cameron, Freeman, and Mishra (1991) found that the terminology used to describe downsizing strategies was by no means consensual among practicing managers. Because of the negative connotations associated with decline (i.e., no manager wants to implement a decline), downsizing activities are described by managers with an amazing array of alternative terms, such as compressing, consolidating, contracting, demassing, dismantling, downshifting, rationalizing, reallocating, reassigning, rebalancing, redesigning, resizing, retrenching, redeploying, rightsizing, streamlining, slimming down, or even building down and leaning up. Many of these terms were found by Cameron et al. to be used interchangably, even though each has a different connotation. For scholarly purposes, on the other hand, precise conceptual meaning is required for organizational models and theories. Without this precision, research findings remain noncumulative. Therefore, four major attributes of downsizing are identified that help define and separate it from related concepts.

Key Attributes of Downsizing

Downsizing is not something that happens *to* an organization, but it is something that organizations undertake purposively. Thus, downsizing is, first of all, an *intentional* set of activities. This differentiates downsizing from loss of market share, loss of revenues, or the unwitting loss of human resources that are associated with organizational decline. Downsizing is distinct from mere encroachment by the environment on performance or resources because it implies organizational action.

Second, downsizing usually involves *reductions in personnel,* although it is not limited solely to personnel reductions. A variety of personnel reduction strategies are associated with downsizing such as transfers, outplacement, retirement incentives, buyout packages, layoffs, attrition, and so on. Downsizing does not always involve reductions in personnel, however, because some instances occur in which new products are added, new sources of revenue open up, or additional work is acquired without a commensurate number of employees being added. Fewer workers are then employed per unit of output compared to some previous level of employment.

This relates to a third characteristic of downsizing, namely, that downsizing is focused on improving the *efficiency* of the organization. Downsizing occurs either proactively or reactively in order to contain costs, to enhance revenue, or to bolster competitiveness. That is, it may be implemented as a defensive reaction to decline or as a proactive strategy to enhance organizational performance. In either case, downsizing is usually designed to contain and lower costs.

Finally, downsizing affects *work processes,* wittingly or unwittingly. When a workforce contracts, for example, fewer employees are left to do the same amount of work, and this has an impact on what work gets done and how it gets done. Overload, burnout, inefficiency, conflict, and low morale are possible consequences, or more positive outcomes may occur such as improved productivity or speed. Moreover, some downsizing activities include restructuring and eliminating work (such as discontinuing functions, abolishing hierarchical levels, reengineering processes, and merging units) which lead to some kind of work redesign. Regardless of whether the work is the focus of downsizing activities or not, work processes are always influenced one way or another.

Distinguishing Downsizing from Decline

The combination of these four attributes helps clarify the difference between organizational downsizing and decline. Because there is now a well-developed literature on organizational decline (see, for example, Cameron, Sutton, and Whetten, 1988), it is important to identify the contribution that downsizing might make to that already established literature. Moreover, the misconception that downsizing is simply a special case of decline is quite pervasive and inhibits scholarly attention being directed toward downsizing.

Decline has been variously defined in the literature as shrinking markets and increased competition (Porter, 1980; Harrigan, 1982), budget cuts (Krantz, 1985; Levine, 1985), loss of student enrollment (Freeman and Hannan, 1975), loss of legitimacy (Benson, 1975), maladaptation to a changing environmental niche (Greenhalgh, 1983; Cameron, et al., 1988), stagnation (Whetten, 1980), and deteriorating organizational performance (Hirschman, 1970; Kolarska and Aldrich, 1980). In each case, decline is viewed as a negative consequence of maladaptation to a dysfunctional environmental condition. That is, decline happens *to* an organization; it is unintentional on the part of the organization or its managers. Downsizing, on the other hand, is intentional and can be functional.

Decline also differs from downsizing in that it may not necessarily produce a reduction in personnel, in either relative or absolute terms. Many organizations have experienced a decline in market share or revenues, for example, with no reduction in the workforce (see, for example, Hall, 1976; or consider Donald Trump's empire), and others have reduced the workforce only in proportion to losses in revenues or production (for example, consider Chrysler during the late 1980s). In the former case this is not downsizing at all, and in the latter case it is downsizing as a reaction to decline. Some authors have viewed personnel reductions (downsizing) as inherently connected to "fiscal stress" (Levine, 1985) or have used decline and downsizing interchangably (e.g., Greenhalgh, 1983), but these authors mask rather than clarify the distinctiveness of these two concepts. Unlike downsizing, decline is not a targeted improvement strategy. It is not aimed at enhancing efficiency, but instead it often results in deteriorated efficiency as overhead rates escalate (see findings by Ford, 1980, and Sutton and D'Aunno, 1989). Similarly, decline may not necessarily affect work processes, as downsizing does, because individuals often persist in the standard ways of doing tasks while they wait for organizational demise (see Sutton, 1983).

In brief, downsizing and decline are distinct constructs. Organizations can downsize without declining, as when downsizing is used proactively to enhance competitiveness (see Tomasko, 1987; D'Aunno and Sutton, 1987), and they can decline without downsizing. Downsizing may be a response to decline, but cause-and-effect relationships should not be assumed.

Distinguishing Downsizing from Growth-in-Reverse

Because the opposite of downsizing is growth, some writers have assumed that downsizing is synonymous with growth-in-reverse; that is, it is associated with the opposite dynamics of organizational expansion. When organizations grow, for example, the

development of a predictable pattern of stages has been identified, as have a number of organizational outcomes such as decentralization, specialization, and increasing the number of boundary spanning units, (see Blau, 1970; Greiner, 1972; Quinn and Cameron, 1983). Some writers have suggested that downsizing implies the reverse dynamics—that is, a reversed sequence of growth stages—and the opposite of growth processes—that is, more centralization, less specialization, and less boundary spanning (see Behn, 1980; Gilmore and Hirschorn, 1983; Krantz, 1985). However, neither the stages nor these organizational outcomes are necessarily associated with downsizing. The intentional nature of downsizing means that an organization may get smaller in order to decentralize, to specialize, or to become more externally connected through boundary spanning activities—the same outcomes that are associated with growth. For example, downsizing may be accomplished by cutting back corporate functions, leading to decentralization; by establishing specialized units to serve multiple corporate locations (specialization); or by involving external organizations in the downsizing planning and implementation, leading to more rather than less boundary spanning. Similarly, organizational life cycle stages do not reverse themselves, as with an Alzheimer's disease patient who deteriorates in exactly the reverse stages as a child develops. In brief, downsizing and growth may, theoretically at least, create the same organizational forms and structures, and effective downsizing may lead to growth.

Distinguishing Downsizing from Nonadaptation

Some authors have also defined decline as the reverse of adaptation and have placed nonadaptation as a central concept in the definition of decline (Gilmore and Hirschorn, 1983; McKinley, 1987; Weitzel and Jonsson, 1989). Greenhalgh (1983), for example, suggested that the opposite of decline (as defined and measured by indicators of downsizing) is adaptation, and that decline occurs in conjunction with nonadaptation to an environmental niche. By implication, therefore, Greenhalgh linked downsizing to nonadaptability. This implied association obviates the difference between these concepts. Downsizing per se indicates neither maladaptation, failure, nor poor performance. Instead, it represents a strategic move on the part of the organization to increase its performance relative to the environment. That strategic move may be proactive, reactive, or creative (a distinction made originally by Miles and Cameron, 1982), but even in reactive downsizing, ineffectiveness or nonadaptation is not implied. Downsizing can be a reaction to certain missteps or environmental constraints, or, in proactive and creative instances, it can be an anticipatory action to improve organizational performance.

Distinguishing Downsizing from Layoffs

A common manifestation of downsizing is the layoff of employees—that is, terminating workers with or without advance notice. Because layoffs have traditionally been (and, unfortunately, continue to be) the first alternative used for downsizing, some authors have treated layoffs and downsizing synonymously (for example, see Gilmore and Hirschorn, 1983; Brockner, 1988). McCune, Beatty, and Montagno (1988) found in a survey of 100 manufacturing organizations in the Midwest that few alternatives

to layoffs were even considered in any of the firms, and 94 percent of the managers planned and implemented their layoffs in less than 60 days. Layoffs were the default option overwhelmingly selected for downsizing.

Downsizing differs from layoffs, however, in being a broader, more encompassing concept. Whereas layoffs refer to a single tactical, reactive operation used to implement a downsizing strategy, downsizing may be both strategic and proactive. Downsizing includes an array of options for reducing the workforce other than layoffs. In fact, layoffs may not be included at all in an organization's downsizing strategy. Investigations of downsizing focus on reductions at the organization level of analysis, whereas investigations of layoffs focus at the individual level of analysis (for example, see Brockner, 1988).

In summary, downsizing is a concept that should be treated separately from other concepts associated in the research literature with the dynamics of decline, ineffectiveness, layoffs, or mere shrinkage in organizations. It is a concept worthy of investigation as an independent phenomenon because of its growing practical importance in organizations and because of its unique dynamics that remain underdeveloped theoretically. However, it is because of the underdeveloped downsizing theory that investigators should first adopt a theory-building approach as opposed to a theory-testing approach. That is, because no current theories exist regarding organizational downsizing or its association with successful performance, an important first step in research is to identify patterns, relationships, and dynamics rather than to set forth a theory for testing. This is the approach taken by the study described here.

RESEARCH QUESTIONS

This investigation focused, first, on trying to identify how organizations went about the task of getting smaller. The first research question was: *How is downsizing implemented in organizations?* This question was motivated by the lack of information about what alternatives are used in addition to layoffs. Since reducing headcount is generally the strategy that gets headlines, and because it is the alternative of first choice for many organizations, we were interested to see what other types of reduction strategies were in widespread use. In particular, what actions did organizations take that are not related to employee cutbacks?

Several writers have proposed alternatives to layoffs, but none conducted an empirical investigation of their effects. For example, Perry (1986) suggested alternatives to layoffs such as job and work sharing, leaves of absence, decreases in paid time off, pay cuts, and performance-based pay systems. Tomasko (1987) differentiated between "push" strategies and "pull" strategies for downsizing where "pull" strategies include incentive buyout packages, early retirement programs, or outplacement services that make it attractive for employees to leave voluntarily. "Push" strategies such as spinning off departments or businesses, eliminating levels in the hierarchy, and outsourcing help push employees out of the organization, but without across-the-board layoffs. Levine (1985), Greenhalgh (1983), and others identified additional cutback strategies, including decreasing overtime, terminating programs, attrition, hiring freezes, and reorganizing programs. In each case, these strategies were identified in sin-

gle case studies, but no analysis was done of their relative dispersion over multiple organizations.

A related issue embedded in this first research question was whether some predictable patterns of downsizing activities could be identified in organizations. One hoped-for outcome of this investigation was to determine not only what kinds of downsizing alternatives were used by organizations to reduce their size, but whether archetypes might be present in their downsizing activities.

The second research question followed from the first, namely: *What is the impact of downsizing on the organization?* One aspect of this question is whether downsizing has the same negative effects on the organization as does decline. For example, in their studies of declining organizations, Cameron, Whetten, and Kim (1987) and Cameron, Kim, and Whetten (1987) identified 12 negative attributes of organizations that emerge in conjunction with decline. They found that when organizations unwittingly lose employees, revenues, resources, or market share, a variety of dysfunctional consequences emerge, labeled the "dirty dozen." Table 2.1 summarizes these 12 dysfunctional attributes.

In brief, these authors noted that when organizations experience decline, the threat-rigidity response tends to occur. Organizations become rigid and turf-protective, and they react with conservative, across-the-board directives. Communication

Table 2.1. Negative Attributes Associated with Organizational Decline (the "Dirty Dozen")

Attribute	Explanation
Centralization	Decision making is pulled toward the top of the organization. Less power is shared.
Short-term, crisis mentality	Long-term planning is neglected. The focus is on immediacy.
Loss of innovativeness	Trial and error learning is curtailed. There is less tolerance for risk and failure associated with creative activity.
Resistance to change	Conservatism and the threat-rigidity response lead to "hunkering down" and a protectionist stance.
Decreasing morale	Infighting and a "mean mood" permeates the organization.
Politicized special-interest groups	Special-interest groups organize and become more vocal. The climate becomes politicized.
Nonprioritized cutbacks	Across-the-board cutbacks are used to ameliorate conflict. Priorities are not obvious.
Loss of trust	Leaders lose the confidence of subordinates, and distrust among organization members increases.
Increasing conflict	Fewer resources result in internal competition and fighting for a smaller pie.
Restricted communication	Only good news is passed upward. Information is not widely shared because of fear and distrust.
Lack of teamwork	Individualism and disconnectedness make teamwork difficult. Individuals are not inclined to form teams.
Lack of leadership	Leadership anemia occurs as leaders are scapegoated, priorities are unclear, and a siege mentality prevails.

channels constrict, and only good news is passed upward. The emergence of organized, vocal, special-interest groups increases the levels of conflict among organization members, and morale plummets. A "mean mood" overtakes the organization. Slack resources (such as contingency accounts, reserves, or new project funds) are eliminated, and with them go flexibility and adaptability to future changes. Centralized decision making escalates where top managers increase their control over a decreasing resource pool, and mistakes become both more visible and less affordable. Lower level employees become increasingly fearful of making important (risky) decisions. This leads to scapegoating of top leaders as the frustrations and anxieties of organization members mount. The credibility of the top leaders suffers because of their implied failure to avoid or turn around decline, and trust in the organization erodes. A short-term orientation predominates so that long-term planning is curtailed, and innovation—inherently costly and risky—is abandoned.

Because the "dirty dozen" are so prevalent in organizations experiencing an unintentional reduction in size, an important question is whether the same dynamics occur in organizations that are intentionally reducing their size. That is, do these negative organizational attributes also occur in firms that are downsizing?

A related issue refers to the relationship between downsizing and organizational effectiveness. Whereas the popular literature is full of prescriptions and projections about what managers ought to do when downsizing, almost no empirical studies have empirically investigated the effectiveness of these prescriptions. The question of whether organizational downsizing inhibits or enhances organizational performance has largely remained unaddressed, as has the more precise question of which particular downsizing processes are helpful and which are hurtful.

Tomasko (1987) briefly reviewed a consulting study by A. T. Kearney, Inc. comparing the sales, earnings, and market value growth of 26 name-brand firms with their industry averages. These firms—including Allied, Coca-Cola, Dana, Digital Equipment, General Electric, Hewlett-Packard, IBM, Johnson & Johnson, Merck, 3M, Schlumbreger, and Xerox—had fewer hierarchical levels among their salaried ranks (an average of 7.2 levels compared to an industry average of 10.8), and larger spans of control than the industry average (4.8 direct reports versus 2.6 for the industry). The sales growth of these 26 firms more than doubled the industry average, earnings growth was eight times higher than the industry average, and market value growth was nine times higher than the industry average. Not all these firms had downsized, and it is impossible to argue that downsizing was the explanation for their dramatic success compared to industry averages. But the Kearney data clearly raise a question about the association between downsizing and organizational effectiveness. This study attempts to address this question through both qualitative and quantitative analyses.

The third research question guiding this investigation was: *What are the "best practices" in downsizing; or, how do the most effective firms differ from the least effective firms in their approach to downsizing?* This question is motivated primarily by a desire to identify practical guidelines that can be used to help direct future downsizing activities. Of course, every organization's circumstance may be somewhat unique, and no universal prescriptions are applicable across the board. On the other hand, identifying downsizing strategies and processes that characterize highly effective firms, contrasted to those that characterize the least effective firms, provide some hints that can lead to

prescriptive principles. The popular press regularly reports opinions and advice of "experts" on downsizing, yet little systematic, multiorganizational research has been done. It is useful, therefore, to identify aspects of downsizing that are grounded in more than a single case study or a personal downsizing experience. To that end, this investigation was partly guided by a desire to uncover and highlight the best downsizing practices.

NATURE OF THE STUDY

Organizations Studied

Firms in the American auto industry were selected because of the extensive downsizing that has occurred in that industry over the past decade and because of its size and importance in the American economy. Almost 40 percent of this nation's gross national product is accounted for by the automotive industry. Well over a million people work for the American auto companies alone (General Motors, Ford, and Chrysler), not to mention the myriad of related organizations and industries that serve as suppliers to and customers of the automobile companies. One in ten Americans has a family member with the benefits package of General Motors. Hence, actions that affect employment in these firms carry practical importance to a great many people. Moreover, in the 1980s more than a half million jobs were eliminated by downsizing activities in these firms as numerous and repeated downsizing initiatives were announced.

Thirty organizations were selected for inclusion in the study. They were chosen in order to maximize heterogeneity on several organizational dimensions—organization type, size, product mix, and downsizing history. Assembly plants, fabricating plants, supplier businesses, and corporate marketing and staff units were included. Some organizations were affiliated with a large parent organization; some were independent. In each case, however, firms were autonomous, strategic business units able to determine their own downsizing strategy. Each of the 30 organizations in the study had engaged in downsizing. Some downsized in years prior to the study (pre-1987); all but one downsized during the years of the study; and many were planning to downsize in future years as well. The smallest of these organizations employed approximately 100 employees at the outset of the study; the largest employed over 6,000.

Key Informants

Between 1987 and 1990, interviews were conducted every six to nine months with the head of each organization. The titles of these key informants ranged from chief executive officer to plant manager. This top manager was treated as the main source of ongoing information about how downsizing and organizational redesign activities were being implemented. In addition to the interviews, 2,001 questionnaires were collected from a sample of white-collar employees in these 30 organizations to assess their perceptions of strategies, corporate culture, leadership, and the outcomes of downsizing. In organizations with less than 300 white-collar employees, all received a questionnaire. When more than 300 white-collar employees existed, a cross-sectional sample was selected in the firm representing all functions and levels in the hierarchy.

Data-Gathering Procedures

Top managers were interviewed five times over the four-year period with each interview lasting from one and a half to two hours. This helped produce a chronology of the organizational changes taking place over the four years of the study, and it helped uncover ongoing strategies that were being implemented in connection with downsizing. Both the decision-making rationale and the visible activities of top managers were assessed through these interviews.

Two questionnaires designed to obtain organizational descriptions of the firm were completed by the top manager, once at the beginning of the study and once near the end of the study. A third questionnaire obtained personal demographic data from each of these top managers. A fourth questionnaire, unique to this investigation of downsizing, was distributed to 3,908 white-collar employees across the 30 firms, and 2,001 were returned, for a response rate of 51 percent. This questionnaire was completed during the third year of the study and contained questions on downsizing strategies, organizational characteristics, organizational changes, approaches to quality, organizational culture, communication patterns, and organizational effectiveness. (The interview instruments, questionnaires, and descriptive statistics for all variables are available from this chapter's first author. The quantitative and qualitative methods used to analyze questionnaire and interview data are described in Cameron and Mishra, 1991.)

HOW IS DOWNSIZING IMPLEMENTED?

Two major findings emerged regarding implementation processes. First, three types of implementation strategies were identified, and organizations were found to differ in the extent to which they engaged in these strategies. Second, two archetypal approaches to downsizing emerged, and organizations tended to adopt only one of them.

Three Implementation Strategies

Table 2.2 summarizes the three major downsizing strategies identified in the investigation. The first, labeled *workforce reduction strategy,* focuses mainly on eliminating headcount or reducing the number of employees in the workforce. It consists of activities such as offering early retirements, transfers and outplacement, buyout packages, golden parachutes, attrition, job banks, and, in the extreme, layoffs and firings. These activities can be implemented immediately simply by handing down a directive. They are almost always implemented across the board, and they are designed to reduce headcount numbers quickly.

This strategy is similar to throwing a grenade into a crowded room, closing the door, and expecting the explosion to eliminate a certain percentage of the workforce. It is difficult to predict exactly who will be eliminated and who will remain. It is difficult to predict in advance, for example, which employees will take advantage of an early retirement offer or buyout package. It is also difficult to determine what knowledge, what institutional memory, and what critical skills will be lost to the organization.

Table 2.2. Three Types of Downsizing Strategies

	Downsizing Strategy		
	Workforce Reduction	Organization Redesign	Systemic
Focus:	Workers	Jobs and units	Culture
Eliminates:	People	Work	Status quo processes
Implementation time:	Quick	Moderate	Extended
Temporal target:	Short-term payoff	Moderate-term payoff	Long-term payoff
Inhibits:	Long-term adaptability	Quick payback	Short-term cost savings
Examples:	Attrition Layoffs Early retirement Buyout packages	Eliminate functions Merge units Redesign jobs Eliminate layers	Involve everyone Simplify everything Change responsibility Continuously improve
Sample question on the survey:	To what extent have you used layoffs in reducing the number of salaried employees in your organization?	What has been eliminated or transferred out as part of the downsizing effort in this organization: functions, management levels, . . . [etc.]?	(Agree-Disagree) In our downsizing activities, we have closely coordinated with suppliers, customers, and the outside community.
No. of firms that implemented the strategy at least some time during the study period ($N = 30$)	29	15	12

Besides providing an immediate size reduction, the main purposes of this strategy are to wake up the organization to the serious condition that exists, to motivate cost savings in day-to-day work, and to unfreeze the organization for further change. Across-the-board cuts get attention. On the other hand, the harm caused by a workforce reduction strategy may offset the positive effects of unfreezing the organization. A dramatic example occurred in one of our organizations in which a 30-year employee in the purchasing department was the primary agent for ordering steel. Over the years, modifications in the types of steel and alloys being ordered had been made, but changes in the written specifications had not kept pace. Shortly after this purchasing agent accepted an early retirement option, an order was placed unknowingly for the wrong kind of steel. This produced a $2 million loss for the organization in downtime, rework, and repair. The organizational memory, as well as the expertise needed to do the work, left with the purchasing agent without any chance of replacement or retraining because of the nonprioritized method used in downsizing. Of the 30 organizations that were studied, 29 employed a workforce reduction strategy between 1987 and 1990 (Table 2.2). Yet, when implemented in the absence of other strategies, "grenade-type"

approaches to downsizing are rarely positive and generally negative in their consequences. Evidence for this conclusion is provided later.

The second type of downsizing strategy is an *organization redesign strategy.* The primary focus of this strategy is to cut out work rather than workers. It often consists of activities such as eliminating functions, hierarchical levels, groups or divisions, and products. Other examples are redesigning tasks, consolidating and merging units, and reducing work hours. Because the redesign strategy is difficult to implement quickly, it is, by and large, a medium-term strategy. It requires some advanced analysis of the areas to be consolidated or redesigned, followed by an elimination or a repositioning of subunits within the organization to reduce required tasks.

Instead of piling more work on fewer employees and thereby risking overload and burnout, this work redesign strategy helps assure that changes are targeted at work processes and organizational arrangements. The downsized organization can achieve a greater degree of efficiency because of its simplified structure. Fifteen of the 30 organizations investigated implemented a redesign strategy at least once during the study, half as many as implemented a workforce reduction strategy (Table 2.2).

The third type of downsizing strategy is labeled *systemic strategy.* It is fundamentally different from the other two strategies in that it focuses on changing the organization's culture and the attitudes and values of employees. It involves redefining downsizing as a way of life, as an ongoing process, rather than as a program or a target. Downsizing is equated with simplification of all aspects of the organization—the entire system—including suppliers, inventories, design processes, production methods, customer relations, marketing and sales support, and so on. Costs all along the customer chain, especially invisible and unmeasured costs, are the main targets. Examples of downsizing targets include reducing wait time, response time, rework, paper, incompatibilities in data and information systems, number of suppliers, and rules and regulations. Instead of being the first target for elimination, employees are defined as resources to help generate and implement downsizing ideas. Every employee is held accountable for reducing costs and for finding improvements. A continuous improvement ethic is applied to the task of downsizing, and cost savings throughout the entire system of interorganization relationships are pursued.

Because this strategy takes a long-term perspective, it may not generate the immediate improvement in bottom-line numbers that a workforce reduction strategy will generate. Along with the redesign strategy, it may even require some initial investment in employee training, system diagnosis, and team formation. On the other hand, it avoids the need to continually implement additional headcount reductions each time cost savings are needed. One major U.S. auto company, for example, has announced 16 major downsizing efforts since the firm was founded—each time a workforce reduction strategy. During the 1987–1990 study period, 25 percent of the white-collar staff were eliminated in each of two cutbacks. To date, little attention seems to have been paid to implementing a systemic downsizing strategy in this firm. The culture and processes remain largely unchanged, and the same work is just being done by fewer people. Implementing a workforce reduction strategy may be necessary as a severe economic hardship is encountered, but the short-term payoffs may be negated by long-term costs. The objective of a systemic strategy, on the other hand, is to help avoid, over the long term, the need to implement continual, repetitive workforce reduction

strategies. As noted in Table 2.2, only 12 organizations implemented systemic strategies in their downsizing efforts.

These three downsizing strategies are not mutually exclusive. In fact, all of the firms that implemented a systemic strategy also implemented a workforce reduction strategy. The latter strategy was used to get immediate results, while the former was used to position the organization for the future. Most organizations, however, implemented only one of the strategies—workforce reduction. They did not rely on multiple approaches.

Table 2.3 points out that organizations can be categorized on the basis of the depth and breadth of the downsizing strategies they employ. Firms that implement a greater number of actions of the same type (for example, layoffs, buyouts, and early retirements are all workforce reduction strategies) have more *depth* in their strategy. Firms that implement a greater variety of strategy types (for example, workforce reduction, organization redesign, and systemic strategies) have more *breadth* in their strategy. In this study, organizations were more likely to have depth than breadth in their downsizing strategies. The impact of this depth and breadth on organizational effectiveness is discussed in a later section.

Two Archetypal Approaches

The second major finding from our investigation of the processes used to implement downsizing was the emergence of two archetypal approaches to downsizing—reinforcement versus reorientation. [These archetypes were developed and tested in the doctoral dissertation of Freeman (1992), where they are labeled "convergence" and "reorientation."] Organizations tended to adopt one or the other of these archetypes in their downsizing efforts. By archetypal approach we mean the manner in which top managers defined downsizing and their orientation toward change. An extended discussion of these two archetypes is contained in Freeman and Cameron (in press), so we highlight only the central findings here.

These two archetypal approaches are similar to the models of change proposed by Meyer, Goes, and Brooks (Chapter 3 in this volume), and by Pettigrew (1985), Tushman and Romanelli (1985), Miller and Friesen (1980), and Golembiewski, Billingsley, and Yeager (1976). Each of these models articulates a distinction between two generic types of change—a revolutionary, metamorphic, or discontinuous change on the one

Table 2.3. Categorizing Organizations by Depth and Breadth of Downsizing Strategy

	Increasing Breadth (employing greater variety) ----→		
	Downsizing Strategy		
	Workforce Reduction	Organization Redesign	Systemic
Increasing Depth (employing a greater number) ↓	Attrition Layoffs Early retirements Buyout packages Etc.	Layer elimination Unit combination Product removal Process rearrangement Etc.	System analysis Culture change Bottom design Coordination with outsiders Etc.

hand, and an evolutionary, incremental, or gradual change on the other. In this study, some organizations approached downsizing as an incremental change, where less severe changes were implemented, whereas others approached downsizing as a discontinuous change taking more revolutionary actions. In the first archetype, labeled *reinforcement,* managers set as their target for downsizing the maintenance and perpetuation of the current mission, strategy, and systems and focused on adapting to current environmental circumstances. In the second archetype, labeled *reorientation,* managers attempted to change the organization's mission, strategy, and systems and to discontinue previous activities.

Organizations that adopted different archetypes also tended to differ in other aspects of their organization: (1) structural change, (2) white-collar reduction strategy, (3) precedence for workforce reduction versus redesign, (4) amount and type of communication, (5) interorganizational relationships, and (6) effectiveness versus efficiency orientation. A particular approach to structural redesign, for example, is associated with a particular white-collar reduction strategy, a type of communication, interorganizational relationships, a culture type, and so on. The two main archetypal approaches are summarized in Table 2.4 and explained briefly below. Freeman (1992) contains the detailed statistical analyses.

Structural Change

Katz and Kahn (1978) proposed a hierarchy of structural changes in organizations as they grow, each change requiring progressively more organizational change:

1. Increasing the size of units without structural change.
2. Increasing the number of parallel units, as in adding new units.
3. Increasing the amount of differentiation within and between units.
4. Merger.

Table 2.4. Two Archetypal Approaches to Downsizing

Reinforcement Approach	Reorientation Approach
Incremental downsizing and redesign	Discontinuous downsizing and redesign
Emphasis on lower-level, less radical downsizing approaches	Emphasis on higher-level, more radical downsizing approaches
Stability in top management team, technology, and systems	Change in top management team, technology, and systems
Changes in work instead of structure	Changes in structure instead of work
Reinforces mission and strategy	Redefines mission and strategy
Downsizing precedes redesign	Redesign precedes downsizing
Less extensive communication required	More extensive communication required
Less use of interorganizational relationships	More use of interorganizational relationships
Internal constituency orientation	External constituency orientation
Emphasis on efficiency criteria	Emphasis on effectiveness criteria
Focus on doing things better	Focus on doing different things
No. of firms that exhibited each pure approach: (N = 30)	
7	9

The converse of each of these changes implies four targets of organizational downsizing:

1. Decreasing the size of units without structural change (e.g., eliminating individuals or tasks).
2. Decreasing the number of parallel units (e.g., closing branches or product lines).
3. Decreasing differentiation (e.g., restructuring or clustering work units).
4. Divestiture or dissolution (e.g., eliminating entire businesses).

When organizations adopted a reinforcement approach to downsizing, they implemented less radical changes in downsizing requiring less redesign—for example, decreasing size without restructuring work. When organizations adopted a reorientation approach, they implemented more radical changes requiring a greater amount of redesign—for example, merging departments.

White-Collar Reduction Strategy

One form of white-collar downsizing relates to the portion of the job that is changed. For example, changes in *work* (e.g., eliminating tasks, reducing the number of people doing the same work, or increasing spans of control) require less change than changes in *technology* (e.g., automating work, changing materials management procedures, or reducing the number of employees needed through team formation). In turn, changes in technology require less change than changes in *structure* (e.g., reorganizing the top management team, eliminating hierarchical levels, or merging departments). When organizations adopted a reinforcement archetype, they implemented less change (i.e., they relied mainly on changes in work and much less on changes in technology and structure), than when they adopted a reorientation archetype. In the latter case, organizations implemented more changes in structure and technology rather than in just work.

Precedence of Workforce Reduction Versus Work Redesign

Whereas workforce reduction and work redesign are sometimes linked, organizations were found to differ in the extent to which one strategy took precedence over the other. Only half the organizations employed both workforce reduction and work redesign strategies, but they differed in which strategy was pursued as the most important target of downsizing. Some organizations focused, first and foremost, on making the organization *smaller.* Other organizations focused primarily on making the organization *different.* Whereas both downsizing and redesign occurred in organizations that adopted a reinforcement archetype and that adopted a reorientation archetype, one of these changes tended to take precedence over the other. Specifically, when organizations adopted a reinforcement archetype, downsizing (getting smaller) tended to be the primary target of the change. When organizations adopted a reorientation archetype, redesigning work (becoming different) tended to be the primary target of the change.

Amount and Type of Communication

Adopting a reorientation archetype requires that both larger amounts and more types of communication be used in order for this kind of change to be successful (see Daft,

Bettenhausen, and Tyler, Chapter 4 in this volume). This is because reorientations entail not only a new way of doing old things, but also doing completely new things. The break with old, established routines is more abrupt. Among the organizations in this study, greater amounts and more types of information were communicated in organizations that adopted a reorientation archetype than in those that adopted a reinforcement archetype.

Interorganizational Relationships

Because all organizations exist in a system of relationships with other organizations—for instance, customers, suppliers, and unions—downsizing does not occur in isolation. Other organizations are affected by downsizing activities, and they may affect or be a part of a firm's downsizing activities. Earlier it was stated that relatively few organizations adopted a systemic strategy in downsizing—that is, few included the broader system of interorganizational relationships in downsizing activities. The firms that did so, however, tended to be those that adopted a reorientation archetype as opposed to a reinforcement archetype. An alteration of the organization's mission, strategy, and structure (i.e., reorientation) was more closely associated with an altered relationship with outside organizations than was an incremental, reinforcement approach to downsizing.

Effectiveness Versus Efficiency Orientation

Whereas the distinction is not absolutely clear between effectiveness and efficiency, the two constructs have been treated differently in the literature. Effectiveness was characterized by Cameron and Whetten (1983) as "doing the right things," whereas efficiency was characterized as "doing things right." Organizations are usually judged to be effective if they at least minimally satisfy their strategic constituencies (see Cameron, 1987), with an emphasis on external constituencies. On the other hand, organizations are judged to be efficient if they run with precision and with little waste. Internal processes and practices take precedence in assessments of efficiency. When organizations downsize, the relative emphasis on effectiveness versus efficiency criteria might be expected to vary since a reinforcement archetype emphasizes doing the same things right (efficiency), whereas a reorientation archetype emphasizes doing different things (effectiveness). In this study, organizations that adopted a reinforcement archetype tended to emphasize efficiency criteria more than effectiveness criteria, whereas the reverse was true among organizations that adopted a reorientation archetype.

In sum, two archetypal approaches to downsizing seemed to be pursued by these organizations—a reinforcement archetype and a reorientation archetype. Sixteen firms were found to consistently reflect the patterns of activities described above: seven adopted a purely reinforcement archetype, and nine adopted a purely reorientation archetype. The remainder of the organizations shifted over the four-year period of the study: seven went from reinforcement to reorientation, and seven went from reorientation to reinforcement. More discussion of these mixed types is contained in Freeman and Cameron (in press). The most important finding here is that a framework of archetypes in downsizing was identified and consistencies in organizational strategies were uncovered.

These patterns lead to the second question in the research: "What impact do these downsizing strategies have on the organization itself? Under what circumstances does downsizing hinder or enhance organizational performance?"

WHAT ARE THE ORGANIZATIONAL EFFECTS OF DOWNSIZING?

In assessing the impact of downsizing on the organization, four different variable sets were used to indicate performance. Data on three were obtained from the questionnaire mentioned earlier, so they are perceptual in nature. The fourth came from secondary sources indicating productivity ratios in each firm (e.g., Harbour and Associates, 1990). We were surprised to discover that hardly any firms were willing to provide us with objective performance data. In the intensely competitive auto industry, such data are treated as highly confidential, and only a few managers were willing to share this information with us (some in a clandestine way). Hence, we obtained objective productivity data for only nine of the organizations in the study. Analyses of those nine firms confirm the findings from the questionnaire analyses described below and from the interview coding. However, because nine firms represent only a small, potentially biased subset of the organizations studied, because complete data is not available for all the nine organizations, and because of space limitations for the chapter, these objective data analyses and results are reported elsewhere (Cameron and Mishra, 1991) and are available from the first author.

In the sections that follow, we first report findings related to *overall improvement* in performance as a result of downsizing. Respondents were asked to rate on a five-point scale the extent to which organizational performance had improved as a result of downsizing. The factors that are significantly associated with improvement are reported. (Questionnaire items and descriptive statistics for all items and dimensions are available in Cameron and Mishra, 1991.) Second, ratings were obtained of the *overall effectiveness* of the organizations (1) relative to their past two years' performance, (2) relative to their best domestic and best global competitors, and (3) relative to their own corporate goals and to customers' expectations. These comparison standards (e.g., past performance, competitors, goals, and customers) against which respondents rated their own organization's performance were determined in the interviews to be the most important standards used by these firms. They were included as comparison standards in the questionnaire in order to improve the quality of the effectiveness ratings. Third, the factors most closely associated with the presence of the "dirty dozen," or *negative attributes,* are reported. Because these dysfunctional attributes are associated with most organizations that experience undesired decreases in size as a result of decline (see Cameron, Kim, and Whetten, 1987), the question was "Do these negative attributes also occur in organizations that *want* to reduce in size?" More specifically, "Are certain downsizing activities associated with organizations characterized by the negative attributes?"

Predictors of Organizational Improvement Ratings

Table 2.A in the appendix to this chapter lists the factors that were analyzed in association with organizational improvement. These factors were initially derived from

the interviews conducted with the top manager in each of the 30 firms in the study. That is, the questionnaire was developed after two rounds of interviews had been conducted, and one important outcome of those interviews was the identification of factors that appeared to have an association with successful (and unsuccessful) organizational performance. Several questions in those first two rounds of interviews focused on aspects of the downsizing process with which a broad sample of respondents had been involved and on which they could provide information. A few items also were included in the questionnaire that had been proposed as important predictors in previous literature on downsizing, especially Applebaum, Simpson, and Shapiro (1987), Saporito, (1987), Tomasko (1987), Henkoff (1990), and Richardson (1988).

As mentioned above, the most powerful factors associated with improvement were identified, via preliminary regression analyses, then entered into a final multiple regression analysis. Table 2.5 shows the factors that are significantly associated with organizational improvement (or deterioration) as a result of downsizing.

These results highlight the negative effects of the downsizing approaches used by most organizations. In this study, in only six of the firms did respondents indicate that the firm implemented downsizing gradually and incrementally. This is consistent with McCune et al.'s (1988) survey of 100 downsizing firms in which 94 percent took less than two months to plan and implement downsizing. However, the firms that improved their performance in this study were those in which respondents indicated that preparation for downsizing occurred in advance. These organizations invested time and resources in systematically analyzing tasks, personnel skills, resource needs, time use, process redundancies, and so forth. This permitted firms to target downsizing activities—that is, to surgically eliminate unneeded work, processes, and positions—rather than to use an across-the-board approach in reducing the size of the firm. This is consistent with the second most powerful predictor of improvement—gradual, incremental implementation. A majority of managers in our interviews suggested that a rapid, quick-hit approach to downsizing was their method of choice. They reasoned that this approach didn't drag out the unpleasant process, it minimized employee fear

Table 2.5. Significant Predictors of Organizational Improvement (or Deterioration) During Downsizing

Factor (nature of the relationship)[a]	Beta
Systematic analysis of tasks and personnel in advance (+)	.234***
Gradual, incremental implementation (+)	.200***
Increased communication and participation (+)	.178***
Increased employee effort (+)	.099***
Downsizing via attrition (−)	−.229***
More work required for employees (−)	−.115***
Reward and appraisal system changed (−)	−.109***
No improvement in quality (−)	−.093***
Overall Equation	
R^2 .430***	
Adjusted R^2 .420***	

[a]See Appendix Table 2.A, for all factors analyzed.
***$p < .001$

and anxiety associated with not knowing whose job might be eliminated next, and it administered the pain all at once. However, the opposite strategy was actually associated with organizational improvement: gradual reductions were consistently associated with performance increases. The uncertainty assumed to be associated with incremental downsizing was mitigated by a thoughtful, orderly implementation strategy. This result may be explained by the fact that the amount of uncertainty experienced at any one moment is smaller and more manageable when an incremental approach is used as opposed to a rapid, one-time downsizing action. (We are grateful to Karl Weick for this explanation.) Hence, the intuitive assumptions of most managers about speed of implementation did not foster improvement.

A third major predictor also helped reduce uncertainty—namely, increased communication and participation of employees in the downsizing process. When employees were involved in the downsizing decisions, when suggestions were sought and discretion was given to participants, performance improvements were present. This also explains why rapid downsizing does not foster improvement. Broad participation and idea sharing cannot occur if downsizing is implemented in a rapid-fire fashion. Consistent with this line of reasoning, performance improvements were also associated with more effort put forth by employees in the organization. Increased participation and communication by employees have been found in past research to produce increased effort (e.g., Vroom, 1964), and, by implication, improvement in organizational performance. That pattern of increased participation coupled with increased effort leading to improved performance seemed to be indicated by these results.

On the other hand, Table 2.5 also reports the factors that respondents identified as being associated with deteriorating organizational performance over time. These are not just the opposite of the factors associated with improvement; rather, they are a different set of factors associated with deterioration. The most powerful factor is downsizing via attrition—that is, imposing hiring freezes or not replacing individuals who leave the organization. This is a very common across-the-board downsizing approach, but it may leave the organization without crucial skills and human resources. In addition, downsizing that simply piles more work on remaining employees—the second major predictor of performance deterioration—also short-circuits improvement. Reducing numbers of positions or employees without a commensurate reduction in work has a negative influence on performance, partly because the remaining employees become overloaded or are required to do tasks for which they may not be trained. The third major predictor, changes in the reward and appraisal system, was indicated in this study by mandates such as eliminations of standard cost-of-living increases, mandated salary freezes, and forced rankings of all employees in performance appraisals. The across-the-board, top-down nature of such actions appeared to impede rather than enhance improvement. Finally, when respondents reported that their organizations had not improved the quality of their products and services during the past two years, overall firm performance deteriorated.

This last predictor relating to quality requires some explanation since quality emerged as a significant predictor in most of the statistical analyses. Moreover, it was a very significant factor associated with the 'best downsizing practices' in the interviews. Before reporting the results of other statistical analyses, therefore, a brief side trip is necessary in order to explain the quality factors being used to predict improvement, effectiveness, and the "dirty dozen."

Quality Culture As a Predictor of Organizational Performance

Cameron (1991) developed a model of quality culture in which three different approaches to quality assurance were described. These approaches are generalized orientations toward quality, and they constitute ways that organizations think about and define quality. That is, an organization's quality culture refers to its values and interpretations of quality as well as to the manner in which it pursues quality. It is not merely the presence of quality tools or techniques such as statistical process control, quality function deployment, continuous improvement cycles, design of experiments, and so forth. Differences in organizational profiles across quality cultures have been found to exist in a variety of manufacturing and service organizations (Cameron, 1991). The quality culture model identifies values, processes, and approaches that organizations implement in trying to achieve high levels of quality in products and services. Table 2.6 summarizes the attributes of each of the three types of cultures. No organization is characterized by only one approach to quality, but almost all have a dominant emphasis.

Up until the 1970s, most U.S. manufacturing and service organizations were characterized by an *error detection* culture. For example, in manufacturing products, firms emphasized inspecting and detecting errors. The goal was to avoid poor quality, to reduce waste, and to find and fix mistakes. Quality control departments and auditors inspected products and services after they had been produced. Products that didn't work were reworked or repaired. In providing staff support and customer service, the focus was on avoiding annoying people. Trying to protect against creating dissatisfac-

Table 2.6. A Model of Quality Cultures

Regarding Products	Regarding Customers
Error Detection	
Inspect and detect errors	Avoid annoying customers
Reduce waste, cost of failure, and rework	Respond to complaints quickly and accurately
Correct mistakes	Reduce dissatisfaction
Focus on the *output*	Focus on customer *needs* and requirements
Error Prevention	
Prevent errors	Satisfy customer expectations
Expect zero defects	Help customers avoid future problems
Design it right the first time	Obtain customer preferences in advance, and follow-up
Focus on the *process* and root causes	Focus on customer *preferences*
Creative Quality and Continuous Improvement	
Improve on current standards of performance	Surprise and delight customers
Create new alternatives	Engage in extra-mile restitution
Concentrate on things-gone-right	Anticipate customer expectations
Focus on managing *suppliers* and *customers* as well as *processes*	*Create* customer preferences

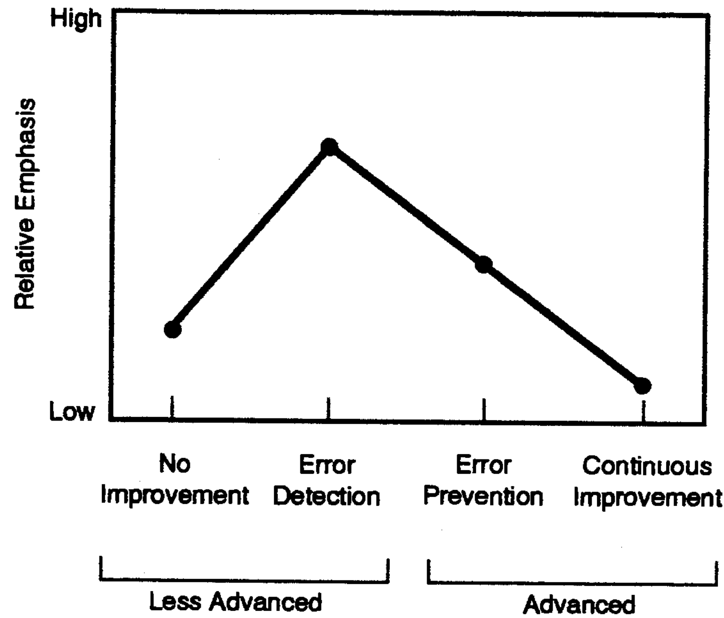
Source: Adapted from Cameron (1991).

tion led firms to develop systems that responded to customer needs and complaints accurately and on time. Firms focused on meeting expectations, specifications, and providing what customers required.

The 1980s saw a transformation in approach to quality, however, mainly because foreign competition's quality was so superior to most domestic companies. Plus, the offshore firms were operating with a different quality culture. In response to this challenge, many, although by no means most, domestic organizations shifted their quality focus. Their new quality culture focused on *error prevention,* or avoiding making mistakes in the first place. In producing products, the goal was to have zero defects by doing the work right the first time. The emphasis was on finding root causes of problems, adjusting the processes that produce the outcomes, and holding all workers accountable for quality, not just end-of-the-line inspectors. In providing customer service and staff support, the focus shifted to satisfying people (not just avoiding making them angry). The goal was to give service that made people want to come back and do business with the firm again. Obtaining customer preferences in advance and monitoring customer satisfaction after service delivery were crucial aspects of this approach. A shift occurred from focusing on customer requirements to focusing on customer preferences and from meeting expectations to exceeding expectations.

The third quality culture can be labeled *creative quality and continuous improvement.* This approach is typical of some of the very best firms in the 1990s. It couples continuous improvement, or Imai's (1986) "kaizen," with innovation, so that current standards of performance are always changing and improving. Small, incremental, continuous improvements are coupled with major leaps forward in which dramatic, one-time changes are created. These two processes spawn an emphasis on reaching levels of quality never before attained. In producing products, the focus is on designing and producing "things-gone-right" as well as avoiding "things-gone-wrong." The input, process, and output phases of production are merged so that managing suppliers and managing customers are as important as improving the firm's own work processes. Quality improvement is applied to all aspects of the firm's network of relationships. In providing customer service and staff support, the focus is on creating (not just exceeding) expectations and delivering services that surprise and delight customers. These firms emphasize continuously improving current levels of performance and being creative in delivering more than customers even hope for.

In assessing the quality culture that characterizes an organization, two kinds of measures were taken. One was an assessment of the extent to which firms were excellent or accomplished in each approach to quality; the second was the relative emphasis given to each generalized approach to quality. Figure 2.1 provides an example of a typical firm's profile of relative emphasis in these three quality cultures. Each point on the graph represents an empirically determined amount of emphasis given to each type of quality culture. Thus, both the achievement level in error detection, error prevention, and continuous improvement, as well as the relative emphases given to each of the different cultures were obtained. In questionnaire items and in interviews, employees had very little difficulty pinpointing the dominant quality culture that typified their firms. Every organization in this study gave at least some emphasis to each of the different cultures, but in every case one of the quality cultures dominated the others. When the organization gave the greatest relative emphasis to an error detection cul-



Note: The vertical axis on the graph shows the relative amount of emphasis given to each of the different quality cultures. These points were determined empirically by asking respondents to divide 100 points among descriptions of the different quality cultures. The most points were given to the quality culture that was most similar to the respondent's organization; fewer points were given to cultures that were less similar.

Figure 2.1. A typical quality culture profile.

ture, it was labeled a "less advanced level of quality culture." When organizations gave the greatest relative emphasis to a culture of error prevention or to continuous improvement and creativity, it was labeled an "advanced level of quality culture."

Predictors of Organizational Effectiveness

Returning now to the question of what impact downsizing has on the organization, Table 2.7 reports the major predictors of effectiveness relative to three different standards: (1) the firm's own past performance, (2) its best competitors' performance, and (3) the firm's goals and expectations of customers. To avoid a complex and lengthy explanation of these three different statistical analyses, only a summary of the reoccurring and most powerful predictors is provided here.

The two factors that respondents identified as significant predictors in all three analyses of organizational effectiveness are (1) a gradual, incremental implementation of downsizing and (2) conducting a systematic analysis in advance of downsizing. Again, these two factors make clear the importance of avoiding quick-hit, grenade-type strategies and, instead, of investing the necessary time and resources in adequately preparing for well-planned, precise implementation. Involving employees through participation and increasing communication was an important factor in two of the analyses, as was establishing a set of downsizing strategies independent of outside mandate or encroachment. In both of these factors, key elements seem to be the enhance-

Table 2.7. Significant Predictors of Organizational Effectiveness (or Ineffectiveness) During Downsizing

Factor (nature of the relationship)[a]			Beta
Effectiveness Relative to Past Two Years' Performance			
Increased employee effort (+)			.094***
Downsizing via retirements (+)			.090***
Systematic analysis of tasks and personnel in advance (+)			.091**
Gradual, incremental implementation (+)			.068**
Advanced level of quality culture (+)			.112*
Excellence in creative quality (+)			.060*
Downsizing via layoffs (−)			−.100***
No improvement in quality (−)			−.133***
Multiple R	.403	Degrees of freedom	19,1231
R^2	.150	F	12.59
		Significance	.000
Effectiveness Relative to Best Competitors			
Established own downsizing strategies (+)			.074**
Excellence in error detection quality (+)			.095**
Gradual, incremental implementation (+)			.063*
Systematic analysis of tasks and personnel in advance (+)			.079*
Involved customers and suppliers in downsizing (+)			.073*
Less advanced level of quality culture (−)			−.099***
Multiple R	.337	Degrees of freedom	19,1228
R^2	.100	F	8.29
		Significance	.000
Effectiveness Relative to Firm Goals and Customer Expectations			
Involved customers and suppliers in downsizing (+)			.164***
Systematic analysis of tasks and personnel in advance (+)			.140***
Excellence in creative quality (+)			.081***
Increased communication and participation (+)			.083***
Established own downsizing strategies (+)			.063**
Gradual, incremental implementation (+)			.062**
Excellence in error detection quality (+)			.083**
Excellence in error prevention quality (+)			.066*
Downsizing via attrition (−)			−.128***
No improvement in quality (−)			−.118***
Downsizing by outsourcing (−)			−.059*
R	.570	Degrees of freedom	21,1183
R^2	.312	F	27.06
		Significance	.000

[a]See Appendix Table 2.A for all factors analyzed.

*$p < .05$

**$p < .01$

***$p < .001$

ment of discretion, involvement, and shared information within the firm. Taken together, these four major factors paint a picture of effective downsizing firms being characterized by planning, up-front investment in analysis, participation, and information exchange.

The other important recurring predictors relate to the quality culture of the firms. Respondents that rated their organizations as having a high level of excellence in creative quality as well as in error detection quality were more likely to be effective than those organizations that were not as accomplished in these aspects of quality achievement. However, in terms of relative emphasis, an advanced level of quality culture (i.e., dominated by an error prevention emphasis or a continuous improvement and creativity emphasis) was predictive of organizational effectiveness, whereas a less advanced level of quality culture (i.e., dominated by an error detection emphasis) was predictive of organizational ineffectiveness. Having no improvement in quality was a recurring predictor of ineffectiveness in two of the analyses. The other factors associated with ineffectiveness in the firms were examples of grenade-type downsizing strategies—downsizing via attrition, layoffs, and outsourcing.

In sum, analyses of organizational effectiveness suggest that planned, systematic downsizing where participation and involvement of employees occurs and where the firm has an advanced and improving quality culture are rated by respondents as the most effective firms. Ineffectiveness is associated with stagnant quality and downsizing via workforce reduction strategies.

Predictors of Negative Organizational Attributes

A third set of statistical analyses addressed the question of the impact of downsizing on the "dirty dozen" characteristics (see Table 2.1). Because these 12 negative attributes occur frequently in organizations that are experiencing decline, a central question was whether the same negative attributes arise when organizations purposefully reduce their size, as opposed to reducing size because of an unwanted decline.

Multiple regression analyses were conducted for each of the 12 negative attributes, using as predictors the factors listed in the Appendix. Table 2.8 summarizes the factors that were significantly associated with these 12 dirty dozen attributes. Rather than review in detail the regression equation for each attribute, however, Table 2.8 identifies the factors that had significant relationships with any of the dirty dozen. The number of significant relationships (of the 12 possible) is listed on the right in Table 2.8.

The most pervasive factors in mitigating against the 12 negative attributes are similar to those that predicted organizational improvement and organizational effectiveness. The factors associated with at least four (33 percent) of the negative attributes are predominantly human relations factors. For example, increased communication with and participation by organization members (10 significant relationships), increased employee effort (7), and increased teamwork (4) all are typical of organizations with low scores on the dirty dozen. Similarly, conducting a systematic analysis of tasks and personnel in advance of downsizing (9) and coordinating with outside organizations such as suppliers and customers in the downsizing process (6) characterize organizations that prepare for downsizing and do not simply use grenade-type approaches to workforce reduction. Of somewhat less importance were gradual, incremental imple-

Table 2.8. Summary of Major Predictors of the Dirty Dozen During Downsizing ($p < .05$)

Factors	No. of Significant Relationships with the Dirty Dozen (nature of the relationship)[a]
Downsizing via attrition	9 (+)
Mandated downsizing motivated changes	8 (+)
More work required for employees	7 (+)
No improvement in quality	5 (+)
Less advanced level of quality culture	4 (+)
Downsizing via layoffs	4 (+)
Downsizing by outsourcing	4 (+)
Reward and appraisal system changed	4 (+)
Focus on process more than product quality	4 (+)
Downsizing via retirements	4 (+)
Downsizing by eliminating functions and/or management levels	1 (+)
Downsizing by eliminating products and/or suppliers	1 (+)
Established own downsizing strategies	1 (+)
Downsizing by transferring employees	1 (+)
Increased communication and participation	10 (−)
Systematic analysis of task and personnel in advance	9 (−)
Increased employee effort	7 (−)
Coordination with outside organizations in downsizing	6 (−)
Increased hourly and salaried teamwork	4 (−)
Gradual, incremental implementation	2 (−)
Advanced level of quality culture	2 (−)
Excellence in error detection quality	2 (−)
Excellence in creative quality	2 (−)
Excellence in error prevention quality	1 (−)
Downsizing by transferring employees	1 (−)

[a]See Appendix Table 2.A for all factors analyzed.

mentation and several of the quality culture factors. These latter two factors were of more central importance in predicting organization-level effectiveness, suggesting that the impact of gradual implementation and coordination with outsiders effects individual organization members less than it does overall organization performance.

The factors most powerfully associated with the presence of the negative attributes in organizations include several common workforce reduction downsizing strategies and a less advanced quality culture. That is, of the factors associated with at least four of the dirty dozen attributes, four are common workforce reduction strategies: downsizing via attrition (9 significant relationships), downsizing via layoffs (4), downsizing by outsourcing (4), and downsizing via retirements (4). Other factors include downsizing because of a mandated change from outside the firm (8), piling more work on remaining employees because jobs were reduced but not the work itself (7), and changes in the reward and appraisal system that made them seem inequitable or punishing (4). Making no progress in improving the quality of products and services (5) a less advanced quality culture (4) are also associated with the dirty dozen attributes.

Taken in total, these results suggest that downsizing that is implemented without preparation, that relies on workforce reduction (across-the-board) approaches, that restricts participation and teamwork, that increases the work required of remaining employees, and that does not help improve the quality of products and services is significantly associated with negative attributes in organizations. Whereas workforce reduction strategies were implemented by all organizations in this study, those organizations not characterized by the "dirty dozen" attributes supplemented those strategies with employee participation, teamwork, discretion, and a systematic analyses of the organization in advance.

Summary

In answer to the question "What are the organizational effects of downsizing?," these analyses suggest that the most commonly implemented form of downsizing—across-the-board, grenade-type approaches—are associated with organizational dysfunction. Organizational ineffectiveness, lack of improvement, and high scores on the dirty dozen attributes all are present when workforce reduction strategies such as layoffs, attrition, and buyout packages are used alone. Moreover, the lack of development of an advanced quality culture coupled with stagnant quality improvement are associated with these negative organizational performance indicators. On the other hand, firms whose performance was improving, effective, and absent the negative attributes are those that prepared for downsizing by conducting systematic analyses, involved employees, increased communication, and implemented strategies incrementally. An advanced quality culture was also an important characteristic of these firms.

Helping to facilitate the development of an advanced quality culture was an important role of managers in these organizations. In fact, in our interviews over the four-year period, this recurred as one of the most crucial ongoing responsibilities of the top managers in the most effective firms. It is to this top management responsibility, and to the characteristics of the best firms, that we now turn. The next section identifies the best downsizing practices by differentiating attributes of the highest performing firms from the others in this study.

WHAT ARE THE "BEST PRACTICES" IN ORGANIZATIONAL DOWNSIZING?

Two different procedures were used to identify the best downsizing practices in these firms. The first was a statistical analysis in which the very best firms—those with the highest scores on all the effectiveness indicators—were compared to the other firms in the study using discriminant analysis. This analysis identified the factors that were most typical of the very best firms in the study but not typical of the others. A richer set of data was obtained on the best practices, however, by means of the interview analyses. Stories, incidents, and mini case studies emerging from these interviews highlighted some of the most interesting processes used in downsizing that were not captured in the questionnaire. The statistical results are explained first, followed by the interview analyses.

Discriminating Highly Effective Firms from Others

The discriminant analysis results reported here differentiated the five most highly effective and improving firms in this study from the firms not performing as well. For illustrative purposes, Figure 2.2 provides a graph of the differences that exist between two firms that improved as a result of downsizing compared to three others that deteriorated. We wanted to find out, simply, how the most effective and improving firms downsized and what unique characteristics they possessed. Table 2.9 summarizes the organizational attributes and downsizing processes typical of the best five firms.

Similar to the regression analyses described above, a stepwise discriminant procedure was used to identify the most powerful factors. Results were consistent with those reported above, with a few notable additions. The best organizations were strongly characterized by involvement of all employees in improvement and participation in downsizing. Downsizing was viewed as an opportunity rather than a threat, and individuals were defined as resources to foster organizational improvement rather than costs that dragged down bottom-line financial performance. An advanced quality culture characterized the best firms, particularly excellence in error prevention quality. Organizations that did not perform well were stagnant in quality improvement and possessed a less advanced quality culture.

What was especially notable in the most effective organizations that did not emerge in earlier analyses was the role of the leader. The most effective organizations had dynamic, competent, knowledgeable leaders who articulated a clear, motivating vision of the future. In addition to the activities and strategies employed in the organization, the personal behavior of the top manager—that is, the extent to which he or she (1)

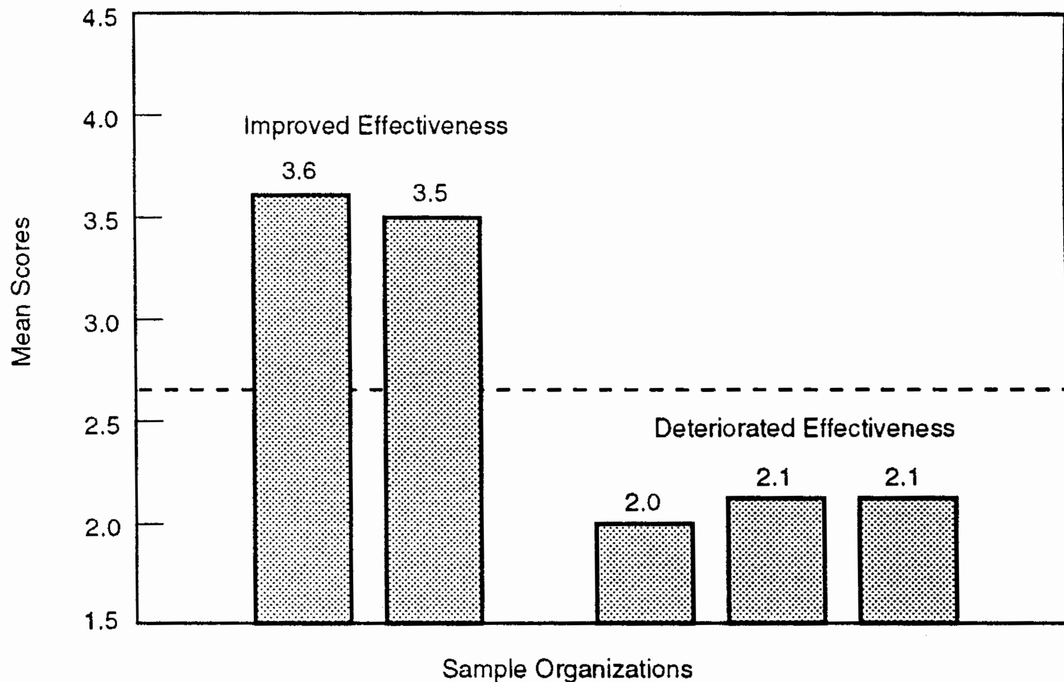


Figure 2.2. Improving versus deteriorating organizational effectiveness.

Table 2.9. Discriminating the Five Most Effective and Improving Firms from the Less Effective Firms

Factor	Coefficient[a]
All employees are involved in improvement activities.	.789***
Employees are involved in determining and designing changes.	.578***
Readiness to downsizing is created by opportunity, not threat.	.530***
Excellence in error prevention quality is present.	.469**
A new, exciting vision is articulated by top management.	.460***
Teams of salaried and of hourly employees are formed.	.460***
Coordination with outside organizations occur during downsizing.	.460***
A dynamic, competent, and knowledgeable leader exists in the firm.	.454**
An advanced quality culture exists, with emphasis on error prevention or creative quality and continuous improvement.	.410***
A systematic analysis of the organization occurred in advance of downsizing.	.307**
Quality of products and services is not improving.	−.527***
A less advanced quality culture exists, with emphasis on error detection.	−.416***
Advanced planning is neglected in implementing downsizing.	−.393**
Average significance of disciminant functions:	$p < .01$
Percentage of firms correctly classified based on their scores on these factors:	100%

[a]Correlation with the canonical correlation in the discriminant function.
**$p < .01$
***$p < .001$

excited and motivated employees, (2) praised them, (3) used symbolic means to provide a vision of future possibilities for them, and (4) remained accessible and visible to them—was a significant characteristic of the most effective and improving organizations. Finally, preparation for downsizing occurred in the highest performing organizations through systematic analysis of the organization and coordination with outside customer and supplier organizations. Organizations that performed poorly neglected planning and preparation and instead adopted a short-term strategy.

These results are not surprising nor are they counterintuitive. Rather, the factors that characterize the very best downsizing organizations just represent good management practices even under normal circumstances. What makes them unusual in downsizing situations, however, is that managers experience enormous pressure to abandon these management principles and attend only to the bottom line (see, for example, Ginzberg, 1985). Immediate headcount reductions make the financial ledger look good in the short run; quick-hit or across-the-board strategies are easier to implement and can help temporarily ameliorate infighting; and preparation and advanced analysis require time and resources that are hard to find when pressures to downsize are intense. Moreover, scapegoating of leaders and a politicized environment make it easy for top managers to distance themselves from employees to avoid criticism and antagonism. Rather than increasing visibility and participation, a natural tendency of top managers is to do the reverse. It is easy to understand, therefore, why most organizations are not characterized by these best practices. Only a small portion of organizations actually operate in harmony with the factors that typify the most highly effective and improving downsizing firms.

Uncovering Highly Effective Dualistic Processes

To elaborate the findings from these statistical analyses, and to gain a more thorough understanding of the strategies used by the most effective downsizing organizations, examples of successful downsizing processes were obtained from the interviews conducted with each top manager over the four-year period. These interviews uncovered examples of certain downsizing processes that were reported to produce outstanding results in organizations. These examples were not limited just to the five best firms; rather, several of these highly effective processes were implemented in more firms than those five during the four-year period of the study. In each case, the top managers reported that the downsizing process had a strong positive effect on their organizations. Objective evidence was not collected to corroborate these self-reported assessments by the managers, but almost universal agreement was found among the key informants that these processes contribute to high and improving organizational effectiveness over time.

Analysis of the stories and incidents related by these top managers suggested that sets of apparently contradictory or conflicting processes were associated with the best downsizing organizations. That is, downsizing processes that produced the most effective outcomes were those that required augmentation of one major downsizing activity with another that was often perceived as contradictory by the managers being interviewed. The contradictions are not inherent in these processes; they only existed in the minds of many of the managers interviewed in the study. That is, when implementing one downsizing process, most managers tended to ignore, even argue against, employing a seemingly conflicting process simultaneously. But, when managers implemented both of the apparently contradictory processes, the most positive (manager-reported) results occurred (see Cameron, et al., 1991). Six of the dualistic processes reported by managers to facilitate effective organizational downsizing are described below.

1. Downsizing was Implemented from the Top Down, but it was also Initiated from the Bottom Up

As mentioned above, strong, visible leaders who aggressively pursued a downsizing strategy and who clearly articulated a vision of the organization's future were associated with positive organizational performance when downsizing. Effective downsizing was managed and monitored by top managers; it required hands-on involvement and control that originated at the top of the organization. On the other hand, effective downsizing strategies were also recommended and designed by lower level employees. In effective downsizing, employees themselves analyzed job-by-job and task-by-task the operations of the firm. This sometimes happened in cross-functional teams, sometimes in blue-ribbon committees, sometimes in self-designed task forces. Members identified redundant jobs and partial tasks, found ways to eliminate organizational fat and improve efficiency, and planned ways in which the changes could be implemented.

In one particularly noteworthy organization, employees were told that if their jobs were eliminated, they would still receive full pay for a year. If they required retraining in order to find a new job (either inside the firm or outside the firm) it was arranged for, but the employees had to justify the expenditure in a proposal. Employees were

encouraged to find ways to improve current products and processes within the firm, that is, to add to the firm's revenue stream. Some employees used the time to find jobs outside the firm; others found ways to try out ideas that improved both bottom-line (cost control) and top-line (innovative product ideas) results. A surprisingly large number of employees voluntarily recommended the elimination of their own jobs in order to take advantage of opportunities to do something creative that helped the firm. In a year's time, productivity increased over 50 percent and quality improved almost 30 percent. Downsizing targets were also exceeded. In this case, employees were treated as resources for organizational improvement, not liabilities to the bottom line.

Downsizing from the top down provided consistency, vision, and clear direction as well as visible, hands-on involvement. Downsizing from the bottom up helped foster innovation and improvements that would not have been possible if top management had simply mandated headcount reductions.

2. Universalistic, Across-the-Board Downsizing Processes Were Used, as Well as Selective, Particularistic Downsizing Processes.

Implementing across-the-board cutbacks was an effective way to temporarily capture employees' attention, mobilize the energy of all the organization's members, and overcome resistance to change by highlighting the seriousness of conditions faced by the firm. The announcement of an extensive retrenchment made it clear to everyone that the status quo was no longer acceptable. On the other hand, this universalistic approach produced liabilities (described earlier) that could be overcome only by a particularistic strategy. The most successful downsizing was characterized, therefore, both by universalism and by particularism. One particularistic strategy was a "value analysis" of all tasks in the organization, in advance of any downsizing. The question being addressed was "What *value* does this task have to the final product or service for which we are in business?" Conducted by the employees themselves, this analysis resulted in identifying the most valuable individuals, tasks, and jobs that were not only to be protected but strengthened. Investment increased in some areas at the same time that individuals and jobs in areas adding less value were reassigned, redesigned, or removed.

In concert with an across-the-board early retirement program, for example, one firm offered certain individuals incentives to remain with the firm while others were given incentives to retire early. At the same time, the quality control and work area maintenance functions were eliminated, and work was redesigned so all remaining employees were responsible for incorporating these tasks into their work. Training was made available to all employees focused on preparing them for the changes that were to take place. Discussions were held to change the work week from five 8-hour days to four 10-hour days to generate savings in maintenance, security, and energy costs.

3. Successful Downsizing Involved Managing the Transition for Employees Who Lost Their Jobs, as Well as the Transition for Survivors

The most effective organizations provided outplacement services, personal and family counseling, relocation expenses, and active sponsoring of employees whose positions were eliminated. Several successful top managers in this study proudly announced that none of their "downsized" white-collar employees was without a position someplace else. A wide variety of options was generated for these employees, including severance

pay, benefit packages, retraining, and employment opportunities. Temporary consulting arrangements were even made available to some terminated employees. In short, the highly effective firms took responsibility for the transitions created by loss of employment.

On the other hand, white-collar employees who remained with the firm were likely to experience what Brockner (1988) labeled "survivor guilt," characterized by increased anxiety about loss of job, decreased loyalty to the firm, and guilt feelings about co-workers. Survivor guilt occurred when the remaining employees felt guilty about working overtime, for example, or receiving a paycheck when their friends and former co-workers were not working at all. In addition, many survivors felt that the traditionally valued attributes of good employees—loyalty, hard work, and personal competence—no longer counted in the firm. Individuals who displayed those traits still lost their jobs.

In addition to this deterioration in morale, practical work problems resulting in "survivor envy" were even more noteworthy. A common complaint among top managers was that downsizing created job demands that most of their managers were not qualified to fulfill. Survivors were often required to manage a larger number of employees, to maintain accountability for multiple (often new) functions, and to coordinate among more subunits than before downsizing. Many were simply not prepared to handle the increased work demands or the additional knowledge required. Management burnout was a common complaint. While outplacement support and attractive incentive packages were provided to those leaving the organization, survivors received disincentives, such as more work, smaller or no raises, loss of cost-of-living allowances, the same or a reduced title, demands to learn new tasks and to broaden areas of responsibility, and, sometimes, an escalation in the "dirty dozen" dynamics (e.g., loss of morale and teamwork, increased conflict and rigidity).

The most successful downsizing firms paid special attention to the transition experienced by employees who remained with the organization as well as those who exited. For example, one company held regular "forums" where information was shared on the company's and on major competitors' performance, and where Q&A sessions occurred with blue- and white-collar workers. Data that might have been confidential before was posted in several locations throughout the company so that organization members were included in downsizing planning and implementation. Special events were held to signal the end of the degeneration phase and the beginning of the regeneration phase of the company's life cycle (e.g., "launch lunches," a new company logo, new signs, paint, and colors in the production area). Survivors were involved in helping redesign and rationalize the firm's new work processes, and teams of employees were given input on the front end of major decisions and planning exercises. In short, survivors were made to feel trusted, valued, responsible, and involved.

A second way the transition faced by survivors was effectively managed was through changes in the human resource management (HRM) system. These HRM changes *preceded* as well as followed the implementation of downsizing strategies. For example, in one organization human resource training and development activities began months before the downsizing was implemented. White-collar and blue-collar employees attended a 40-hour training workshop on the implementation and implications of downsizing. The appraisal and compensation systems were also redesigned so that rewards were attached to the amount learned and the additional skills acquired

by employees in their redesigned jobs. Incentives were thus put in place to motivate and reward survivors who faced new demands in a downsized organization.

In sum, the most effective firms paid attention both to the employees leaving the organization and to those remaining with the firm. Both groups maintained dignity and self-esteem, and highly effective firm performance reflected this investment.

4. Successful Downsizing Targeted Elements Inside the Organization, as Well as the System of Relationships Outside the Organization

The most effective processes involved an attack on any procedures that obstructed internal efficiency. Redundancies, excess costs, and surpluses, for example, were targeted directly. Internal data gathering and data monitoring became more systematic and precise so that previously unmeasured aspects of the business became monitored and regulated. Aspects of the work that were normally invisible—such as size of containers, distance indexes, number of parts per work station, number of pieces of paper involved, frequency of redundant communications, and so forth—were examined carefully to find areas in which costs could be reduced. The "tight ship" or "lean and mean" metaphors were typical of managers' descriptions.

On the other hand, the best downsizing practices also included the entire system of suppliers, customers, and distributors in planning and implementing downsizing. All outside units with whom the firm dealt were simultaneously targets of and partners in downsizing. For example, several firms reduced multiple, redundant single-item suppliers to a single-source supplier of systems of parts. Instead of 28 separate suppliers of an electrical component system, for example, one organization reduced that number to one supplier who provided the entire system. This in turn reduced the number of staff coordinators needed to administer supplier relations, including purchasing, inspection, negotiation, and accounts payable. That supplier was involved in many aspects of design, production, marketing, and service of the final product.

Similarly, reducing distribution points helped several firms improve on-time delivery and eliminate much of the overhead necessary to schedule, transport, and warehouse products for customers when multiple outlets were being maintained. Identifying targeted customer groups helped pare down marketing and sales activities so that efficiencies could be improved in advertising, sales, and customer follow-up. In general, effective downsizing was both internal and external in focus. In addition to targeted internal downsizing, the most effective downsizing was approached as a system concept. Multiple elements within the firm and in its outside environment were included in the downsizing processes.

5. Successful Downsizing Created Small, Semiautonomous Organizations, as Well as Large Integrated Organizations

Theoretically, small organizations tend to run more efficiently than large organizations because they are less encumbered by multiple layers of management, multiple staff functions, multiple sign-offs, and extended implementation time. On the other hand, large organizations can call upon economies of scale and integration to reap efficiencies not available to small organizations. Slack resources lead to flexibility, responsiveness, and multiple (innovative) perspectives not available in small organizations. The most effective downsizing was associated with the advantages of both small and large organizations.

The most effective downsizing strategies produced autonomous or semiautonomous units within the larger organization as well as strong, centralized functions. In the most successful downsizing efforts, unit leaders were given the responsibility to manage functions previously centralized at headquarters, or they were given profit-center responsibility and could decide for themselves which functions to eliminate, which to purchase from corporate headquarters, and which to contract out. For example, one large organization divided itself into three semiautonomous units that competed with one another on productivity and quality criteria. Within each of these units, area heads and team leaders were given control over virtually all the resources they needed to produce products in the most efficient way. Some decided that certain functions were not needed at the subunit level and could be purchased from a central staff unit at the parent company's headquarters (for example, finance and personnel). They were not required to match headquarters staff functions at the subunit level as they had been required to do before. The key was that in effective downsizing, unit managers had the necessary discretion and control over resources to improve efficiency and to contain costs at their small organization level.

At the same time, effective downsizing also produced efficiencies by centralizing functions and creating large organizations. The information-processing function was taken away from geographically dispersed subunits in one organization, for example, to form a large centralized system. Annual savings were estimated in the millions of dollars by eliminating redundancies. The merger and consolidation of several related subunits into a single larger entity made it possible for another organization to eliminate two management layers and about half the staff employees. Geographic or product reorganizations often produced larger, more centralized units within a (decentralized) parent company.

6. The Best Downsizing Practices Emphasized Downsizing as a Means to an End, as Well as the End in Itself

Downsizing was interpreted in some organizations as an admission of failure or weakness. More commonly it was considered to be a temporary, protective mechanism that would help the firm weather out the storm until a more normal growth orientation could be resumed. This negative interpretation generally resulted from downsizing being defined as a reactive strategy rather than a proactive strategy.

Most of the organizations in the study implemented downsizing primarily as a reaction to loss of market share or profitability, entrance of a lower-cost competitor, or a parent company mandate. In these cases, downsizing took on a defensive form. It tended to be associated with exclusive use of workforce reduction strategies (as opposed to organizational redesign and systemic strategies) and mechanistic shifts in organization structure (e.g., rigidity, restricted communication flows, and lower levels of employee involvement). On the other hand, a few firms seemed to interpret downsizing as an opportunity for improvement or as an aggressive strategy leading to enhanced competitiveness. A characteristic top manager comment was: "We're not getting smaller, we're getting better. It just happens that fewer employees is a way to accomplish it." In these firms downsizing was defined as a means to a more desirable end, and opportunities to expand as well as contract were sought.

In this study, the most successful downsizing involved both. That is, in the face of an unequivocal need to retrench, the most effective downsizing organizations, on the

one hand, targeted downsizing as a central, critical outcome. "Taking out headcount" and "trimming the fat" were clear and consensual objectives. On the other hand, these organizations also expanded their alternatives beyond a single conventional strategy in order to achieve effectiveness. "Improving productivity" and "enhancing competitiveness" were labels that helped position downsizing as just one in a portfolio of strategies that could improve firm performance.

In the midst of a severe headcount reduction period, for example, one organization instituted a "Build with Pride Week" in the initial phases of downsizing in which family members were invited to the firm on one day, customers on another, suppliers on another, local government officials on another, and so on. Special events, special refreshments, and special decorations were used throughout the week to signal the beginning of a new era in the firm. Nonmanagement employees served as hosts and guides, and outsiders were permitted to question and observe workers as they performed their jobs. Dramatic improvements in productivity, product quality, and a sense of collective teamwork were reported outcomes of this event. Other firms made label changes, such as renaming the quality control department the customer satisfaction department, or generating names and slogans for subunit teams (e.g., one product design team became Delta Force—"seek and destroy errors before customers catch them"). The intent was not just to be cute, but to help create a different mindset among employees about the downsizing and redesign efforts, to define downsizing as an opportunity as well as a threat.

Summary

Of course, the unique circumstances of certain organizations may make these six "best practices" unworkable or impractical. It is possible that these six dualisms may not be universalistic principles that apply to all downsizing situations and all organizational units. On the other hand, a virtual consensus existed among key informants in the most effective firms in this study that these practices produce effective results. In particular, they agreed that the dualistic nature of these practices was a key to their success. Most managers adopted a unitary perspective by approaching downsizing with only one side of the strategy implemented. Effective managers implemented strategies that others labeled as contradictory.

PRESCRIPTIONS FOR MANAGERS AND QUESTIONS FOR ORGANIZATIONAL SCIENTISTS

We began this chapter arguing that organizational downsizing is likely to be a ubiquitous phenomenon in the foreseeable future. Consequently, understanding what downsizing processes are available to organizations, what their effects are on organizations' performance, and what are the best downsizing practices are important matters for investigation. These three questions have been the focus of this four-year study of downsizing: How do firms downsize? What is the effect on the organization? And what are the prescriptions for how to best accomplish downsizing? Taken together, the answers to these questions paint a mosaic of how the most successful firms approach downsizing.

Whereas it is obviously presumptuous to extrapolate from this limited sample of firms in the auto industry to other kinds of organizations, there do appear to be some principles that have general applicability. Table 2.10 presents some general conclusions that contrast "best practices" with "common practices" in downsizing. These conclusions are extrapolated from the analyses of the interview and questionnaire data, and their enumeration serves two purposes: (1) they can provide guidelines for managers who face the need to downsize their firms, and (2) they may serve as hypotheses for empirical investigation in future research on organizational downsizing.

By "best practices" we mean that these approaches or activities have a high probability of leading to organizational effectiveness and performance improvements. On the other hand, the "common practices" are typical of most firms' approaches to downsizing, yet they are likely to lead to ineffective performance and the "dirty dozen" attributes. This explains why most organizations that downsize do not accomplish their stated objectives and report negative consequences from the process (Bennett, 1991). We would argue that best practices represent a "right way" to downsize,

Table 2.10. Downsizing: Best Practices Versus Common Practices

Best Practices	Common Practices
General Orientations Toward Downsizing	
Downsizing is a way of life.	Downsizing is a program or target.
Downsizing is every employee's responsibility.	Downsizing is the responsibility of top management.
Downsizing is motivated by improvement.	Downsizing is motivated by impending crisis.
Downsizing is approached proactively as an opportunity.	Downsizing is approached reactively as a threat.
Downsizing reflects innovation coupled with continuous improvement.	Downsizing reflects conservatism and hunkering down.
A broad view of costs is taken.	Headcount is the first cost considered.
Human resources are defined as the most valuable resource.	Human resources are managed the same as inventories.
Effectively managing human resources is a priority.	Effectively managing financial ratios is a priority.
Specific Activities in Downsizing	
Preparation and extensive analysis	Immediate response (ready, fire, aim)
Free choice	Force choice
Employee involvement and participation	Top-down mandate of means and ends
Information about costs widely shared	Cost information kept secret at the top
Improvements in measurements and data bases	Status quo data collection
Multiple downsizing strategies	"Grenade-type" approaches
Consistency with organizational culture and vision	Viewed as a one-time activity
Active, aggressive, accessible leadership	Paranoid, defensive leadership
Pursuing an advanced quality culture	Stuck in a less advanced quality culture
Focusing on process improvements	Focusing only on product improvements
Focusing on "things-gone-right"	Focusing on "things-gone-wrong"
Humility leads to benchmarking	Not-invented-here syndrome
Advanced training of all employees	On-the-job training for those affected
Simplification (of structure, processes, products, technology)	Continued complexity

whereas the listed common practices represent a "wrong way." The guidelines in Table 2.10 are divided into two sections: general orientations toward downsizing, and specific activities in downsizing. Each is discussed briefly by way of conclusion.

General Orientations Toward Downsizing

Adopting a prescriptive and, therefore, oversimplistic stance, we would argue that the best way to downsize is to treat it as a way of life, not as a program or a target. This means that downsizing becomes every employee's responsibility, not just the responsibility of top management. Downsizing should be seen as an opportunity for continuously improving the organization, instead of just as a reaction to impending crisis. Anticipation and proactivity should characterize an organization's orientation toward cost containment as it integrates a continuous downsizing philosophy into its strategies and procedures, rather than treating downsizing as a threat to which the organization must simply react. Innovation and continuous improvement should be applied to downsizing as much as to growth and expansion activities, instead of adopting a conservative stance where hunkering down is designed merely to hold on until the status quo can be reestablished. Instead of viewing headcount (personnel) as the first cost to be cut, a broad view of costs should be taken in the firm so that human resources are defined as assets, not liabilities, and that they are empowered to find ways to contain costs or increase revenues. That is, instead of managing financial ratios as the highest priority, precedence should be given to managing the human resources. Regardless of the environmental circumstances of the firm, therefore, making downsizing a way of life suggests that employees must always be looking for ways to do more with less, to better utilize resources, and to continuously improve the organization in its pursuit of efficiency as well as effectiveness.

Specific Activities in Downsizing

More specifically, advanced preparation is required before downsizing activities can be effectively implemented, primarily through systematic analyses of skills, jobs, time use, and value-added activities. This contrasts to a more frequent "ready, fire, aim" approach in downsizing organizations. Top managers provide "free choice" to organization members to help identify targets for downsizing instead of more typical "forced choice" alternatives prescribed from above about how the organization will cope with its circumstances. Assuring employee involvement in designing and implementing downsizing strategies, rather than relying on top-down mandates of both means and ends, is necessary to avoid the negative organizational attributes typical of declining firms. Information on the state of the organization, therefore, should be widely shared with members so that they are aware of the current conditions and can help generate creative downsizing alternatives as well as improve standard efficiencies. Keeping cost information secret at the top of the organization engenders suspicion and eliminates a valuable source of ideas. This suggests, often, that improvements in data-gathering techniques should occur rather than relying on traditional databases. Competitor cost and performance information and internal cost data (e.g., per employee, per unit of output, per hour) are examples of requisite databases to be shared.

Downsizing should be accomplished through the use of multiple strategies (i.e.,

both redesign and systemic strategies) rather than relying solely on workforce reduction approaches. The approaches used should be in harmony with and incorporated into the organization's culture and be consistent with the leader's vision of the future, however, instead of treating downsizing as a one-time activity. The organization's leader, therefore, should be active, aggressive, and accessible to members and should be clear about the vision toward which the organization should be moving. The tendency for leaders to become paranoid and defensive in response to inevitable criticism is antithetical to effective downsizing. An important role of the leader is to foster a mature quality culture—to focus on error prevention and creative quality more than on mere error detection—so that the organization can focus on and celebrate good news more than bad news. That is, an emphasis on "things-gone-right" should take priority over an emphasis on "things-gone-wrong." Ideas for things-gone-right can come from benchmarking activities, which means studying systematically other organizations that have successfully downsized and borrowing ideas that can be used or improved back home. This often requires advanced training of employees in the implications and requirements of downsizing, rather than assuming that surviving employees will acquire the needed experience and knowledge on the job. Finally, successful downsizing should focus on simplifying routines, processes, work, products, customer relationships, and so on. Rather than maintaining continued structural, technological, and process complexity, and then eliminating headcount in an attempt to save money, the best downsizing practices create parsimony in the firm. Headcount reductions may or may not be involved.

Research Questions

Some of the research questions implied by these "right way" and "wrong way" conclusions include the following.

1. What differences exist between firms reflecting a "downsizing-as-a-way-of-life" philosophy and other firms?
2. What importance weighting should be given to the prescriptions for downsizing suggested above if an organization is to improve its effectiveness?
3. What are the main reasons these principles of good management get ignored or contradicted in firms that downsize?
4. Are organizations that downsize effectively fundamentally different in culture, structure, life cycle stage, or industry structure from organizations that do not?
5. Are these prescriptions applicable to all sizes of firms, all sectors of firms, and all declining or growing firms?
6. Under what environmental conditions might an across-the-board approach be the only (or best) alternative?
7. Are certain patterns or combinations of these downsizing prescriptions likely to produce more effective results than others?
8. When definitions of desired outcomes change—say, from improving performance to high performance, or from productivity to quality—do these prescriptions still hold?
9. What effect does the type of key informant have on the type of stories told, the type of prescriptions advocated, and the type of processes described?

10. What differences occur in best practices when a firm has downsized several times in the recent past compared to a firm that is downsizing for the first time?

Other questions could also be specified, of course, and these may not include the most important ones. Regardless of the research questions asked, scholars must begin to more thoroughly investigate this important organizational phenomenon. So little systematic research has been done to date on organizational downsizing, and so much need exists among management practitioners to understand and implement downsizing effectively, that to ignore this discrepancy is tragic. Certainly, organizational researchers should not downsize downsizing research!

NOTE

1. We would like to give special recognition and thanks to the 30 CEOs who graciously provided information to us on a regular basis over the four-year period of time that this study was conducted. Several thousand additional managers also deserve special thanks for completing questionnaires during that period. George Huber and Bill Glick have not only provided helpful comments and insights as this chapter has been revised, but they have done a masterful job coordinating the diverse projects that comprise this effort to understand the dynamics of organizational change. Financial support for this project was provided by the Army Research Institute. ARI's support has been invaluable in this endeavor. Of course, the findings and interpretations contained in this chapter are the responsibility of the authors and do not necessarily reflect the perspectives of ARI.

REFERENCES

Applebaum, S. H., Simpson R., and Shapiro, B. T. 1987. The tough test of downsizing. *Organizational Dynamics,* 68–79.

Ashby, W. R. 1956. *An introduction to cybernetics.* New York: Wiley.

Behn, R. 1980. How to terminate public policy: a dozen hints for the would-be terminator. In Levine, Charles (Ed.), *Managing fiscal stress* (pp. 310–322). Chatham, NJ: Chatham House.

Bennett, A. 1991. Downsizing doesn't necessarily bring an upswing in corporate profitability. *Wall Street Journal,* June 6, p. B1.

Benson, J. K. 1975. The interorganizational network as political economy. *Administrative Science Quarterly,* 20: 229–249.

Blau, P. M. 1970. A formal theory of differentiation in organizations. *American Sociological Review,* 35: 210–218.

Brockner, J. 1988. The effects of work layoff on survivors: research, theory, and practice. In Staw, Barry M., and Cummings, Larry L. (Eds.), *Research on organizational behavior,* Vol 10 (pp. 00–00). Greenwich, CT: JAI Press.

Cameron, K. S. 1987. A study of organizational effectiveness. *Management Science,* 32: 87–112.

Cameron, K. S. 1991. Quality and continuous improvement: a second-generation approach to organizational effectiveness. Paper presented at the Academy of Management Meetings, Miami.

Cameron, K. S., Freeman, S. R., and Mishra, A. K., 1991. Best practices in white-collar downsizing: Managing contradictions. *Academy of Management Executive,* 5: 57–73.

Cameron, K. S., Kim, M. U., and Whetten, D. A. 1987. Organizational effects of decline and turbulence. *Administrative Science Quarterly,* 32: 222–240.

Cameron, K. S., and Mishra, A. K. 1991. *Measuring organizational downsizing processes.* Technical Report. Ann Arbor: University of Michigan, School of Business Administration.

Cameron, K. S., Sutton, R. I., and Whetten, D. A. 1988. *Organizational decline.* Cambridge, MA: Ballinger.

Cameron, K. S., and Whetten, D. A. 1981. Perceptions of effectiveness over organizational life cycles. *Administrative Science Quarterly,* 26: 525–544.

Cameron, K. S., and Whetten, D. A. 1983. *Organizational effectiveness: a comparison of multiple models.* New York: Academic Press.

Cameron, K. S., Whetten, D. A., and Kim, M. U. 1987. Organizational dysfunctions of decline. *Academy of Management Journal,* 30: 126–138.

Carroll, G. R., and Delacroix, J. 1982. Organizational mortality in the newspaper industries of Argentina and Ireland: an ecological approach. *Administrative Science Quarterly,* 27: 169–198.

D'Aunno, T., and Sutton, R. I. 1987. Changes in organizational size: untangling the effects of people and money. Working Paper. Ann Arbor: University of Michigan, School of Public Health.

Ford, J. 1980. The administrative component in growing and declining organizations: a longitudinal analysis. *Academy of Management Journal,* 23: 615–630.

Freeman, J., and Hannan, M. 1975. Growth and decline processes in organizations. *American Sociological Review,* 40: 215–228.

Freeman, S. 1992. Organizational downsizing and redesign: a case of appropriated interpretation. Unpublished doctoral dissertation. Ann Arbor: University of Michigan, School of Business.

Freeman, S. R., and Cameron, K. S. 19XX. Organizational downsizing: a convergence and reorientation perspective. *Organizational Science,* (in press).

Galbraith, J. R. 1977. *Organizational design.* Reading, MA: Addison-Wesley.

Gilmore, T., and Hirschorn, L. 1983. Management challenges under conditions of retrenchment. *Human Resource Management,* 22: 341–357.

Ginzberg, E. 1985. *Resizing for organizational effectiveness: a report of a workshop.* New York: Columbia University, Career Center.

Golembiewski, R., Billingsley, K., and Yeager, S. 1976. Measuring change and persistence in human affairs: types of change generated by OD strategies. *Journal of Business Strategy,* 12: 133–154.

Greenhalgh, L. 1983. Organizational decline. In Bacharach, S. B. (Ed.), *Research in the sociology of organizations,* Vol. 2 (pp. 231–276). Greenwich, CT: JAI Press.

Greenhalgh, L., Lawrence, A. T., and Sutton, R. I. 1988. Determinants of workforce reduction strategies in declining organizations. *Academy of Management Review,* 13: 241–254.

Greiner, L. 1972. Evolution and revolution as organizations grow. *Harvard Business Review,* 49: 37–46.

Hall, R. 1976. A system pathology of an organization: the rise and fall of the old *Saturday Evening Post.* *Administrative Science Quarterly,* 21: 185–211.

Hambrick, D. C., and Schecter, S. M. 1983. Turnaround strategies for mature industrial product business units. *Academy of Management Journal,* 26: 231–248.

Hannan, M. T., and Freeman, J. 1984. Structural inertia and organizational change. *American Sociological Review,* 49: 149–164.

Harbour and Associates. 1990. *A decade later: competitive assessment of the North American automotive industry 1979–1989.* Troy, MI: Harbour and Associates.

Harrigan, K. R. 1982. Exit decisions in mature industries. *Academy of Management Journal,* 25: 707–732.

Heenan, D. A. 1990. The downside of downsizing. *Across the Board,* May, pp. 17–19.

Henkoff, R. 1990. Cost cutting: how to do it right. *Fortune,* 27: pp. 40–47.

Hirschman, A. O. 1970. *Exit, voice, and loyalty.* Cambridge, MA: Harvard University Press.

Hirschorn, L., and Associates. 1983. *Cutting back: retrenchment and redevelopment in human and community services.* San Francisco: Jossey-Bass.

Huber, G. P. 1984. The nature and design of post-industrial organizations. *Management Science,* 30(8): 928–951.

Imai, M. 1986. *Kaizen: the key to Japan's competitive success.* New York: Random House.

Ishihara X., and Morita, A. 1990. *The Japan that can say no.* Translated copy from the U.S. government.

Katz, D., and Kahn R. L. 1978. *The social psychology of organizations,* 2nd ed. New York: Wiley.

Kolarska, L., and Aldrich, H. 1980. Exit, voice, and silence: consumers' and managers' responses to organizational decline. *Organizational Studies,* 1: 41–58.

Krantz, J. 1985. Group processes under conditions of organizational decline. *Journal of Applied Behavioral Science,* 21: 1–17.

Lawrence, P. R., and Lorsch, J. W. 1967. *Organization and environment: managing differentiation and integration.* Boston: Harvard University, Graduate School of Business Administration.

Levine, C. H. 1985. Police management in the 1980s: from decerementalism to strategic thinking. *Management and Organization,* 45: 691–699.

McCune, J. T., Beatty, R. W., and Montagno, R. V. 1988. Downsizing: practices in manufacturing firms. *Human Resource Management Journal,* 27: 145–161.

McKinley, W. 1987. Complexity and administrative intensity: the case of declining organizations. *Administrative Science Quarterly,* 32: 87–105.

McLaughlin, D. J. 1988. Managing the downsizing. *Condensation and Benefits Management,* 4: 2–8.

Miles, R. H., and Cameron, K. S. 1982. *Coffin nails and corporate strategies.* Englewood Cliffs, NJ: Prentice-Hall.

Miller, D., and Friesen, P. H. 1980. Momentum and revolution in organizational adaptation. *Academy of Management Journal,* 23(4): 591–614.

Mintzberg, H., and McHugh, A. H. 1985. Strategy formulation in an adhocracy, *Administrative Science Quarterly,* 30: 160–197.

Montanari, J. R., and Adelman, P. J. 1987. The administrative component of organizations and the ratchet effect: a critique of cross-sectional studies. *Journal of Management Studies,* 24: 113–123.

Perry, L. T. 1986. Least-cost alternatives to layoffs in declining industries. *Organizational Dynamics,* Spring: p 48–61.

Pettigrew, A. M. 1985. *The awakening giant: continuity and change at ICI.* Oxford: Basil Blackwell.

Pfeffer, J., and Salancik, G. R. 1978. *The external control of organizations.* New York: Harper and Row.

Porter, M. E. 1980. *Competitive advantage: techniques for analyzing industries and competitors.* New York: Free Press.

Quinn, Robert E. & Cameron, Kim S. 1983. Organizational life cycles and shifting criteria of effectiveness. *Management Science,* 29: 33–51.

Richardson, P. R. 1988. *Cost containment: the ultimate advantage.* New York: Free Press.

Robertson, J. M. 1987. Downsizing to meet strategic objectives. *National Productivity Review,* Autumn: 324–330.

Rosenblatt, Z., and Mannheim, B. 1988. A model of workforce reduction strategies in high-tech organizations: a pilot study. Working Paper.

Saporito, B. 1987. Cutting costs without cutting people. *Fortune,* May 25, pp. 26–32.

Sutton, R. I. 1983. Managing organizational death. *Human Resource Management,* 22: 391–412.

Sutton, R. I. 1987. The process of organizational death: disbanding and reconnecting. *Administrative Science Quarterly,* 32: 542–569.

Sutton, R. I., and D'Aunno, T. 1989. Decreasing organizational size: untangling the effects of money and people. *Academy of Management Review,* 14: 194–212.

Thompson, J. D. 1967. *Organizations in action: social science bases of administrative theory.* New York: McGraw-Hill.

Thurow, L. C. 1986. White-collar overhead. *Across the Board,* 23: 234–242.

Tomasko, R. M. 1987. *Downsizing: reshaping the corporation for the future.* New York: AMACOM.

Tushman, M. L., and Romanelli, E. 1985. Organizational evolution: a metamorphosis model of convergence and reorientation. In Cummings, L. L., and Staw, B. M. (Eds.), *Research in organizational behavior,* Vol. 7 (pp. 171–222). Greenwich, CT: JAI Press.

Vroom, V. H. 1964. *Work and Motivation.* New York: Wiley.

Weitzel, W., and Jonsson, E. 1989. Decline in organizations: a literature integration and extension. *Administrative Science Quarterly,* 34: 91–109.

Whetten D. A. 1980. Sources, responses, and effects of organizational decline. In Kimberly, J. R., and Miles, R. H. (Eds.), *The organizational life cycle.* San Francisco: Jossey-Bass.

Womack, J., Jones, D., and Roos, D. *The machine that changed the world.* New York: Rawson Assoc.

Woodward, J. 1965. *Industrial organization: theory and practice.* New York: Oxford University Press.