

STRATEGIC ORGANIZATIONAL DOWNSIZING: AN EXTREME CASE

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ABSTRACT

This paper reports a two-part analysis of the strategy and results of a downsizing initiative in the U.S. Army. Two data gathering efforts were conducted in a selected Army Command, one near the beginning of the downsizing initiative in 1992-1993 and one near the end in 1995-1996. Extreme cases are those in which unusual or exceptional attributes are present. Because of a concurrent and major change in its mission, its rigid command and control culture and structure, and the external mandate to downsize imposed by Congress, the U.S. Army represents an extreme case of downsizing. Past research on organizational downsizing suggests that such conditions produce dysfunctional consequences. The first part of the paper presents the organizational outcomes associated with the Army's downsizing initiatives, and the second part of the paper explains the unique strategy used by the Army to address its extreme circumstances and produce the surprising results. Principles for effective downsizing strategy are derived from the analyses.

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Instead of an exception practiced by only a few organizations in trouble, downsizing has become the norm in modern organizations. It is still rare to go a week without reading about one more firm's massive layoff or downsizing effort in the national or world news. Almost no company, especially those of medium and large size, has avoided downsizing in the last 10 years. A 1993 study of six industrialized countries (Canada, France, Germany, Great Britain, Japan, and the United States) found that more than 90 percent of the firms had downsized, and more than two-thirds were planning to do it again (Wyatt, 1993).

The trouble is that little evidence exists that downsizing as a strategy for improvement is successful. For example, two-thirds of companies that downsize end up doing it again a year later, and the stock prices of firms that downsized during the 1980s actually lagged industry averages at the beginning of the 1990s (Pearlstein, 1994). "Despite sharply falling unit-labor costs, fewer than half the firms that downsized in America during the 1990s improved profits or productivity" (*The Economist*, 1996). One survey found that 74 percent of senior managers in downsized companies said that morale, trust, and productivity suffered after downsizing, and half of the 1,468 firms in another survey indicated that productivity deteriorated after downsizing. A majority of organizations that downsized in a third survey failed to achieve desired results; only 9 percent reported an improvement in quality (Henkoff, 1990; Bennett, 1991).

Evidence suggests that quality, productivity, and customer service often decline over time, and financial performance—while frequently improving in the short run after downsizing due to promised savings and lower costs—erode over the long run. For example, in one study of 281 acute-care hospitals, mortality and morbidity rates were 200 percent to 400 percent higher in the facilities that downsized in the traditional way. That is, patient deaths were significantly higher when downsizing occurred by targeting head-count reductions as the chief approach to downsizing, and when reductions occurred in an across-the-board fashion. Moreover, the cost savings associated with downsizing dissipated in 12 to 18 months, and costs rose to pre-downsizing levels in a relatively short time (Murphy, 1994).

Still another example is the difference found between companies realizing increased profitability as a result of revenue growth as opposed to cost cutting. Between 1988 and 1994, firms that achieved higher than average profitability (compared to their industries) by means of revenue enhancement measures achieved an annual market value growth (i.e., stock price increase) of 15 percent. Firms that achieved higher than average profitability by means of downsizing (i.e., reducing costs) achieved an average market value growth of 11 percent. The market, in other words, tended to place a higher value on companies that improved their bottom lines through revenue growth rather than downsizing (Gertz, 1996).

Surprisingly, systematic empirical research on downsizing remains underreported, given its pervasive presence in organizations. Several authors have proposed frameworks or general approaches taken by companies to downsize. For

example, DeMarie and Keats (1996) categorized downsizing strategies on the basis of two dimensions: (1) a *structuring* versus a *reduction* focus based on whether the primary organizational problem was a misaligned structure or too many employees, and (2) a *proactive* versus a *reactive* approach based on whether the organization was positioning itself to adapt to the future or to cope with present problems. Freeman and Cameron (1993) identified two major approaches based on models of organizational change pervasive in the organizational studies literature (Miller & Friesen, 1980; Pettigrew, 1985; Tushman & Romanelli, 1985). These change models distinguish between metamorphic, revolutionary, and discontinuous change, on the one hand, and incremental, evolutionary, and convergent change on the other. Downsizing approaches match these two types of change in that some downsizing strategies focus on fundamentally changing the organization's mission, strategy, and systems, while other downsizing strategies are focused on reinforcing the current mission, strategy, and systems. Cameron (1995) identified three types of downsizing strategies: a workforce reduction strategy in which the primary aim is to reduce head count mainly through layoffs, attrition, or incentive packages (e.g., early retirement); a work redesign strategy in which the primary aim is to reduce work through eliminating redundant levels, functions, or activities; and a systemic strategy in which the primary aim is to change the organization's culture so that all employees take responsibility for never-ending improvements in efficiency, value-added activity, and waste reduction.

Some authors have focused on the differences between effective and ineffective downsizing practices. Many of those reports are based on case studies or qualitative analyses of firms that have implemented downsizing (Isabella, 1989; Cameron, Freeman, & Mishra, 1991; Cascio, 1993; Wyatt, 1993; Feldman & Leana, 1994; Hitt, Keats, Harback, & Nixon, 1994). But probably the most useful downsizing research to date has reported results from large samples of organizations that analyze the relationships between downsizing and various aspects of organizational and individual performance. These studies by and large have reported negative effects of downsizing on organizational and individual performance.

By way of summary, most of these investigators have concluded that dysfunctional consequences of downsizing include (1) destruction of employee and customer trust and loyalty; (2) loss of personal relationships between employees and customers; (3) disruption of smooth, predictable routines in the firm; (4) increases in formalization (rules), standardization, and rigidity; (5) loss of cross-unit and cross-level knowledge resulting from longevity and from interpersonal interactions over time; (6) loss of knowledge of how to respond to nonroutine challenges faced by the firm; (7) less documentation, and therefore, less sharing of information about changes; (8) loss of employee productivity; (9) loss of a common organizational culture; (10) loss of innovativeness; (11) increased resistance to change; (12) decreasing employee morale, commitment, and loyalty; (13) the escalation of politicized special interest groups and political infighting; (14) risk aversion and conservatism in decision making; (15) increased costs and redundancy; and (16)

increasing interpersonal conflict. Each has been a documented outcome in more than one investigation (Cameron, Kim, & Whetten, 1987; Cole, 1993; Cameron, 1994; Mishra & Mishra, 1994; McKinley, Sanchez, & Schick, 1995).

Research on the impact of downsizing at the individual level of analysis—relating to individual well-being, physical and emotional health, personal attributes, and family relationships—is no less disconcerting. Personal well-being is negatively affected in terms of physical symptoms of strain (e.g., headaches, stomach problems, elevated blood pressure, increases in drinking and smoking) (Kasl & Cobb, 1980; Burke, 1984; Linn, Sandifer, & Stein, 1985; Kessler & Turner, 1988) as well as negative psychological symptoms (e.g., anxiety, depression, insomnia, feelings of helplessness, cognitive difficulties) (Fineman, 1983; Shamir, 1986; Bolton & Oakey, 1987; Dooley & Catalano, 1988; Iversen & Sabroe, 1988; Liem & Liem, 1988; Feather, 1989; Hamilton, Broman, Hoffman, & Renner, 1990; Kinicki & Latack, 1990). An adverse impact has also been found on individual attitudes such as loss of self-esteem, loss of self-mastery, dissatisfaction with self, pessimism, powerlessness, and rigidity (Perlin, Lieberman, Menaghan, & Mullen, 1981; Stokes & Cochrane, 1984; Noble, 1987; Rowley & Feather, 1987; Schlenker & Gutek, 1987; Brockner, Glover, Reed, & DeWitt, 1992), decreases in family cohesion, increases in conflict, decline in spouse's psychological well-being, increases in arguments, deteriorating family climate, and a sevenfold increase in divorce and separation (Liem & Liem, 1988; Wilhelm & Ridley, 1988), as well as role conflict, role ambiguity, role overload (Leana & Feldman, 1988; Tombaugh & White, 1990), and feelings of guilt (Brockner, Davy, & Carter, 1985; Brockner, 1988).

Most published research has shown, in other words, that downsizing has more often had a negative effect on both organizations and individuals than a positive effect (Brockner, 1988; Kozlowski, Chao, Smith, & Hedlund, 1993; Henkoff, 1994; Cameron, 1997). However, despite its abysmal track record, downsizing remains a strategy of choice for organizations faced with excess capacity, bloated employee ranks, sky-high costs, and declining efficiency. Most observers seem to see few other alternatives available. Of course, in organizations faced with severe economic conditions or noncompetitive, bloated workforces, this alternative may be the best hope for survival. However, as will be pointed out later in this study, the way in which downsizing occurs may be more important than *that* downsizing occurs.

In general terms, downsizing refers to the voluntary actions of an organization to reduce expenses. This is usually, but not exclusively, accomplished by shrinking the size of the workforce. However, as mentioned, downsizing is a term used to encompass a whole range of activities, from personnel layoffs and hiring freezes to consolidations and mergers of organization units. In this investigation, downsizing refers to the entire array of initiatives implemented by a large organization in response to a mandate to reduce head count. Thus, in this study, down-

sizing is treated as a rather comprehensive, as opposed to a restrictive, set of activities all oriented toward reducing in organizational size.

DOWNSIZING IN THE ARMY

One well-known organization that has been forced to implement downsizing is the U.S. Army. With the end of the cold war, the fall of the Berlin Wall, and the victory in the Persian Gulf, public pressure to cut federal spending, pare down government excess, and reduce the size of the military gained widespread acceptance in Congress. A Public Law (No. 101-510) was passed mandating a reduction of over 30 percent of U.S. military personnel by 1996. The announcement of 21 military base closings in the summer of 1993, the intended reduction of Army personnel and employees by substantially more than a hundred thousand, and a predicted shrinkage of 40 percent in the Defense Department budget by 1996 created a downsizing initiative that is unprecedented since the end of World War II. In fact, by 1996 the workforce had decreased by 40 percent, from more than 785,000 soldiers to less than 500,000. Whereas six years ago 50 percent of Army personnel were stationed outside the United States, only about 25 percent are on foreign soil today. The Army was organized into 18 divisions in 1990, but only 10 exist today. What is most astonishing is that eight other countries in the world now have larger armies than the United States. It is an organization that has experienced incredible shrinkage of personnel and dollars at the same time that its mission shifted focus and expanded into new domains (Johnson, 1995).

This change in mission is illustrated by the number of deployments now being required of the Army. For example, from 1950 until 1990 the Army participated in a total of 10 deployments. In contrast, there were 25 formal deployments between 1991 and 1996 alone. Up to 140,000 soldiers now serve in more than 120 countries, and the average soldier spends up to 140 days a year away from home. One helicopter mechanic reported that during 1996 alone he was assigned to two 15-day counter-narcotics missions in the Caribbean, nine different six-week deployed rotations to classified (secret) locations, several field-training exercises, a rotation to the National Training Center, and a 10-day disaster relief mission to Florida after Hurricane Opal (Watterdorf, 1996).

Despite its rapid expansion in missions, however, the Army has become the organization in the Defense Department most often cited as needing to be cut back. For example, the *Wall Street Journal* reported,

The Army faces the deepest budget cuts and the most serious identity crisis of any of the military services....The Pentagon's own calculations suggest that the Army may account for less than one-fifth of the overall military budget in 1997, down from 24 percent at present (Pasztor, 1992).

The trouble is that the Army was also seen as the organization least likely to respond favorably to such a need:

In the post-Soviet era, America's definition of soldiering is changing remarkably quickly—and the Army doesn't appear to be keeping up....General [—], head of the Army's Training and Doctrine Command, seems more interested in slowing down change than in transforming the Army to cope with a world where old enemies have become aid recipients (Pasztor, 1992).

In this environment of criticism—the alleged tendency of the Army to hold on to the status quo, to resist change, and to remain recalcitrant in constructing a smaller and more efficient fighting force—a downsizing strategy of one of the U.S. Army Commands was launched in 1993. The investigation of this downsizing initiative is reported in two parts. The first part reports the *impact* of downsizing on the organizational performance of this Army Command. The analyses of empirical data collected in 1992-1993 and in 1995-1996 are reported in order to identify the extent to which downsizing produced the predicted pattern of negative effects and dysfunctional outcomes. In its second part the paper examines the strategies and procedures used to implement the Command's downsizing initiative, in other words, *how* downsizing occurred. The intent of this two-part investigation is to determine if downsizing in the Army jeopardizes the safety of the nation, its ability to maintain peace, or its ability to fight a war as effectively as the Desert Shield and Desert Storm encounters. In addition, it also will uncover the most effective strategies for organizational downsizing and explain how they emerged in one unusual organization. Thus, because of the national security implications of U.S. military downsizing, investigating how downsizing affected this Army organization is not only of scholarly interest, it also may be of important pragmatic concern as well.

AN EXTREME CASE

Louis Pondy (1979) argued that studying extreme cases, by highlighting factors that exist beyond the normal range, helps magnify and make unambiguous the factors that account for particular outcomes. Downsizing in the U.S. Army is an extreme case in the sense that downsizing is being conducted in a more constrained, hostile environment than most organizations face, it is more extensive in scope, it is not under the control of the managers who direct the organization, and the mission of the entire organization is being radically altered.

More specifically, Army Commands face civil service requirements that make it difficult to dismiss employees. Congressional intervention, coupled with Pentagon directives, eliminate managerial discretion and make it almost impossible for Army Commands to adopt any response except compliance. More than 40 percent of the total budget and of the organizational units are being eliminated. Moreover, a significant change in the worldwide mission of the entire organization from a

fighting force (e.g., the Persian Gulf) to a peacekeeping and diplomatic force (e.g., Somalia, Bosnia) is underway. That is, when the study began in 1992, soldiers were trained to be warriors, and the mission of the organization was to fight the nation's battles. When the study was completed in 1996, the mission of the United States as the world's only military superpower was altered to train soldiers to be guardians, mediators, and politicians. The mission of any single deployment was more often to keep the peace than to defeat the enemy. Major downsizing in the midst of such a dramatic mission change makes this an unusual (i.e., extreme) organizational case. One high-ranking officer in the Army likened this downsizing initiative in the midst of a mission change to tearing apart and reconstructing a jet plane while flying at 30,000 feet. Success was questionable.

The study was initiated, therefore, with the expectation that, in light of these environmental circumstances, the public criticisms, the stereotype of a bloated bureaucracy, images of militaristic rigidity, dramatic mission change, and a non-participative command-type culture, downsizing in the Army might be a study of impending disaster. This is because past empirical investigations of downsizing have reported that when organization members do not feel empowered, when control is outside the purview of the managers charged with implementation, and when a rigid top-down command chain is present (Mishra & Spreitzer, 1996), organizational and individual ineffectiveness are common outcomes in downsizing organizations (Cameron, Freeman, & Mishra, 1993; Cole 1993; McKinley, Sanchez, & Schick, 1995; Mishra & Spreitzer, 1996). The circumstances faced by the Army are all consistent with the predictors of downsizing failure.

This expectation of failure was bolstered by the fact that the public law mandating reductions used head-count numbers as the sole criterion, not revenues, resource usage, customer needs, forecasts of the future, or other more rational criteria. In other words, despite predictions regarding expanding future personnel requirements, business growth, and increasing revenue projections, the strategy adopted by the Defense Department was to specify a head-count target for each Army Command and require that the target be achieved by 1996, regardless of circumstances. This is because the public was perceived to be intolerant of an Army with as many personnel as in the past.

Another compounding factor is that even before the mandated downsizing, a hiring freeze had been instituted in 1989 wherein no new employees were recruited, so open positions remained unfilled. Similar head count-driven, top-down, across-the-board strategies (i.e., no one is authorized to replace personnel who leave) have proven disastrous in other kinds of organizations that implemented downsizing (Cameron, Freeman, & Mishra, 1991).

The prevailing hypothesis at the outset of the study, therefore, was that this Army Command would exhibit dramatic downturns in organizational performance and would exemplify many of the worst practices in implementing its stipulated reductions. However, if effective strategies could be uncovered in these difficult circumstances, principles for best practice might also be highlighted for

organizations faced with similar pressures for downsizing but in a more benevolent environment.

RESEARCH QUESTIONS AND SOURCES OF DATA

Two main research questions guided this investigation:

1. What was the impact of downsizing in the U.S. Army on organizational performance? Did downsizing lead to the predicted deterioration in organizational effectiveness?
2. In what ways was the downsizing strategy implemented by this Army Command in response to the mandate from the Defense Department to retrench? Especially, how did this organization implement downsizing in order to avoid the deterioration in organizational and individual performance associated with traditional downsizing?

The study focused on an Army Command—a unit consisting of military and civilian personnel with a specific mission. It is comparable to a strategic business unit, a product group, or a division within a large firm. The Command investigated here employed approximately 7,800 people at the beginning of the study and approximately 6,300 at the conclusion. It supplies products and services to both Army and civilian (government and business) organizations, and it comprises 26 directorates or subunits.

Three different forms of data were collected at the outset of the downsizing initiative beginning in 1992 (and continuing into 1993), and then again at the end of the downsizing initiative in 1995 (and continuing into 1996). First, specific objective indicators of organizational performance were obtained showing trends from 1992 through 1995. In particular, measures of quality, customer service, timeliness, complaints, and costs in the Command were obtained in order to determine if organizational performance was positively or negatively affected over time by the implemented downsizing strategy.

Second, interviews ranging from one to two hours were conducted with the senior military and civilian officers in the Command, including representatives from each major function and unit as well as the commanding general and his immediate staff. A total of 11 senior-level interviews were conducted in 1992 and eight in 1995.

In addition, one-and-a-half-hour interviews were conducted with teams of organization members which represented a cross-section of the organization, including hierarchical levels—from entry-level individuals to managers—various staff and line functions, and both military and civilian employees. The intent was to obtain a cross-sectional perspective of the downsizing strategies being developed and implemented, of the impact of those strategies on the organization, and of issues

that might be profitably pursued in a subsequent survey of organization members. In total, 49 individuals participated in the interviews in 1993; 12 participated in 1995.¹ All interviews were taperecorded, transcribed, and analyzed for emerging themes.

Third, a 136-item survey was distributed to a stratified sample of 500 personnel representing all hierarchical levels, all functions, and all subunits in the organization in 1992 and again in 1995. The intent was to acquire a more detailed and representative perspective than could be captured in the interviews. Specific aspects of the organization's strategy were assessed, along with indicators of organizational performance. A 46 percent response rate (228 usable returns) resulted from the survey in 1992; a 42 percent response rate (221 usable returns) was received in 1995.

In both surveys respondents described the processes and procedures used in downsizing as well as the effects of downsizing on organizational effectiveness. In 1992 respondents rated the effects of the *initial* downsizing activities. In 1995 they rated the effects of the *completed* downsizing activity.

Statistical analyses differentiated high- from low-performing subunits (directorates) within the Command, specific aspects of the downsizing strategy that distinguished effective from ineffective subunits, and significant differences between organizational outcomes in 1992 and 1995. These findings all are reported in the following section. The Appendix contains the interview questions used, along with the downsizing dimensions (with reliability coefficients) assessed in the survey instrument.

THE IMPACT OF DOWNSIZING

To formally assess the impact of the Command's downsizing strategy on organizational performance, the three kinds of data—objective data indicating organizational effectiveness, interview data with senior managers, and survey data of a cross-sectional sample of organization members—were analyzed separately. The first analysis reports the objective indicators of performance over the four-year period of the study. It provides one way to investigate the impact of the implemented downsizing strategy on the effectiveness of the overall organization. A second analysis reports the significant differences between the 1992-1993 and 1995-1996 survey results. Comparisons are made between perceptions of the effects of downsizing strategy on organizational effectiveness at the outset of the downsizing initiative versus perceptions at the completion of the downsizing initiative. This comparison highlights the extent to which respondents *perceive* the organization as more or less effective as a result of downsizing. The third analysis identifies the most powerful predictors of effectiveness in downsizing and provides possible guidelines for other organizations faced with the need to downsize. Finally, the fourth analysis compares especially high and especially low perform-

ing subunits (directorates) within the Command in order to explain what high performing subunits did that led them to successfully downsize compared to subunits that were not performing effectively.

The purpose of “triangulating the data” (i.e., gathering three different types of information) is to increase the reliability of any conclusions drawn. One might argue, for example, that perceptual data provide a biased view. Objective data help provide a balance. Alternatively, one might argue that objective indicators show organizational performance, but they ignore impact on employees. Perceptual and interview data provide an alternative perspective.

The results reported below, therefore, assess the performance of the organization after the downsizing initiative had begun and then again when the initiative was essentially completed. Questions asked in 1992 examined the impact of downsizing on the organization in its initial stages of initiation. The assessments made in 1995 examined the impact of the completed downsizing strategies.

RESULTS: THE RELATIONSHIPS OF DOWNSIZING TO PERFORMANCE

In the midst of this downsizing activity, an official internal analysis of the performance of this Command was written by one of the directorates. That document contained the following paragraph:

Progress has been a major challenge considering the extent of workforce reductions during this period. While we are constantly striving to improve performance across the board, we view it as a major achievement when we can simply *maintain* performance at a level of stability—but do it with fewer resources.

This statement exemplifies the challenge faced by the Command: avoiding a deterioration in performance in the face of the significant constraints imposed from Congress and the Pentagon and the trauma brought about by downsizing. In fact, an internal report investigating the broader Army concluded that, due to the post-cold war reduction in size, “the Army [as a whole] is suffering leadership lapses. Officers are micro-managing, fearful that mistakes by underlings will kill their own chances for promotion. There is a distrust in the officer corps—and ethical slips too” (AP, 1996). Past research confirms, of course, that the large majority of organizations engaging in downsizing—like the broader Army—end up worse off as a result (Tomasko, 1987; Cameron, Freeman, & Mishra, 1991; Cameron, Freeman, & Mishra, 1993; Cameron 1995); and this Command felt that even maintaining stability would indicate success, not to mention improving performance. The following four sections highlight how well this Command accomplished its aim of effective downsizing.

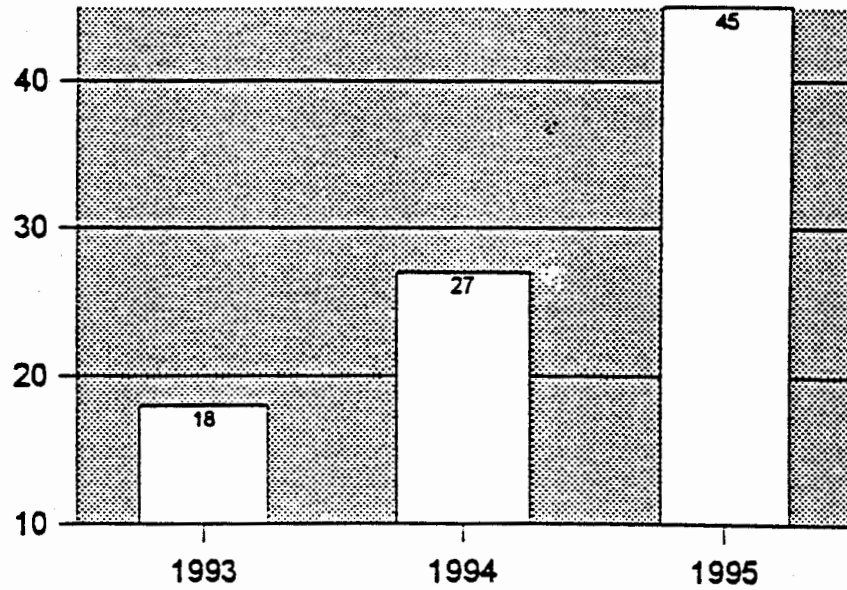


Figure 1. Process Engineering Saving (millions of dollars)

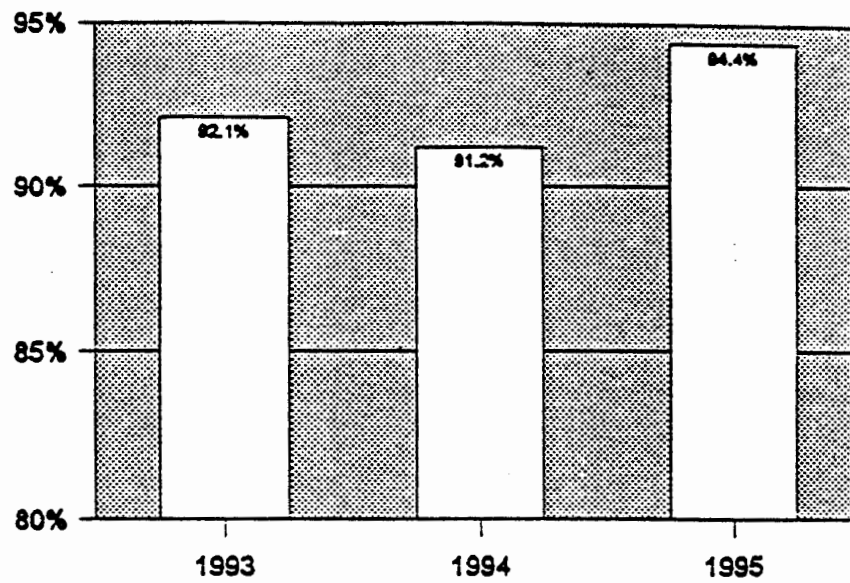


Figure 2. Stock Availability
Goal: 90 Percent

Objective Indicators of Organizational Effectiveness

Specific indicators of organizational performance were recorded on an ongoing basis by the Command itself to assess its own effectiveness. They are reported here in order to examine the impact of downsizing on the indicators of effectiveness most valued by the organization itself. It is important to note that at the same

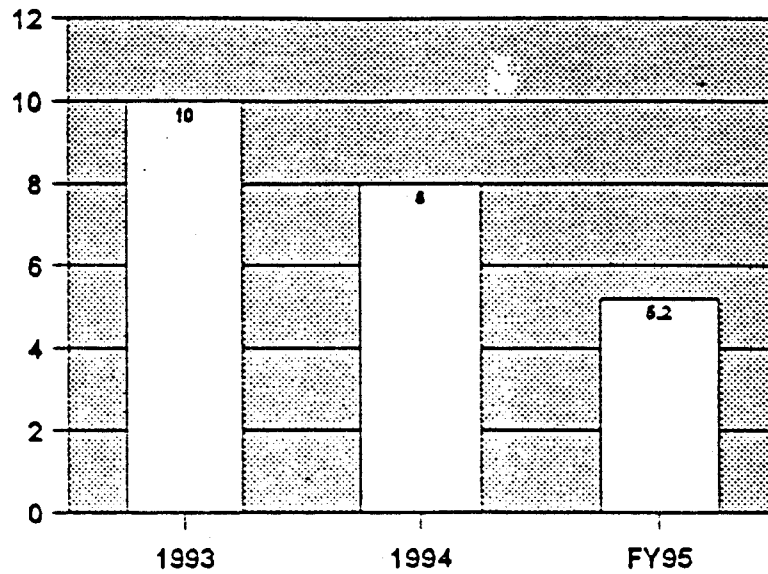


Figure 3. Backorders Outstanding
(in thousands)

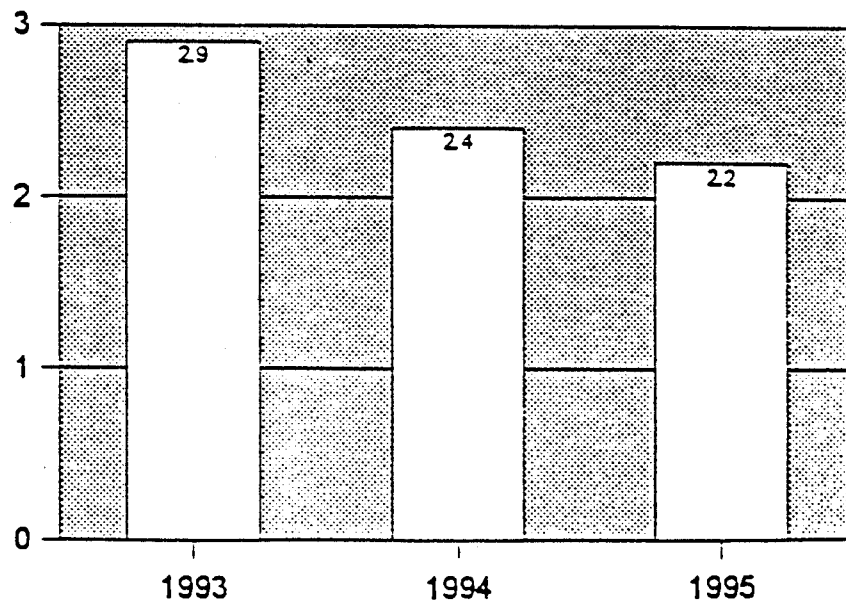


Figure 4. Value of Inventory
(billions of dollars)

time that demand for the Command's products and services almost doubled (between 1992 and 1995), the allocated budget was cut by 40 percent. One might expect, therefore, to see severe constraints on quality, timeliness, and customer satisfaction as a result of downsizing. Figures 1 through 11 summarize selected performance trends that characterized this Command over the three-year period.

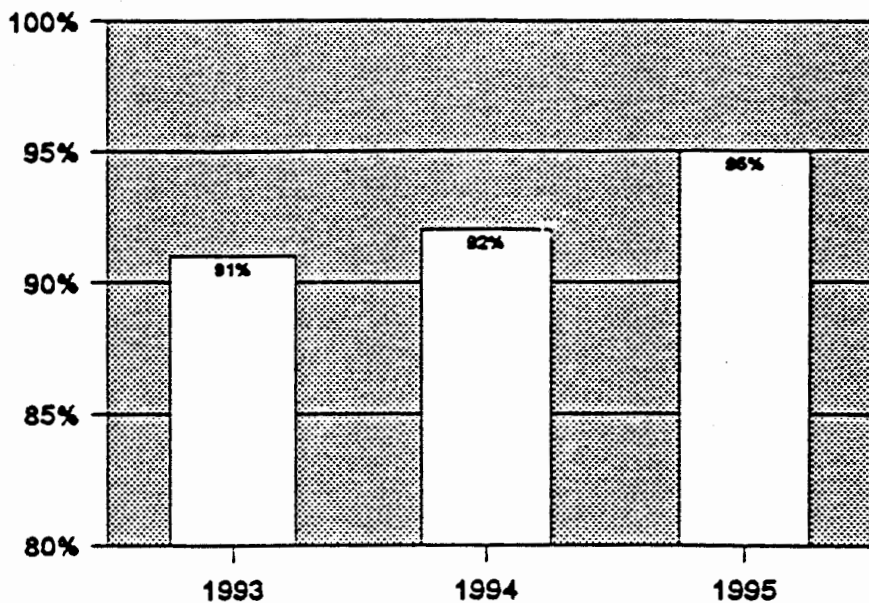


Figure 5. On-time Delivery Performance

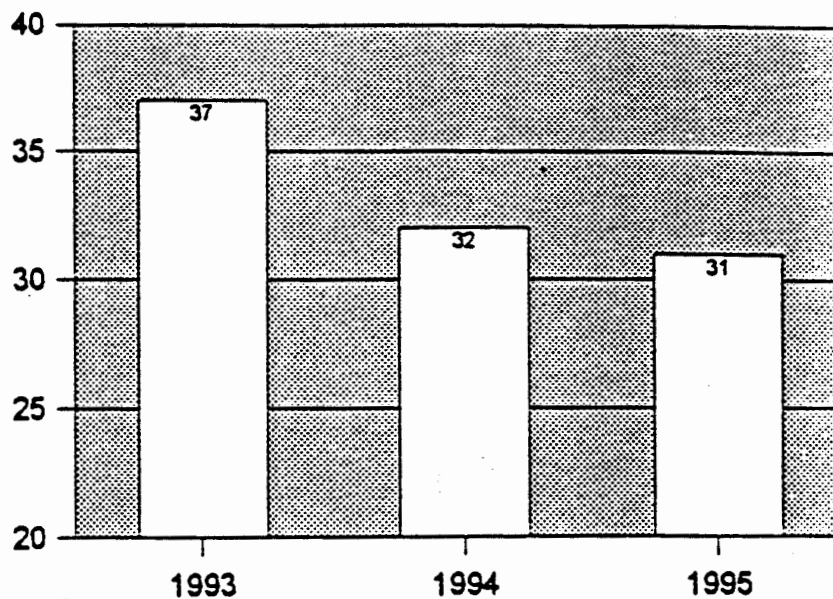


Figure 6. Order Process Time (days)
Goal: 40 days

Figure 1 reports the savings generated by redesigning work processes to better match the Command's mission. More than \$90 million was conserved in three years. An important function of this Command is to provide new technology and equipment, spare parts, and maintenance services to other units in the Armed Services. Figures 2, 3, and 4 show the three-year trend of the ability to provide the necessary technology and equipment to customers (stock availability), the number

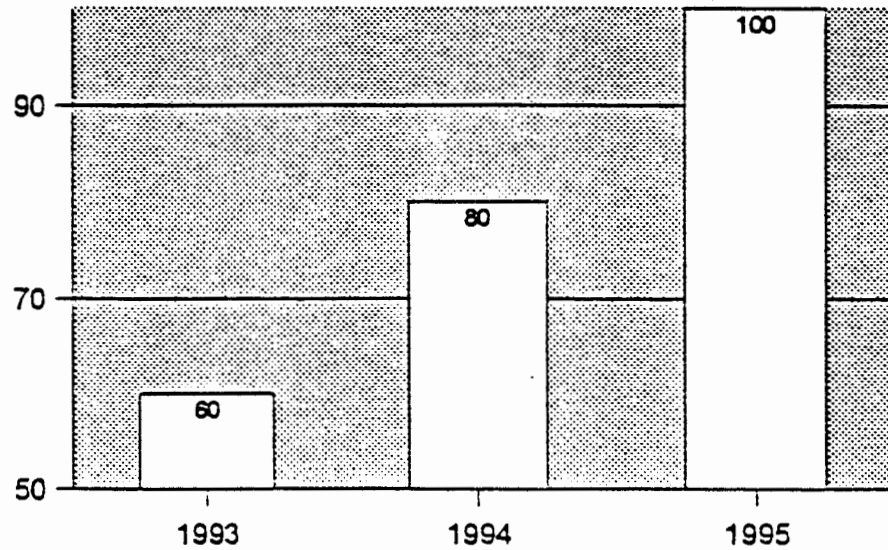


Figure 7. Mean Time to Equipment Failure
(in thousands of hours)

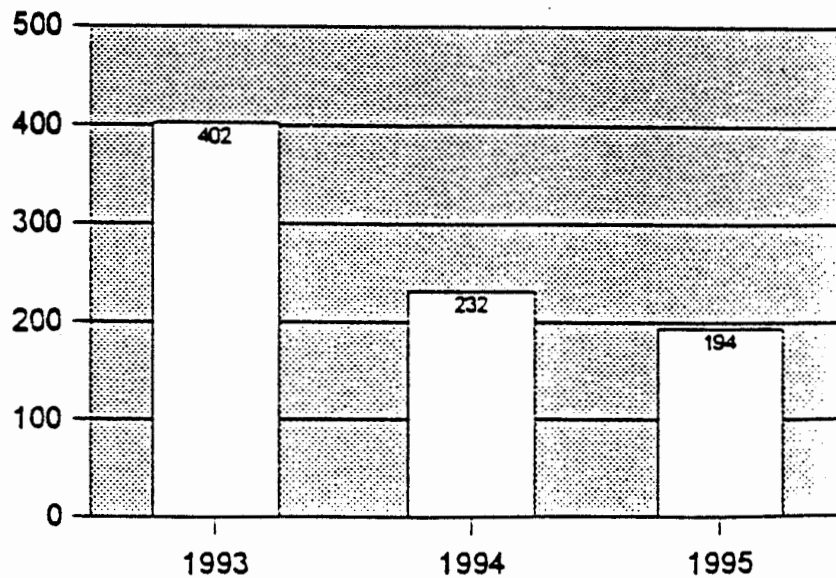


Figure 8. Customer Complaints Received

of backorders (inability to supply immediately), and the value of inventory in stock. It is notable that at the same time the level of stock availability remained at almost 95 percent, the cost of that inventory decreased about 25 percent. This is due to a better match between what is required by customers and what is kept in stock. A decrease in inventory levels translates into cost savings. In fact, data on the "cost per item managed" for this Command in 1995 are less than one-half the

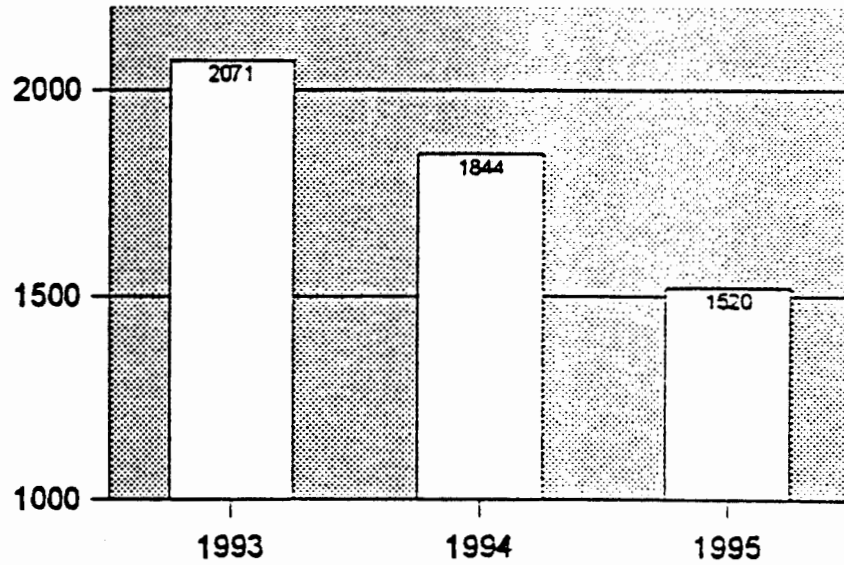


Figure 9. Product Defect Reports Received

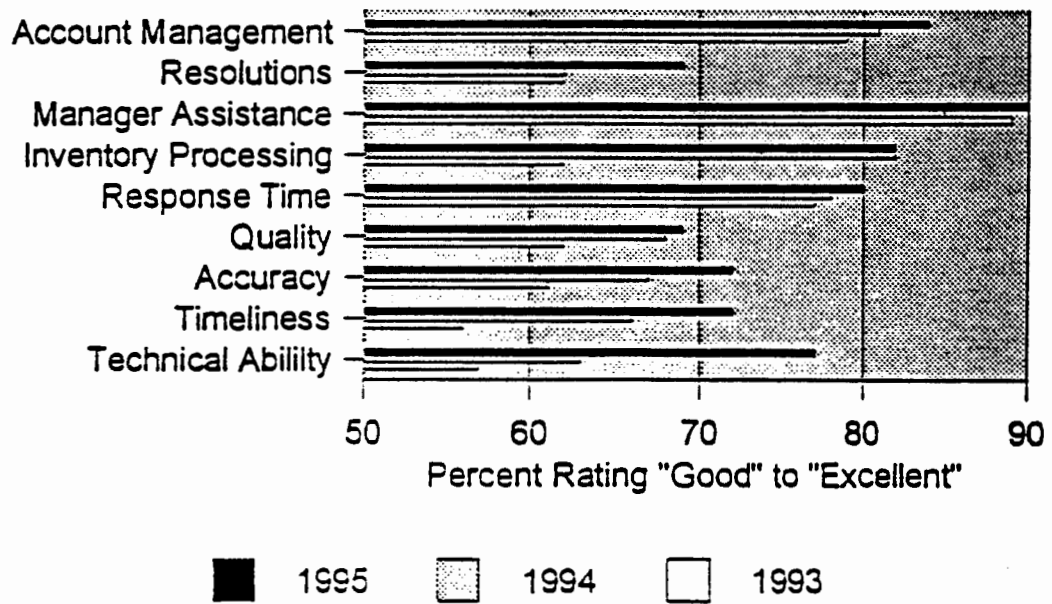


Figure 10. Customer Satisfaction Survey

average cost of the Army's next least expensive Command, and it is less than one-quarter of the cost of the most expensive Command.

On-time delivery (Figure 5) increased and order processing time (Figure 6) decreased substantially over the three years, making this Command the most timely of any Army Command. The quality of the products being produced and delivered also improved significantly over the three-year period (Figure 7) from

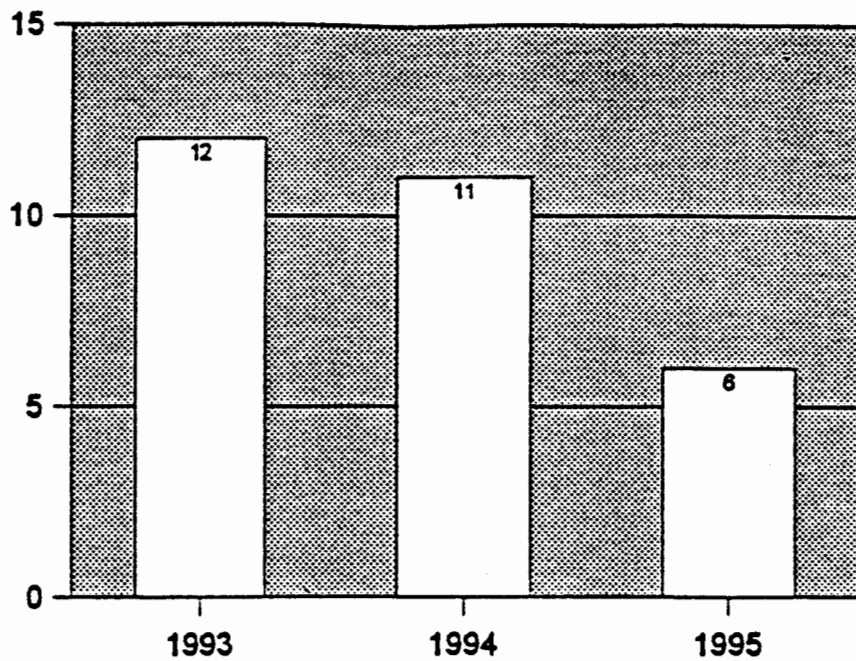


Figure 11. Grievances

60,000 hours “mean time to failure” of the technology and equipment being delivered to 100,000 hours before the first failure was detected. Customer complaints with the technology and equipment dropped more than 100 percent over the three-year period (Figure 8), and product defect reports fell more than 50 percent (Figure 9).

Customer surveys show substantial improvement over the three-year period in ratings of several areas of service and operations (Figure 10). Similarly, employee grievances among the Command’s unionized workforce were cut in half over the period of the study (Figure 11). By way of comparison, a similar Army Command recorded 200 grievances in comparison to the six grievances reported by this Command.

In sum, the data collected by this Command across a variety of performance areas suggest that substantial improvement occurred over the three-year period of the study, even in the midst of significant downsizing. In view of the fact that most organizations decline in productivity, quality, effectiveness, and employee morale after downsizing, these data clearly indicate a contrary trend. In fact, it was commonly understood in this Command that most other Army organizations had not done nearly as well in their downsizing initiatives. This Command’s improvement record was not matched by other Army Commands.

These objective data suggest that not only was downsizing not detrimental to the performance of this Command, it seems to be associated with improving organizational effectiveness. On the other hand, because human concerns usually represent the most substantial costs of downsizing, the perceptions and attributes of members of the Command need to be examined in order to determine if these

trends were achieved at the expense of the people involved. The next three sections report the results of these perceptual data.

Comparisons Among Employee Perceptions

The survey instrument assessed three kinds of organizational characteristics. One section of the questionnaire focused on the *processes and procedures* used to implement downsizing. These items were derived from past research on effective downsizing in other kinds of organizations (Cameron, Freeman, & Mishra, 1991, 1993; Freeman & Cameron, 1993; Kozlowski et al., 1993). Items assess the extent to which certain strategies and practices were executed which have been associated with successful downsizing in past research (e.g., widely shared information, employee involvement, advanced planning, cross-functional teams, training for survivors).

Another section of the questionnaire focused on the *general approach* to downsizing used by the Command. For example, some items examine the extent to which downsizing was viewed as an opportunity for improvement or as a threat to organizational viability. Items in this section also examined the general types of actions taken to reduce head count in the organization (e.g., attrition, firings, transfers).

A third section of the questionnaire assessed the *perceived effects* of downsizing on employees, work processes, customers, quality, and productivity. In this section respondents rated the extent to which downsizing affected various criteria of effectiveness and efficiency.

The items in the survey instrument were clustered into a smaller number of dimensions by means of factor analyses. The Appendix reports these three types of dimensions (i.e., the *process* dimensions, the *approach* dimensions, and the *effects* dimensions), along with their reliability coefficients. Table 1 reports the differences between the ratings given by respondents in 1992 and 1995 on each of these dimensions.

On each of the 32 dimensions listed in the Appendix—15 *process* dimensions, five *approach* dimensions, and 12 *effects* dimensions—scores are higher in 1995 than in 1992. In other words, despite experiencing the ravages of downsizing, respondents overwhelmingly rated the downsizing processes, approach, and effectiveness to be more positive at the end of the study than at the beginning.

Most notably, ratings of organizational effectiveness are significantly higher in the most recent survey than in the 1992 survey. For example, employees gave higher scores in 1995 to items such as, "As a result of downsizing, the organization is now more effective than ever" and, "As a result of downsizing, we are performing at a higher level than ever before." Other significantly higher dimensions in 1995 were the extent to which (1) employees felt involved and empowered in the downsizing process; (2) coordination occurred across functions, suppliers, and customers; (3) downsizing was perceived to be fairly administered; (4) downsiz-

Table 1. Comparisons of Survey Ratings in 1992-1993 and 1995-1996
(See Appendix for dimension definitions)

<i>Dimension</i>	<i>1992-1993 Mean</i>	<i>1995-1996 Mean</i>
<i>Downsizing Processes</i>		
Communication	3.60	3.62
Leadership	3.68	3.78
Involvement	2.36	2.84***
Preparation	3.89	3.93
Gradual & Fair Procedures	3.60	3.95*
Coordination	3.05	3.56***
Philosophy	3.57	3.88**
Supportiveness	3.50	3.63
HR Changes	2.92	3.07
Proactivity	3.07	3.47***
Continuous Improvement	3.51	3.70*
Process Analysis	3.40	3.67**
Process Focus	3.40	3.54
Measurement	3.19	3.37
Customer Focus	4.23	4.57**
<i>Downsizing Approach</i>		
Actively Eliminate	2.62	2.72
Transfer	2.21	2.30
Status Quo	3.33	3.34
Positive View	2.68	3.02
Negative View ♣	3.07	3.45
<i>Downsizing Effects</i>		
Redundancy 1 ♣	3.30	3.32
Redundancy 2 ♣	4.40	4.40
Conflict/Politics ♣	3.10	3.15
Loyalty/Morale/Climate ♣	2.95	3.01
Ambiguity ♣	1.99	2.03
Conservatism ♣	3.43	3.58
Information Sharing ♣	3.12	3.37
Decision Participation ♣	3.13	3.20
Quality ♣	3.69	3.84
Self-Centeredness ♣	3.11	3.18
Efficiency ♣	3.48	3.55
Effectiveness ♣	3.02	3.51***

Notes: ♣ Survey items are negatively worded so scores are reversed to make high scores always positive.

Significant Differences: * $p < .05$ ** $p < .01$ *** $p < .001$.

ing was perceived as a positive improvement activity and as a way to accomplish the organization's vision; (5) organizational processes had been carefully analyzed and improved; (6) continuous improvement was coupled with downsizing; and (7) teamwork characterized the downsizing process.

In other words, despite the trauma associated with substantial downsizing, individuals in this Command were more positive in their evaluations of the organization's strategies, approaches, and outcomes at the end of the downsizing process than at the beginning. They viewed their organization as significantly more effective, and they perceived downsizing as a contributor to that improvement, in spite

Table 2. Major Predictors of Perceived Organizational Effectiveness, High Performance, and Improvement (with regression coefficients)

<i>Organizational Effects</i>	<i>Major Predictors (beta)</i>	<i>Statistics</i>	
Effectiveness—1993	Leadership	.227	Adjusted $R^2 = .368$ $F = 22.08$ $df = 6,211$ $p < .000$
	Process Analysis	.246	
	Procedures	.187	
	Measurement	.186	
	Customer Focus	-.155	
	Negative View	-.124	
Effectiveness—1995	Continuous Improve.	.289	Adjusted $R^2 = .424$ $F = 38.32$ $df = 4,199$ $p < .000$
	Culture/Philosophy	.209	
	Procedures	.190	
	Status Quo	.155	
Improvement in Effectiveness—1993-1995	Leadership	1.231	Adjusted $R^2 = .681$ $F = 14.49$ $df = 17,70$ $p < .000$
	Customer Focus	-.564	
	Process Focus	-.352	
Performance—1993	Redundancy 1	-.308	Adjusted $R^2 = .609$ $F = 68.65$ $df = 5,212$ $p < .000$
	Leadership	.234	
	Communication	.202	
	Redundancy 2	-.184	
	Negative View	-.155	
Performance—1995	Redundancy 1	-.372	Adjusted $R^2 = .541$ $F = 61.22$ $df = 4,200$ $p < .000$
	Procedures	.215	
	Negative View	.193	
	Involvement	.159	
Improvement in Performance—1993-1995	Process Analysis	.704	Adjusted $R^2 = .469$ $F = 17.70$ $df = 1,18$ $p < .001$

of the fact that they saw nothing wrong with the organization at the outset of the study.

Predictors of Effective Downsizing

Statistical analyses were conducted of the questionnaire responses to determine which aspects of the downsizing strategy were most important in accounting for employees' perceptions of effectiveness. While it is apparent that organizational performance improved over the three-year period, it is not clear exactly why that happened. Multiple regression analyses were conducted, therefore, to identify which *process* and *approach* dimensions were most important in explaining the improvement in perceived performance. This statistical procedure provides insight into which of the dimensions is significant in explaining organizational effectiveness. Table 2 summarizes the results of four analyses. To make the results more straightforward, only the statistically significant factors are reported in the table.

Two perceived *effects* variables are analyzed: the overall effectiveness of the Command (*effectiveness*), and several performance factors associated with organizational improvement (*performance*). The performance factors had emerged from the interviews as important indicators of success in this Command. Table 3 is a list of the performance indicators. Respondents rated the extent to which

Table 3. Key Indicators of Organizational Performance

<i>Indicator of Performance</i>	<i>Explanation</i>
<i>As a result of downsizing:</i>	
Quality	Quality has not been sacrificed; errors and defects are less common; and absenteeism, tardiness, and turnover have decreased.
Loyalty, Equity, Morale	Employee loyalty, morale, trust, positive attitudes about the organization, and pay satisfaction have all increased. Downsizing is perceived to have been administered fairly.
Red Tape	Red tape and administrative hassles have decreased.
Crisis and Resistance	A short-term, crisis orientation and resistance to change have decreased. Creativity and work redesign have increased.
Conflict and Complaints	Organizational politics, conflict among groups and individuals, and criticism and complaints of top management have decreased.
Information Sharing	The amount and speed of information sharing and communication have increased.
Empowerment	Decision making is pushed further down in the organization, and more power is shared with employees.
Self-protection	Self-protection, selfishness, and ignoring the welfare of the organization have decreased.

downsizing had caused an increase, or a decrease, or had made no change in organizational *effectiveness* and in the various factors indicating organizational *performance*.

Change scores were also calculated for effectiveness and for performance between 1992 and 1995. In other words, the extent to which effectiveness and performance were perceived to have improved or deteriorated was determined by subtracting scores in 1992 from scores in 1995. Analyses were conducted to reveal the major predictors of these changes. Since improvement occurred in both these measures from 1992 to 1995, in reality the analyses uncovered just the factors that accounted for the improvement.

At least three results are notable from Table 2. First, several key factors are recurrent in predicting effectiveness, performance, and improvement. The *leadership* of the organization, for example, is an important predictor of effectiveness, performance, and improvement. Leaders who are visionary, motivational, and accessible, and who communicate a positive purpose for downsizing contribute to organizational effectiveness, performance, and improvement in the midst of downsizing. The *procedures* used to downsize are also especially important factors. When the procedures used for downsizing are fair, when work is redesigned (i.e., reduced), and when sufficient planning and preparation occur, perceived effectiveness and performance are high. Similarly, when work *processes* are carefully managed—that is, flow diagrams are used, redundancies and wait time are eliminated, teams accomplish the work, and work flows are well-integrated—effectiveness and performance are high. Finally, when downsizing is defined as a threat, a constraint, or an unrealistic target, effectiveness and performance are low.

A second notable result is that most of the major predictors of effectiveness, performance, and improvement are factors that can be directly managed. They relate to actions that are planned and implemented rather than to the environment or to the attributes of the organization that are not directly controllable by managers. For example, in addition to the four factors highlighted above, organizational effectiveness, performance, and improvement are associated with the extent to which broad, frequent, consistent *communication* occurs, the extent to which there is *involvement* of employees in the planning and implementation of downsizing, the extent to which *customer satisfaction* and *continuous improvement* remain as key objectives of downsizing, and the extent to which there is *measurement* of time and speed.

Third, what *does not* predict organizational effectiveness and performance is also notable. In particular, the type of downsizing tactics used does not significantly affect the outcomes. Whether employees are laid off, offered early retirement, provided incentives to leave, transferred out, or downgraded is not significantly associated with organizational effectiveness, performance, or improvement. This is surprising in light of the significant emphasis given by businesses to identifying the most appropriate technique for eliminating positions (Perry, 1986).

In addition, it is noteworthy that changes in the reward or appraisal systems (e.g., salary freezes, hiring freezes), the number of management levels reduced, or the amount of outsourcing implemented do not predict organizational effectiveness and performance. These factors often receive the most publicity and the most attention when organizations downsize, but they did not predict effectiveness and performance.

The reason these factors may not be associated with effectiveness and performance is that they may function like Herzberg's "hygiene factors" (1966); that is, they may have an effect only if they are *not* present. In other words, with *no* changes in the human resource system, *no* systematic process for eliminating positions, and *no* reduction in hierarchical levels, effectiveness and performance may be negatively affected. Since these actions were always a part of this Command's downsizing, their presence did not significantly affect organizational performance and effectiveness.

In sum, the factors that account for perceived organizational effectiveness, performance, and improvement are mainly under management control. They focus on the communication and vision of the leader, the process and procedures used to implement downsizing, and the manner in which employees are involved, informed, and assisted in interpreting downsizing as a strategy for improvement.

Comparisons of High and Low Performing Subunits

Another analysis focused on the 26 directorates within this Command (i.e., semiautonomous units that have the responsibility for implementing downsizing using their own processes and procedures). Because these directorates were held accountable for achieving organizational effectiveness, they functioned much like strategic business units or product divisions within a company. Some of these subunits seemed to thrive and improve in the midst of downsizing, whereas others seemed to languish or deteriorate. Statistical analyses were conducted to distinguish between the directorates that achieved the highest scores on organizational effectiveness and performance ratings (from the survey) and the directorates that achieved low or negative scores on measures of effectiveness and performance. These results shift the level of analysis from the overall Command level to the subunit or directorate level in order to compare effective and ineffective implementation strategies.

The five highest and five lowest performing subunits in 1992 were compared, and the five highest and five lowest performing subunits in 1995 were compared. The most effective directorates had significantly higher effectiveness and performance scores ($p < .01$) than did the least effective directorates in both 1992 and 1995.

The statistical procedure used to compare the directorates is discriminant analysis. Its purpose is to identify the combined set of factors associated with high performing units but not with low performing units, as well as the factors associated

Table 4. Factors That Differentiate Directorates Perceived to be Highly Effective versus Ineffective (Significant Discriminators Only)

Factors	Coefficients	
	1992-1993	1995-1996
Supportiveness (provide benefits, training, counseling)	.281	.698
Leadership (visible, accessible, visionary leadership)	.635	.627
Coordination (cross-functional and cross-boundary)	.181	.609
Philosophy (downsizing is an opportunity and life-long)	.245	.597
Communication (broad, frequent, universal)	.442	
Gradual and Fair (implementation was gradual and fair)	.529	.435
Preparation (advanced analyses and preparation)	.407	
Involvement (employees were involved, participating)	.315	.348
Redundancy 1 (excess data, ideas, procedures, time)	-.697	
Redundancy 2 (excess training, customers, suppliers)	-.380	
Statistics		
Canonical Correlation	.546	.546
Chi Square	23.50	19.84
df	9	8
Significance	$p < .005$	$p < .01$
Group Centroids		
Highest Performers	1.045	.684
Lowest Performers	-.394	-.601

with low performing units but not with high performing units. The results of the analyses, summarized in Table 4, identify the directorates' strategies that are most powerful in accounting for perceptions of effective and ineffective downsizing.

The findings indicate that the factors that accounted for high performance at the beginning of the study were largely the same as those that accounted for high performance at the end of the study. The most effective directorates provided extra support for both casualties (leavers) and survivors (employees who remained); maintained close coordination among functional units, levels, and suppliers and customers; involved employees in the planning and implementation of downsizing; and ensured that the process was fairly administered and gradual in its rollout. Leaders in these directorates were accessible, motivational, and visionary, and they communicated broadly and consistently with everyone affected by the downsizing.

The least effective directorates, on the other hand, are unsupportive of retained employees, did not involve and empower them, coordinated poorly among units and outside constituencies, and were not led in clear, visionary ways. The poorest performing subunits were characterized by redundancy and waste, such as excess

procedures, unused information, unproductive programs, surplus administrative policies, and excess repetition and rework.

At the beginning of the downsizing initiative (1992), the excesses, waste, and redundancies were more important than they were at the conclusion of the study (1995) in accounting for differences in subunit performance. By the time the downsizing had concluded, most redundancies had been eliminated throughout the organization, so they were no longer significant discriminators of high and low performance. On the other hand, at the beginning of the study preparation for downsizing as well as broad, frequent communication were very important in differentiating subunits that were performing well compared to those which weren't. By the end of the study these factors were less important because downsizing targets had largely been met (preparation was completed) and virtually every organization member was fully informed.

Summary of Results

Because these results are based on *perceptions* of organizational effectiveness, processes, and procedures, any conclusions drawn must be tempered by the possibility of bias. Nevertheless, an important lesson suggested by these results is that early in the downsizing process, (1) visible and visionary leadership, (2) fair and gradual implementation, (3) support to and involvement of employees who are staying as well as leaving, and (4) defining downsizing as an opportunity for improvement are crucial if downsizing is to be effective. Targeting the elimination of waste and redundancies is much more effective than simply targeting headcount reduction as the focus of downsizing. These, unfortunately, are not typical attributes of most organizational downsizing projects (McKinley & Munroe, 1992; Cameron, 1994). If advanced preparation has not occurred and if organization members have not been fully informed, downsizing is likely to be ineffective.

THE DOWNSIZING STRATEGY

The results of the statistical analyses of these questionnaire data as well as the trends present in the objective data clearly indicate that the impact of downsizing on this Army Command was not the predicted deterioration. Whereas downsizing in the Army as a whole has apparently had some deleterious effects, downsizing in this Command produced improved organizational performance. The second research question, therefore, addresses the reasons for this surprising result. We now turn to the *ways* in which downsizing was implemented by this Army Command in response to the mandate to retrench. These implementation strategies were uncovered by analyzing interviews with senior military and civilian officers and with a sample of employees across various levels and functions. The intent was to determine *how* these surprising effects were produced.

RESULTS: ATTRIBUTES OF THE DOWNSIZING STRATEGY

The initial interviews in 1992 and 1993 focused on aspects of the downsizing strategy that were being planned or that were in the initial stages of implementation in various subunits within the organization. Follow-up interviews in 1995 and 1996 identified which of these strategies were successfully completed. Responses from these interviews were clustered into themes that capture the key attributes of the Command's downsizing strategy.

In this section 12 attributes are reported—those aspects of the downsizing strategy that provide a contrast to commonly implemented downsizing approaches. In other words, no attempt is made to be comprehensive in describing the Command's downsizing strategy. Rather, only a description of commonly identified, but atypical, aspects of the approach are described. Reported here are two major categories of strategic actions—*preparation* and *implementation*; and each is illustrated by verbatim comments from the interview transcripts. These strategic actions relate to *the methods* by which planning and preparation occurred and *the methods* by which downsizing was implemented. Table 5 summarizes 12 aspects of this downsizing strategy that were categorized as either preparation or implementation activities. They are contrasted with the most common approaches to downsizing reported in the literature in order to highlight potentially best practice implemented by this Command.

Preparation

Before any downsizing occurred in the Command, steps were taken to prepare for its implementation. Analyses of the data (described earlier) suggest that these anticipatory steps were as important in developing an effective downsizing strategy as was the actual implementation of the strategy. Adequate preparation helped ensure adequate implementation. By contrast, a more typical approach in organizations is rapid implementation and limited planning (ready, fire, aim) (McClune, Beatty, & Montagno, 1988). The steps in preparation included:

1. *Anticipating the mandate to downsize.* The organization's top management team anticipated a formal mandate to downsize from the Department of Defense and began to develop a plan for downsizing well in advance of any such announcement by Congress.

We foresaw the clamor of the public, represented by our Congressmen, that the Army should downsize. So rather than being caught by surprise, we began doing what we call Strategic Resource Planning. Because our national policy is to retain military superiority technologically, we could see in the future a drive toward downsizing and a strong drive toward retaining, if not improving, our technological capability. We are going to be successful because we started planning early enough, with the right constraints, the right involvement, and the right level of detail (a senior command administrator).

Table 5. Typical Downsizing Responses Compared to Army Responses

<i>Downsizing Issue</i>	<i>Typical Response</i>	<i>Army Response</i>
<i>Preparation</i>		
Time Frame	Wait for a crisis to take action	Anticipated the need
Vision	Maintain a short-term, survival approach	Articulated a strategic vision for the future
Competencies	Ignore core competencies or focus on current requirements	Focused on competencies needed in the future
Targets	Across-the-board or broad-brush downsizing; little prioritizing	Carefully analyzed every activity to eliminate less important ones
Resources	Emphasize cutbacks and reducing the bottom line	Focused on key work requirements and minimum resource levels
<i>Implementation</i>		
Strategy	A single approach is planned and implemented; workers are targeted	Multiple scenario planning created strategic flexibility; work is targeted
Communication	Hold information close to the vest; manage disclosure	All information was shared with everyone, constantly
Human Resources	Consider people as costs to be reduced	Invested in people as resources
Involvement	Downsizing is mandated, top-down	Employees involved in planning and on-going critique
Partnerships	Downsizing is kept secret from customers; replace customer with financial focus	Partnership and participation of customers; maintain customer focus
Employment	Sell off expensive units to cut company costs; eliminate jobs	Outsourced in order to create jobs for outplaced employees
Downturns	Expect immediate positive results	Expect temporary downturns and moderate-term recovery

Most organizations downsize without formal advanced planning. For example, 94 percent of the organizations in one study planned and implemented downsizing within 60 days (McClune, Beatty, & Montagno, 1988). The hiring freeze that had been mandated by Congress three and a half years prior to the downsizing mandate motivated this Command, however, to begin planning for the possibility of a future personnel reduction. Several hundred positions went unfilled in the three-year interim period so that, when the announced reduction-in-force (R-I-F) occurred, a large number of positions were simply eliminated which had no employee incumbent. No persons were separated involuntarily.

In contrast, the general tendency in most organizations is to wait for a crisis or a downturn before planning and preparation for downsizing occurs (McKinley & Carol Munroe, 1992). This Command, on the other hand, had the *foresight* to prepare for downsizing well in advance of environmental pressure and the imposed mandate (Hamel & Prahalad, 1994).

2. *Articulating a vision for the future.* In formulating a downsizing strategy, the overriding question the senior management team asked was “What do we want to achieve in the future?” or “What is our vision?” All aspects of the downsizing strategy were measured against the extent to which they matched the organization’s “strategic vision.”² This is equivalent to designing an ideal future organization, then backing up toward the present to determine ways to achieve it.

Our general approach and strategy to downsize is to try to reshape in a way that will, first of all, assure ourselves that we will achieve our vision and keep our core capabilities and competencies.... As you look at our strategic planning to reduce head count, you will see that we look at our core capabilities and we look at our missions. And we matrix those together. And we ask, OK, how many of these jobs should be with full-time, permanent employees, how many should be contract employees, and how many should we divest ourselves of? It doesn’t do any good to just have processes run smoother. There has to be purpose and vision tied to it. What we have done is tie purpose and vision to it (a senior command administrator).

Again, this practice is contrary to the normal approach to downsizing. One might expect that a Congressional mandate to reduce headcount as the sole objective would produce a compliant response. One might expect that the organization would adopt the mandated target as an *avoidance* strategy (i.e., avoid excessive personnel). Downsizing in most organizations, in fact, is defined as a defensive, evasion tactic. Instead, this Command defined downsizing as an *approach* strategy (i.e., move toward a vision), and it reverse-engineered its downsizing approach as a means to achieve its idealized vision.

3. *Identifying core competencies.* Another important preparatory step in developing the organization’s downsizing strategy was to identify and clarify the core competencies required of the future, as well as in the current, organization. Core competencies are unique strengths, resources, attributes, and features considered to be critical for present and future success of the organization (Prahalad & Hamel, 1990). These core competencies were identified first for the top of the organization, then for successively lower levels, to ensure that the formulated strategy would reinforce these competencies in the future organization.

We are in the process of reshaping our Command along the lines of core competencies. We’re at a stage now where the vision is out, the core competencies have been voted on, and the core capabilities to support those competencies down to level two are agreed to and defined. We will now continue to look at level three core competencies and decide how we can work our business plans against those core competencies (a senior command officer).

Because the core mission of the entire organization is in a state of flux (e.g., changing from war making to peacekeeping), it was not expected that careful anal-

ysis of future core competencies would accompany the downsizing effort. Most organizations focus on surviving the current crisis, not carefully analyzing future competencies (Tomasko, 1987; Byrne, 1988; Hamilton, Broman, Hoffman, & Renner, 1990; Bennett, 1991; Baumohl, 1993; Cameron, Freeman, & Mishra, 1993; McKinley, Sanchez, & Schick, 1995). In contrast, articulating core competencies at each level in the hierarchy allowed a congruent downsizing strategy to cascade consistently throughout the entire organization. Consensus was created regarding what the organization was trying to become, and all levels of the organization were engaged in the process of core competency identification.

4. *Determining where to target downsizing.* The requirement was to achieve an across-the-board reduction in all units, yet the organization still approached downsizing systematically. In particular, to identify where downsizing should be targeted, a matrix technique was used. On one axis of the matrix specific business areas in the Command were listed. On the other axis the core competencies were listed. Intersecting cells in the matrix identified where and to what degree business areas were to contribute to each core competency and, in turn, accomplish the strategic vision. Blank cells were targets for downsizing.

Our attempt was to focus on what the Command's mission was, what the objectives were, and then to assign or attach resources to the missions that were most important to us. We recognized that we weren't able to do everything that was being asked of us. So we had to have a methodology to determine what was most important. We implemented pairwise comparison...and the outcome was a kind of blueprint of how to reshape for the future (a senior command officer).

A cross-functional management team compared each unit and each activity in the organization against every other unit and activity in terms of its contribution to the vision of the future and its possession of core competencies. The result was an "importance ranking" of each unit and each activity in the organization. High-priority units and activities were affected less by downsizing than low-priority units. Again, the unusual part of this strategy was that *every single activity in every single unit* was analyzed to determine its strategic contribution. By contrast, most private and public sector firms use much less precision in downsizing.

5. *Identifying resource requirements.* A fifth preparatory step involved determining how much cutting the organization could endure and still accomplish its strategic vision. The question was "What are the minimum resource levels needed by the Command?" This question was answered by conducting work load analyses, analyzing skill transportability (i.e., the extent to which individuals could apply their knowledge and skills in other units), exploring alternative employment forms (such as part time, flex time, and job sharing), identifying gaps between current employment levels and the Army's mandated employment levels for each unit, and projecting future revenue growth.

When positions, or even entire units, were identified as not fitting the future vision and core competencies, a "transitional strategy" was implemented to get

current employees into jobs and units that were ranked higher in priority. In other words, higher priority positions periodically became vacant into which individuals in lower priority jobs could be transferred.

When the managers have identified a position that is not going to exist in the end state of 1996, we call that position a "transitional position." And that employee is a "transitional employee." When the employee is able to move to another job that will exist in the end state, and he or she has the qualifications to build that job, we move that transitional employee and the transitional position is abolished (a senior command administrator).

Identifying which employees would best fit into the higher priority positions was done by means of a skills-matching process. The knowledge and skills of every person in the organization were analyzed so that transitions could be made quickly and accurately. Even before the announced reduction-in-force in the spring of 1993, over 200 employees had been moved into higher priority positions. The philosophy was to get people involved in high priority positions to maintain employment continuity. The advantage of this preparatory step, of course, was that it helped address the fear, skepticism, and distrust that usually accompany a downsizing announcement by communicating a message that continuity of employment is a priority.

Implementation

The Pentagon's nonnegotiable head-count target was to achieve a specific number of employees rather than to achieve cost savings or to enhance revenues. Unfortunately, the Command projected an increase of 50 to 200 percent in revenues over the next three years in spite of the mandate to downsize. Maintaining the status quo would have made downsizing painful, but a projected growth in resource requirements made the downsizing mandate an especially difficult pill to swallow. It was impossible for the organization to employ as many people as were required by the growth projections, because neither Congress nor the public would allow the Army to increase its personnel head count.

In response, the implementation of downsizing in the Command took a unique form. What follows is a description of the most typical implementation strategies in the Command's directorates, each of which were allowed to implement downsizing in its own way. The strategies discussed are the ones that contrast most dramatically with common downsizing practice reported in past research.

6. *Designing a flexible organizational strategy.* To overcome the liability of mandated head-count targets, the Command designed as much flexibility into the downsizing strategy as possible. That is, the organization followed a Persian Gulf War strategy of "multiple-scenario planning," in which detailed contingency plans were established for several different eventualities. In the Command, preparations were made to respond to several different levels of mandated cutbacks.

We tried to develop a long-term flexible strategy that would accommodate either a budget decision, a head-count reduction, or any combination thereof....We've taken their requirement, and we've put some order to it. And we've also integrated it into what we're doing right now (a senior command officer).

Aiming downsizing activities at work rather than at workers was coupled with redesign aimed at possible future expansion.

As we downsize we are going to be a more robust organization. We are going to be postured so that we can take on, in our business areas, a larger mission within the DOD (Department of Defense). I mean, we could easily take on other services...and we're targeting to do that (a senior command officer).

Contrary to the normal threat-rigidity response that accompanies downsizing in most organizations (i.e., conservatism, defensiveness, absence of innovation, inflexibility) (Staw, Sandelands, & Dutton, 1981), the Command implemented downsizing so as to enhance adaptability and versatility.

7. Communicating downsizing strategies. A key to successful implementation was communicating openly and fully with employees. The simple act of sharing information regularly and consistently with those affected by the downsizing was an important aspect of implementation. Use of multiple media and repetitious message delivery was emphasized.

Open and honest communication is one of the essential elements. You've got to be able to explain the process to them, and they've got to believe in their heart of hearts that the process is not in any way prejudiced to any group or activity. You've got to work hard so they believe it (A Senior Command Administrator).

We communicate constantly. Not just about downsizing, but about everything. We keep the lines open, like an IV during surgery. The reason they still use an IV during surgery isn't because you need the saline. It's to keep the vein open just in case something comes up during surgery, and they need it. That's what you have to do with communication. Keep the lines open so that during something like downsizing, they're always there. That's why we hold meetings, picnics, awards, and everything; to build capital (a senior command officer).

The main objective in the organization was to communicate openly and continuously, and to ensure that all top managers were delivering the same message and sharing the same information, even if it was to say "We don't know yet." And whereas this seems to be a commonsense prescription for effective downsizing (or implementing any organizational change), a constant flow of information—an IV in the communication channels—is the exception rather than the rule in most downsizing organizations (McClune, Beatty, & Montagno, 1988; Cameron, 1997).

8. Investing in human resources. Past research has demonstrated that an important corollary to effective organizational downsizing is investment in training (McKinley & Munroe, 1992), even though training is costly and is usually ignored at a time when financial resources are scarce. It helps employees cope with ambi-

guity, stress, new job demands, lack of information, and different skill requirements (McCall, Lombardo, & Morrison, 1988). In this organization training became a priority into which extra resources were allocated. For example, the training budget actually *increased* from \$150 per person per year in 1989 to \$500 per person per year in 1992, despite the impending downsizing mandate. Training focused on the impacts of downsizing on individuals and families, organizational issues, stress management, management skills training, and technical (job-related) training.

We will be telling the workforce that we're going to be here for a long time, that we're going to be growing. And in order for us to be world class and grow, we are going to continue to accommodate and develop the workforce. We are going to continue to train them. Once we have finished this blood-letting, then we've got to put dollars into training. We've got to build the quality back, which will require us to resource the individual training much more than we are doing today. It will be the case that we'll have individuals in jobs that they don't know very well....In an R-I-F, you don't always get to keep the people you think you need. Therefore, we can never short change training (a senior command officer).

In addition to training, the organization greatly emphasized recognizing and rewarding people, providing symbolic commendation for achievements, and finding ways to celebrate success.

Awards are very important. I award my people for everything. I apply or nominate someone for every award I've ever heard of. You just keep telling them they're the best, and it becomes a self-fulfilling prophesy. When you appeal to their dignity and self-worth, it increases performance. So we nominate people for all kinds of external awards (a senior command administrator).

Again, in opposition to the common approach to downsizing in which training budgets are drastically reduced as a rule of thumb, where "human resources" are redefined as "human costs" to be reduced or minimized, and where investment in special rewards and recognition is postponed (Kozlowski et al., 1993), the Command paid special attention to key human resource issues as downsizing was implemented.

9. *Continuing involvement of employees.* In order to critique the ongoing downsizing plans, strategies, and redesigns, as well as to identify additional process improvements and cost savings, employees were asked to participate in the development and implementation processes.

We took our initial ideas and bounced them off folks. Once they bought into the ideas, then we almost sat back, because the ideas came fast and furious....When people start to see some of their ideas being rolled into the long-term solution, they get fired up. They just want to add more to the process (a senior command officer).

In addition to the involvement of lower-level employees, a broad range of senior officers were also engaged to critique and refine the downsizing plans.

You've got to get the key managers involved early in the process. You can't let them just do the day to day. You must force them to spend their time on thinking strategically. There are now 37 process action teams looking at improving the process. We also created an Executive Advisory Council. We kind of chartered them as an internal board of directors. They're too bright, and they have too much to bring to the table, just to sit on their duffs and not get involved in any strategic work. So now their thumb prints are all over the place (a senior command administrator).

Involvement of upper- and lower-level employees in change processes seems to be common sense, and it is a principle of effectiveness espoused in the social sciences since 1948 (Coch & French, 1948). On the other hand, common sense is not necessarily common practice, especially when the downsizing policy is decreed by outsiders in a rigidly hierarchical system. In particular, having ongoing teams critique the downsizing process itself is rare (Cameron, Freeman, & Mishra, 1993; Cameron, 1997). However, the Command involved people affected by downsizing in the planning, implementation, and ongoing critique of the entire process as it unfolded.

10. *Involving external customers.* Customers are usually defined as those who receive or are directly affected by a product or service produced by an individual or organization. In this organization external customers included a variety of purchasers and consumers of the goods and services produced by the Command both inside the Army and in business and government organizations. Downsizing often negatively effects customer relationships by weakening their confidence and trust. Altering the organization's processes, changing the contact persons, disrupting the informal networks, and modifying the contractual relationships increases uncertainty and ambiguity with customers. In light of this potential threat, the Command felt it necessary to involve customers as well as employees in downsizing plans. A watch-cry in the organization was "*prevent* damage to our customers rather than *control* the damage to our customers." This was done primarily by keeping customers informed.

Some of the fallout from the government's R-I-F in 1989 was that customers became very uneasy about dealing with new, unknown people. They are just now getting used to us again, and we are now going to change all over again....As a result, I'm keeping external organizations involved from the standpoint of making sure they know what we are doing (a senior command administrator).

Stated differently, the organization tried to maintain a customer focus. With escalating pressure to attend solely to internal organization concerns (e.g., head-count numbers, work processes), organizations often lose contact with and sensitivity to customer expectations. The Command, on the other hand, kept customer service as the ultimate objective.

We try to do everything with a clear customer focus. Nothing should be done that doesn't support the customer, especially while we're doing the R-I-F. Productivity is defined in terms of the ability to support customer needs. Any customer complaints become the focus of what I do (a senior command administrator).

In other words, in contrast to the mandate to focus exclusively on head-count reduction, and with the potential to alienate customers by “airing dirty laundry” in front of them, the Command endeavored to inform and involve customers in the process of downsizing as well as to maintain a focus on customer service.

11. *Preserving employment.* A key implementation strategy for the Command was to reach targeted levels of head count by means of outsourcing. The intent was to preserve *employment* for personnel, although not necessarily *jobs* within the organization itself. This was done by reducing the number of suppliers from several hundred to 12 or 13. Each supplier was given “omnibus contracts” in which many products and services formerly produced in the Command were outsourced. Suppliers provided multiple products and services instead of just one, and the expansion of their business created openings for Army employees. These employees could continue to do the same work, but now for an outside contractor instead of the Army.

If people are downsized and reshaped out of the organization, don't forget these large omnibus contracts that we have. These contracts become a source of employment for these folks that are de-coupled from the organization....The guys that win these omnibus contracts are going to be hiring these same people to do these very same jobs....We can even impose on some offerers the requirement that the workforce they offer us has to have so much experience in particular areas, and that will allow more of our folks to be in the potential pool of employees that they are going to bring in (a senior command administrator).

The problem with outsourcing, of course, is that core competencies, manufacturing capabilities, and R&D expertise can be lost. They can be given away to outside firms, and leave the parent organization with low value-added capabilities. A similar concern was expressed in the Command.

The trouble with contracting out is that we lose our core competence. We have to learn over and over again with contracting some functions out. The question is, how do we maintain a reasonable in-house technical base plus the ability to oversee contractors? (a senior command officer).

In other words, the organization paid a price for trying to preserve employment through outsourcing. While providing potential job opportunities for Army employees, outsourcing as a downsizing strategy threatened to erode some of the core competencies of the Command.

12. *Expecting temporary productivity reductions.* One important factor that helped the Command retain a long-term perspective in implementing its downsizing strategies was to acknowledge that in the short run, productivity declines would probably occur. Rather than pursuing immediate improvements at the expense of long-term success, however, the organization admitted that it would need to endure a temporary slow down.

When R-I-F happens, we will have a period of adjustment where our productivity, where our success rate, is going to decline. I just don't see any way to prevent that from happening when

the momentum from the reduction-in-force procedures takes over. Because one day everyone will be working in one place, and then the next day a few thousand folks will be working in new jobs. There will be a gap in terms of skills, knowledge, and so forth. That's because a lot of information, lessons learned, are never written down. It's usually first-hand experience and word of mouth. We'll have to repair that over time (a senior command officer).

A short-term perspective is a common malady of downsizing activities, as is the expectation that downsizing will produce immediate positive results. Being realistic about the probable negative short-term effects of downsizing helped the Command minimize and prepare for the expected loss of morale and discomfort associated with its downsizing undertaking.

Summary

Recall that the second question guiding this investigation was, "What downsizing strategy was implemented by the Command in response to the mandate from the Defense Department to retrench?" The answer is summarized in Table 6 by 12 strategies related to preparing for downsizing and implementing the necessary changes. Surprisingly, these 12 strategies are incongruous with preconceptions of a rigid, top-down, militaristic, recalcitrant organization. In fact, the strategies that emerged from these interviews were not only consistent among the entire top leadership of the Command (i.e., no contrary viewpoints were expressed), they also were largely consistent with "best practices" uncovered in previous research. That is, in previous investigations of almost 100 manufacturing firms engaged in downsizing, companies with the highest levels of performance after downsizing had prepared well in

Table 6. Downsizing Practices Implemented by the Army Command

Preparation Steps

1. Anticipated the mandate to downsize
2. Articulated a vision of the future
3. Identified core competencies
4. Determined where to target downsizing
5. Identified resource requirements

Implementation Steps

6. Designed a flexible organizational strategy
 7. Communicated downsizing strategies
 8. Invested in human resources
 9. Continuing involvement of employees
 10. Involved external customers
 11. Preserved employment via outsourcing
 12. Expected temporary productivity reductions
-

advance; communicated openly, frequently, and consistently with all employees; adopted a long-term time horizon; involved a broad range of employees in downsizing strategy development; and developed an ideal design and strategic vision and then downsized consistent with that design (Cameron, Freeman, & Mishra, 1993). Each of these factors was, unexpectedly, typical of this organization.

Of course, the 12 strategies described here are not comprehensive. They were cited as key activities in downsizing by interviewees, however, and they represent the most commonly discussed downsizing activities. They focused, most notably, on the *how* more than on the *what* of downsizing.

SYNOPSIS AND CONCLUSIONS

This investigation was conducted at a time when one of the largest downsizing efforts ever undertaken by a single organization in the United States was implemented. Successfully reducing the Army's size to only the ninth largest in the world, while maintaining the status of the world's only military superpower, is a challenge rarely encountered by any other organization in history. Downsizing the Army is likely to have direct or indirect impact on nearly a million individuals and organizations. The security of the nation may be at stake, the capacity of the country to maintain an effective peace is affected, and the psychological, emotional, and economic impacts of reducing any workforce by more than 300,000 could have disastrous consequences. The examination of downsizing in the Army, therefore, represents an extreme case in the sense that few other organizations have ever faced, in combination, the magnitude of the mandates for change, the lack of direct control over revenue sources and budgets, the dominance of a powerful external regulatory body (Congress), the dramatic alteration of mission, and a largely nonsupportive public—all at the time when a downsizing strategy had to be designed and implemented. By addressing this extreme case, the objective is to bring into sharp relief the strategies that are most crucial in helping to explain how to downsize effectively.

The Command selected for investigation had earned a reputation in the Persian Gulf War of being an example of effectiveness and efficiency. Since the organization was just embarking on a downsizing initiative, it was selected as a representative site for determining how the Congressional mandate to reduce Army headcount was being implemented.

Explanation of the Results

When most organizations are struggling to implement downsizing effectively, when the performance, leadership, and culture of the Army as a whole are being criticized for being damaged by downsizing (AP, 1996), what explains *why* this Army Command, contrary to advanced predictions and normal trends, adopted a downsizing strategy that led to effectiveness?

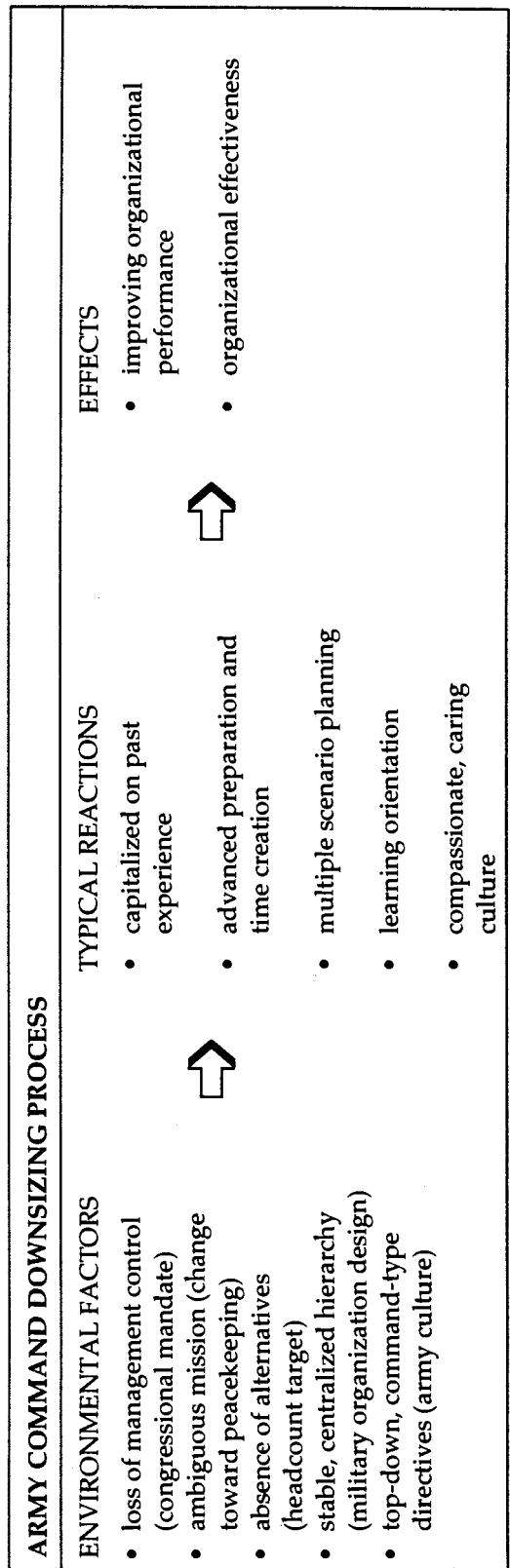
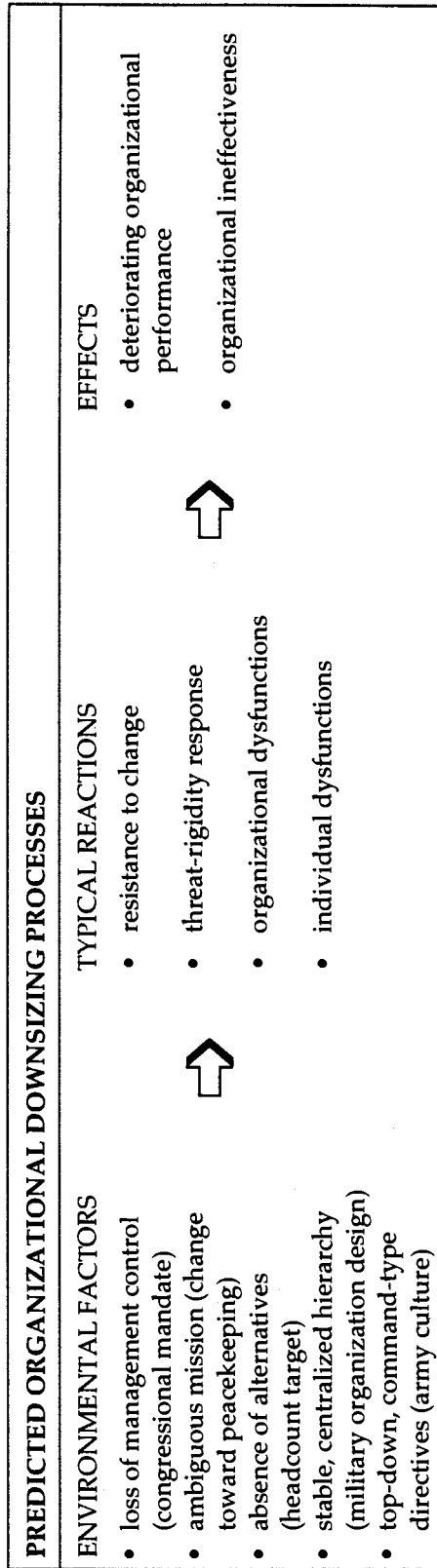


Figure 12. Comparing Common Downsizing Processes with an Army Command's Process

As Figure 12 illustrates, the conditions that make this Army Command an extreme case are usually associated with negative personal and organizational outcomes. Factors such as lack of personal control, an alteration of and ambiguity in mission, and unfair targets (e.g., head count instead of costs) have been found to produce a variety of dysfunctions (Cascio, 1993; Cameron, Kim, & Whetten, 1987; Cole, 1993; Kozlowski et al., 1993; Mishra & Spreitzer, 1996).

On the other hand, this Command instituted a process that not only maintained previous levels of effectiveness, but dramatically improved performance in several key areas. The methods and procedures implemented seemed to be the key.

There has been a lot of examination of mission, where we put resources, and how we see ourselves in the future. A lot of strategic thinking has occurred. We'll continue to reengineer our processes. We'll continue to find ways to improve our effectiveness by making ourselves more efficient. That's because the target continues to change. The pressure to cut even more head count continues. But the process we've put in place and have stuck with over the last three years continues to serve us well. We have experienced four rounds of downsizing since you began this study without having to involuntarily separate anyone. It's been because of our process—planning and open communication within the organization itself, along with re-looking at our business practices and instituting teaming (a senior command officer).

The explanation for why this Army Command responded differently appears to revolve around at least five key factors:

1. *Experience.* The Command, like many in the Army, had recently returned from Desert Shield and Desert Storm when the downsizing mandate was received. Planning, preparing, and executing that war represented some of the most notable successes in U.S. military history. Not only was the battle won swiftly and efficiently, but a half-million troops along with their supplies and equipment had to be transported halfway around the world in record time, then gathered up, sterilized, repackaged, and, in many cases, repainted before transporting back to the United States. More fuel, food, ammunition, vehicles, and personnel were transported to Saudi Arabia and back than had ever been deployed in any war in history. It was a massive "resizing" effort. Lessons learned from that event—multiple scenario planning, the value of investing in human resources, the importance of over-communication—were helpful in attacking the problem of "resizing" the entire Army in peace time.

2. *Time.* Unlike many corporations facing financial crisis, this Command *created* time to plan and prepare for downsizing. The availability of that preparation time was a product of the Command's own anticipation of its future circumstances. Lessons learned from fighting a war (e.g., careful planning, anticipating unexpected events, remaining flexible) were reflected in this Command's approach to downsizing. "Organizational foresight," a crucial attribute of highly competitive firms identified by Hamel and Prahalad (1994), was an important key to implementing effective downsizing. Many organizations do not adequately plan and prepare for cost containment and downsizing until crisis, threat, or downturn occur. Adequate preparation time is thus unavailable. Long before Congress man-

dated a head-count reduction in the Army, this Command began planning for such an eventuality. But instead of merely planning for reductions, the planning took the form of improvement and enhanced performance planning. Having delayed until the mandate occurred would have mitigated effective downsizing.

3. *Planning Models.* A well-developed technology exists in the Army for planning operations. Multiple-scenario planning and contingency planning were mentioned as commonly applied strategies. These strategies involve, in brief, forming multiple teams each of which plans for how a potential circumstance will be addressed. For example, in Saudi Arabia among the key questions were, "Will the Iraqis dig in? Will they attack? Will they retreat? Will the war last two weeks or two months or two years? Will chemical warfare be deployed by the enemy?" Each of these scenarios represents a different situation that may require a well-formulated management plan. The presence of this planning strategy served as an important foundation upon which downsizing scenarios were built as well. Without knowing in advance what the size of the downsizing mandate would be, how it would be delivered, or when it would be announced, the Command prepared for the implementation of several successful changes regardless of the circumstances.

4. *Learning Orientation.* More training occurs in the U.S. Army than in any other organization in the world. The Army Research Institute (sponsor of the 1992 phase of this study) was chartered in order to facilitate the discovery of new knowledge that assists practice. Regular briefings, off-site mission clarification meetings, and representative advisory committees are among the ways that this Command tried to stay current, stay in touch with employees, and stay ahead of the threats of resistance. Several times during the study, for example, the Command requested a presentation regarding what this study was uncovering. Rather than a control mechanism to deflect criticism, however, the learning events tended to focus on the question, "What can we learn from this study to improve our preparation and implementation?" A serious attempt was made in the Command to learn from previous literature on downsizing and organizational change as well as to obtain feedback on the current downsizing activities as they unfolded.

5. *Caring Culture.* The organization went to great lengths to take care of its people, both those who left and those who stayed. Employees developed confidence that they would be taken care of, regardless of their employment status.

The employees know that their Command is committed to doing whatever it has to do to take care of the people here. So, most of our employees are willing to make the changes, whether they were looking for them or not, because they realize the Command is looking for the greater good. They are confident in the Command's commitment to them, that they will be taken care of. We stand by our word, and people see that (a senior command officer).

Individuals were treated as human *resources*, not as human *liabilities*. When head count is the first (and often the only) cost reduction tactic attempted, the implicit message is that people represent costs that must be reduced. That is a very different message from that communicated in the Command. The fact that

in the midst of downsizing the training budget more than doubled helped convey the message that people were considered to be assets rather than expenses. Trustworthiness in demonstrating this caring climate was a key to the Command's success.

APPENDIX

1992-1993 Interviews

Interviews were conducted in an open-ended format with each interview being taperecorded and transcribed. Whereas each interview followed its own pattern, all interviews were guided by the following questions, which were provided to respondents on paper at the outset of the interview.

1. Please provide some background on yourself, such as your employment history, your job description, your involvement in downsizing, and so on.
2. Please describe the general approach and strategy used to downsize in this organization. In particular, what are the goals of downsizing, the general approach pursued, and the strategies deployed?
3. What are the specific tactics used to reduce head count? What time frame was used? Who and how many people exited the organization?
4. What organizational changes are associated with downsizing? Did organizational redesign occur, and did it happen before or after downsizing? What changed? What top level and lower level changes occurred, especially, tasks, jobs, controls, departments, processes?
5. What processes were utilized? In particular, what happened to involvement and participation, communication, systematic analysis in advance of the downsizing, training, external organizations, symbolic management, and so on?
6. What are the results of downsizing? In particular, what happened to costs, quality, productivity, speed, organizational climate, stayers versus leavers, and so on?
7. What lessons did you learn from downsizing? What worked well? What would you have changed? What advice do you have for others who might be faced with downsizing? What changes are likely in the future?
8. What else is important about downsizing or about your organization that hasn't been asked?
9. What objective performance data are available that can be used to indicate organizational effectiveness?

1995-1996 Interviews

Each interview used the following questions to guide the discussion, but not all interviews were restricted to these questions. A formal answer to each and every question was not always provided by each respondent. Respondents were given a copy of these questions at the outset of each interview.

1. How many positions have been eliminated since 1992? How many people left involuntarily? Voluntarily?
2. What process was used to downsize? How did it unfold?
3. What have been the effects of downsizing on the organization?
 - a. What is better?
 - b. What is worse?
 - c. How has it affected morale, efficiency, productivity, costs, communication, and commitment?
4. What else has changed since the beginning of 1993?
5. Has the growth in demand and in business projected in 1992-1993 actually occurred?
6. What are the remaining challenges for this Command?

The 1992-1993 and 1995-1996 Survey Instrument

The survey instrument consists of 136 items designed to assess downsizing processes and procedures, the organization's approach and philosophy toward downsizing, and the effects of downsizing. The items were clustered statistically into a total of 30 dimensions. The dimensions are listed below with their internal reliability coefficients.

DIMENSION (Reliability) (1992, 1995)

EXPLANATION

Effective Downsizing Processes

Communication (.78,.79)	Broad, frequent communication; access to information by all; everyone is kept aware; clear, direct, empathetic announcements; cost data shared.
Leadership (.86,.84)	Visible, accessible, motivational, initiating leader with clear vision.
Involvement (.88,.87)	Employees suggest changes and reorganization; participate in plans; implement changes; visit outside organizations for ideas.
Preparation (.43,.51)	Analysis of processes, work, time, and outcomes in advance of downsizing, and cutting various costs before head-count reductions.

Gradual and Fair (.75,.77)	Procedures are fair; gradual implementation; reorganized processes.
Coordination (.81,.82)	Coordination among suppliers, customers, outside Army organizations, and cross-functional units; cross-functional, management, and nonmanagement teams.
Philosophy (.64,.62)	Downsizing as an opportunity; life-long; people are resources.
Supportiveness (.78,.77)	Benefits provided to leavers; equal attention to stayers and leavers; coaching, counseling, development, and training provided.
H.R. Changes (.70,.73)	Change in rewards, appraisals, language, and symbols.
Proactivity (.59,.53)	Own targets and deadlines established; used downsizing as muscle to accomplish own goals.
Continuous Improve (.67,.71)	Never satisfied; continuously driving out complexity; working faster and more efficiently; holding everyone accountable.
Process Analysis (.64,.67)	Analyze work with flow diagrams; know redundancies; eliminate wait time.
Process Focus (.55,.63)	Integrate a stream of activities; redesign processes; work done in teams.
Measurement (.70,.70)	Measure speed, time, use of each hour, outcomes.
Customer Focus (.59,.56)	Know customers and expectations; make it easy to get customer feedback; maintain direct customer linkages.

Downsizing Approach and Philosophy

Actively Eliminate (.74,.77)	Use layoffs, early retirements, buyouts, and firings; eliminated overtime, temporaries, contract services, functions, levels, jobs and tasks, products and services, and suppliers.
Transfer (.75,.76)	Transfer people within the organization, to a unit outside the organization, or within the Army; transfer functions, management levels, and products and services; downgrade jobs.
Status Quo (.42,.43)	Letting natural processes such as attrition eliminate head count; freeze or reduce salaries and/or hiring; retrain people for new jobs, add work without adding people, or substitute new technology for people.

Positive View (.64,.64)	View downsizing as a goal, opportunity, and solution.
Negative View (.81,.79)	View downsizing as a constraint, threat, and unrealistic objective.
<i>Downsizing Effects</i>	
Redundancy 1 (.89,.86)	Excesses and redundancies in data, ideas, procedures, career goals, beliefs, supervision, and time.
Redundancy 2 (.82,.76)	Excesses and redundancies in training, learning, launches, customers, and suppliers.
Conflict/Politics (.83,.80)	An increase in conflict, politicking, and criticism of management.
Loyalty/Morale/Climate (.83,.84)	Dissatisfaction with pay, feelings of inequity and unfairness, and lack of trust and loyalty
Ambiguity (*)	Ambiguity about the future.
Conservatism (.51,.50)	Short-term orientation, resistance to change, little creativity.
Information Sharing (.40,.44)	Less information is shared with less timeliness.
Decision Participation (.52,.59)	Decisions are made at the top and less power is shared.
Quality (.77,.73)	An increase in tardiness and absenteeism, defects and errors, and poor quality.
Self-Centeredness (.69,.74)	A focus on self-protection and personal tasks as opposed to organizational output.
Efficiency (.06,.14)	More red tape, more hours worked, and more "holes" in work assignments.
Effectiveness (.60,.69)	Lack of high levels of performance and organizational ineffectiveness.
Performance (.88,.84)	A combination of all downsizing effects except effectiveness, namely, redundancy, conflict/politics, loyalty/morale/climate, ambiguity, conservatism, information sharing, decision participation, quality, and self-centeredness.

(*) Single item scale.

NOTES

1. The rationale for conducting fewer interviews in 1995 and 1996 compared to 1992 and 1993 was that objective and questionnaire data could provide a more reliable assessment of the effects of downsizing on organizational effectiveness than interview data. Although some turnover had occurred

in some senior-level personnel in the Command, including the commanding general, it might be expected that an overly optimistic assessment would be made by the architects of the downsizing strategy. Thus, interviewees who were not involved in the initial stages of downsizing, but who came to the Command later, might be expected to give more realistic or unbiased assessments of the impact of downsizing on performance.

2. The strategic vision of the U.S. Army is based on (1) maintaining a total force trained and ready to fight; (2) serving the nation at home and abroad; and (3) maintaining a strategic force capable of decisive victory. To preserve the promised confidentiality for the organization being studied, the strategic vision, core competencies, business plans, and specific strategies of the Command being described are not reported in this paper.

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