

Lessons from Downsizing: Some Things To Avoid, and Others To Emphasize

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Downsizing is sometimes necessary, but it always can be done better or worse. This essay reviews evidence about some of what to avoid, as well as about what to approach, in such dour (if not tragic) exercises. Whatever that case, downsizing also always involves normative or value issues, both in the choice between alternative vehicles for adverse personnel actions as well as in *the* global question: Why downsize?

As a sampler, three points illustrate what is best avoided in downsizing experiences. Thus, they should strive hard to "let in the sunshine," but commonly trend toward secretive cabals at the highest levels. Moreover, cutback commonly is used as an all-purpose tool, with major costs. Relatedly, downsizing often penalizes the relatively blameless, which implies both value and ethical shortfalls.

What downsizing should emphasize gets illustrated by five exemplars. Thus, buy-in should be sought, early and late, and especially at operating levels; the range of adverse personnel actions should be enlarged; appropriate problems should be targeted, but downsizing often sets in motion counterproductive dynamics; useful infrastructures should be built, but seldom are; and downsizing hosts should be oriented toward learning from the past, in principle and especially in practice.

Downsizing often seems in the throes of a love/hate reaction. Thus, downsizing or its various analogs—rightsizing is perhaps the greatest linguistic breakthrough—has achieved prominent status in both business (e.g., Sutton, 1983) as well as public administration (e.g., Levine, 1978; Rubin, 1979), with classics marking the deep and sudden penetrations into managerial thought and vocabulary.

Although broad ranges of organizations have been doing downsizing, however, the general consensus seems to be that the expected effects are elusive (e.g., Sutton, Bruce, and Harris, 1983; Bennett, 1991). Indeed, opposite effects often occur, on balance (e.g., Cameron, Freeman, and Mishra, 1991). As one evidence of these forces-in-opposition, it often happens that a downsizing experience generates one or both of two associated experiences: downsizing I gets followed by downsizing II; and/or downsizing I occurs along with a recruiting campaign, if only because too many of the wrong people leave as one unintended consequence of an awkward downsizing effort.

Moreover, although almost all organizations have attempted cutbacks—also labelled downsizing, or right-sizing—significant normative questions have been raised about these varieties of adverse personnel action (e.g., Estes, 1996). The point is not a quibble. *The* key issue

always is: Downsizing for what purposes? In addition, for certain goals, downsizing is certainly not the sole approach available to management (e.g., Golembiewski, Carrigan, Mead, Munzenrider, and Blumberg, 1972; Burke, 1997).

In short, normative issues cannot be finessed in downsizing for two basic reasons. Thus, a choice between alternatives often will be possible, if not necessary, and such choices raise normative as well as empirical issues. More generally, downsizing raises multiple issues of choice that often involve value judgments as to who, what, when, where, how, and perhaps especially why.

This paper cannot settle all issues in this love/hate association, but some progress can be made here. Assuming that broader normative issues have been resolved satisfactorily—that is, that downsizing or rightsizing efforts are desirable or unavoidable—there seems credible and growing evidence about how to perform the dour exercise better/worse. This paper provides a primer on what seems best avoided in downsizing, as well as on what can be usefully emphasized in such exercises.

WHAT SHOULD BE AVOIDED?

Substantial experience in both public and business enterprises suggests a substantial inventory of practices that can lead downsizing efforts to awkward outcomes (e.g., Sutton et al., 1983; Cameron et al., 1991; Cascio, 1993). Three exemplars are selected for emphasis here, but a much longer catalog could be developed, and easily so.

1. AVOID SECRETIVE ELITES HUDDLING ON THE TOP FLOOR

Perhaps primarily, all possible efforts should be made to avoid putting employees in the role of veritable mushrooms: you know, kept in the dark, covered with organic matter, and perhaps waiting to be canned. All too often—indeed, almost always—the basic pre-announcement dynamics are deliberately restricted to a small elite working under conditions of secrecy, if not deep cover.

Rather than secrecy, substantial information programs targeted to all major stakeholders should be the prime vehicles supporting downsizing efforts. The rationale for this first prescription is not obscure. In the present view, secrecy is seldom maintained, above all, and the rumor mills often make worse what are inherently unattractive situations (e.g., Sutton et al., 1983). Hence, lack of knowledge can encourage the “wrong people” to leave, which leads to the irony of a recruitment program being instituted to remedy the shortfalls created by a cutback made worse by painful silence and attempted secrecy.

Let the point be put positively. Perhaps the dominant motivation of the elite secretly huddling to determine the fates of others—comprehensively and finally, to spring the full panoply of downsizing actions in one short burst, as in activating a gallows—is the fear that any partial disclosures may result in people simply failing to work in any interim period

–to stop, dead, before the target date. Beyond this elemental, secrecy is often motivated by a desire to retain choices and flexibilities for the longest-possible time.

However, neither research (e.g., Sutton et al., 1983) nor my experience support this fear. In one case, indeed, progressive production records were set just as a long-announced termination date approached (Slote, 1977).

Despite the power of denial or misperceptions (e.g., Slote, 1977), and in some senses because of them, letting in the fullest light of day has much to recommend it during downsizing experiences. This basic intent translates into clear and credible goals, schedules, and milestones, announced as soon as possible, and faithfully adhered to. In addition to philosophic reasons for such an approach, the practical reality is that secrecy is seldom achieved; and even if it is, rumors may very well be worse than even the most draconian realities.

What is true for employees also holds for all stakeholders.

2. AVOID CUTBACK AS AN ALL-PURPOSE TOOL

In the absence of clear and credible goals, cutbacks or downsizing can be seriously counterproductive. To provide some perspective on “clear and credible goals,” what Americans call “snow jobs” can be seriously counterproductive in downsizing.

Why downsize? That is the central question. Too often, downsizing is presented by spin-meisters as a good-in-itself. That is *never* the case. Why downsize, indeed? Financial exigencies may dictate such a course as when, even given reasonable prior diligence, markets suddenly dry up, products mature faster than expected, or legislatures do strange and unexpected things with budgets. Given sufficient credible information, this Type I downsizing is easiest to take for all concerned.

Very often, one suspects that downsizing has other motivations—to keep up with the organizational Joneses, to generate a brief up-tick on the stock market, or to attempt to solve personnel problems accumulated over the long-run due to managerial ineptitude or lack of courage. No doubt, efforts to break the power of unions, or to rectify the balance from management’s point of view, also explain some cutback efforts, at least in part. These “other motivations” typically are clocked in swashbuckling displays of new-found managerial machismo.

Here, consequently, let us distinguish two more troublesome types of cutback. For example, downsizing might seem a convenient cover for systemic failures that could have been avoided—casual performance appraisals, featherbedding, various forms of empire-building or corporate welfare, and so on. But this Type II downsizing constitutes a very different challenge than Type I. If nothing else, Type II implies removal of “deadwood,” to which status few would readily admit and which also begs two questions: how the “deadwood” was allowed to accumulate in the first place; and how its accumulation will be avoided in the future? In Type II, the focus usually is best put on remedying systemic inadequacies, while providing time and motivation enough for employees to take individual actions if a cutback remains necessary. Failure to

attend to systemic shortfalls sends powerful messages, and most of them are inaccurate messages.

Much more troublesome is Type III downsizing, where the real or perceived motivation is to gain an uptick or two on the stockmarket or in legislators' opinions, or perhaps to warrant an executive bonus. Here, downsizing may appear to be an arbitrary "numbers game," with a high potential for polluting even once highly satisfying cultures at work. Executives should remember that they probably cannot fool most of the people much of the time.

At the very least, management often meets itself going different ways around the same corner when it seeks to deceive, as in Type III attacks. My most relevant personal memory here was a speech by a CEO. It boasted of a 10-cent per share short-run saving due to personnel cutbacks. That might have been convincing to stockholders, albeit perhaps only those with narrow views. However, one presentation of the message was targeted for a management meeting at which the "saving" no doubt would be widely interpreted in terms of now-missing colleagues sacrificed because of an unconvincing rationale. Such a speech is usually better not given.

3. AVOID PENALIZING THE RELATIVELY BLAMELESS

The final prescription about what to avoid reflects commonsense, but nonetheless often does not characterize downsizing. For example, across-the-board budgetary cuts are perhaps the most-common approach, but they constitute a kind of unguided missile which wreaks havoc in the name of inequitable equity. Or some projects may be cannibalized simply because they are at early stages, or are somehow politically vulnerable. The management lexicon typically refers to such exercises as "bayoneting the wounded," or perhaps as "massacring the non-combatants."

Practical pressures may be intractable, of course, but the collective memory often will remember. In one case, several projects had to be cannibalized to get a product on-stream sooner, and this proved an absolutely-great decision because the new product surpassed even optimistic projections. The cannibalized projects were merely in the wrong place at the wrong time, with their completion dates being too far off to help in the relatively near-future. Nonetheless, corporate actors later expressed their appreciation of the situation in a concrete way. Members of cannibalized projects later got "good citizen" bonuses for contributing to the common good, even if under duress, by delaying their own schedules in cooperative ways.

WHAT SHOULD BE EMPHASIZED?

The effects of downsizing can be moderated, fortunately, and by a list of straightforward things to emphasize. Specifically, five exemplars suggest reasonable ways and means that reduce the chances of creating outcomes more onerous than the downsizing itself.

1. BUILD BUY-IN, LATE AS WELL AS EARLY

There probably is no such thing as too much buy-in when it comes to downsizing efforts, by both survivors as well as causalities, which encourages the reliance on participative approaches. These are rare, however, almost as if the downsizing activities are somehow too loathsome to see the light of day. Thus, secrecy is often attempted although leaks usually occur.

The general point of common practice suggests precluding people from having explicit and direct roles in their own destiny, perhaps mixed with a desire to minimize public embarrassments or acting out. This may seem a harsh judgment, but how else to explain the tendency to announce cutbacks on the last workday of the week, or on the eve of a holiday? Perhaps the most egregious expression of such a point-of-approach of which I know involved a cutback announcement at the very end of the annual Christmas banquet, followed by several days of holidays. Relatedly, although the story may be apocryphal, one firm ordered employees to call a specific number to learn whether or not they were subjects of adverse personnel actions (Adams, 1996)! Whatever the specific forms of such dismal commonplaces—perhaps, even cowardly commonplaces—they do not represent reasonable approaches to the present prescription. Adverse personnel actions typically involve hurt and even harm, in cases moreso for survivors than for those released; and that hurt and harm may be repressed temporarily but seems seldom settled by attempted misdirection or persiflage. Humanist considerations aside, attempted misdirections by management can be costly. For example, the rationale for the announcement of a cut-back at a Christmas party seems transparent enough: fill people with food and drink, put them in a public setting which is intended to depress any detailed explanations let alone confrontations, and rely on a long holiday to dissipate most of the explosive energy associated with adverse personnel actions. What happened? Some new organization guerrillas unplugged motorblock heaters in the parking lot on what was a very cold night. Chaos resulted.

The last word is far from having been written on participative downsizing, of that no doubt exists. However, the portfolio of experience and theory for dealing directly with cutback is growing. The most thoroughgoing example that I know of involved a “town meeting” format (Golembiewski, 1995), where virtually all cutback decisions were made in public sessions involving a total workforce of about 400. The purpose was a 20 percent reduction in the personnel budget, while permitting maximum personal choice. Thus, some employees decided on early retirement, others opted for a shortened workweek, some decided to take full- or part-time educational leave, a few concerned about their running biological clocks, planned a maternity leave, and so on. A few of these choices conflicted with strategic projects, but most were accepted by management—very often on the spot, but with some decisions being withheld or rejected for various reasons.

Soon enough, the dour target had been achieved, with substantial reference to diverse personal wants and needs. Work priorities preclu-

ded a small percentage of such proposals but, generally management took the risk that normal attrition would permit sufficient later flexibility to fulfill any bargains.

For those concerned about the real-time features of the “town meeting,” some other interesting designs emphasizing unobtrusive personal choice in downsizing are available (Drucker and Robinson, 1992). Modest ingenuity no doubt could generate many more options.

2. ENLARGE THE RANGE OF ADVERSE PERSONNEL ACTIONS.

Fitting personnel actions to the situation has much to recommend it. Specifically, “downsizing” usually refers to reductions in total employment, but some downsizing goals may be achieved in terms (for example) of a lowering of an organization’s job or skill profile.

Consider a marketing organization that decides to reduce its managerial cadre—given reduced sales, or a desire to upgrade salesperson’s jobs. Demotion of such managers is seldom relied upon, but evidence suggests the shortsightedness of relying on only dismissal or early retirement in such cases. Thus, the chance to accept demotion may be viewed as a good faith response to a job once done well enough, but no longer seen as useful. Moreover, demotion also retains a pool of possibly-promotables should the situation change.

Management lore sharply inclines to the view that demotion poses dangers, on clear balance, but evidence suggests the common viewpoint is misguided. Several iterations of a generic design reflect the real values of a choice to accept demotion (e.g., Golembiewski et al., 1972). And confirming evidence also comes from other sources (e.g., Hall and Isabella, 1985).

The choice is no quibble. In recent years, no doubt millions of “middle managers” have been eliminated from both governments and businesses, under the simultaneous goads of sophisticated information systems as well as of the burgeoning desire to empower lower levels of organization. In this double squeeze, middle managers become expendable. In our experience, most opt to stay on when given the choice of demotion and consequent reduction in compensation packages. Performance problems seldom result, and management can gain a useful reputation for caring while retaining useful experience for improved conditions.

3. SOLVE APPROPRIATE PROBLEMS

There is no guarantee that cutback or downsizing will solve *the* relevant problems, of course, despite the common reliance on such approaches nowadays. Hence, the value of continuously challenging guiding assumptions—embodied both in “our way” of managing the enterprise, as well as in defenses of such local mores as avoidance of that which is “not invented here,” or NIH. Critical in such challenging will be the dominant pattern of interaction in an organization.

For one useful approach to illustrating this crucial linkage, consider that most downsizing pollutes interaction—with “degenerative interaction” resulting from low openness, low owning of ideas and feelings,

high risk, and low trust. Careful nurturing of “regenerative interaction” is perhaps nowhere more necessary than in downsizing. See the several emphases above encouraging (for example) management openness and owning during downsizing, as in the metaphor of the mushroom. More broadly, see also Golembiewski (1979, esp. chapters 1-2). *The bottom-line is that, absent regenerative interaction, the problems will be neither isolated nor resolved.*

4. CREATE USEFUL INFRASTRUCTURE

A fourth way of constructively approaching downsizing or cutback relates to institutionalizing past experience. One commonly-applicable approach is to reflect the attractiveness of both retrenchment as well as growth in managerial careers, as in “crisis corps” assignments as part of a career development profile.

This balance is seldom achieved, in part because it is rarely attempted, no doubt due in part to the negative connotations of “retrenchment.” After participating extensively in a program of adverse personnel actions, for example, the organization grapevine typically referred to me as “Digger O’Dell.” Radio listeners with some age on them will appreciate this allusion to “Digger”—the “friendly undertaker,” who would be “the last to let you down.”

This variety gallows humor is understandable, but it poorly suits the sense of a reasonable balance between organizational growth and retrenchment. Like the sun and the rain, as it were, growth and retrenchment may be seen as both necessary “to make the flowers grow.” Of course, lack of balance can result in the organizational equivalents of mildew as well as sunburn, if not worse.

5. LEARN FROM THE PAST

Fifth and last on this short list, organizational resources should be made available to facilitate coping with subsequent iterations of boom-and-bust cycles. In brief, success often breeds failure: in this sense, even the most efficient downsizing experience may contain the seeds of its own come-uppance, absent reasonable stewardship. And downsizing failure clearly demands learning. Those who cannot learn from their experience may be forced to repeat it.

How can “learning organizations” be cultivated? We hear much of this prototype nowadays (e.g., Watkins and Golembiewski, 1995) but, to illustrate only, such organizations will develop a four-featured repertoire of responses:

- *seeking to prevent* what might happen;
- *defending against* what seems to be happening;
- *reacting to* what has happened;
- *creating slack* in resources sufficient to generate a new vision keyed to the ever-unfolding future.

Clearly, the fourth response above is particularly salient in making proactive safeguards against success leading to failure, both before as well as after downsizing. The other three responses have their situational uses, but they poorly suit a strategy of learning from the past.

REPRISE

In sum, downsizing always will present empirical and normative challenges, but experience is contributing to theory that can provide some guidance for doing better in an always-wrenching matter. Most people seem to have a kind of innate wisdom about how to make matters worse in downsizing but, with some learning and a little luck, we can move beyond this sorry state. The discussion above details some of what to avoid, and some of what to approach, based on the growing experience with the somber rituals of downsizing or rightsizing.

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