

AD-A284 238



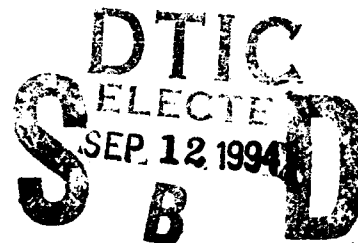
Technical Report 1003

The Downsizing of an Army Organization: An Investigation of Downsizing Strategies, Processes, and Outcomes

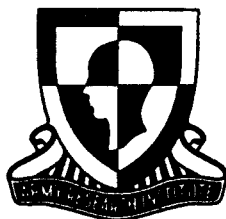
Kim S. Cameron
University of Michigan

Sarah J. Freeman
University of Wisconsin

July 1994



6492
94-29493



**United States Army Research Institute
for the Behavioral and Social Sciences**

DTIC QUALITY INSPECTED 3

Approved for public release; distribution is unlimited.

94 9 09 012

U.S. ARMY RESEARCH INSTITUTE FOR THE BEHAVIORAL AND SOCIAL SCIENCES

**A Field Operating Agency Under the Jurisdiction
of the Deputy Chief of Staff for Personnel**

EDGAR M. JOHNSON
Director

Research accomplished under contract for
the Department of the Army

Kim S. Cameron, University of Michigan

Technical review by

Joan Harman
Laurel W. Oliver

Accession For	
NTIS GRA&I	☒
DTIC TAB	☐
Unannounced	☐
Justification	
By	
Distribution/	
Availability Codes	
Dist	Avail and/or Special
A-1	

NOTICES

DISTRIBUTION: Primary distribution of this report has been made by ARI. Please address correspondence concerning distribution of reports to U.S. Army Research Institute for the Behavioral and Social Sciences, ATTN: PERI-POB, 5001 Eisenhower Ave., Alexandria, Virginia 22333-5000.

FINAL DISPOSITION: This report may be destroyed when it is no longer needed. Please do not return it to the U.S. Army Research Institute for the Behavioral and Social Sciences.

NOTE: The findings in this report are not to be construed as an official Department of the Army position, unless so designated by other authorized documents.

DTIC QUALITY INSPECTED 3

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188), Washington, DC 20503.				
1. AGENCY USE ONLY (Leave blank)	2. REPORT DATE 1994, July	3. REPORT TYPE AND DATES COVERED Final Jul 92 - May 94		
4. TITLE AND SUBTITLE The Downsizing of an Army Organization: An Investigation of Downsizing Strategies, Processes, and Outcomes		5. FUNDING NUMBERS DAAL03-91-C-0034 63007A 792 2302 C03 TCN 92-067 DO 0485		
6. AUTHOR(S) Cameron, Kim S. (University of Michigan); and Freeman, Sarah J. (University of Wisconsin)				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Kim S. Cameron, University of Michigan School of Business Administration Ann Arbor, MI 48109 (Continued)		8. PERFORMING ORGANIZATION REPORT NUMBER --		
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) U.S. Army Research Institute for the Behavioral and Social Sciences ATTN: PERI-RP 5001 Eisenhower Avenue Alexandria, VA 22333-5600		10. SPONSORING / MONITORING AGENCY REPORT NUMBER ARI Technical Report 1003		
11. SUPPLEMENTARY NOTES Contracting Officer's Representative, Laurel W. Oliver.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.		12b. DISTRIBUTION CODE --		
13. ABSTRACT (Maximum 200 words) An investigation of downsizing in an Army organization was conducted in 1992 and 1993. The purpose of the study was to examine four questions: (1) What is the generalized orientation of this Army organization toward downsizing--convergence or reorientation? (2) What downsizing procedures and strategies are being implemented? (3) What is the impact of these strategies on organizational performance and on employees? (4) What strategies and tactics are especially effective in producing desirable results? Results revealed that the strategy developed and implemented by top managers in this Army organization was consistent with the most effective strategies used in private sector firms. Anticipating the need to downsize before a crisis occurs, downsizing based on mission and core competencies instead of headcount, redesigning and eliminating work as well as numbers of employees, and investing in human resources through training and recognition instead of thinking of people as liabilities all were among the steps implemented in this organization that match "best practices" from past research. In addition, researchers found that the (Continued)				
14. SUBJECT TERMS Organizational downsizing Organizational effectiveness Strategic management Restructuring			15. NUMBER OF PAGES 63	
			16. PRICE CODE --	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT Unlimited	

7. PERFORMING ORGANIZATION (Continued)

Sarah J. Freeman
University of Wisconsin
School of Business Administration
Milwaukee, WI 53201

13. ABSTRACT (Continued)

organization's subunits with the lowest performance scores focused primarily on mechanisms to reduce size and decrease headcount. Subunits with the highest performance scores focused more broadly on process improvements, involvement of employees, visible and visionary leadership, broad sharing of information, and equal attention to those who stayed in the organization and those who left.

Technical Report 1003

**The Downsizing of an Army Organization:
An Investigation of Downsizing Strategies,
Processes, and Outcomes**

Kim S. Cameron
University of Michigan

Sarah J. Freeman
University of Wisconsin

Organization and Personnel Resources Research Unit
Paul A. Gade, Chief

Manpower and Personnel Research Division
Zita M. Simutis, Director

U.S. Army Research Institute for the Behavioral and Social Sciences
5001 Eisenhower Avenue, Alexandria, Virginia 22333-5600

Office, Deputy Chief of Staff for Personnel
Department of the Army

July 1994

Army Project Number
2Q263007A792

Manpower and Personnel

Approved for public release; distribution is unlimited.

FOREWORD

The U.S. Army is in the process of downsizing--as are many organizations in the United States. However, most of the literature on downsizing deals with the civilian, for-profit segment of the economy. Thus, we have no way of knowing to what extent the military downsizing experience corresponds to its civilian counterpart.

The research described in this report adds to our knowledge of military downsizing. This case study is an in-depth look at the planning and implementation of downsizing strategies in an Army organization that is predominantly civilian. The research identifies the similarities and differences in military and civilian organizations that are downsizing and contains a number of recommendations that may be valuable for organizations coping with downsizing.

EDGAR M. JOHNSON
Director

THE DOWNSIZING OF AN ARMY ORGANIZATION: AN INVESTIGATION OF DOWNSIZING STRATEGIES, PROCESSES, AND OUTCOMES

EXECUTIVE SUMMARY

Requirement:

At the request of the U.S. Army Research Institute for the Behavioral and Social Sciences, an investigation of downsizing in a single Army organization was conducted in the Fall of 1992 and Spring and Summer of 1993. The purpose of the study was to examine the processes and practices associated with downsizing in an organization with a reputation for the effectiveness of its downsizing strategies. One important goal was to identify "best practices" and "lessons learned" that may be useful to other Army organizations faced with the mandate to downsize.

Procedure:

Interviews were conducted with top military and civilian staff at an Army Command headquarters. A promise of confidentiality prohibits that command from being named specifically in this report. In addition, group interviews were conducted using a "diagonal slice" sample of employees across units, functions, and hierarchical levels in the organization. A survey instrument was also distributed to approximately 500 employees to capture a broad perspective of downsizing processes, practices, and outcomes. Each of these data gathering procedures was aimed at answering four questions:

- (1) What is the generalized orientation of this Army organization toward downsizing? Is it characterized by a convergence orientation toward downsizing, or is it more likely to be typified by reorientation?
- (2) What procedures and strategies are being implemented by this organization in responding to the downsizing mandate of the Army?
- (3) What is the impact of these strategies on organizational performance and on employees in this organization?
- (4) What strategies and tactics are especially effective in producing desirable results in downsizing this organization?

The strategy developed and implemented by top managers in this Army organization was consistent with the most effective strategies used in private sector firms. Anticipating the need to downsize before a crisis occurs, downsizing based on mission and core competencies instead of mere headcount, redesigning and eliminating work as well as numbers of employees, and investing in human resources through training and recognition instead of thinking of people as mere liabilities all were among the steps implemented in this organization that match "best practices" from past research.

Findings:

Results from the cross-sectional survey of employees revealed that downsizing was approached as a continuous improvement and organizational redesign activity, not as a headcount reduction project. Several strategies were implemented that have been associated with effective downsizing in previous research, including pursuing multiple cost cutting strategies, adopting a process focus, maintaining aggressive, accessible, and visionary leadership, and fostering participation by customers. On the other hand, some effective downsizing strategies were not followed to the extent that might have been desirable, including not involving employees enough in the design and implementation of the downsizing strategies and not attacking aggressively sources of "organizational fat." The survey also revealed the presence of a variety of negative outcomes of downsizing in this organization, including increases in conflict, internal politics, complaints, and self-protection. Decreases in morale, trust, satisfaction, and information sharing also occurred.

To identify "best practices," subunits within the organization with the highest scores on certain dimensions of performance (e.g., effectiveness, quality, efficiency) were differentiated from those with the lowest scores. It was found that subunits with the lowest scores focused primarily on mechanisms to reduce the size of the organization and decrease headcount. Subunits with the highest scores focused more broadly on process improvements, involvement of employees, visible and visionary leadership, broad sharing of information, and equal attention to those who stayed in the organization and those who left.

Utilization of Findings:

Based on these findings, the report concludes with thirty recommendations for future downsizing in the Army.

THE DOWNSIZING OF AN ARMY ORGANIZATION: AN INVESTIGATION OF DOWNSIZING STRATEGIES, PROCESSES, AND OUTCOMES

CONTENTS

	Page
INTRODUCTION	1
DOWNSIZING DEFINITION AND LITERATURE	3
MAJOR RESEARCH QUESTIONS	9
RESEARCH METHODS	11
RESULTS: ORGANIZATIONAL STRATEGIES	13
RESULTS: ORGANIZATIONAL PROCESSES	25
CONCLUSIONS AND RECOMMENDATIONS	33
REFERENCES	39
 APPENDIX A. SURVEY	 A-1
B. FACTOR DEFINITIONS	B-1
C. DESCRIPTIVE STATISTICS FOR SURVEY FACTORS	C-1

CONTENTS (Continued)

Page

LIST OF TABLES

Table	1. The Dirty Dozen: Dysfunctional Consequences of Decline and Downsizing	40
	2. Downsizing Strategies Pursued from the Top of the Organization	41
	3. Outcome Variables Used to Determine Units with the Highest and the Lowest Performance	42
	4. Differentiating the Highest Performing Organizations from the Lowest Performing Organizations	43

THE DOWNSIZING OF AN ARMY ORGANIZATION: AN INVESTIGATION OF DOWNSIZING STRATEGIES, PROCESSES, AND OUTCOMES

Introduction

A dramatic shift has occurred in the assumptions underlying organizational performance and effectiveness in the last decade. Ten years ago, the following four propositions were almost unassailable in the organizational studies literature: (1) *Bigger organizations are better organizations.* For example, typical measures of success included more revenues this year than last, a larger workforce, more subordinates, and greater marketshare. (2) *Unending growth is a natural and desirable process in organizational life cycle development.* Any pattern except growth was viewed as an aberration from the norm and a sign of weakness. Most life cycles models didn't even account for non-growth stages of development. (3) *Organizational adaptability and flexibility are associated with slack resources, loose coupling, and redundancy.* Uncommitted resources allowed organizations to respond to threats or opportunities, and maintaining redundancy served as a buffer to unanticipated encroachments. (4) *Consistency and congruence are hallmarks of effective organizations.* Lining up strategy, structure, systems, styles, skills, and so on, was prescribed as the prerequisite to organizational effectiveness.

Currently, however, each of these assumptions has been largely rejected. A new competitive and political environment facing organizations in the current decade has led to a new set of replacement assumptions. These new assumptions are not opposite the original propositions, just supplementary. (1) *Smaller, as well as bigger, also means better.* Organizations have learned the lesson that size is sometimes a liability. (2) *Downsizing and decline, as well as growth, are also natural and even desirable phases of the life cycle process.* The need to reduce the waste and inefficiency that builds up over time in organizations is as necessary as a periodic tune-up for an automobile or a workout to reduce body fat. (3) *Tight coupling and nonredundancy, as well as slack resources and loose coupling, are also associated with adaptability and flexibility.* Efficient, parsimonious production and service delivery processes increase speed, improve quality, and lower costs. (4) *Conflict and inconsistency, as well as congruence and consistency, are also indicative of organizational effectiveness.* Organizations that succeed are as likely to be small, agile, constantly resizing, conscious of cost containment, and autocratic as they are large and dominant in the marketplace or the service sector.

These changes in the assumptions underlying effective organizations have both been a product of and have led to downsizing as a strategy of choice for a majority of organizations in the United States. More than 85 percent of the Fortune 500 companies have downsized in the last five years, for example, and 100 percent are planning to do so in the next five years. In regards to the Army, the reduction of the Soviet military threat, the political mood swing away from national defense and toward domestic economic issues, and a prolonged economic recession has led, in particular, to U.S. Public Law

101-510 mandating a reduction of over 30 percent of military personnel by 1995. The announcement of 21 military base closings in the summer of 1993, the intended reduction of Army divisions from 28 to 18, and a predicted shrinkage of 40 percent in the Defense Department budget by 1996 has produced an unequivocal mandate to downsize Army organizations. In just the last year, for example, between June 1992 and June 1993, a reduction of approximately 70,000 Army personnel has occurred, and, although there are now fewer troops than at any time since the 1970s, the downsizing has just begun.

In the face of this downsizing mandate and environment, the need to investigate the best way to downsizing Army organizations is crucial. This is because the success of organizations that have downsized in the past has not been particularly laudable. For example, research by Cameron, Freeman, and Mishra (1993), in which manufacturing organizations that are downsizing were investigated over a four-year period of time, found that more organizations were harmed by their downsizing strategies than were helped by them. That is, poorly implemented strategies, or just plain poor strategies, led more often to decreases in productivity, quality, and employee well-being than to increases. A 1990 survey by Right Associates, an outplacement firm, found that 74 percent of senior managers in downsized companies said that morale, trust, and productivity suffered after downsizing. A survey by the Society for Human Resource Management reported that more than half of the 1468 firms that downsized indicated that productivity deteriorated from downsizing. And a survey by Wyatt Associates of 1005 firms that downsized between 1986 and 1991 found that only 46 percent actually reduced expenses, only 32 percent actually increased profits, only 22 percent actually increased productivity, and only 17 percent actually reduced bureaucracy, although each of these goals was intended. A 15 March 1993 article in Time magazine accused many U.S. organizations of "dumbsizing" instead of downsizing because of the deleterious actions taken in pursuit of getting smaller.

As the Army embarks on its massive downsizing activities, therefore, it is imperative that the lessons learned from successful downsizing efforts be identified, that pitfalls be recognized and avoided, and that ways in which downsizing can be most effectively implemented be uncovered. That is the intent of this investigation. The study focuses on a single Army organization embarking on the first stages of a downsizing effort, and it identifies the strategies being pursued, the impact on the organization of those strategies, and the "best practices" that seem to be most effective in accomplishing the downsizing goals.

In this report, a definition of downsizing and a brief summary of past downsizing research is provided in order to establish the context for this study. The major research questions guiding this investigation are then explained along with the research methodology. Results of three different data collection strategies are then presented, and conclusions are drawn and recommendations presented that may serve as guidelines for Army downsizing in the future.

Downsizing Definition and Literature

It is surprising that, despite its prevalence, systematic empirical investigations of downsizing remain scarce. This is partly because downsizing has not been precisely defined by many authors, so different concepts, different levels of analysis, and different measurement criteria have been applied to this single construct. For example, Cameron, et al. (1993) reported that among the terms they encountered as synonyms of downsizing were: building-down, compressing, consolidating, contracting, declining, dehiring, demassing, downshifting, functionalizing, leaning-up, ratcheting-down, rationalizing, reallocating, reassigning, rebalancing, rebuilding, redeploying, redirecting, reduction-in-force, re-engineering, renewing, reorganizing, reshaping, resizing, restructuring, retrenching, revitalizing, rightsizing, slimming, slivering, and streamlining. Whereas each of these concepts may share some meaning with downsizing, each may also produce different connotations and criteria for assessment.

Different levels of analysis also produce different definitions and approaches to downsizing. At the individual level of analysis, for example, a substantial literature exists on the psychological reaction to layoffs and job loss. Impacts on financial well-being, health, personal attitudes, family relationships, and other personal factors have been investigated by a number of researchers (see Kozlowski, Chao, Smith, and Hedlund, 1993, for a review). At the macro industry level of analysis, a large literature also exists on divestitures and organizational mergers. Market segmentation, divesting unrelated businesses, reinforcing core competencies, and consolidating industry structures are among the topics addressed (Porter, 1980). Yet, downsizing may or may not involve layoffs and job loss, and it may or may not involve selling off, transferring out, or merging units. Much less research, unfortunately, has investigated the organization level of analysis in which strategies for approaching downsizing, processes for implementing downsizing, and impacts on organizational functioning of downsizing have been investigated.

Different measurement criteria for downsizing also have kept the downsizing literature from progressing very far. The most common proxies for downsizing have been evidence of decline, of layoffs, or of nonadaptation. The literature on decline, for example, is now relatively well-developed (see Cameron & Whetten, 1988). Decline has been variously defined as shrinking markets and increased competition, budget cutbacks, loss of customers, maladaptation to a changing environment, stagnation, and deteriorating performance. In each case decline is viewed as a negative consequence of maladaptation to an adverse environmental condition. Decline happens to an organization, and it is usually unintentional on the part of the organization or its managers. Downsizing, on the other hand, may occur without the presence of decline, and its intentional nature separates it fundamentally from most decline literature. Whereas laying off workers is by far the most common action taken in downsizing organizations (see McClune, Beatty, & Mantagno, 1988), downsizing entails a much broader set of actions and connotations. Layoffs refer to a single, tactical, reaction used to implement downsizing. But downsizing may be both proactive and strategic, and it may include an array of options for reducing the workforce, maybe even exclusive of layoffs. Similarly, nonadaptation has often been substituted for downsizing in the literature--defined as a

lack of coping with the environment. Yet, downsizing need not connote ineffectiveness or maladaptation. It may be a reaction to certain missteps or environmental constraints, but in proactive and creative circumstances, it may be an anticipatory action intended to improve organizational performance.

What is implied by this discussion, then, is that downsizing should be clearly defined in order to be precisely measured, and that it is not the same construct as decline, layoffs, or nonadaptation. Downsizing can be either reactive and defensive or it can be proactive and anticipatory. Ineffectiveness or impending failure are not prerequisites to downsizing. In this investigation the definition of downsizing proposed by Cameron et al. (1993) is used primarily because it has become the one most adopted by subsequent authors (e.g., Freeman & Cameron, 1993; Kozlowski et al., 1993; Mishra & Mishra, in press).

Definition. Organizational downsizing constitutes a set of activities, undertaken on the part of the management of an organization, designed to improve organizational efficiency, productivity, and/or competitiveness. It represents a strategy implemented by managers that affects the size of the firm's workforce and its work processes. On the surface, downsizing can be interpreted as merely a reduction in organizational size. But when this is the case, downsizing is often confused with the concept of organizational decline, which also can be superficially interpreted as a mere reduction in organizational size. Four major attributes of downsizing help define it and separate it from related but non-synonymous concepts. They relate to *intent*, *personnel*, *efficiency*, and *work processes*.

Downsizing is not something that happens to an organization, but it is something that organization members undertake purposively. This implies, first of all, that downsizing is an *intentional* set of activities. This differentiates downsizing from loss of marketshare, loss of revenues, or the unwitting loss of human resources that are associated with organizational decline. Downsizing is distinct from mere encroachment by the environment on performance or resources because it implies organizational action. Second, downsizing usually involves *reductions in personnel*, although it is not limited solely to personnel reductions. A variety of personnel reduction strategies are associated with downsizing such as transfers, outplacement, retirement incentives, buy-out packages, layoffs, attrition, and so on. These reductions in personnel may occur in one part of an organization but not in other parts (for example, in the production function but not in the engineering function). Downsizing does not always involve reductions in personnel, however, because some instances occur in which new products are added, new sources of revenue opened up, or additional work acquired without a commensurate number of employees being added. Fewer numbers of workers are then employed per unit of output compared to some previous level of employment. This relates to a third characteristic of downsizing, namely, that downsizing is focused on improving the *efficiency* of the organization. Downsizing occurs either proactively or reactively in order to contain costs, to enhance revenue, or to bolster competitiveness. That is, downsizing may be implemented as a defensive reaction to decline or as a proactive strategy to enhance organizational performance. In either case, it represents a set of activities targeted at organizational improvement. Finally, downsizing affects *work processes*, wittingly or unwittingly. When the workforce contracts, for example, fewer employees are

left to do the same amount of work, and this has an impact on what work gets done and how it gets done. Moreover, some downsizing activities may include restructuring and eliminating work (such as discontinuing functions, abolishing hierarchical levels, merging units, or redesigning tasks) which lead, of course, to some kind of work redesign. Regardless of whether the work is the focus of downsizing activities, work processes are always influenced one way or another by downsizing.

To summarize, then, organizational downsizing in this investigation refers to an intentionally instituted set of activities designed to improve organizational efficiency and performance which affects the size of the organization's workforce and its work processes.

Selected Literature. Probably the most comprehensive reviews of the downsizing literature are contained in Cameron et al. (1993) and Kozlowski et al. (1993). These reviews differ in that the Cameron et al. review focuses more on the organization level of analysis and the Kozlowski et al. review focuses more on the individual level of analysis. These reviews point out that three major types of strategies capture the primary ways that downsizing is implemented in organizations--*workforce reduction*, *organization redesign*, and *systemic strategies*.

Workforce reduction strategies focus mainly on eliminating headcount or reducing the number of employees in the workforce. They consist of activities such as offering early retirements, transfers and outplacement, buy-out packages, golden parachutes, attrition, job banks, and, in the extreme, layoffs and firings. These strategies can be implemented immediately simply by handing down a directive. They are almost always implemented across-the-board, and they are designed to reduce the headcount numbers quickly.

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

Besides providing an immediate cost reduction, the main advantages of these strategies are to wake up the organization to the serious condition that exists, to motivate cost savings in day-to-day work, and to unfreeze the organization for further change. Across-the-board cuts get attention. Cameron et al., (1993) found that when implemented in the absence of other strategies, "grenade-type" approaches to downsizing are rarely positive and generally negative in their consequences.

The second type of downsizing strategies are *organization redesign strategies*. The primary focus of these strategies is to cut out work rather than workers. They consist of activities such as eliminating processes, functions, hierarchical levels, groups of divisions, and products. In addition, redesigning tasks, consolidating and merging units, and reducing work hours are examples. These strategies are difficult to implement quickly

because some redesign of the organization is usually required (e.g., eliminating a function, merging two subunits). They are, by-and-large, medium-term in that they require some advanced analysis of the areas that should be consolidated or redesigned, followed by an elimination or a repositioning of subunits within the organization to reduce required tasks.

Unlike workforce reduction strategies, these redesign strategies help avoid the problem of eliminating workers while maintaining the same amount of work for the organization to perform. Instead of simply piling more work on fewer employees and risking overload and burnout, redesign strategies help assure that changes are targeted at work processes and organizational arrangements. The downsized organization can maintain a greater degree of efficiency because of its simplified structure.

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

These strategies require a long-term perspective which may not generate the immediate improvement in bottom-line numbers that workforce reduction strategies will generate. Along with redesign strategies, they likely require some up-front investment in employee training, system diagnosis, and team formation. On the other hand, systemic strategies help avoid the need to continually implement one more headcount reduction each time cost savings are needed. Implementing workforce reduction strategies may be necessary as a severe economic hardship is encountered, but the short-term payoffs are usually negated without long-term perspectives. The objective of systemic strategies, on the other hand, is to help avoid, over the long term, the need to implement continual crisis responses. Relatively few organizations implement systemic strategies in their downsizing efforts.

These three downsizing strategies are not mutually exclusive. In fact, Cameron, et al.'s research found that all of the organizations that implemented systemic strategies also implemented workforce reduction strategies. The latter were used to get immediate results, while the former were used to position the organization for the future. The greatest number of organizations, however, implemented only one of the strategies--workforce reduction. They did not rely on multiple approaches.

One important purpose of this study is to assess which of these three strategies the Army organization under investigation has implemented, and what the effects of those strategies are on its performance.

A second major finding in the downsizing literature that is related to this study of an Army organization is that organizations have a tendency to adopt one of two *generalized orientations* to downsizing. In Freeman and Cameron's (1993) study, organizations were found to adopt one of two generalized orientations in their downsizing efforts -- *convergence* or *reorientation*. A generalized orientation refers to the manner in which top managers define downsizing and their approach to change. These orientations are similar to the major models of organizational change proposed in the organizational studies literature. (An extended discussion of these two orientations and the supporting literature is in Freeman & Cameron, 1993.) One model of change emphasizes revolutionary, metamorphic, or discontinuous change, and the other model emphasizes evolutionary, incremental, or convergent change. It was found that organizations tend to develop an orientation toward downsizing in a similar way.

Some organizations approached downsizing as an incremental change where less radical changes were implemented (a convergence approach), whereas other organizations approached downsizing as a discontinuous change taking more revolutionary actions (a reorientation approach). In the first approach (convergence), managers set as their target for downsizing the maintenance and reinforcement of the current mission, strategy, and systems, and focused on adapting to current environmental circumstances. Less dramatic structural changes were made, cross-unit and cross-level communication was required less and was less frequent, and fewer interorganizational relationships were involved in the downsizing. The primary target of actions taken was to make the organization *smaller*. In the second approach (reorientation), managers attempted to change the organization's mission, strategy, and systems, and to discontinue previous activities. More dramatic structural change occurred, more communication was required, and more interorganizational relationships were involved in the downsizing. The primary target of actions taken was to make the organization *different*.

Organizations characterized by a convergence orientation tended to do less well over time than those that were characterized by reorientation. This is partly because the latter group was more likely to implement systemic strategies in downsizing, whereas the former group was most likely to limit downsizing strategies to workforce reduction alone.

Another important purpose of this study, then, is to determine the generalized orientation of the Army organization under investigation and to investigate the relationship between that orientation and organizational performance.

A third major finding in the downsizing literature is that most organizations do not accomplish the desired improvements, but instead, experience an escalation in negative consequences. In particular, Cameron, Whetten, and Kim (1987) and Cameron, Freeman, and Mishra (1991) identified twelve negative attributes of organizations that emerge in conjunction with decline and downsizing. They found that both when

organizations unwittingly lose employees, revenues, resources, or marketshare (decline) as well as when they purposively shrink the number of employees (downsize), a variety of dysfunctional consequences emerge. These consequences were labelled the "dirty dozen." Table 1 summarizes the twelve dysfunctional attributes.

In brief, the research by these authors found that when organizations experience downsizing and decline, the threat-rigidity response tends to occur. That is, organizations become rigid, they hunker-down and become turf-protective, and they react with conservative, across-the-board directives. Communication channels become constricted, and only good news is passed upward. Increased pluralism, or the emergence of organized, vocal, special interest groups increase the levels of conflict among organization members, and morale plummets. A "mean mood" overtakes the organization. Slack resources (such as contingency accounts, reserves, or new project funds) are eliminated, but this sacrifices flexibility and adaptability to future changes. Savings are used to meet immediate operating expenses. An escalation of centralized decision making occurs where top managers increase their control over a decreasing resource pool, and mistakes become both more visible and less affordable. Lower level employees become increasingly fearful of making important (risky) decisions. This centralization leads to scapegoating of top leaders, however, as the frustrations and anxieties of organization members mount. The credibility of the top leaders suffers because of their implied failure to avoid the decline, to turn it around, or at least to protect organization members from its pain. A short-term orientation predominates so that long-term planning is curtailed, and innovation--inherently costly and risky--is abandoned.

Research by Cameron et al. found that virtually all organizations encountering decline experienced an escalation in the dirty dozen attributes, and that a large majority of organizations implementing downsizing also experienced an escalation in the dirty dozen. In other words, downsizing led to less effectiveness, less efficiency, and less quality in most organizations than before the downsizing had been implemented. This deterioration was most closely associated with across-the-board workforce reduction strategies--such as layoffs, attrition, and buy-out packages--being used alone to reduce headcount.

Because the dirty dozen attributes are so prevalent in organizations experiencing downsizing, another major purpose of this investigation is to determine the impact of downsizing on these attributes in this Army organization. Is downsizing associated with negative effects or is it associated with improvements?

Major Research Questions

The primary purposes of this study, as specified by the A.R.I. Statement of Work Guidelines, are to:

"Analyze an Army organization that has had to reorganize in response to downsizing imperatives mandated for all Army organizations...(1) Identify the specific procedures used by the organization to implement downsizing; (2) Relate these procedures to downsizing reactions of employees; (3) Evaluate the effects of downsizing on organizational effectiveness and the well-being of employees; and (4) Develop policy recommendations based on the findings of the research."

In an article in the Wall Street Journal on 27 November 1992, the Army was criticized for not staying abreast of needed changes required by a new environment. Quoting from the article:

"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."

"...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."

"...the older, more tradition-bound Army hasn't responded as dramatically [to needed change] by any means."

"...the casual chat of young soldiers-to-be suggests that the Army's time is running out. There is much talk about enlisting to get vocational training and educational benefits. Nobody mentions the enemy or the Army's new mission."

"The Army isn't going to make any bold changes in doctrine, General [---] predicts, because [his former boss] is only looking for a minor course adjustment."

In light of these critical opinions of a tendency to hold on to the status quo, to resist change, and to be recalcitrant in adjusting to the need for a downsized but even more effective Army, a study of the approaches to downsizing in the Army seems both highly apropos and timely. In particular, four research questions are key to addressing the A.R.I. Statement of Work as well as the public criticisms of the Army as reported in the Wall Street Journal article. The questions are:

- (1) What is the generalized orientation of this Army organization toward downsizing? Is it characterized by a convergence orientation toward downsizing (i.e., conservatism), or is it more likely to be typified by reorientation (i.e., revolution)?**
- (2) What procedures and strategies are being implemented by this organization in responding to the downsizing mandate of the Army?**
- (3) What is the impact of these strategies on organizational performance and on employees in this organization?**
- (4) What strategies and tactics are especially effective in producing desirable results in downsizing this organization?**

Each of these research questions is answered in the Conclusions section of this report.

Research Methods

In collaboration with personnel at the Army Research Institute, a single Army organization was selected as the focus for this study. This organization is an Army Command with a reputation for excellence within the Army because of its preparation of a downsizing plan. Agreement was received from the commanding general and his staff in the Fall of 1992 to study this organization as the focus for this investigation.

Four different forms of data gathering activities were pursued. (1) Formal documentation of this organization's downsizing plans were obtained. Those documents chronicle the strategy that was developed beginning in April 1991. (2) One-to-two hour interviews were conducted with the senior military and civilian officers in the organization. Each major function and unit was represented in those interviews, as were the commanding general and his immediate staff. A total of eleven interviews were conducted to identify, from top management's perspective, the downsizing strategies and procedures being planned and implemented. (3) One and a half hour interviews were conducted with teams of organization members representing a cross-section of the organization. Different hierarchical levels were represented, from entry level individuals to managers, and representatives were interviewed across various staff and line functions. A total of 38 individuals were invited to participate in these interviews. The intent was to get a cross-sectional perspective of the downsizing strategies being implemented, the impact of those strategies on lower levels in the organization, and to uncover any issues that might be profitably pursued in the subsequent questionnaire survey of organization members. (4) A survey instrument was distributed to approximately 500 employees representing each major unit and each hierarchical level in the organization. The sample represents all hierarchical levels, all functions, and all subunits. A 46 percent response rate (228 responses) was received from the survey. The intent was to acquire a broader perspective, and more detailed data, on particular processes and practices than could be captured in the interviews. Interviews were conducted in November and December 1992 and in March 1993. Surveys were distributed in May and June 1993.

Interviews were conducted in an open-ended format with each interview being tape recorded 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 so on?
3. What are the specific tactics used to reduce headcount? 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 that hasn't been asked?
9. What objective performance data are available that can be used to indicate organizational effectiveness?

The survey instrument consisted of 138 items designed to assess downsizing processes and activities, organizational operations and conditions, organizational downsizing philosophy, and downsizing outcomes. A copy of the survey instrument is included as **Appendix A**.

Results: Organizational Strategies

The findings resulting from these three data gathering procedures are divided into two sections. The first section describes the *overall organizational strategy* pursued by this Army organization in planning for and implementing organizational downsizing. This information was derived largely from the top management interviews and formal documents. The second section of results discusses the *organizational processes and outcomes* associated with downsizing in this organization. Those results are associated with the questionnaire survey and interviews with lower level personnel.

Brief chronology Several previous downsizing actions have been taken in this organization in the past. The last reduction-in-force (RIF) occurred in the mid-1970s, and from then until 1989, the number of employees had almost doubled in this organization. A hiring freeze was instituted in 1989, followed by the announcement in March 1993 of another reduction-in-force (RIF). An early-retirement and incentive package was offered to employees during a brief window of time in the Spring of 1993. All employees were given an opportunity to look at their personnel files, to receive counseling on benefits and career options, and to receive up to a \$25,000 incentive for leaving the organization. About 200 percent more individuals left the organization than had been expected.

The first round of interviews in the study was conducted before the announced RIF, and the second round was conducted during the period of time provided for individuals to select the cash incentive to leave the organization. The survey was distributed after the early-out incentive had expired.

Overall strategy Interviews with senior military and civilian officers revealed a consensual and clearly understood methodology for approaching downsizing in this organization. The following steps were articulated by almost every one of the individuals interviewed, and no contradictory points of view were expressed. This organization's downsizing strategy was necessitated by a projected budget shortfall, predicted downsizing in the Department of Defense, and an increasingly competitive environment in the immediate environment. (NOTE: Illustrative quotations are all verbatim statements made by respondents in the interviews.)

1. *Anticipating the mandate to downsize.* This organization anticipated a formal mandate to downsize at 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."

"...management has been working two years in anticipation of this event (the downsizing mandate), and as a result of that involvement by the managers, we will share as much as we can all the planning that has taken place. 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. Now it's just a matter of unfolding. It's almost like going to a concert. All the musicians have the music in front of them, you're comfortable that all the musicians are capable, and you're comfortable that the maestro is capable, now you just sit back and enjoy it."

Downsizing was also anticipated by this organization because of advancing technology that would likely replace individuals with automation and sophisticated hardware.

"We've actually been downsizing since 1986, even though our budget has been going up. Why would we do something that dumb? Automation has a lot to do with it."

The primary strategy used was to impose a simple hiring freeze. This resulted in several hundred positions not being filled over a three and a half year period before downsizing began. When an announced RIF occurred, therefore, many positions were eliminated that had no employed incumbent. The problem was, prolonged attrition exacted a price--lack of promotion opportunities, loss of continuity, less capable people filling positions, and dissatisfaction:

"The problem is that for three and a half years there have been no promotion opportunities. The faucet was just turned off. People see no personal means of advancement...People who have been trained, or who have attended professional development, have no place to go. This is probably our most dissatisfied group."

"As we speak, people are leaving through normal attrition...That has been happening for the past couple of years without any replacements outside the command because we have been in a hiring freeze...But attrition occurs randomly, and to some degree it is occurring in positions that we would like to replace. For example, two key division chief positions are vacant and are being filled on a temporary basis. Not that the temporary replacements are not competent people, but the positions have not been able to be filled on a permanent basis to keep the continuity going in those two areas...So we get into some trouble in a complete hiring freeze of any length of time."

When the actual downsizing strategy was finally developed, the following steps were implemented.

2. *Articulating a strategic vision.* In formulating a downsizing strategy, the dominating question asked was, "What are we trying to achieve? What is our mission?" All downsizing decisions were predicated on a match between mission and strategies. This "strategic vision" for this organization was embedded in the strategic vision of the overall Army and of the larger Command of which this organization is a part. The Army's strategic vision was articulated, for example, as follows:

- Total force trained and ready to fight
- Serving the nation at home and abroad
- Strategic force capable of decisive victory

A similar set of statements, consistent with this Army vision, was articulated for this organization. (NOTE: To preserve the promised confidentiality for the organization being studied, the strategic vision, core competencies, business plans, and specific strategies are not reported in this document.)

"Now the general approach and strategy used to downsize is that we are trying to reshape in a way that we will, number 1, assure ourselves that we will achieve our vision and keep our core capabilities and competencies...As you look at our strategic planning to reduce headcount, you will see that we look at our core capabilities and we look at our missions. And we matrix those together. And we say, 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. That's how we're pulling it all together, always bearing in mind what the vision is."

"We're not just dealing with processes. We're dealing with what we're all about....[The Pentagon] is so confused. They have no clue because they are completely immersed in dealing with processes...What good is it to have an automatic car wash that you have improved from a five minute car wash to a one minute car wash if you only have two cars a day to put through it? 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."

3. *Identifying core competencies.* Having articulated an agreed upon strategic vision, this organization then identified three core competencies that characterized the current organization and that were considered to be critical for future success. The question addressed was, "How will we achieve our strategic vision in the future?"

"The boss has designated three core competencies, and we are in the process of reshaping our command along the lines of those core competencies."

"We're trying to focus the command to speak with one voice on how we're going to do it [accomplish the strategic vision], and the methodologies on how we're currently doing it, and so forth. 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...."

In other words, in addition to identifying core competencies for the overall organization, core competencies were also identified for each level of the hierarchy in the organization. Supporting business plans and capabilities were developed for those core competencies, as discussed in the next point.

4. *Formulating a business plan.* In order to determine "What will get done where?" business plans were developed based on a matrix procedure. On one axis of the matrix the business areas 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 deliver each core competency. Then these cells were each related to the accomplishment of the strategic vision.

"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 to us. That's what Strategic Resource Planning did for us. We went to pairwise comparison...and the outcome was a kind of blueprint of how to reshape for the future."

The process for determining what resources would be committed, what units would be assigned to what areas of responsibility, and how downsizing would affect each unit, was a "pairwise comparison" methodology. Top managers compared each and every unit and activity in the command against every other unit and activity in terms of its importance to accomplishing the strategic vision of the organization and its possessing the core competencies. The result was an importance ranking of each unit and activity in the command to be used in determining future business plans and downsizing strategies. Highest priority units and activities were affected less by downsizing than low priority areas.

5. *Identifying resource requirements.* To accomplish the business plan it was necessary to determine resource requirements, particularly the number of personnel needed. This was done by conducting workload analyses, analyses of skill transportability (i.e., the extent to which individuals could apply their knowledge and skills in another unit), explorations of alternative employment forms (such as part-time, flex-time, and job sharing), identifying gaps between current employment levels and the mandated employment levels for each unit, and projected revenue growth. Interestingly, this organization projected an increase in revenues of between 50 and 200 percent in several of its major units, but the headcount reduction mandate issued by the Department of Defense made it impossible to employ as many people as would be needed to offer that level of service. The criteria for downsizing, therefore, was, by mandate, driven by headcount numbers rather than by cost savings or availability of revenues. Past research suggests that is a mistake (see Cameron et al., 1993).

"What we've done is to create organizational structures, not only the boxes, but the individual positions that fit within each of the boxes. We've compared them to our current organizational structure and all the positions currently in that structure. We have lined out the positions that we will no longer be able to afford to keep in our end state 25 percent smaller organization. There is documentation that exists so that we know every single position that will be eliminated when and if we have to reduce by approximately 25 percent."

One major goal was to maintain as much flexibility in the organization as possible, while remaining prepared to respond to more severe future cutbacks as mandated by the Department of Defense.

"We are prepared. We're robust enough with our planning here that we can absorb more if we need to...We tried to develop a long-term flexible strategy that would accommodate either a budget decision, a headcount reduction, or any combination thereof...At headquarters...they have a bunch of bureaucrats down there, and they really don't know which end is up...But we've taken their requirement, and we've put some order to it. And we've also integrated it into what we're doing now."

When positions, or even entire units, were identified as not fitting the strategic vision or core competencies for the future, a "transitional strategy" was implemented in an attempt to get current employees into jobs and units that were ranked higher in priority. That is, since the policy of attrition and a hiring freeze were still being applied, higher priority positions would periodically become 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 is 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."

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. Prior to the announced reduction-in-force in the Spring of 1993, over 200 employees had been moved into higher priority positions. The philosophy was, "Let's get you into a higher priority position so you can maintain continuity of employment, even in the face of a RIF."

6. *Involving employees.* In order to critique the downsizing plans and the proposed redesigns, as well as to identify additional process improvements and cost savings, employees were asked to participate in the developmental process.

"We've had process action teams working to assure that within each area, each individual location is being looked at for consolidation."

"There are now 37 process action teams looking at improving the process. There are 18 within the directorates, and 19 between the directorates and other places. These teams find and solve the problems."

"We had to take the initial idea and bounce it against several folks and make sure it made sense to them and was logical. They had to buy into that idea, and once they bought into that idea, then we almost had to sit back, because the ideas came fast and furious from the folks that bought into it...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."

Not only were lower level employees involved in the development, critique, and refinement of the downsizing plans, but senior officers in the organization also were brought into the process.

"We created an Executive Advisory Council in order to get them involved, to hold their feet to the fire, and to give them macro command tasks to do, and we kind of charter them as an internal board of directors. They're too bright and they have a lot 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."

"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."

7. *Involving customers.* Because external customers are always affected by downsizing, it was important to this organization that their confidence and trust be maintained. Altering processes, changing the contact persons they deal with, and modifying interorganizational relationships make it necessary to involve customers in downsizing plans as well as employees. A watch-cry in this Army organization was, prevent damage to our customers rather than control damage. This was done primarily by keeping customers informed.

"Some of the fallout from the RIF in 1989 was that customers were very uneasy about dealing with new, unknown people. They are just now getting used to it again, and we are now going to change all over again...Our relationships with customers have been loosened because of our transitions...I'm keeping external organizations involved from the standpoint of making sure they know what we are doing."

Maintaining a customer focus was an important part of the downsizing strategies put into place in the organization. A primary "ultimate" customer of this organization is the soldier in the field, and a key phrase that appeared in the downsizing documentation was "Support what the soldier has today; develop what he will have tomorrow." Consistent with this theme, one senior manager remarked:

"We try to do everything with a clear customer focus. Nothing should be done that doesn't support the customer. Productivity is defined in terms of the ability to support customer needs. Any customer complaints become the focus of what I do."

8. *Implementing non-personnel reductions.* Despite the mandate to drive downsizing on the basis of headcount rather than cost savings or revenue availability, this organization implemented strategies that helped to redesign the organization through consolidation. Efficiencies were produced by merging units and by positioning the organization to take on more new business in the future.

"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."

"One of the big threats out there to some people is that they will consolidate everything. I said to them, 'I want them to consolidate.' They are all seeing their jobs go out the window. I said I want them to consolidate right here at [our location]. Because this is the best place for the Department of Defense to put their [---] command. Put the headquarters right here. We provide the nucleus, and we will do the Air Force and the Navy mission, because we have the people more than anything else."

Restructuring the organization by means of attrition, reduction-in-force, and transitioning employees also produced some problems for the organization. Whereas the downsizing strategies may have produced an improved organizational structure, they may not have produced an improved workforce.

"The unfortunate thing about written procedures governing downsizing is that you don't always end up with the workforce you'd like to. It isn't very efficient, but it is understandable...I can't tell you if the organization will be better off. It won't be better off because of RIF procedures themselves...Will our new structure be more efficient? Yes, we believe so. We think it will be more streamlined, and we will be able to do a better job...So my opinion says you get a quality structure but not necessarily a quality workforce as a result."

9. *Downsizing via outsourcing.* The initial priority of this Army organization, before the RIF announcement, was to reach targeted levels of headcount by means of outsourcing. In this way employment could be preserved, although not necessarily jobs within the organization itself. The plan was to reduce from several hundred to between 12 and 15 suppliers. Each supplier was to be given "omnibus contracts" in which many products and services formerly produced in this organization would be outsourced. Suppliers would then provide multiple products and services instead of just one. Expanding the business of these outside contractors, it was predicted, would generate openings for Army employees who could continue to do the same work, but now for an outside contractor instead of the Army.

"Right now we have over 100 contractors that do support for these areas...We want to get that down to about 12 or 13 contractors...If we do that, we've saved a lot of overhead...."

"You can outsource cheaper if you do it smart...The competition will drive the price down. We'll use the best value approach, and we'll use design to cost. We'll have categories of man hours that we'll be willing to pay for, and we'll tell them what it is."

"...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."

The problem with outsourcing, of course, as many U.S. manufacturing firms have discovered, is that core competencies, manufacturing capabilities, and R&D expertise can be lost. It can be given away to outside firms, and the parent firm is left with low value-added capabilities. This same concern was expressed by one senior manager:

"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?"

10. *Communicating downsizing strategies.* A key to the success of each step in implementing the downsizing strategies in this Army organization was communicating openly and fully with employees. The importance of involving employees and customers in planning and reviewing downsizing strategies has been discussed in points 6 and 7 above. But the current point relates to the simple act of sharing information, regularly and consistently, with those affected by downsizing. Using multiple media and repetitious message delivery was especially 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."

"We intend to use video, teleconferencing, chain teaching (which we've used before), and chain of command, obviously. Also, all hands meetings, if necessary, or what we call town meetings. And certainly paper. But we will focus on using video teleconferencing capability and making video tapes."

"I have town meetings--everybody at once. We have great participation. Everybody who works here should be an ambassador for the organization."

"Communicate constantly. Not just about downsizing, but about everything. 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 prerequisite to communicating clear messages about downsizing, of course, is ensuring that all top managers are delivering the same message and share the same information. In this organization, unity in the message being delivered was especially important.

"We are trying to focus the command to speak with one voice on what we're doing, how we're doing it, and so forth...There is an amazingly consistent viewpoint about what the strategy is, where we're going, what we're doing, where we're moving from, and what we're moving to."

Aside from maintaining a consistent message and interpretation of information at the top of the organization, keeping people informed is difficult in any organization when traumatic events such as downsizing are underway. In this Army organization, as in many others, communicating all relevant information may be impossible and fraught with pitfalls. One top manager expressed this anxiety:

"How do you keep the workforce informed? It's a moving train. There are lots of changes, and what's 'truth' changes. I find that if I say something in a town meeting, it becomes a 'fact.' And then it's like you're jerking people around when it changes."

Another manager confided:

"I prefer to tell people less. Most people will not be affected, and telling all just creates anxiety."

11. *Investing in the human resources.* A critical way to attack issues of communication, involvement, preparation for transfer, involvement, development of the workforce, and coping with the stress of change is to invest in training. Whereas it is costly, and it is usually not pursued at a time when financial resources are scarce, the most effective downsizing organizations in past research have sworn that the investment more than pays for itself. In this Army organization, training became a priority into which extra resources were allocated. For example, the training budget increased from \$150 per person per year in 1989 to \$500 per person per year in 1992. This training focused on the impacts of downsizing on families, organizational issues, stress management, management training, technical training, and so forth. The focus was on investing in human resources, not just treating them as liabilities.

"We will be telling the workforce, when we have the opportunity to speak to them, that we're going to be world-class, 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, we are going to continue to elevate them to new heights, we are going to continue to give them opportunities to achieve and to see tangible results from their efforts."

"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 RIF, you don't always get to keep the people you think you need. Therefore, we can never short-change training."

In addition to training, this Army organization placed a great deal of emphasis on recognizing and rewarding people, on providing symbolic commendation for achievements, and on 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. This is a completely hand-picked staff--very exceptional. They're terrific, and I want them to know it. World beaters. 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."

"What I stress to these people is...after all the downsizing is done, after everybody has had their say, after the last shots are fired, there is still going to be [our organization]. We're going to be the leader in [our areas of business], and a very large organization will remain. We're going to have a mission to lead the Army into the 21st century...I said to them: You people are a special group, and four thousand times the patent office has said [our organization] gets a patent. That means it is new, it is innovative, no one else has done it. Four thousand times. Many, many more times we have had inventions that we haven't sought patent protection on. The key to our future is for everyone of us, everyday, to look and see where we can make a contribution."

12. *Expecting temporary productivity reductions.* One important factor that helped this organization retain a long-term perspective in planning for and implementing its downsizing strategies was the acknowledgement that, in the short-run, productivity declines would probably occur. Rather than to adopt a crisis mentality, however, and pursue immediate improvements at the expense of long-term success, it was assumed that the organization would need to endure a temporary slow-down.

"When and if RIF happens, we will have a period of adjustment where our productivity, where our success rate, is going to reduce. I just don't see any way to prevent that from happening if the forces of the reduction-in-force procedures take 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 is just no smooth way of doing it."

"A major concern is how to retain a critical in-house knowledge base. Much of this has occurred from on-the-job training. As the senior people retire and are not replaced because of the hiring freeze, there will be a gap in the middle in terms of skills, knowledge, and so forth. There is a lot of information, lessons learned, that is never written down. It's usually first-hand experience, word of mouth, round-table discussions. We'll have to repair that over time."

This problem of temporary productivity difficulties was exacerbated by a policy in the Army of allowing employees to "bump" other employees when jobs become available. In other words, individuals with seniority and longevity advantages can replace more junior and short-term employees if the position of the higher level person is eliminated. For example, if person A's position is eliminated, he or she can "bump" a more junior person out of his or her job in another location or unit. The result is that the elimination of ten jobs may produce 100 personnel moves.

"Bumping means that each RIF can affect ten times as many people as are RIF'd, before it's all over....I can't tell you that the organization will be better off. It won't necessarily be better off because of the RIF procedures themselves...Since it is not based on merit alone, but based on longevity by and large, we will end up with the older employees being retained and the more junior people going out the door. So the answer is, no, we won't necessarily be better off."

"...because you may have bumped someone in a lower job, if the result were to be that 1000 people were to actually lose their jobs, there might be another 2000 or 3000 that end up in a different job than they're performing today. So it has a tremendous impact on the workforce and on our ability to accomplish the mission. Because you may end up with...a few thousand people learning new jobs all at once."

Bumping, in other words, creates even more chaos and negative fall-out than normal when downsizing occurs in Army organizations.

In summary, from the perspective of top management in this Army organization, the strategies associated with downsizing seem to have avoided the common pitfalls of most downsizing organizations. Past research has found that a majority of organizations adopt a short-term, across-the-board approach to downsizing with little advanced preparation and little investment in human resources (see Cameron et al., 1993). This Army organization, on the other hand, pursued downsizing in advance of the mandate, adopted a long-term perspective, and attempted to minimize--within the constraints of the Army policies--the pain experienced by individuals in the organization. Table 2 summarizes the major steps pursued from the top of the organization. Past research by the author has found that these steps are generally associated with long-term success in other organizations.

Results: Organizational Processes

It is not unusual to have a downsizing strategy carefully planned, outlined, and orchestrated by top management only to discover that individuals in lower hierarchical positions have not understood the plan, have not implemented the strategy, or have stonewalled desired change or improvement. An important key to the success of downsizing, then, is to ensure that the same approach is being pursued throughout the organization, and that the actual implementation processes match the intended strategy. In the previous section the intended strategy from the perspective of top management was outlined. In this section, the extent to which that strategy operationalized throughout the organization is discussed. That is, from the standpoint of lower level employees, to what extent were effective processes being implemented in order to accomplish the intended downsizing strategy of this Army organization? To address this question, a summary is provided of the cross-sectional survey of 500 employees in the organization. Findings are reported in four sections below: (1) effective downsizing processes implemented in the organization, (2) ineffective processes implemented in the organization, (3) outcomes produced by these processes, and (4) differences between subunits in the organization that were performing at the highest levels on the outcomes versus those that were performing at the lowest levels. (In order to simplify the statistical analyses, items were grouped into factors, and the factors along with their definitions and internal consistency reliabilities are contained in **Appendix B**. A summary of the descriptive statistics for each item on the survey is contained in **Appendix C**.)

Effective processes. The items assessed in the survey were guided by previous research that identified some "best practices" in the implementation of downsizing (see Cameron et al., 1993). Relying on those previous findings as the benchmark for effective downsizing, respondents reported that this Army organization was characterized by the following:

- *Philosophy*

One critical difference between successful downsizers and unsuccessful downsizers has been the general philosophy or approach that has guided their strategies. In this Army organization, three statements of philosophy are particularly noteworthy. First, respondents indicated that downsizing was viewed as a life-long, continuous activity, not a project to be completed so things could return to normal. Second, employees were thought of as resources to be invested in, not costs to be eliminated. Third, when things were running smoothly, the organization was never satisfied and was always looking for ways to make work processes better. These philosophies are consistent with those of effective downsizing firms studied in previous research.

- *Leadership*

Respondents rated the top management group in this organization as having displayed very effective leadership in relation to the downsizing activities. In particular, top management was seen as visible, accessible, forward looking, and

taking initiative throughout the process, as having been dynamic and motivational, and as having articulated a clear vision for the future.

- *Communication*

The downsizing strategy was perceived as having been communicated broadly and frequently, and the announcement was clear and direct, yet empathetically delivered. Everyone was aware of the cost-cutting goals and the downsizing mandate of the organization.

- *Customer Focus*

Despite the temptation to focus inwardly during times of downsizing, this organization was perceived as maintaining a focus on the external customer. It was clear to organization members who the direct customers were, exactly what they expected, and feedback was continuously being sought from customers, even in the midst of headcount reductions.

- *Cost Cutting*

A variety of cost-cutting measures were instituted before the RIF was announced, for example, a hiring freeze, adding new work without adding staff, relying on attrition, implementing new technologies or new information systems to reduce people, and so on. The primary mechanism used before the announced RIF to downsize was attrition--not filling positions when people voluntarily left the organization.

- *Procedures*

Downsizing procedures were not implemented until after systematic planning had occurred and an analysis of the organization and its work had been accomplished. Downsizing procedures were perceived as then having been implemented fairly and equitably. In this process, however, "holes" were found where work was not assigned to anyone but still needed to be performed.

- *Providing Support*

The most support that respondents perceived being provided by the organization was to those leaving their positions. Benefits such as job counseling and the financial incentive associated with the buy-out opportunity was viewed especially positively. However, respondents perceived less support being available to those who stayed in the organization. Special training, development, and help in dealing with changes resulting from downsizing were not perceived as being available to those who retained their jobs.

In summary, a variety of processes implemented in this organization indicate that it was effectively pursuing downsizing. Defining downsizing as a continuous activity as opposed to a momentary project to be accomplished and forgotten, treating employees

as resources instead of liabilities, and pursuing continuous improvement in downsizing represent an orientation crucial to the long-term success of downsizing. Active, aggressive, accessible leaders who communicate clearly, broadly, and frequently are also an important prerequisite to success. Avoiding the trap of becoming internally focused and of missing opportunities to cut costs in multiple ways other than headcount reductions are also important characteristic of successful downsizers. Providing support for individuals who leave the organization is also critical, of course, but so is providing support for those who remain in their positions. This organization was perceived as doing less well in the latter activity. This brings us to the areas in which this organization was implementing processes that have been found to be less effective in producing successful downsizing.

Ineffective processes. No organization pursues downsizing perfectly, of course, nor is any organization bereft of negative consequences from downsizing. Past downsizing research has identified some processes that seem to be less effective in accomplishing the goals of downsizing, and this section reports those that respondents rated as typical of this Army organization.

- ***Overall perception***

In contrast to the orientation toward downsizing reported above--i.e., downsizing is a continuous improvement activity--respondents indicated that many in the organization also perceived downsizing not as an opportunity for improvement, not as a solution to a problem, and not as a goal to be achieved. Instead, downsizing was viewed quite negatively, as a threat, as a constraint, and as unrealistic in its aspirations. Downsizing was clearly unwelcomed. Such negative perceptions often lead to resistance, defensiveness, or opposition in employees.

- ***Organizational fat***

Whereas the mandate to downsize focused primarily on headcount reduction, the organization was rated as possessing many kinds of "fat," the elimination of which could have provided substantial savings and efficiency. Little attention was given to these kinds of inefficiency, however. For example, procedure fat (excess audits, documentation, required permissions, meetings, and paper), supervision fat (too many administrators, and sign-offs, too little empowerment and participation), career fat (too much self-promotion, self-centeredness, and non-teamwork), idea fat (too many non-implemented ideas and excess discussion), time fat (repetition, redundancy, and slow response waste time), and belief fat (uninformed opinions, disagreements, and non-shared beliefs) all were rated as characteristic of this organization.

- ***Alternative cost savings***

A variety of processes are available to organizations that desire to reduce experiences, capture efficiencies, and avoid redundancy. The section above reports that several were being implemented by this organization. However, others were not

perceived by respondents as typical of this organization's downsizing activities. Processes *not* pursued included selectively reducing salaries, transferring individuals to units outside the organization or to other units in the Army, eliminating functions, management levels, or products and services, or downgrading some position classifications. In addition, it was noteworthy that the elimination of positions, of work, of hours, and of suppliers was not perceived as having occurred, despite the clear intent to the contrary as articulated by top management. These procedures may not all be viewed positively, of course, but they provide alternative ways to reduce expenses in place of straight headcount reductions.

- *Human resource system changes*

Successful downsizing requires that individuals be appraised, rewarded, and trained on the basis of the new strategies being pursued. Not changing the human resource management system serves as an inhibitor to the long-term success of downsizing. In this organization, respondents indicated that the reward system had not changed as part of downsizing, nor had the appraisal system, nor had training availability. New language and symbols to reinforce the new way of doing things had not been put into place.

- *Involvement and development*

Respondents perceived that the downsizing strategy was largely crafted and driven from the top. Little involvement by employees was noted. For example, employees were not involved in making suggestions about how the work could be reorganized and improved. Employees did not visit outside organizations in order to gather ideas for changes and improvements associated with downsizing. Downsizing activities and processes were not improved through suggestions coming from the bottom-up. Employees were not involved in determining what needed to be changed in the organization or in participating in changing it. In other words, top management's strategy was well-crafted and thoughtfully planned, but it was perceived to have largely left out the workforce.

In summary, this Army organization did not implement some processes found in past research to be associated with effective downsizing, and it approached downsizing in some potentially ineffective ways. Specifically, downsizing was defined negatively by lower level employees, which is understandable inasmuch as little participation and involvement was experienced by them. Less attention was paid to those staying in the organization than those leaving, and the human resource systems--rewards, appraisals, training--were not changed to match the new downsized environment. A variety of potential cost savings--i.e., eliminating various forms of organizational "fat"--were not pursued. Instead, reducing headcount was the primary driver. Of course, the Defense Department mandate provided little choice but to focus a large amount of attention on headcount reductions as the target of this strategy.

Outcomes. In this section, outcomes of downsizing are reported. From the standpoint of those being affected, the question addressed is, what were the effects of downsizing

on the organization? Although this Army organization is still in the early stages of downsizing (the R.I.F. announcement was made just four months ago), these findings still provide a preliminary picture of how successful the downsizing was being accomplished.

- *Dirty Dozen*

As mentioned in a previous section, a common outcome of downsizing is the emergence of "the dirty dozen" attributes. These are dysfunctional characteristics that arise in organizations that do not effectively manage downsizing. In this organization, respondents indicated that several negative attributes had resulted from the downsizing activities. In particular, a decline had occurred in:

- employee loyalty,
- morale,
- satisfaction with pay,
- experimentation and creativity,
- the amount and effectiveness of communication and information sharing,
- trust between employees and top management,
- participation in decision making,
- quality,
- positive attitudes about the organization,
- interest in the overall welfare of the organization, and
- overall organizational effectiveness.

In addition to these decreases, an increase had occurred in:

- organizational politics,
- conflict,
- criticisms and complaints about top management,
- resistance to change,
- employee self-protection and self-centeredness,
- taking a short-term perspective on issues,
- red tape and inefficiencies, and
- ambiguity about the future.

All of these attributes are dysfunctional consequences, perceived to have been produced by downsizing in this organization. It is important to point out, however, that whereas ratings of each of these attributes indicates negative results, in only a few cases are the ratings *dramatically* low or high. In other words, respondents pointed out that the first group of attributes are decreasing and that the second group of attributes are increasing, but their ratings are best characterized in the "slightly" to "moderately agree" category instead of the "strongly agree" category. This is important because reading the list of negative characteristics can create the impression that everything is falling apart in this organization. This is not the case, as evidenced by statements in interviews with lower level employees. When asked whether the organization was being adversely affected as a result of downsizing, responses included the following:

"I don't see much effect this time. There's still talk about the RIF, you know, that dominates the conversation. But I don't see the people frightened and panicked at all. I haven't had to pull any heads out of the ovens this time, which I did last time we downsized. I used to have to slap people and say, 'Hey, wake up. You're still here. You haven't been RIF'd.' I don't see the same kind of thing this time."

"I contrast what I see here with what I see in the corporate world in my husband's company. Those folks are on the edge of their chairs all the time. No matter how good they are, they're still worried. And the more senior you are, the more money you make, the more you're worried. But we haven't done that to people here. I don't see the tension here like I see in my husband's organization."

"I did something just this morning. In my branch we're losing one of our long-time, great people. The last week or so everybody has been very uneasy about what is going to happen, and who I was going to place in that position to fill that slot, and so on. And you know, I had them all in my office and told them what I planned to do. And we really got a good interaction going. A lot of discussion came up besides just who the replacement was going to be. People talked about their personal situations. It was a very good give and take. I think everybody enjoyed it. They just needed to talk about the whole situation as a group. It helped put their anxiety to rest."

These quotations do not imply, of course, that the survey data are not to be taken seriously. The survey makes it clear that dysfunctional consequences were present in the organization. But neither was the organization in as bad a shape as the long list of negative consequences might suggest.

It also should be noted that the negative consequences of downsizing receiving the strongest scores from respondents--i.e., those that were most dysfunctional--were related to the organization as a whole as opposed to individual behaviors or attitudes. The most adverse outcomes were:

the resulting ineffectiveness of the organization,
increased red tape and inefficiencies,
slower communication, and
more interferences in communication.

In other words, respondents perceived downsizing to have negatively affected the organization and its processes (e.g., red tape) more than they did individual employees (e.g., low morale).

- **Changes**

Respondents indicated that downsizing had also produced changes in several aspects of their work and the organization. In particular, *what* work is done, *where* work is done, *with whom* it is done, and *how much work is expected* all had changed as a result of downsizing. What had not changed was *how many hours* were worked, the *rewards* resulting from work, *how* the work is done, and *to whom individuals reported*.

In general, downsizing produced a change in work design and context, but it did not produce a change in the results of the work or its location. Organizations that have effectively downsized have been found to ensure that, in addition to eliminating headcount, work is also eliminated and redesigned. These changes suggest that this organization was pursuing that work redesign strategy in addition to the headcount reduction strategy.

In summary, the survey responses indicate that, if the entire organization is considered as a whole, quite a large number of dysfunctional attributes are present. Changes are being made to work design processes, but organizational ineffectiveness and dysfunctional attributes seem to be emerging from the downsizing. However, the organization being investigated consists of approximately 50 subunits, called directorates. They range in size from scores of employees to hundreds of employees. Some of those subunits were performing much better than others, and downsizing was associated with effectiveness in some units and with ineffectiveness in others.

In the next section, analyses are reported that distinguish between six subunits (directorates) that were characterized by very few or none of the negative attributes and seven subunits that were characterized by many or all of the negative attributes. In other words, the analyses identify the major factors that discriminate the most successful from the least successful subunits. The results identify the most powerful predictors of effective downsizing and of ineffective downsizing in this organization.

"Best Practices." The survey contained items that assessed a variety of performance outcomes in this organization. No consistent objective performance data were available for each subunit, and several subunits had no indicators of performance at all at the subunit level of analysis. Perceptions of performance by survey respondents were relied on, therefore, as indicators of subunit success. Section 4 in the survey instrument (see the Appendix) contains the items assessing outcomes, and those items were organized into a set of nine factors. Subunits categorized as having the highest performance had high ratings on measures of quality, overall organizational effectiveness, efficiency, and low ratings on measures of the dirty dozen and the other outcome variables. Subunits defined as having the lowest performance had low ratings on the same measures. **Table 3** lists the outcome variables used to categorize the most successful and the least successful subunits. In **Table 4** the best practices and organizational attributes that differentiate these two groups are reported.

These results point out that subunits with the lowest scores focused mainly on reducing headcount or the size of the organization. They were characterized almost exclusively by strategies that merely eliminated or transferred jobs, layers, products and services, temporary employees, and so on. Attrition was the dominant strategy employed. These subunits also were characterized by "organizational fat" such as excess procedures, unused information, unproductive programs, administrative procedures, and so on. Downsizing was defined as a threat, a constraint on performance, and as unrealistic in its objectives.

The highest performing subunits, on the other hand, focused primarily on downsizing through redesigning work processes and eliminating redundancies. The subunit's processes and tasks were analyzed in advance of downsizing and employees were involved in determining and implementing needed changes. Leaders were accessible, motivational, and visionary, and they communicated broadly and consistently to everyone affected by the downsizing. Everyone was held accountable for downsizing and cost containment, and downsizing was defined as an opportunity for continuous improvement. In short, the highest performing subunits adopted a process-centered, continuous improvement approach to downsizing. The lowest performing subunits adopted a purely contraction and reduction approach.

Conclusions and Recommendations

This investigation occurred at the outset of what may be one of the largest downsizing efforts ever undertaken by a single organization in the United States. Downsizing the Army will no doubt have direct or indirect impact on millions of individuals and organizations. The intent of this investigation, using a single Army organization as a case study, has been to address four research questions and to attempt, in a preliminary way, to identify ways in which downsizing can be effectively accomplished in the future. The final section of this report answers the four major research questions, then some recommendations are offered for future downsizing in the Army.

Research questions. Drawing on the results of interviews with top managers, interviews with a cross-section of employees in a variety of functions and hierarchical levels, and the questionnaire survey of a sample of employees, the four research questions can be answered as follows.

1. What is the generalized orientation of this Army organization toward downsizing? Is its orientation more like convergence or is it reorientation?

Interviews with top managers indicated that this organization tended to approach downsizing using a reorientation approach. As developed in Freeman and Cameron (1993), reorientation involves larger and more radical organizational changes as downsizing is implemented. Changes are structural instead of limited to work, the mission and strategy are redefined as part of downsizing instead of reinforced, an external constituency focus is maintained instead on looking inward, and a focus is on making the organization different. Long-term organizational effectiveness is more closely associated with reorientation than with convergence. As explained in the Results section on Overall Strategy above, the orientation adopted by this Army organization seems consistent with a reorientation framework. The first task of top management in formulating the downsizing strategy, for example, was to articulate a strategic vision or mission, identify core competencies, and then design an organizational structure to achieve that future vision. Changes in the organizational structure, rather than simply changes in jobs, was the initial objective of the planned downsizing. Both top managers and lower level employees indicated that an external customer focus remains prominent in the midst of downsizing, and concerns with internal processes did not drive out focus on outside constituencies. Customers were involved, for example, in the strategic design process. A key stated purpose of the downsizing strategies was to "reshape for the future," to make the organization different, not just to reinforce current operations with more efficiency.

2. What procedures and strategies are being implemented by this organization in responding to the downsizing mandate of the Army?

Table 2 outlines the intended step-by-step strategy of the top management group in downsizing this organization. Principles listed there are, by and large, consistent with effective strategies found in previous downsizing research. As discussed earlier, three major types of strategies characterize the approaches taken by organizations to

downsizing--headcount reduction strategies, organizational redesign strategies, and systemic strategies. Due to the recent mandate from the Defense Department, the primary target of downsizing in this organization became headcount reduction. Many of the actions put into place were targeted simply at reducing numbers of personnel. However, before the RIF announcement, the organization also engaged in organization redesign strategies by attempting to implement downsizing on the basis of a future organizational mission. Some evidence was also found of a systemic strategy--i.e., defining downsizing as a life-long activity, not as a single project to be completed, holding all employees accountable for continuous downsizing, treating employees as resources, not liabilities, and so on--but since systemic strategies are by nature long-term in focus, it is not expected that they will be readily apparent in the short-run. In brief, this organization seemed to be pursuing the types of strategies that have been associated with effective downsizing implementation in past research.

3. What is the impact of these strategies on organizational performance and on employees in this organization?

The impact of downsizing on this organization has been mixed. On the one hand, negative impacts of downsizing are evident from the survey respondents. For example, a decline had occurred in employee loyalty, morale, satisfaction with pay, experimentation and creativity, the amount and effectiveness of communication and information sharing, trust between employees and top management, participation in decision making, quality, positive attitudes about the organization, interest in the overall welfare of the organization, and overall organizational effectiveness. In addition to these decreases, an increase has occurred in organizational politics, conflict, criticisms and complaints about top management, resistance to change, employee self-protection and self-centeredness, taking a short-term perspective on issues, red tape and inefficiencies, and ambiguity about the future.

On the other hand, the downsizing strategies adopted had resulted, thus far, in having employees view downsizing as a continuous improvement activity. Leadership was viewed positively as active, aggressive, and accessible and as having communicated clearly, broadly, and frequently with those affected by downsizing. Taking advantage of opportunities to cut costs in multiple ways in addition to headcount reductions was also pursued, and a variety of forms of assistance were provided to those leaving the organization. Changes have occurred in several aspects of the work of this organization. In particular, downsizing produced a change in what, where, and how much work got done.

4. What strategies and tactics are especially effective in producing desirable results in downsizing this organization?

Results of the analyses of the differences between the highest and the lowest performing subunits within this Army organization helps identify "best practices" or those strategies and tactics associated with successful organizational performance. Subunits in this organization that were most successful on the outcome variables measured in this study--e.g., quality, effectiveness, efficiency, avoidance of the "dirty dozen"--were

characterized by gradual, process-focused implementation of downsizing strategies; visible, visionary, motivational leadership; clear, direct, frequent, and empathetic communication; involvement and participation by all employees in the formulation and implementation of downsizing strategies; an approach to downsizing that emphasized it as an opportunity and as a life-long activity; equal amounts of support to employees who stayed as to those who left the organization; a process focus so that the organization was seen as a stream of processes, not just reporting relationships, with activities being integrated across boundaries; teams performed the work; and each employee was held accountable for cost reductions, faster, more efficient, and more parsimonious work, and never-ending improvement. On the other hand, subunits in this organization that did not perform well on the outcome variables were characterized by a focus on eliminating things in downsizing, such as jobs, functions, layers, temporary employees, products, and so on; headcount reductions were the focus of the downsizing strategy instead of reducing major sources of organizational "fat" such as data fat, idea fat, procedure fat, career fat, belief fat, supervisor fat, and time fat; a focus on transferring out the organization units, functions, products, services and jobs; and relying primarily on attrition to achieve downsizing objectives. Organizations that performed well seemed to keep their eye on human and organizational improvement and long-term success even in the face of downsizing. Organizations that performed poorly were dominated by traditional activities aimed merely at cutting headcount and getting smaller. Human and organizational effectiveness concerns seemed to take a back seat.

Recommendations. On the one hand, any set of recommendations based on a single case study is both presumptuous and a bit naive. On the other hand, the design of the study and the findings resulting from this research have been informed by, and are highly consistent with, research performed in more than 100 other organizations engaged in downsizing. Although those other organizations were not affiliated with the U.S. Army and were mainly in the private sector, the predictors of successful performance and the strategies associated with effectiveness were congruent with those discovered in this Army organization. Therefore, recommendations are made regarding downsizing that are based, first of all, on the results of this investigation, but also on informed by findings from past investigations.

Approach

1. Approach downsizing as a long-term strategy and a way of life rather than as a single program or target to be completed and abandoned.
2. Approach downsizing as an opportunity for improvement rather than as merely a reaction to a threat or crisis.
3. Approach the human resources in the organization as assets rather than as liabilities, and plan to invest in their development and ideas.

Involvement

4. **Involve employees in identifying what needs to change through downsizing and in implementing those changes rather than driving downsizing from the top down.**
5. **Hold everyone accountable for downsizing goals rather than treating it as only top management's responsibility.**
6. **Involve customers and suppliers in designing and suggesting improvements in downsizing strategies rather than focusing entirely internally.**

Leadership

7. **Ensure that the leader(s) is visible, accessible, and interacting frequently with those affected by the downsizing instead of succumbing to the temptation to avoid confrontation, pain, and discomfort associated with managing downsizing.**
8. **Associate downsizing with a clearly articulated vision of a desired future for the organization, not merely as an escape from the past.**
9. **Project positive energy and initiative from the leader(s) in order to motivate the workforce in a downsizing organization instead of allowing the workforce to adopt a defensive or paranoid perspective.**

Communication

10. **Ensure that everyone is fully informed of the purposes of downsizing, the strategies to be pursued, the costs involved, the time frame, and so on, rather than revealing only "need to know" information and keeping sensitive information at the top.**
11. **Over-communicate as the downsizing process unfolds so that information is provided frequently, consistently, and honestly to all employees on the progress and processes in downsizing rather than reporting only decisions and results or allowing rumors and ambiguity to flourish.**
12. **Generate on-going analyses and feedback from participants in the downsizing process rather than completing the process before an evaluation is done.**

Preparation

13. **Prepare for downsizing before it is mandated or crucial for survival rather than waiting until time for advanced analysis is gone and a "ready-fire-aim" approach is required.**

14. Identify the future mission of the organization, its core competencies, and an organizational structure that will most effectively accomplish the mission via the core competencies as the way to develop downsizing strategies, as opposed to formulating strategy based merely on headcount targets.
15. Establish targets, deadlines, and objectives for downsizing independent of the mandated downsizing goals from parent organizations in order to prepare the organization to view downsizing as an improvement strategy rather than as the cause of a loss of discretion.

Support

16. Provide equal attention to and support for those who stay in the organization and those who leave the organization rather than focusing all benefits on leavers.
17. Provide safety nets (adequate lead time, financial benefits, counseling, retraining, outplacement services, etc.) for those who leave the organization so as to smooth the transition to another position, rather than letting people go with only the required severance pay and advanced notice.
18. Provide training, cross-training, and retraining in advance of downsizing in order to help individuals know how to adapt to downsizing rather than relying merely on post hoc on-the-job training.

Cost Cutting

19. Institute a variety of cost-cutting activities (such as restricting overtime, providing leave without pay, eliminating redundancies) rather than limiting downsizing to headcount reductions.
20. Focus on attacking sources of organizational fat in the organization which often go unnoticed and unmeasured, such as data fat (excess information), procedure fat (excess meetings), time fat (excess response time), and launch fat (excess new programs), rather than concentrating on cutting only the noticeable and measured features of the organization.
21. Map and analyze all processes in the organization to eliminate inefficiencies, redundancies, non-valued-added steps and resources, and to redesign work, rather than assuming that old processes must be maintained.

Measurement

22. Measure speed and time use in the organization, not merely headcount, in looking for ways to downsize.

23. **Develop specific measures of all activities and processes that directly relate to the key products and services provided by the organization in order to determine how improvements can be made rather than measuring only outputs.**
24. **Assess the skills, experience, and relevant attributes of all human resources so as to help improve decision making regarding personnel and assignments when downsizing and restructuring occur.**

Implementation

25. **Implement a broad array of downsizing strategies including redesign strategies and systemic strategies (e.g., culture change) instead of relying narrowly on headcount reduction strategies.**
26. **Administer downsizing equitably and fairly by ensuring that adverse impacts are not experienced unevenly by unempowered people (e.g., minorities, certain age groups) rather than implementing strategies based on power.**
27. **Provide opportunities for personal growth and development for individuals in the midst of downsizing rather than ignoring everything except profits and the financial bottom-line.**
28. **Form cross-level and cross-functional teams to plan and implement downsizing with no required handoffs, rather than implementing downsizing using only a chain of command.**
29. **Change the appraisal, reward, selection, development, and communication systems to reflect the new goals and objectives of the downsized organization rather than keeping these systems the same as in the old, larger organizational form.**
30. **Implement downsizing by beginning with small wins--i.e., changing things that can be changed quickly and easily--which, when celebrated, create momentum toward desired results rather than attacking downsizing as a large, complex, indivisible task.**

References

- Cameron, K. S., Freeman, S. J., & Mishra, A. K. (1993). Organizational downsizing and redesign. In Huber, G. P. and Glick, W. (eds.) Organizational Change and Redesign. New York: Oxford University Press.
- Cameron, K. S., Freeman, S. J., & Mishra, A. K. (1991). Effective organizational downsizing: Best practices and apparent contradictions. Academy of Management Executive, 5, 57-73.
- Cameron, K. S., Kim, M. U., & Whetten, D. A. (1987). Organizational effectiveness of decline and turbulence. Administrative Science Quarterly, 32, 222-240.
- Cameron, K. S., & Whetten, D. A. (1988). Readings in Organizational Decline. Cambridge, MA: Ballinger.
- Freeman, S. J., & Cameron, K. S. (1993). Organizational downsizing: A convergence and reorientation framework. Organization Science, 4, 10-29.
- Kozlowski, S. W. J., Chao, G. T., Smith, E. M., & Hedlund, J. (1993). Organizational downsizing: Strategies, interventions, and research implications. International Review of Industrial and Organizational Psychology. New York: Wiley.
- McClune, J. T., Beatty, R. W., & Montagno, R. V. (1988). Downsizing practices in manufacturing firms. Human Resource Management Journal, 27:145-161.
- Mishra, A. K., & Mishra, K. E. (in preparation). The role of mutual trust in effective downsizing strategies. Human Resource Management Journal.

Table 1

The Dirty Dozen: Dysfunctional Consequences of Decline and Downsizing

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

Table 2

Downsizing Strategies Pursued from the Top of the Organization

STRATEGY	EXPLANATION
Anticipate the mandate	Formulate plans for downsizing before either the environment or the Department of Defense mandates it.
Articulate a vision	Clarify the mission to be accomplished and the future vision of the organization.
Identify core competencies	Identify current core competencies of the organization and the core competencies needed to achieve the desired future mission.
Formulate a business plan	Determine what will get done where, or what units in the organization require resources to accomplish the mission.
Identify resource requirement	Determine what resources will be required and how they will be allocated if the future mission is to be accomplished.
Involve employees	Those affected by downsizing should be involved in reviewing, modifying, and refining the downsizing strategies. Teams should be formed.
Involve customers	Keep customers informed of planned changes, and involve them in planning for downsizing.
Implement non-personnel cuts	Eliminate cost savings, waste, and inefficiencies in the organization before targeting headcount.
Downsize by outsourcing	Preserve employment, although not jobs, by outsourcing superfluous, non-central, or expensive work to outside suppliers.
Communicate	Keep everyone informed consistently, regularly, in multiple ways, and with as much information as possible.
Invest in the people	Treat people as human resources rather than as human liabilities by training, recognizing, and rewarding them before, during, and after downsizing.
Expect temporary slowdowns	By expecting temporary productivity drops or other short-term discomforts, a long-term perspective can be maintained for strategically positioning the organization for future success.

Table 3

Outcome Variables Used to Determine Units with the Highest and the Lowest Performance

As a result of downsizing:

INDICATOR OF PERFORMANCE	EXPLANATION
Quality	Quality is not sacrificed, errors and defects are less common, and absenteeism, tardiness, and turnover have decreased.
Loyalty and 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.
Conservatism	A short-term, crisis orientation and resistance to change have decreased. Creativity and work redesign have increased.
Conflict	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 has increased.
Participation	Decision 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 has decreased.
Effectiveness	The organization is now more effective than ever, and performance is higher than ever before.

Table 4

Differentiating the Highest Performing Organizations from the Lowest Performing Organizations

HIGHEST PERFORMING UNITS

Work processes are reorganized, systematic analysis occurs before a gradual implementation of downsizing

Visible, accessible, dynamic, motivational, visionary leadership

Access to information by all employees; clear, direct, and frequent communication to all affected by downsizing

Involvement of all employees in suggesting improvements, participating in designing and implementing downsizing

An opportunistic philosophy about downsizing where it is viewed as never-ending and where people are defined as resources

Equal attention is given to stayers and leavers in terms of training, coaching, and counseling

Using a wide variety of cost cutting measures

Adopting a process focus and using integrated teams

Personal accountability for driving out complexity, reducing costs, working faster, and always looking for ways to improve

Coordination across functions, suppliers, customers, Army units, and teams

LOWEST PERFORMING UNITS

Focused on eliminating jobs, functions, layers, temporary employees, products, services and relying on buyouts

Typified by various forms of organizational fat, including data fat, idea fat, procedure fat, career fat, belief fat, supervision fat, and time fat

Focused on transferring jobs, people, functions, units, and products or services out of the organization
Relying on attrition to reach downsizing targets

Defining downsizing as a threat, constraint, or unrealistic objective

Appendix A
Survey

**DOWNSIZING AND RESTRUCTURING AT
A Survey of Strategies, Practices, and Effects**

This survey is part of a study sponsored by the Army Research Institute on the current downsizing in the U.S. Army. Its intent is to examine ways in which manpower reduction is being planned, communicated, and implemented. The study is especially interested in the effects downsizing and cost cutting are having on individuals and on 's performance.

A random sample of individuals within I has been selected to complete this survey. Because not everyone will receive a survey, it is important that you complete it in order for the study to have a representative sample. No one will see your individual responses except a data analyst at the University of Michigan. All feedback reports provided to and the Army Research Institute will report only aggregated data. Results of the study will be available to all participants if they desire to receive them.

The survey is organized into five sections. It should take you no longer than 20 minutes to complete. Please answer each question. If you are unsure of an answer, try to make your best guess. When answering the questions, think of the division in which you work within . "Our organization" refers to your division.

Please write the name of your Division here: _____

Please write the name of your Directorate here: _____

**PLEASE MAIL THE SURVEY BACK TO THE UNIVERSITY OF MICHIGAN BEFORE
93. THANK YOU VERY MUCH IN ADVANCE FOR YOUR
COOPERATION.**

SECTION 1: Downsizing Processes

The items in this section refer to the way in which the current downsizing procedures are being implemented. Respond to the items based on the way your division is now, not as you'd like it to be. Please use the response scale below for your answers.

- 6 - Strongly Agree**
5 - Moderately Agree
4 - Slightly Agree
3 - Slightly Disagree
2 - Moderately Disagree
1 - Strongly Disagree

1. ____ Downsizing procedures have been handled fairly in our organization.
2. ____ As part of downsizing procedures, work processes have been reorganized so that performance has improved.
3. ____ Everyone in our organization is aware of our downsizing and cost cutting goals and how successfully they are being accomplished.
4. ____ Downsizing procedures have been implemented gradually after systematic planning and analysis.
5. ____ All employees have been involved in making suggestions about how work can be reorganized or improved.
6. ____ Careful analyses of tasks, processes, skills, and employee time-use were conducted in advance of implementing downsizing procedures.
7. ____ Compared to our organization before the downsizing announcements, we pay much more attention now to developing and cross-training people.
8. ____ Cross-functional and cross-level teams have been formed to address the information and implementation requirements of downsizing.
9. ____ Downsizing has been defined in our organization as an opportunity for significant improvement, rather than merely as a defensive reaction to economic pressures.
10. ____ Before the RIF, a variety of cost-cutting measures were instituted (e.g., hiring freezes, restricted overtime, leave without pay).
11. ____ Our organization's basic philosophy in downsizing is that employees are resources, not costs, so we invest in them instead of trying to eliminate them.
12. ____ Downsizing is viewed as a life-long, continuous activity, not as a project to be completed so things can get back to normal.
13. ____ Information about costs was widely shared with all employees prior to downsizing.
14. ____ An equal amount of attention has been given to those who retained their jobs as to those who lost their jobs as a result of downsizing.
15. ____ Top managers have remained accessible, visible, and forward-looking throughout the downsizing process.
16. ____ All actions taken in connection with downsizing initiatives were communicated broadly and frequently to all members of our organization.
17. ____ As part of the downsizing procedures, a clear vision of the future was articulated by top officers and leaders.
18. ____ The outplacement, retraining, career counseling, and benefit packages offered to those who volunteered to leave our organization were satisfactory to them.
19. ____ Personal coaching and counseling has been made available to everyone in order to help employees cope with organizational changes associated with downsizing.
20. ____ Visits to outside organizations by employees have helped provide ideas for changes and improvements associated with downsizing.
21. ____ We have set our own targets, deadlines, and strategies for downsizing, independent of the mandated targets handed down from above us.
22. ____ The mandate we received to downsize has been used as "muscle" to make changes that were needed in our organization anyway.

- 6 - Strongly Agree
- 5 - Moderately Agree
- 4 - Slightly Agree
- 3 - Slightly Disagree
- 2 - Moderately Disagree
- 1 - Strongly Disagree

- 23. ____ In our downsizing activities, we have closely coordinated with suppliers, customers, and the community.
- 24. ____ We have coordinated closely with other Army units outside () in our downsizing activities.
- 25. ____ Our organization design changes have been driven by bottom-up suggestions from employees rather than top-down management mandates.
- 26. ____ We have changed the way people are rewarded as part of our downsizing procedures.
- 27. ____ We have changed the way people are appraised as part of our downsizing procedures.
- 28. ____ Teams have been formed among management and non-management employees as part of our downsizing activities.
- 29. ____ On-going training is currently available to help survivors cope with downsizing changes.
- 30. ____ The announcement of the Reduction-in-Force was clear and direct, yet also empathetically delivered.
- 31. ____ Employees have participated in identifying what needed to change in this organization.
- 32. ____ Employees participated in designing the kinds of changes that were made.
- 33. ____ Employees have access to information on the performance of our organization so they know where improvement is needed.
- 34. ____ Throughout the downsizing, the leader in our organization has been dynamic and motivational.

- 35. ____ The leader in our organization has provided vision and initiative.
- 36. ____ New language or symbols were developed to reinforce the new vision or the new way of doing things.

Which of the following alternatives have been used in reducing the number of employees or reducing costs in your division? Please use the following scale for your responses:

- 6 - Used to a very large extent
- 5 - Used to a substantial extent
- 4 - Used to a moderate extent
- 3 - Used to a slight extent
- 2 - Used to a very slight extent
- 1 - Not used at all
- 37. ____ Involuntary layoffs
- 38. ____ Early retirements
- 39. ____ Regular retirements (attrition)
- 40. ____ Financial incentives (buyouts)
- 41. ____ Adding new work without adding staff
- 42. ____ Transfers within the organization
- 43. ____ Firing based on poor performance
- 44. ____ Transferring entire units out of the organization
- 45. ____ Transfers to outside organizations in the Army
- 46. ____ Temporary assignments in a job bank
- 47. ____ Retraining for different jobs within the same unit
- 48. ____ Reduced salaries of existing employees
- 49. ____ Hiring freezes
- 50. ____ Eliminated overtime
- 51. ____ Eliminated temporary workers and interns
- 52. ____ Cancelling contract services (i.e., maintenance, safety)

- 6 - Used to a very large extent
- 5 - Used to a substantial extent
- 4 - Used to a moderate extent
- 3 - Used to a slight extent
- 2 - Used to a very slight extent
- 1 - Not used at all

- 53. ____ Downgrading jobs
- 54. ____ Eliminating or transferring out functions
- 55. ____ Eliminating management levels
- 56. ____ Eliminating or transferring out jobs or tasks
- 57. ____ Eliminating or transferring out products or services
- 58. ____ Eliminating suppliers

How is downsizing being viewed by employees in your organization? Please use the scale below in responding.

- 6 - To a very large extent
- 5 - To a substantial extent
- 4 - To a moderate extent
- 3 - To a slight extent
- 2 - To a very slight extent
- 1 - Not at all

- 59. ____ Downsizing is a *target or goal* to be achieved.
- 60. ____ Downsizing is a *constraint or obstacle* to be overcome.
- 61. ____ Downsizing is an *opportunity* for improvement.
- 62. ____ Downsizing is a *solution* to a problem.
- 63. ____ Downsizing is a *threat* to our future success.
- 64. ____ Downsizing is an *unrealistic demand*.

SECTION 2: Downsizing, Speed, and Efficiency

The items in this section refer to ways in which downsizing has affected your use of time and the speed with which you do your work in your division. Please use the response scale below.

- 6 - Strongly Agree
- 5 - Moderately Agree
- 4 - Slightly Agree
- 3 - Slightly Disagree
- 2 - Moderately Disagree
- 1 - Strongly Disagree

- 1. ____ We are consciously trying to drive complexity out of all our systems in order to make our work simpler.
- 2. ____ All critical processes in our organization have been analyzed via process mapping or process flow diagrams.
- 3. ____ We know where the redundancies and inefficiencies are in our work processes.
- 4. ____ We know who our most important direct customers are and precisely what they expect of us.
- 5. ____ People in our organization feel personally accountable for reducing costs.
- 6. ____ Employees in our organization think of themselves as being part of an integrated stream of activities, not as part of a single unit or function.
- 7. ____ Most of our employees are trying to do their work faster and more efficiently now than before downsizing began.
- 8. ____ Every activity that does not link directly to the customer gets second priority in our organization.
- 9. ____ We have tried to eliminate all "wait time" or non-value added time from our sequence of work, so that we have a continuous flow of activities in producing and delivering our products and services.
- 10. ____ Feedback is sought continuously from customers so that quick adjustments can be made to any problems.

- 6 - Strongly Agree
- 5 - Moderately Agree
- 4 - Slightly Agree
- 3 - Slightly Disagree
- 2 - Moderately Disagree
- 1 - Strongly Disagree

11. ____ Most of the important work in our organization is accomplished by empowered teams that start and finish their work with no required hand-offs.
12. ____ When talking about the design of our organization, most employees will describe it in terms of its critical processes instead of its hierarchical organizational chart.
13. ____ Our organization measures the speed of new product development, production time, response time to customers, and decision making time.
14. ____ We have a measure of what happens to every hour's use in our organization.
15. ____ Even when things are running smoothly, we are never satisfied and are always looking for ways to make our work processes better.
16. ____ New technologies such as office automation or new information systems have helped reduce the number of employees required.

SECTION 3: Organizational Fat

To what degree are the following sources of "fat" present in your organization? *Organizational fat* refers to redundancy, waste, excess, and surplus. Please use the response scale below.

- 6 - To a very large degree
- 5 - To a substantial degree
- 4 - To a moderate degree
- 3 - To a slight degree
- 2 - To a very slight degree
- 1 - Not at all

1. ____ **Data Fat:** We have excess programs, unusable information, and more data than we need.
2. ____ **Idea Fat:** We have many non-implemented ideas and excessive discussion that occurs.

3. ____ **Procedure Fat:** We have excessive audits, documentation, required permissions, meetings, and paper.
4. ____ **Career Fat:** We have people interested in promoting their own careers and, therefore, pursue self-aggrandizement, self-centeredness, and individuality in place of teamwork.
5. ____ **Belief Fat:** We have many uninformed opinions, excess disagreement, and beliefs that aren't shared among our employees.
6. ____ **Training Fat:** We have unused, irrelevant, ineffective training that has little practical application to our daily work.
7. ____ **Supervision Fat:** We have too many administrators, too many sign-offs required, too little empowerment, and decision making that is too centralized.
8. ____ **Time Fat:** We have repetition and redundancy that wastes time, therefore, we are slow and less responsive to requests than we should be.
9. ____ **Learning Fat:** We have first-time learning going on redundantly in several locations and on a repeated basis which results in excessive re-learning of skills and information.
10. ____ **Launch Fat:** We have too many new programs, new initiatives, and new start-ups. A "program of the month" mentality exists.
11. ____ **Customer Fat:** We have an unfocused market in that we seem to be trying to please everyone, not focusing on our most important customers.
12. ____ **Supplier Fat:** We have too many suppliers, redundancy among suppliers, and excessive coordination being required with suppliers.

SECTION 4: Results of Downsizing

What have been the results or impacts of the downsizing implemented in your organization? Please use the response scale below.

- 6 - Strongly Agree**
- 5 - Moderately Agree**
- 4 - Slightly Agree**
- 3 - Slightly Disagree**
- 2 - Moderately Disagree**
- 1 - Strongly Disagree**

As a result of downsizing:

1. ____ Employee loyalty to the organization has decreased.
2. ____ Morale has decreased among organization members.
3. ____ Organizational politics and demands from special interest groups inside the organization have increased.
4. ____ Conflict has increased among groups and individuals.
5. ____ Top management seems to have now developed a short-term orientation.
6. ____ Experimentation and creativity have declined among employees.
7. ____ Criticism and complaints directed at top management have increased.
8. ____ People seem more resistant to change.
9. ____ People have become less willing to communicate and share information with others.
10. ____ Trust between employees and top management has declined.
11. ____ Decision making has been pushed farther up in the organization.
12. ____ This organization is now more effective than ever.
13. ____ The average supervisor has more direct subordinates.
14. ____ People work more hours per week now.
15. ____ Absenteeism, tardiness, and turnover have increased.
16. ____ Errors, mistakes, and rework are more common.
17. ____ Positive attitudes about this organization among employees have deteriorated.
18. ____ More people are dissatisfied with their level of pay.
19. ____ Employees generally feel that the downsizing has been administered equitably and fairly.
20. ____ Employees are more focused on protecting themselves than on working for the good of the organization.
21. ____ Employees are more interested in social relationships than task performance.
22. ____ Employees have narrowed their focus to their own tasks rather than the division or organization as a whole.
23. ____ Red tape and inefficiencies have been reduced.
24. ____ Communication occurs quicker and with fewer interferences.
25. ____ Ambiguity and uncertainty about the future have increased.
26. ____ Managers share power less and are more autocratic in decision making.
27. ____ Quality has been sacrificed in order to achieve downsizing goals.
28. ____ "Holes" were found where work was not assigned to anyone but needed to be done.
29. ____ Work was reassigned or redesigned.
30. ____ We are performing at a higher level than ever before.

Which aspects of your own job have changed as a result of downsizing? Please use the scale below in responding to each item.

- 6 - Strongly Agree
- 5 - Moderately Agree
- 4 - Slightly Agree
- 3 - Slightly Disagree
- 2 - Moderately Disagree
- 1 - Strongly Disagree

As a result of downsizing:

- 31. _____ Where I work has changed.
- 32. _____ With whom I work has changed.
- 33. _____ To whom I report has changed.
- 34. _____ How much work is expected has changed.
- 35. _____ How many hours I work has changed.
- 36. _____ How I do my work has changed.
- 37. _____ What work I do has changed.
- 38. _____ What rewards I get have changed.

SECTION 5: Personal Demographics

For research purposes we would like to gather some information about the characteristics of the respondents to this survey. This will not be used to identify you personally. Please check the appropriate space for each item below.

1. Gender:

- _____ Male
- _____ Female

2. Employment:

- _____ Civilian
- _____ Military

3. Career Stage:

- _____ GS1-4
- _____ GS5-10
- _____ GS11-13

_____ GS14-16

_____ SES

_____ Other: _____

4. Employment Tenure at _____ :

- _____ Employed less than 1 year
- _____ Employed 1-4 years
- _____ Employed 5-8 years
- _____ Employed 9-12 years
- _____ Employed 13-16 years
- _____ Employed more than 16 years

5. Marital Status:

- _____ Married for the first time
- _____ Remarried (was divorced or widowed)
- _____ Single and never married
- _____ Legally separated or filing for divorce
- _____ Divorced
- _____ Widowed

6. Number of Dependent Children:

- _____ None
- _____ One
- _____ Two
- _____ Three
- _____ Four
- _____ Five or more

Appendix B:

Factor Definitions

Factor	Definition
COMMUNICATION (.78)	Broad, frequent communication; access to information by all; everyone is aware; clear, direct, empathetic announcement; cost data shared.
LEADERSHIP (.86)	Visible, accessible, motivational initiating leader with clear vision.
INVOLVEMENT (.88)	Employees suggest change, reorganization, participate in plans, implement changes, and visit outside organizations for ideas.
ADVANCED ANALYSIS*	Analysis of processes, work, time, and outcomes in advance of downsizing.
PRE-COST CUTTING*	Cut various cost before headcount reductions.
GRADUAL & FAIR (.75)	Procedures were fair, gradually implemented, and processes were reorganized.
COORDINATION (.81)	Supplier and customer, outside Army organization, and cross-functional coordination; cross-functional, management, and non-management teams.
PHILOSOPHY (.64)	Downsizing is an opportunity and life-long, people are resources.
SUPPORTIVENESS (.78)	Benefits to leavers; equal attention to stayers and leavers; coaching, counseling, development, and training provided.
HR CHANGES (.70)	Change is rewards, appraisals, language, and symbols.
PROACTIVITY (.59)	Set own targets and deadline, and use downsizing as muscle to accomplish own goals.
ACTIVELY ELIMINATE (.74)	Use layoffs, early retirements, buyouts, firings, and eliminate overtime, temporaries, contract services, functions, levels, jobs and tasks, products and services, and suppliers.
TRANSFER (.75)	Transfer within the organization, to a unit outside the organization, within the Army, downgrade jobs, transfer functions, management levels, and products and services.
DEVELOP TECHNOLOGY*	Develop technology to replace people.
ATTRITION*	Eliminate headcount via attrition.
ADD WORK NOT JOBS*	Add new work without adding commensurate positions.

JOB BANK*	Move workers into a job bank.
CUT SALARIES*	Reduce the salaries of current employees.
HIRING FREEZE*	Refuse to replace any workers who left the organization.
POSITIVE VIEW (.64)	View downsizing as a goal, opportunity, and solution.
NEGATIVE VIEW (.81)	View downsizing as a constraint, threat, and unrealistic objective.
CONTINUOUS IMPROVE (.67)	Never satisfied and continuously driving out complexity, working faster and more efficiently, and holding everyone accountable.
PROCESS ANALYSIS (.64)	Analyze work with flow diagrams, know redundancies, and eliminate wait time.
PROCESS FOCUS (.55)	Integrate a stream of activities, redesign processes, and teams do the work.
MEASUREMENT (.70)	Measure speed, time, use of each hour, outcomes.
CUSTOMER FOCUS (.59)	Know customers and expectations, make it easy to get customer feedback, and maintain direct customer linkages.
ORGANIZATION FAT1**	Excesses and redundancies in data, ideas, procedures, career goals, beliefs, supervision, and time.
ORGANIZATION FAT2**	Excesses and redundancies in training, learning, launches, customers, and suppliers.
CONFLICT & POLITICS (.81)	Increased conflict, organizational politics, and criticism of management.
LOYALTY (.71)	Decreases in morale, loyalty, trust, positive attitudes, pay satisfaction, and perceptions of fairness.
CONSERVATISM (.71)	Short-term orientation, no creativity, and resistance to change.
INFORMATION SHARED (.60)	Less information shared and slower more interrupted communication.
PARTICIPATION (.53)	Decisions are pushed upward, less power sharing and empowerment.
QUALITY (.77)	More errors, mistakes, absenteeism, tardiness, and sacrificed quality for downsizing.
SELFISHNESS (.75)	Self-protection and focus on own position not the organizational good.
MORE WORK HOURS*	More hours and worked by employees.

RED TAPE*

More red tape, blockages, and bureaucracy.

EFFECTIVENESS (.62)

Higher organizational effectiveness, higher levels of output and service performance.

CHANGE WORK SITE**

Downsizing caused changes in where the work is done, with whom, and to whom it is reported.

CHANGE WORK FORM**

Downsizing caused changes in how much work is expected, how many hours are worked, how the work is done, and what work is done.

** Single item factor.*

*** Factor formed by rotated orthogonal factor analysis.*

Appendix C

Descriptive Statistics for Survey Factors

PREDICTORS

Variable	Mean	sd	Min.	Max.	N
COMMUNICATION	3.60	1.18	1.00	6.00	229
LEADERSHIP	3.68	1.39	1.00	6.00	229
INVOLVEMENT	2.36	1.20	1.00	6.00	229
ADVANCED ANALYSIS	2.76	1.60	1.00	6.00	226
PRE-COST CUTTING	5.05	1.22	1.00	6.00	223
GRADUAL & FAIR	3.60	1.30	1.00	6.00	229
COORDINATION	3.05	1.23	1.00	6.00	229
PHILOSOPHY	3.57	1.21	1.00	6.00	229
SUPPORTIVENESS	3.50	1.13	1.00	6.00	229
HR CHANGES	2.92	1.36	1.00	6.00	228
PROACTIVITY	3.07	1.28	1.00	6.00	228
ACTIVELY ELIMINATE	2.62	0.83	1.00	6.00	229
TRANSFER OUT	2.22	0.89	1.00	6.00	227
DEVELOP TECHNOLOGY	3.79	1.52	1.00	6.00	226
ATTRITION	3.87	1.64	1.00	6.00	227
ADD WORK NOT JOBS	4.58	1.63	1.00	6.00	227
JOB BANK	1.76	1.26	1.00	6.00	224
RETRAIN TO OUTPLACE	2.27	1.40	1.00	6.00	226
CUT SALARIES	1.19	0.78	1.00	6.00	224
HIRING FREEZE	5.72	0.90	1.00	6.00	229
POSITIVE VIEW	2.68	1.33	1.00	6.00	227
NEGATIVE VIEW	3.93	1.51	1.00	6.00	228
CONTINUOUS IMPROVE	3.51	1.18	1.00	6.00	228
PROCESS ANALYSIS	3.40	1.24	1.00	6.00	228
PROCESS FOCUS	3.40	1.26	1.00	6.00	228
MEASUREMENT	3.20	1.51	1.00	6.00	227
CUSTOMER FOCUS	4.22	1.26	1.00	6.00	228
ORGANIZATION FAT1	3.70	1.24	1.00	6.00	227
ORGANIZATION FAT2	2.60	1.17	1.00	6.00	227

OUTCOMES

CONFLICT & POLITICS	3.13	0.64	1.00	4.33	225
LOYALTY	3.47	0.67	1.83	6.00	226
CONSERVATISM	3.57	0.57	2.25	5.50	226
INFORMATION SHARED	3.16	1.28	1.00	6.00	226
PARTICIPATION	3.36	0.92	1.00	6.00	225
QUALITY	3.20	0.81	1.00	5.67	226
SELFISHNESS	3.25	0.74	1.00	6.00	226
MORE WORK HOURS	2.80	1.62	1.00	6.00	224
RED TAPE	2.66	1.48	1.00	6.00	226
HOLES IN PROCESS	3.59	1.63	1.00	6.00	223
EFFECTIVENESS	3.02	1.31	1.00	6.00	225
CHANGE WORK SITE	3.38	0.45	1.75	4.67	226
CHANGE WORK FORM	3.60	0.66	2.33	6.00	226