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William Mckinley, Mark A. Mone and Vincent L. Barker, III

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ESSAYS

Some Ideological Foundations of Organizational Downsizing

WILLIAM MCKINLEY
Southern Illinois University at Carbondale

MARK A. MONE
VINCENT L. BARKER III
University of Wisconsin–Milwaukee

This article explores the ideological foundations of organizational downsizing in the 1990s and focuses on the ideology of employee self-reliance and the ideology of debureaucratization. We document these two managerial ideologies by examining business press articles and popular management literature in which they are being promulgated. Based on past organizational research that has traced the effects of ideologies on organizations, we argue that these two ideologies increase the likelihood of downsizing. This theoretical framework is developed, and its implications for future research, management practice, and government policy are discussed.

A large body of evidence suggests that America's largest corporations are implementing a dramatic workforce reduction that is virtually unprecedented in its size and scope (e.g., Capelli, 1992; *The Downsizing of America*, 1996; Kozlowski, Chao, Smith, & Hedlund, 1993; "Making Companies Efficient," 1996). By Littler, Bramble, and McDonald's (1994) estimate, 5.6 million employees lost permanent jobs in the United States between 1987 and 1991. Most of the academic literature on downsizing has focused on the consequences of downsizing for organizations and their employees. For example, theoretical papers have analyzed the structural effects of downsizing (DeWitt, 1993; Sutton & D'Aunno, 1989; McKinley, 1992) and the relationship between downsizing and organizational redesign processes (Freeman & Cameron, 1993). More practitioner-oriented articles have described best practices for managing down-

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sizings or layoffs (Cameron, Freeman, & Mishra, 1991; Feldman & Leana, 1994) and have also reviewed the effects of layoffs on the work performance of layoff survivors (e.g., Brockner, 1988; Brockner, Grover, Reed, & DeWitt, 1992). Yet, with the exception of work such as that by DeWitt (1998) and Budros (1997), the downsizing literature has paid less attention to the antecedents of downsizing and how these causes have changed over the past few decades. This article helps address this gap by discussing one of the important contributors to organizational downsizing in the 1990s: managerial ideologies. Although managerial ideologies certainly do not explain all the variance in the level of downsizing, we believe that they are emerging as a critical legitimizing agent for downsizing at the end of the millennium.

Historically, of course, for-profit organizations have always experienced downsizing, especially when faced with financial crises or declining demand for their products or services. The corporate decline and turnaround literature shows that when confronting substantial profit declines, managers often respond with some form of retrenchment that includes a reduction in employees (DeWitt, 1998; Hambrick & Schecter, 1983; Hofer, 1980; Robbins & Pearce, 1992). The economic logic for such downsizing seems compelling to managers: When profits are constrained, firms need to reduce fixed costs such as employee wages or quickly find new sources of revenue (Hofer, 1980). Thus, downsizing can be seen as a rational economic response to corporate financial troubles.

However, observers have noted recently that downsizing is now being implemented at profitable organizations that do not face actual or impending revenue declines (Byrne, 1994; Leana & Feldman, 1992; Murray, 1995; Thurow, 1996). We confirmed this observation by analyzing annual employment and revenue changes of all U.S.-based, publicly-traded firms with more than 5,000 employees from 1979 through 1996 (see Figure 1).[1] The first trend in Figure 1 is a correspondence between revenue declines and downsizing. For example, the early 1990s recession was associated with declining rates of revenue growth and increased rates of downsizing. A second trend in Figure 1 is an increase in the base rate of downsizing over time that seems unrelated to revenue changes. For example, in the late 1970s, which was a period of moderate-to-high revenue growth for large firms, fewer than 10% of these large firms were downsizing significantly. The years 1986 though 1989 saw average annual revenue growth rates greater than those in the late 1970s, yet the rate of downsizing never dropped below 15%. At a rate twice as high as the late 1970s, the mid-1990s witnessed approximately 20% of large firms annually reducing their headcount by 5% or more. This high rate occurred despite the fact that large firms were experiencing record revenue gains relative to the 20-year period. Thus, it appears that in the 1990s, more firms are downsizing in spite of revenue gains.

Why are more seemingly healthy organizations with growing revenues downsizing in the 1990s? Although few data address this question, our review of the respective contemporary management and macroeconomics literature suggests that downsizing is seen as a way for healthy firms to become more productive and efficient. This productivity drive is often portrayed as a response to global competition or to hypercompetitive environments that dictate greater levels of corporate speed and efficiency (D'Aveni, 1994). In this discourse, large organizations are pictured as slow and inefficient, whereas downsizing is said to create organizations that are more productive, agile, and flexible (e.g., Byrne, 1994). Consultants urge managers to make over their organizations to be lean and stay lean, thus removing and keeping off the figurative fat that keeps them from being competitive (Tomasko, 1987). In other cases, the drive for productivity and efficiency is viewed as a reaction to high rates of corporate takeovers and stock market manipulations (Hirsch, 1987). Such conditions can lead managers to restructure their firms even when revenues and profits are robust.

However, despite individual corporate claims, there is very little systematic evidence that downsizing at healthy companies actually makes them more competitive, profitable, or cost-efficient. In studies that compare downsizing and nondownsizing firms, researchers have concluded that downsizing firms are subsequently less profitable (De Meuse, Vanderheiden, & Bergmann, 1994) or no more productive, profitable, or efficient (Baily, Bartelsman, & Haltiwanger, 1994; Cascio, Young, & Morris, 1997; Mentzer, 1996) than firms that do not downsize. Research has also shown that downsizing hampers new product development and can negatively affect a firm's competitive position (Dougherty & Bowman, 1995). Finally, a significant body of evidence indicates that downsizing often is implemented in a manner that reduces employee morale and commitment while increasing alienation and turnover (e.g., Brockner et al., 1992; Cascio, 1993; Mone, 1994; O'Neill & Lenn, 1995).

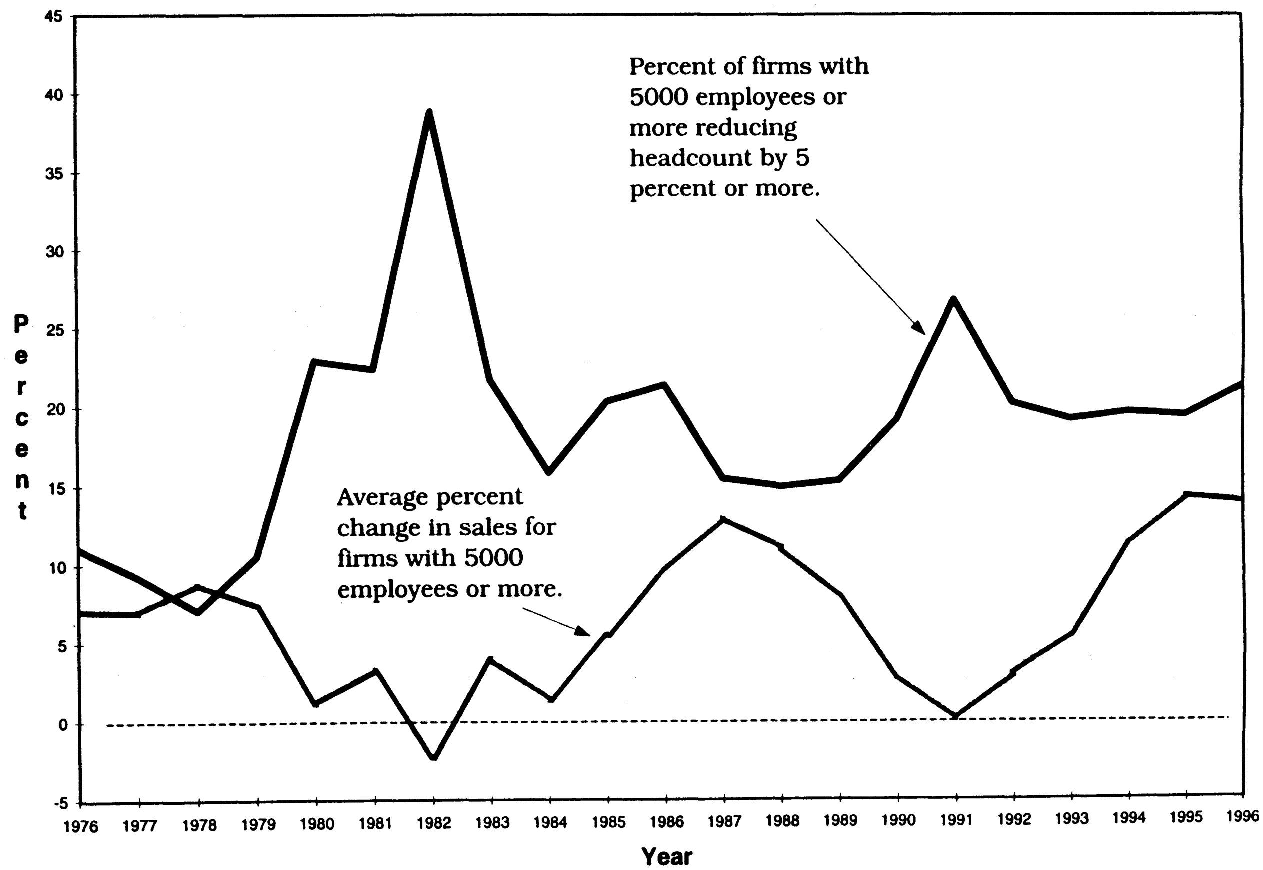

Figure 1: Annual downsizing and sales change patterns of U.S. firms with more than 5000 employees

Although we do not doubt that some individual corporations have benefited from downsizing, research examining the outcomes of downsizing questions whether the downsizing currently occurring at healthy companies makes them more efficient and competitive. The lack of empirical support for the benefits of downsizing reemphasizes the persistent question of why the top managers of U.S. corporations and government agencies are continuing to embrace downsizing so enthusiastically. Recently, McKinley, Sanchez, and Schick (1995) built on institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) to provide a response to the "Why downsizing?" question. McKinley et al. (1995) argued that downsizing is influenced by the same social forces that affected the spread of organizational practices like civil service reform (Tolbert & Zucker, 1983), the multidivisional corporation (Palmer, Jennings, & Zhou, 1993), and the hostile takeover (Hirsch, 1986). Prominent among those social forces are a mimetic response to uncertainty (DiMaggio & Powell's [1983] mimetic isomorphism) and a social constraint to adopt institutionalized, order-creating routines (DiMaggio & Powell's coercive isomorphism). The core of McKinley et al.'s (1995) argument is that downsizing has become a taken-for-granted strategy that is conducive to the maintenance and display of organizational legitimacy. Similarly, the effect of interorganizational relationships on responses to uncertainty may partially explain how downsizing spreads. Theory supported by findings from Davis (1991) and Haunschild (1993), for example, that demonstrate how poison pills, mergers, and acquisitions are conditioned by interlocking directors could be extended to interpret the growth of organizational downsizing.

This article continues the budding effort to explore such social drivers of organizational downsizing, concentrating particularly on two managerial ideologies that are developing in tandem with the downsizing wave. These two ideological currents are labeled here the *ideology of employee self-reliance* and the *ideology of debureaucratization*. Our core argument is as follows: To the extent that these managerial ideologies are promulgated and reinforced by economic, social, and political forces, we see managers as more inclined to believe that downsizing is an acceptable and possibly appropriate strategy. We first discuss the general functions of managerial ideologies and then review their regulatory and uncertainty reduction functions. Next, the ideology of employee self-reliance and the ideology of debureaucratization are described, and evidence for their existence is presented. We argue that each of these ideologies creates a cognitive context that is favorable to downsizing and that helps to legitimate it as an appropriate organizational strategy. After presenting the details of this argument, we discuss implications for management practice and government policy as well as for future empirical research on downsizing.

This essay offers several unique contributions to the current scholarly literature on organizational downsizing and layoffs. First, by explicitly directing attention to ideological sources of downsizing, the essay helps rectify past de-emphasis of this topic. We believe that the ideologies detailed in this article create an environment conducive to downsizing but we emphasize that they are only part of the complex multivariate process that is propelling corporate and government restructuring in the 1990s. Second, by stressing ideologies, this article raises questions of meaning that have not been dealt with in past work on downsizing. How do top managers construct (Berger & Luckmann, 1967) the phenomenon of downsizing, and how do their ideological preferences affect this meaning-making process? Is downsizing used by the CEOs of large corporations because it is viewed as a painful but necessary financial tonic or because it is consistent with ideological shifts that are taking place in the 1990s executive suite? What are the implications of the social construction process for the future incidence of downsizing in large firms and government agencies? Finally, with respect to management practice, this article suggests that downsizing will be a significant part of the organizational landscape in the United States for some time to come. To the extent that social and ideological forces are drivers of downsizing, downsizing can be expected to persist somewhat independently of changes in economic or financial conditions.

THE FUNCTIONS OF IDEOLOGIES

In this article, we begin with Beyer's (1981) definition of ideologies, which are "relatively coherent sets of beliefs that bind some people together and that explain their worlds in terms of cause-and-effect relations" (p. 166). However, where Beyer distinguished ideologies from values, we consider managerial ideologies to contain both value-laden and normative components. Past scholars have contended that stronger ideologies tend to be more correlated with values (Blau, 1977; Williams, 1970). We submit that managerial ideologies, drawn from and influenced by a distinct cultural milieu, discrete historical context, and relatively powerful constituencies (e.g., Wall Street, governmental regulatory bodies, consumers), are characterized by strongly held beliefs regarding causal assumptions and outcomes that are difficult to separate from values.

Previous organizational research indicates that managerial ideologies have several functions in organizational settings (Bendix, 1956). In the first place, managerial ideologies serve to regulate and direct managers' behavior. For example, Meyer (1982a, 1982b) pointed out how ideologies guided hospital administrators' responses to the jolt of a doctors' strike. One hospital whose administrators espoused a "lean and hungry" (Meyer, 1982b, p. 45) ideology reacted quite differently to the strike than a second hospital characterized by an ideology of "entrepreneurial pluralism" (Meyer, 1982b, p. 46). In addition, Meyer (1982a) reported significant correlations between measures of managerial ideologies and the size of employee layoffs during the strike. Beyer (1981) also emphasized the regulatory role of ideologies and noted that ideologies have a broad influence on how managers define problems and make decisions. Correspondingly, Barley and Kunda (1992) showed how types of management control have varied with repetitive shifts in managerial ideology between opposite poles. Finally, Hirsch (1986) pointed out how ideologies and metaphors about the hostile takeover helped to gain acceptance of this practice, even among executives who stood to lose status through takeovers of their corporations.

A second function of ideologies in organizations that is closely related to the first is uncertainty reduction. Managerial ideologies provide standardized interpretations of the environment, lowering uncertainty about what's "out there" and reducing information processing requirements (Beyer, 1981). The reduction of information-processing requirements permits managers to operate in environments characterized by chronic information overload (see Kiesler & Sproull, 1982; Schick, Gordon, & Haka, 1990). Blau and McKinley (1979) emphasized the uncertainty reduction function of ideologies or work motifs in architecture firms. They found that work motifs that espoused aesthetics and serving users' needs were influential in firms characterized by high uncertainty. The uncertainty-reduction role of ideologies may explain their attractiveness to managers and the salience of ideological effects on administrative behavior (Hirsch, 1986; Meyer, 1982a). Any cognitive tool that helps one survive in an environment that is chaotic yet requires continual interpretation is bound to be appealing.

Third, ideologies help managers resolve an important puzzle that faces them on a daily basis—the inconsistency between the norm of rationality and the norm of rapid action. Thompson (1967) emphasized that contemporary organizations operate under norms of rationality: There is a strong expectation that their actions will be directed toward specific goals and will permit at least moderately effective attainment of those goals. As Thompson (1967) put it, "Millions live each day on the assumption that a reasonable degree of purposeful, effective action will be forthcoming from the many complex organizations on which they depend. Planned action, not random behavior, supports our daily lives" (p. 8). Yet at the same time, managers in the 1990s are increasingly subject to the conflicting norm that their actions should be rapid. This is because of the continually espoused need for flexibility in hypercompetitive environments (e.g., D'Aveni, 1994) and the pressure for fast strategic decision making and fast adaptation (Eisenhardt, 1989; Eisenhardt & Tabrizi, 1995). The problem of adhering to norms of rationality—which takes time for analysis and search—while simultaneously conforming to norms of rapid action is partially solved by ideologies. Ideologies offer prelegitimized guidelines that can be brought into play quickly, ensuring economy of action and also preserving at least the appearance of rationality. Similar to the function of uncertainty reduction, this function can be expected to enhance the appeal of ideologies to the working manager.

THE IDEOLOGY OF EMPLOYEE SELF-RELIANCE

The first managerial ideology is one we term the ideology of employee self-reliance. This ideology is currently being articulated in the pages of the business press and in books written by management consultants for an executive audience. The practitioner discourse is taking place against the background of increasing scholarly interest in the changing nature of the social contract between employees and their organizations (e.g., Altman & Post, 1996; Arthur & Rousseau, 1996; Hirsch, 1987; Robinson, 1996; Rousseau, 1995). One of the most explicit descriptions of the ideology of employee self-reliance is presented in a recent *Fortune* article entitled "The New Deal" (O'Reilly, 1994). In this article, O'Reilly reports that a number of major U.S. corporations are beginning to abandon the traditional social contract between firm and employee, which trades employee loyalty for job security. Increasingly, top managers are de-emphasizing loyalty and expecting employees to be responsible for their own employability, including obtaining the training needed to win new assignments within the corporation. Top management is also backing away from responsibility for job preservation, arguing that the traditional guarantees of job security can no longer be maintained in a harshly competitive environment (O'Reilly, 1994). In a concise exposition of this normative position, O'Reilly (1994) cites a bank executive's response to a middle-aged employee whose job had just been eliminated: "He acted like we owe it to him to deliver a new job. We don't" (p. 46).

The ideology of employee self-reliance is manifested in a somewhat different form in an interview with William Morin, CEO of the consulting firm Drake Beam Morin (Sorohan, 1994). Morin also argues that the traditional employee/employer contract is no longer viable, because it was based on premises of stability that do not apply in the current business environment. In a reference to the declining influence of socialism, he states, "You cannot have companies become socialist entities. No one will ever take care of us forever" (Sorohan, 1994, p. 30). Morin urges corporations to replace the traditional social contract with a relationship of nondependent trust that is fostered by hiring self-reliant employees and using more contract workers.

Yet another version of the ideology of employee self-reliance appears in a book by management consultant David Noer. Noer (1993) borrows the model of codependency that has been used in the treatment of alcoholics and drug addicts and applies it to the traditional relationship between corporations and their employees. The social contract founded on the loyalty/security bargain is characterized as "toxic fidelity" (Noer, 1993, p. 171) and employees are urged to empower themselves to move beyond this codependency. Such empowerment will be facilitated, Noer

(1993) argues, by concentrating on doing "good work" (p. 139) rather than on becoming committed to an organization or a boss. Interestingly, Noer's negative framing of the loyalty/security exchange converts layoffs from a social problem to a psychological cure. In fact, Noer includes several vignettes in his book that describe how employees have benefited from the self-actualization forced on them by layoffs. In concluding one such vignette, Noer states that "[Juanita] has become a much more integrated and congruent person since she became a layoff victim" (p. 5). Hakim (1994) echoes Noer's message when he argues that employees should conceive of themselves as self-employed. Dependence on the corporation is described as impure, and the reader is counseled to become self-reliant by investing his/her work with passion. Strangely, the peripatetic Juanita makes a reappearance in Hakim's book. Noer's (1993) and Hakim's (1994) Juanitas share the attribute of self-liberation through layoffs: "Laid off from her software engineering position, Juanita felt confused but relieved. 'The buyout,' she said, 'gave me a chance to explore who I am and what I want, independent of the company' " (Hakim, 1994, p. 80).

The ideology of self-reliance being developed in these outlets has potential benefits for the employee, helping him or her adjust to an environment in which downsizing is chronic (Hirsch, 1987; Noer, 1993). At the same time, we argue that the ideological prescriptions help create the environment, because they weaken the social ties between the employee and the corporation and therefore make downsizing easier to implement. This argument is consistent with Meyer's (1982a) observation that "ideologies also shape their adherents' worlds. They legitimize certain actions, render other actions heretical, and create meanings for events that have yet to occur" (p. 530). If an ideology of employee self-reliance becomes institutionalized among top managers, they will experience fewer ethical qualms about enacting downsizing when it seems warranted by competitive conditions.

Furthermore, we believe that the ideology can change employees' and employers' perceptions about the appropriateness of long-term organizational commitment to job preservation. This is reflected in a remark by a survivor of the Chase/Chemical merger: "I can't imagine any corporate entity owes anyone a career" (quoted in Kleinfield, 1996, p. A10). By reducing employee expectations that top managers will maintain job security, the ideology of employee self-reliance helps open the door to downsizing as a legitimate corporate strategy. From the contracts perspective employed by scholars like Morrison and Robinson (1997), Robinson (1996), and Rousseau (1995), the ideology of employee self-reliance removes traditional job security from the psychological contract between the employee and the corporation. This lowers the chances that employees and employers will perceive downsizing and resulting job loss as a contract breach, thus buffering downsizing programs from the negative employee responses that typically follow contract breach and violation (Morrison & Robinson, 1997; Robinson, 1996). Again, to the extent that the ideology of self-reliance changes perceptions in this manner, the result is a smoother, rationalized path to future downsizing.

Finally, the self-reliant employee has less of a normative claim on financial assistance from his or her employer in the event of job loss, and this will lower employee expectations about the appropriate level of expenditures for severance, outplacement assistance, and other transition benefits. We believe that the result will be a reduction of the cost barriers to downsizing, which are often quite high in the case of significant job reduction programs (e.g., Gerhart & Trevor, 1996). The upshot of the causal processes outlined above is an ideological climate in which employees' social links to the organization are eroded, and the taken-for-granted status of downsizing (McKinley et al., 1995) is enhanced. The role that the ideology of employee self-reliance plays in rationalizing downsizing is also clear in the positive spin that the ideology imparts to layoffs as a liberation and self-actualization device (e.g., Hakim, 1994; Noer, 1993).

THE IDEOLOGY OF DEBUREAUCRATIZATION

The second managerial ideology we examine is the ideology of debureaucratization. Although bureaucracy has been characterized as the most efficient form of organization (Langton, 1984; Weber, 1947) and as a dynamically adaptive system (Blau, 1955), the history of the term *bureaucracy* has been marked by a great deal of ambivalence. Weber (1958) himself described the rationalist order as an "iron cage" that might imprison mankind "until the last ton of fossilized coal is burnt" (p. 181). Cohen (1965) portrayed bureaucracy as demonic, and Ritzer (1993), reprising Weber's analysis, argued that there is an irreversible trend toward depersonalizing bureaucratization (McDonaldization) in contemporary society. These observers of bureaucracy appear to view bureaucracy as a necessary evil. By contrast, those authors promoting the ideology of debureaucratization (e.g., Peters, 1987; Pinchot & Pinchot, 1994) are more radical, because they advocate the destruction of bureaucracy or its transformation into alternative modes of organizing.

Although the need for debureaucratization is typically portrayed as an inevitable consequence of increasingly uncertain environments (Peters, 1987), it is worth pointing out that the ideology of debureaucratization has a number of precedents in organization and cultural theory. For example, the rise of structural contingency theory in the 1960s and 1970s helped problematize the Weberian notion of bureaucratic organization as the universal means (the "one best way") of administering collective action. Contingency theory proposed that under conditions of high uncertainty, organic structures characterized by high information processing capacity, decentralization, and destandardization were more effective than bureaucratic control (Schoonhoven, 1981; Tushman & Nadler, 1978). In one version of contingency theory, Cheng and McKinley (1983) even stated that "as the level of uncertainty increases, bureaucratic control will become less functional for organization performance, and will become actively dysfunctional in high-uncertainty situations" (p. 88). Contingency propositions of this sort may have contributed to eroding scholarly consensus about the virtues of bureaucracy, although it is doubtful that Cheng and McKinley or other contingency theorists ever intended such an outcome.

Beyer (1981) hints that the same effect may have resulted from the development of the self-design literature in the 1970s (e.g., Hedberg, Nystrom, & Starbuck, 1976; Weick, 1977). Beyer's (1981) description of this literature is worth quoting at length:

> All of these models [organizations as self-designing systems] imply a need for radical redesign of organizations, and seem to call for the formation of new meta-ideologies and meta-values that recognize the need for some mechanisms internal to organizations to ensure that organizations keep changing. . . . These models assume that most organizational environments are turbulent . . . [and] claim that alternative structures and processes would work better than bureaucratic ones, almost as if nothing could be worse than stable bureaucracies. (p. 195)

The organizational self-design work may have planted seeds of doubt about the effectiveness of bureaucracy, although the intention of this literature was probably not a blanket condemnation of bureaucracy. The literature was motivated by a desire to promote alternatives to bureaucracy that would be appropriate under some conditions, but Beyer's (1981) observations suggest that the subtleties of contingency may have become lost over time.

The specific managerial ideology of debureaucratization is currently being promulgated in a number of books and articles aimed at the ranks of corporate executives. One of the most salient examples of these is Peters's (1987) book, *Thriving on Chaos*. Never one to mince words, Peters issues clear marching orders: "The campaigns against bureaucracy must become strategic priorities of the first order" (p. 453). Peters then goes on to list a series of bureaucratic ills that must be done away with: excessive red tape, thick manuals of procedures, memo-writing, reserved parking spaces, and so on. At another point in the book, Peters urges all within range of his voice to become an energetic "bureaucracy-basher" (p. 555). Note that bureaucracy as used by Peters is a very broad, loosely defined concept. It therefore enjoys the advantages that linguistic ambiguity and scope provide in the managerial language game (Astley & Zammuto, 1992). Bureaucracy (or rather its destruction) serves as a point of integration for diverse organizational coalitions with multiple interests. Peters's (1987, p. 556) recommendations are consistent with this interpretation: He advocates fun, participative gatherings for organizational employees in which memos and procedure manuals are burned or buried in caskets.

Another version of the ideology of debureaucratization, somewhat less colorful than Peters's, is found in the work by Pinchot and Pinchot (1994). These authors argue that bureaucracy represses individual liberty: "Within the more bureaucratic organizations, work life more closely resembles life in a totalitarian state than life in a free nation" (Pinchot & Pinchot, 1994, p. xv). The prescription for ending the slavery imposed by bureaucracy is to get rid of administrative hierarchy and convert the corporation into a network of liberated teams. These teams are supposed to engage in intrapreneuring, or the exchange of goods and services in an internal free market. The result will be an organization that is more lively and caring than bureaucracy and will fully engage the intelligence of every employee in the task of serving customers. The libertarian values of Pinchot and Pinchot's book echo the emphasis on liberation that threads through Peters's (1987) work and also through a recent essay by the management scholar Harold Leavitt (1996).

A political version of the ideology of debureaucratization is prominent in the antigovernment rhetoric of many 1990s politicians, particularly the House Republicans and their Contract With America. In summarizing the Contract, Gillespie and Schellhas (1994) ask, "Isn't it time we got Washington off our backs?" (p. 125). In the next paragraph, they continue, "To free Americans from bureaucratic red tape, we will require every new regulation to stand a new test: Does it provide benefits worth the cost?" (p. 125). Bureaucracy and, more specifically, regulations are then blamed for a number of problems, including slow economic growth, lack of job creation, stifled entrepreneurship, and threats to the competitiveness of American business (Gillespie & Schellhas, 1994, p. 128). As is true in the other versions of the ideology of debureaucratization, bureaucracy functions in part as a scapegoat that is used to explain the otherwise incomprehensible problems that are seen as chronic in American society.

In its different manifestations identified above, the ideology of debureaucratization is consistent with the strategy of organizational downsizing. For example, the ideology evaluates administrative hierarchies negatively and recommends the reduction or elimination of hierarchies as one of its major subtexts (e.g., Pinchot & Pinchot, 1994). In destroying hierarchies, middle managers are almost inevitably displaced from their jobs (Cappelli, 1992), and the workforce of the organization is reduced. In the past decade there has been growth in white-collar downsizing, often focused on corporate staffs, as opposed to blue-collar layoffs of production personnel (Cameron et al., 1991). This is also predictable under an ideology of debureaucratization, because the ideology tends to view corporate staffs as undesirable bureaucratic monopolies (Pinchot & Pinchot, 1994). Whether such white-collar downsizing leads to better organizational performance is not at issue here; our only point is that the ideology of debureaucratization creates pressure for restructuring initiatives that usually result in downsizing. Such restructuring efforts may be pyrrhic in that bureaucratic elements may be jettisoned, but ironically, the coordinating mechanisms required for organizational functioning may also be lost. Independent of bureaucracy, all organizations generally require processes ensuring, for example, standardization, coordination, and clear communications.

The ideology of debureaucratization also places a positive value on smallness, as revealed in the following passage from Pinchot and Pinchot (1994):

> We have seen entrepreneurial businesses linked in many partnerships and collaborations that outperform big, well-managed corporations. We have seen more important changes coming from small, low-budget nonprofit experiments than from the most well-intentioned government agencies. We know that idealistic bureaucratically administered third-world "development" projects often have negative effects, while social miracles are put in motion by local small-scale empowerment projects. (p. xix)

The same positive view of smallness and distrust of bigness are an important part of the political version of the ideology of debureaucratization. Big government agencies are cast as the enemy of job creation and economic growth, whereas small business is seen as the engine of these desirable outcomes (Gillespie & Schellhas, 1994). The message seems to be that if one can get small, one will share in the benefits of flexibility, vitality, and competitiveness. Again, the logical implication of this prescriptive framework is the downsizing of organizations.

We do not mean to imply that managers are ideological robots who are blindly following consultants' or politicians' rhetoric to the exclusion of all other considerations. As Thompson (1967) suggested, managers do try to be technically and economically rational within the local contexts faced by their organizations. In deciding whether to increase or reduce the workforce, we believe that most managers make a good-faith effort to predict the consequences of their choices for concrete performance targets. The problem is not managerial intent, but uncertainty: The ability to anticipate the outcomes of a particular choice with any degree of certainty is limited. This is particularly true for downsizing, given its unpredictable record in reducing costs, increasing profits, and producing other tangible financial benefits (Cascio, 1993; McKinley et al., 1995; Mentzer, 1996). Under such conditions, ideologies like the ideology of debureaucratization or the ideology of employee self-reliance reduce uncertainty, investing decisions to downsize with an aura of rationality and cognitive comfort. When the norm of rationality collides with the norm of rapid action, as described earlier, managerial ideologies can tip the balance of decision and facilitate rapid choices. This helps account for the fact that downsizing is spreading rapidly in an ideological climate that is placing an increasing emphasis on debureaucratization and employee self-reliance.

We suggest that, although conceptually distinct, the ideology of employee self-reliance and the ideology of debureaucratization have elements in common. Although they differ in the level of analysis to which they apply, a common theme is devolution and internalization of control by the individual employee. In the case of the ideology of employee self-reliance, the message to the employee is as follows: You should no longer rely on the organization but need to rely on yourself instead. The ideology of debureaucratization links devolution and internalization of control with a rhetoric of individual freedom and an argument that employee creativity will be liberated through the elimination of externally imposed bureaucratic structure. Together, the two ideologies tend to reinforce one another, and both contribute to an ideological environment in which downsizing is seen as an acceptable and even desirable thing to do.

DISCUSSION AND CONCLUSION

This essay concludes that the increased incidence of downsizing in the 1990s is taking place in a rich ideological context that helps justify and rationalize it. Our article differs from previous discussions of downsizing in emphasizing ideas as drivers of downsizing, although we also acknowledge the importance of environmental and technological determinants. Past analyses of downsizing have identified financial pressures, technological change, and global business developments as causes of downsizing (e.g., Brynjolfsson, Malone, Gurbaxani, & Kambil, 1994; Harrison & Bluestone, 1988). Cameron et al. (1991) also proposed that the need to improve productivity was an important stimulus for downsizing, and McKinley et al. (1995) emphasized the role of social constraints in contributing to downsizing. This article now adds ideological variables to the list of possible determinants of organizational downsizing in the 1990s. By focusing on ideological forces encouraging downsizing, this article is consistent with work such as Ramirez (1995), which argues that neoliberal ideological programs and accompanying privatization policies led to layoffs and restructuring in Mexico. In the following section, we first present implications for managers, employees, and government policy. We then discuss some implications of our theoretical framework for future empirical research on organizational downsizing.

Implications for Managers, Employees, and Government Policy

From a practical perspective, this article suggests that corporate and government downsizing will be with us for the foreseeable future. As Figure 1 shows, the overall rate of downsizing at large U.S. firms has increased during the past two decades, even in nonrecessionary years. Also, although corporate profits are currently robust in the United States ("Dancing to the Bulls' Tune," 1995; Murray, 1995), downsizing continues virtually uninterrupted ("Making Companies Efficient," 1996). The evolution of downsizing from a short-term strategy for responding to revenue shortfalls to a long-term restructuring trend seems to be related to perceptions of extreme environmental uncertainty. CEOs and other top managers appear to be constructing their environments as extremely chaotic and unpredictable and are therefore convinced that continual organizational change is needed to deal with these conditions (e.g., Murray, 1995). We suspect that the ideologies identified in this article are part of the cognitive framework that is channeling managers' decision making in the direction of downsizing as the preferred solution to the perceived need for continual restructuring.

It seems unlikely that individual CEOs or top management teams can do much to resist dominant environmental constructions or to slow the restructuring wave. In fact, to the extent that these managers cast themselves in the role of revolutionaries (Hammer & Champy, 1993; Peters, 1987), their interests will probably lie in the opposite direction; that is, through engaging in radical restructuring, they will develop an incentive to interpret the environment as chaotic to rationalize the changes they are making. This does not deny that the environment may really be chaotic; our point is simply that there are pressures for cognitive consistency between management behaviors and management sensemaking (Robinson, 1996). In addition, to the degree that powerful organizational stakeholders such as institutional investors and securities analysts have accepted prevailing environmental constructions and managerial ideologies, it may be very difficult for top managers to buck the downsizing trend, even if they suspect that downsizing will not have positive financial or strategic outcomes for their firms. Top managers who are hesitant to downsize can easily be replaced by other managers whose belief structures are more congruent with the ideologies we have been discussing.

From the point of view of the employee, institutionalized and ideologically rationalized downsizing conveys an important message. Specifically, it seems inadvisable for employees to have great faith in job security or upward career ladders in such an environment. If organizations communicate an impression of wanting employees to become more self-reliant, employees cannot be blamed for continually seeking the best available employment alternatives, as Hirsch (1987) recommends. Organizations, in turn, may well have to live with higher employee turnover. Although this may seem desirable when times are tight, by creating such a context, organizations lose control of who goes and who stays and are less likely to have the best qualified workers in place when they are needed (Mone, 1994). Although workers might collectively develop a counterideology that stresses concepts such as workplace continuity, their ability to do so will be limited by their own tendency to accept dominant managerial ideologies (Kleinfield, 1996)—if only as a psychological defense and order-creation mechanism. In this way, downsizing takes on a self-fulfilling character, because past downsizing leads employees to adopt ideologies such as the ideology of employee self-reliance, and the ideologies in turn foster a paradigm within which downsizing seems more reasonable. Thus, it appears likely that the United States will remain vulnerable to the consequences of continued downsizing, which manifest themselves at the individual psychological level (e.g., Brockner et al., 1992; Leana & Feldman, 1992) and also at the community and societal levels (Harrison, 1994). Such consequences must be recognized for their positive and negative effects on long-term organizational capacities (e.g., Bastien, Hostager, & Miles, 1996; Dougherty & Hardy, 1996; Mone, 1994, 1997).

The influence of ideology on downsizing and its ramifications for the individual employee are also highlighted by the cross-national literature on corporate restructuring (e.g., Usui & Colignon, 1996). According to this literature, Japan and Europe, with the exception of the United Kingdom, practice what has been labeled *communitarian capitalism* (Lodge, 1991; Thurow, 1992). Communitarian capitalism promotes values such as cooperation among firms, teamwork, employee loyalty, and social (rather than individual) responsibility. These values and beliefs are in stark contrast to the ideology of employee self-reliance that is becoming more prevalent in the management and consultant discourse of the United States. This may explain the greater apparent acceptability of downsizing in U.S. corporations (Usui & Colignon, 1996), despite the fact that firms in all the industrialized countries operate in the same turbulent global economy. It is also worth noting that industries in Japan and Europe compete effectively with the United States, as suggested by the fact that the United States often runs trade deficits with them. This raises the possibility that the key to long-term profitability and survival may not lie in cutting the payroll but in developing the skills of the existing workforce. Ultimately, U.S. firms might consider different human resource forecasting and staffing approaches that are driven by a different core philosophy. Instead of asking, "How small, empowered, and antibureaucratic can we get?" perhaps it would be useful for managers to reframe the question along the lines of, "How can we maximize the aptitudes, knowledge, skills, and motivation of our current workforce?" This type of paradigm shift would drive a much different set of management behaviors and could help U.S. managers harvest some of the benefits of employee loyalty, commitment, and job satisfaction (Kline & Peters, 1991; Reichheld, 1993).

Because the wave of corporate downsizing seems to be at least in part a reaction to constructions of environmental uncertainty, federal and state governments may have a role to play in moderating that uncertainty. This is consistent with the view expressed by the commentator Edward Luttwak in a recent policy debate on downsizing ("Does America Still Work?" 1996). One way that government could add more certainty to the managerial decision processes surrounding downsizing would be to visibly alter its economics. This could be done by either adding costs to downsizing or providing incentives for firms to avoid downsizing. In the short term, the government could provide tax breaks, financial assistance, and sponsored programs for organizations that avoid mass layoffs or reductions in force. Similar policies are currently being pursued by the Japanese government (Usui & Colignon, 1996). Retained workers whose jobs have become obsolete could be retrained to produce new products or services, perhaps with the assistance of government subsidies. As another possibility, organizations could be encouraged to provide significantly lengthier advanced notice of anticipated cuts or lengthier periods of compensation for downsized workers. For example, in most western European countries, displaced workers are commonly provided with severance packages that include 1 year's salary. Finally, the federal government could subsidize (perhaps through tax breaks) the creation of mutual funds that screen out investments in companies that have histories of layoffs in times of profitability. These mutual funds could be modeled on present-day funds with social responsibility screens and might help reverse the current Wall Street ideology that favors layoffs (McKinley et al., 1995).

Over the longer term, it might be useful to revive the concept of industrial policies that would reduce management uncertainty by fostering closer cooperation between the U.S. government and industry. Such government-private sector cooperation is commonplace in Japan and Germany and has arguably created competitive advantage for those nations in the world marketplace. For example, direct government sponsorship and indirect taxation policies could be used to channel R&D investment into specific industries. Also, it might be advantageous to promote more multifirm consortia like SEMATECH (Browning, Beyer, & Shetler, 1995). In such consortia, manufacturers, suppliers, and government work together to develop long-term relationships and control market dynamics. Finally, a slowing of the trend toward government withdrawal from the marketplace through deregulation may be advisable, particularly in industries where deregulation has little clear-cut relationship with outcomes such as higher profitability or better customer service. All these initiatives would moderate the perceived chaos and uncertainty that managers experience and, thus, their tendency to embrace ideologically based downsizing as a way of dealing with the uncertainty. Of course, recommendations such as those in this paragraph have a tinge of ideological incorrectness, because government involvement in the private sector has become deinstitutionalized, and government itself has been the subject of downsizing, at least on the federal level. But in our view, the fact that our suggestions may appear radical to some readers is symptomatic of the ideological shifts that have occurred in American society in recent decades as well as the role that ideology plays in molding interpretations of what is proper business practice.

Implications for Empirical Research

One research implication of this article is the need to build multivariate models that compare the effects of ideological, social, technological, and financial variables on organizational downsizing. Measuring such variables would allow an assessment of their relative influence on downsizing through a multiple regression approach. Downsizing could be conceptualized and measured as a strategy (Freeman & Cameron, 1993) or as a state (the net change in an organization's workforce). The outcome of such research would be a much clearer picture of the causes of the current downsizing wave and the role of ideology in the downsizing juggernaut.

Our prediction is that ideological variables such as those discussed in this article will become relatively more important as the practice of downsizing matures. Research by institutional theorists (Palmer, Jennings, & Zhou, 1993; Tolbert & Zucker, 1983) suggests that a new organizational practice first diffuses in response to technical or economic needs. But as the practice spreads and becomes routine, institutional pressures toward isomorphism (DiMaggio & Powell, 1983) become the dominant drivers of diffusion. Assuming that a similar process is operating for downsizing (McKinley et al., 1995), we would expect that nonfinancial variables such as the ideology of employee self-reliance and the ideology of debureaucratization would gather causal strength over time. In a sense, the original purposes of downsizing—financial motives like responding to decreased profitability or revenues—would become lost, and downsizing would proceed because it is ideologically correct (Gephart, 1996). This interpretation is consistent with our data (see, Figure 1) and a recent American Management Association survey that shows a considerable decrease between 1991 and 1994 in the percentage of firms citing business downturn as a reason for downsizing ("Does America Still Work?" 1996; Lublin, 1994).

The emphasis on ideology in this article raises the possibility of another type of research that is more micro than the kind described above. If ideology influences downsizing, it must do so by affecting the cognitive processes of managers. Specifically, ideologies must alter the meaning of downsizing for managers, casting it in a more acceptable light than would be true otherwise. For example, Worrell, Davidson, and Sharma (1991, p. 662) quoted a CEO who was agonizing over a layoff decision:

> This has been a difficult time for me. Laying off those three thousand workers was the hardest decision I've had to make in thirty years of business. . . . But I have to put my personal feelings aside. As CEO I have a duty to do what's best for the shareholders.

One wonders whether CEOs today are still as concerned with the downside of downsizing as this individual was or whether ideology has helped them reinterpret downsizing and layoffs more positively. Although we do not mean to imply that CEOs are uncaring, the possibility of such a positive reinterpretation is apparent in the framing applied to layoffs by consultants like Noer (1993). If CEOs became convinced that layoffs have an upside because they liberate employees from an oppressive bureaucracy or because they force employees to self-actualize, the incentive to downsize could be increased. Without taking a normative position on this eventuality, we argue simply that it would be an interesting phenomenon to study.

Research designs tailored to explore managerial thinking, such as those developed by Melone (1994) and Priem (1994), could be helpful in documenting the meaning of downsizing for CEOs and top management teams in the late 1990s. The meaning of downsizing may also have changed for nonmanagerial employees, and these cognitive shifts would also be an important topic for empirical research. Finally, researchers could study the social construction of downsizing. Berger and Luckmann (1967) argued that actors take their cues about how to construct reality from the behavior of others. Applying this principle to downsizing, our expectation would be that groups of executives who are interacting in a social setting (e.g., committee meetings) would negotiate consensus on the meaning and desirability of downsizing than what currently exists.

NOTE

1. Figure 1 is based on data drawn from Standard and Poor's COMPUSTAT database of financial information on publicly traded corporations. This data source has been used in other studies of downsizing (e.g., Bruton, Keels, & Shook, 1996). We focused on firms with more than 5,000 employees because such firms represent approximately the largest 1,000 publicly traded manufacturing and service firms in the United States. These firms often serve as benchmarks for U.S. business and are closely tracked by the media (e.g., the *Fortune* 500 industrial firms plus the *Fortune* Service 500). Sales dollars were converted to common year values before calculating revenue changes to remove the effects of inflation over the two decades examined.

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