CHAPTER TWO

The Communication Consequences of Downsizing Trust, Loyalty and Commitment[1]

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Introduction

Researchers have increasingly argued that much of mainstream management practice is characterised by the enthusiastic adoption of fads (e.g. Shapiro, 1995). Managers embark on radical programmes of restructuring that throw their organisations into turmoil, but which are often based on little or no evidence that they work (Newell *et al.*, 2001). Indeed, research often discovers that far from having a benign or even neutral impact, many such initiatives inflict severe damage (see Chapter 7, for a fuller discussion of fads). Re-engineering is one of the best examples of a self-proclaimed revolutionary practice that failed in the overwhelming majority of cases where it has been implemented (Knights and Willmott, 2000).

Much of the practitioner literature on these issues, as this chapter will show, seems to assume that destructive organisational initiatives can be salvaged by the skilled use of communication messages to engineer internal and external support for the mad, the bad or the cack-handed. The assumption is that there are no unpalatable messages, just poor communication strategies. The central focus of this chapter is on one such initiative, downsizing, which has been an integral part of the re-engineering movement. Downsizing has spread like a contagious disease through both the public and private sectors. It has been endemic in company takeovers (Hubbard, 2000), when 'merge and purge' seems to be the order of the day. This chapter looks at what it has meant, the rationale for its implementation, the evidence as to its effectiveness, and the communication consequences of its implementation. As will be shown, the issues raised go far beyond downsizing.

One conceptualisation of communication is that it is largely a mediating device between management intentions (whatever the intention happens to be) on the one hand and their execution on the other. Within this instrumentalist perspective, the moral properties of downsizing, and its psychological consequences, are largely irrelevant. The emphasis is on how particular ends will be reached, while the ends themselves are unquestioned and assumed to be value free. An alternative perspective is that the dialogic properties of communication systems have a transformative impact on management intentions and fundamental notions of what it means to do business (Deetz, 1995). Here, communication is regarded as an integral part of the entire organisational operation – it both reflects and shapes the way business is done. Downsizing is an excellent example of a popular management approach that helps to illuminate these issues.

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The impact of downsizing

Reductions in workforces (RIFs) have been a major trend in both the public and private sectors over the past two decades. The general name given to this phenomenon is that of downsizing, defined as 'an intentional reduction in the number of people in an organization. It is accomplished via a set of managerial actions, which may include the use of hiring freezes, layoffs, and normal or induced attrition' (Freeman, 1999: 1507). The intentional aspect of workforce reduction strategies is what commonly distinguishes downsizing from organic decline in a given industry or sector (McKinley *et al*., 2000). The activity also appears in different guises using pseudonyms such as 'rightsizing', 'rationalisation', 'de-layering', 'finding the right staffing level', 'achieving staffing equilibrium', or 'letting people go'. We know of one CEO who introduced a wave of redundancies by telling those affected that he was 'inviting you to fulfil your potential elsewhere.' Whatever the nomenclature, its aim has been to promote organisational efficiency, productivity, and/ or competitiveness (Cameron, 1994).

Given this intention, and the implied benefit, its popularity is scarcely surprising. One survey found that one third to one half of all medium and large US firms had downsized annually since 1988 (Henkoff, 1994). The effects have been far reaching. A study of fifty *Fortune* 500 firms with over 50,000 employees, covering the period between 1987 and 1997, found that workforces were reduced by an average of 20% - more than 1.2 million people (Schultze, 2000). A Towers-Perrin consulting firm survey found that two-thirds of white-collar employees reported their company had downsized or experienced major restructuring in the previous two years (Conrad and Poole, 1998).

Public sector downsizing has also been rampant. This has often been interpreted as part of a worldwide movement to reinvent government (Lynch and Cruise, 1999). For example, a survey of downsizing in Australia found that only one in six of the public sector organisations that responded had **not** downsized or delayered between 1993 and 1995 (Dunford *et al*., 1998). But as this craze swept organisations worldwide, what were its effects? In answering this question, we look at two types of effect, economic and psychological.

The economic impact of downsizing

In general, the research literature has disclosed a gap between the avowed goals of downsizing and what has been achieved. A review of 3628 companies over a 15-year period looked at Return on Assets (ROA) - a useful measure of profitability. It found that ROA in companies that downsized 'declined in the downsizing year and the first year subsequent to the downsizing. There was a slight improvement in year two, but it was not sufficient to restore the ROA to its pre-downsizing level' (Morris *et al*., 1999: 82). Other critical accounts of the results obtained from downsizing have been reported. In particular, Kabanoff *et al*. (2000) looked at 300 downsizing events in US companies over a period of eight years. They found that '…downsizing, on average, produces no improvement in firms' performance relative to their industry or their own prior performance, except for a short-lived gain in productivity; downsizing organizations that show no sustained improvement in financial performance are those in which there is a managerial focus only on cost-cutting, while those that show improvement have a managerial focus on increasing productivity, or reorganizing and restructuring' (p.24-25). Burke and Greenglass (2000) found that two-thirds of firms that downsized during the 1980s were behind industry averages on a variety of financial and productivity measures for the 1990s.

A study has also been conducted into the effects of downsizing on patient care, in 281 acute care hospitals. It found that morbidity and mortality rates were 200-400% higher in those that downsized their traditional head count in an across the board way (Murphy, 1994). Cost savings had also dissipated within 18 months, with costs rising to pre-downsizing levels in a relatively short period of time.

The economic case against downsizing is clear. Organisations that embrace it in the pursuit of economic gain overwhelmingly find their profits in decline. Initially, this is surprising. On reflection it becomes less so. An Olympic team that shrinks its numbers below that of the competition is unlikely to win gold medals. However, the impact of downsizing is much wider than this.

The psychological impact of downsizing

From the perspective of this book, research into the effects of downsizing on psychological constructs of organisational life (such as trust and loyalty), and its direct impact upon the quality of communication, is particularly important. A plethora of problems have been identified (Cameron *et al.*, 1993; Cole, 1993) as emanating from downsizing, including:

- reduced cross-unit and cross-level level knowledge from interpersonal interactions
- loss of personal relationships between employees and customers, and the disruption of predictable relationships
- increased interpersonal conflict
- greater resistance to change
- more centralisation in decision-making
- decreased employee morale, commitment and loyalty

Symptoms among survivors include ‘denial, job insecurity, feelings of unfairness, depression, stress and fatigue, reduced risk taking and motivation, distrust and betrayal, lack of reciprocal commitment, wanting it to be over, dissatisfaction with planning and communication, anger at the layoff process, lack of strategic direction, lack of management credibility, short-term profit focus, and a sense of permanent change… some optimism, lots of blaming others, and a thirst for information’ (Burke and Cooper, 2000: 8-9).

We will examine these issues in more depth.

Reduced loyalty. It has been widely argued that loyal employees make extra efforts in their work, can be positive public relations representatives in the external world, and are more likely to go beyond the norm in doing small things that improve organisational effectiveness (e.g. Organ, 1988). Some researchers (most noticeably, Pfeffer, 1994; 1998) have argued that ‘the human equation’ is a fundamental attribute of organisational success, and a central feature of strategies likely to secure ongoing competitive advantage. However, research into the effects of downsizing has shown that:

> '…the loyalty factor was suffering a slow burial in many companies. Survivors expected that there would be further restructurings, and that the organizational changes would be pushed through in the same way – with a lack of communication, lack of consultation, lack of resources and training' (Littler *et al.*, 1997: 75).

The view of many managers involved in downsizing seems to be that if you want loyalty you get a dog. Myopic managers such as this will tend to find that employees, like dogs, often bite back when attacked. Exchange theory shows that what we give out to others we tend to get back from them in spades. The *norm of reciprocity* means that an organisation that shows no loyalty to staff receives none in return (Tourish and Hargie, 2000). One effect of downsizing is that job insecurity has grown, with attendant feelings of bitterness, anxiety, disenfranchisement and concern for the future (Feldheim *et al*., 1999). Such insecurity has been found to be associated with deterioration in general psychological health and both job and organizational withdrawal (Dekker and Schaufeli, 1995). The effects on loyalty and trust, and hence on organisational performance, can be readily imagined.

The decline in loyalty has not been confined to the shop floor. Worrall *et al.* (2000) reported on the results of a survey of Institute of Management members in the UK. 60% of middle managers reported a decline in their loyalty during the preceding period, over 70% a decrease in morale and 60% a decrease in their motivation. Those respondents who had been involved in restructuring involving redundancy reported even higher levels of disaffection. Clearly, downsizing increases work pressures on the managers who remain, now faced with a more alienated workforce. The expectation is that the managers concerned will show a greater flexibility and adaptability, have an improved ability to manage people and show a greater strategic orientation (Dunford *et al.*, 1998: 389). However, the reality is that morale and loyalty suffer, as managers struggle with job descriptions that in many cases have moved from the demanding to the impossible.

One of the core sets of needs identified by Ibrahim Maslow were those related to belongingness. We have a strong need to be part of groups or organisations, to feel wanted by the people in them, and sense that we belong with them. In turn, we give our loyalty to them. But we also expect this to be a two-way process. If these groups respond by rejecting us, then the bonds begin to fracture and eventually break. A possible response to the breaking of organisational loyalty chains is to feel the desire for a new beginning. One way to cope with trauma is to move on by moving away. A clean break and a new start can help to heal the hurt. Thus, following the traumatic event of downsizing, some employees who remain will begin to look for possible moves elsewhere. Such motivation is heightened by nagging doubts and questions such as: 'Am I next for the chop?' and 'Will this company survive?' Fear and failure are sad Siamese twins. No one wants to be the last rat on board as the ship goes down. Where viable alternative employment options exist for staff they are likely to feel a psychological pull towards them and a push away from their present organisation.

Decreased satisfaction. A study of Canadian hospitals found that those that had downsized were significantly more likely to report lower employee satisfaction and greater internal conflict (Wagar and Rondeau, 2000). A further case study looked at a 2509 bed medical rehabilitation hospital employing 500 people on a full time basis (Mullaney, 1989). In a significant downsizing, 8% of the total workforce was eliminated. Commitment and satisfaction declined for workers and management staff. Such declines were also noted in departments spared the full effects of downsizing – i.e. staff unaffected by the process still vicariously felt its effects.

Another cause of dissatisfaction is the feeling of helplessness. Staff who believe they have been doing a good job inevitably feel let down when the axe begins to swing. People can then come to believe that they have been unfairly penalised, and so it does not really matter what they do – their fate will be decided by others in any event. When what we do seems to have no influence upon the negative outcomes that accrue, we tend to become apathetic, passive and dejected. This is part of the well-researched psychological phenomenon known as *learned helplessness* (Seligman, 1975). Employees who survive the downsizing cull may believe they have no real say in their future. Creativity and innovation decrease. People do what they are told to do, leave decision-making to others, and expect the worst. This is an unpropitious context for organisational success.

Increased uncertainty. One study has looked at the communication consequences of downsizing in an Australian health care organisation (HCO), where the numbers of staff employed was being reduced from 660 to 250 (Tourish *et al.*, *in press*). An interesting feature of this study is that both those going and survivors were working alongside each other for a period of months after the lay-offs were announced. This enabled the attitudes of both groups to be probed in a more in-depth fashion than is normally found in the literature. Overall, the research pointed to the following main trends:

- Uncertainty rises for both survivors and those terminated. Uncertainty does not ease with the announcement of who has lost their jobs, but endures for some considerable time, as people transfer their anxiety from the immediate issue of termination to that of reorganisation, and their place within new structures. Role uncertainty in the face of environmental ambiguity takes the place of job anxiety.
- Staff within downsized organisations perceive large gaps between the amount of information they receive and the amount of information they need, irrespective of whether they are among those downsized or not.

In this HCO, downsizing was a largely unavoidable response to international shifts in health care delivery for mental patients. Large-scale mental health hospitals are increasingly a thing of the past. Yet even when downsizing is the rational response to such imperatives the experience is traumatic, destructive of interpersonal relationships and harmful to attempts to ensure that all employees feel they are receiving an adequate amount of information on key business issues. Faced with uncertainty, people articulate a need for more information. The problem may also be that because downsizing produces enormous levels of uncertainty, no amount of information provision will feel enough for employees. This suggests that managers' attempts to improve the communication climate are less likely to find a receptive context. In consequence, the general management task becomes all the harder.

The loss of social capital. Social capital refers to the ability of people to work together for common purposes in groups and organisations (Coleman, 1988). It has two main components: associability and trust (Leana and Van Buren, 2000). Associability describes the extent to which group objectives are given priority over individual desires. Trust refers to the willingness of people to engage in affiliative behaviours even when one does not know other parties well, but we have some direct contact with them and/ or some positive attitude towards their reputation. Clearly, the constructive management of social capital is central to organisational success. Implicitly or otherwise, trust is the glue that holds the human enterprise known as organisations together. The evidence reviewed here would suggest that 'The workforce reduction downsizing strategy is the strategy most noted to erode trust within organizations' (Feldheim *et al*., 1999: 58).

This disassociation and reduction in trust can also be destructive of the culture of the organisation, where companies associate themselves with a model attaching a high value to employee contributions. Trust is replaced by cynicism and a feeling of betrayal. The evidence increasingly suggests that durability in relationships is an important predictor of the adoption of high-performance work practices, because of the need for cooperation and trust (e.g. O'Reilly and Pfeffer, 2000). It has been suggested that the employment practices that promote organisational social capital include job security, or at least the provision that if downsizing occurs it is a last rather than first resort (Pil and MacDuffie (1996).

One potential problem following downsizing is that of survivor guilt. Following any major trauma, those who survive are often left with a myriad of mixed feelings. A common one is that of guilt at having been left relatively unscathed while others have suffered. While such guilt may initially be sublimated by feelings of 'Thank goodness it was them and not me', it can later emerge as a form of delayed reaction. This, of course, depends upon the individual. Some will take the view that it is 'the luck of the draw' or the organisational jungle perspective of 'survival of the fittest' (i.e. it was the weak who inevitability suffered). Much depends upon the attribution process. If the employee attributes the decision to lay off certain people to internal causes ('they were not good enough, whereas I am a top employee'), then there is likely to be less guilt. However, if an external attribution is made ('We were all good and management just picked on some of us'), then guilt and indeed anger are more likely. Following downsizing, employees will have watched close colleagues suffer. The ensuing guilt for at least some of those who remain (especially those who by nature are person-centred and affiliative) may well be dysfunctional.

The human costs described here arise partly from the obvious breaking of the traditional psychological contract implicit to the downsizing process. Employees tend to feel that employer promises to them have been broken. Ironically, a purely instrumental view of organisational relationships driven by an accountancy paradigm, is least likely to deliver sustainable competitive advantage in today's knowledge economy. Managers who develop such a modus operandi become like Oscar Wilde's definition of a cynic: they know the cost of everything but the value of nothing. The notion of organisational 'history' has been shown to be important (Deal and Kennedy, 1999). Just as families have roots, and these are important for its members, so too it is argued a sense of a valued corporate history is vital for the workforce. But a history dominated by accounts of how former family members have been eliminated is scarcely one on which people will reflect with pride.

A further problem with downsizing is that when people go they take their knowledge with them. The organisation loses their non-transferable 'tacit knowledge', that is in their heads and not on files that can be read by others (Herson, 2000). This may be knowledge of technologies, best practices, processes, markets or indeed customers. The cost of losing such knowledge can be very great. Furthermore, it may take some time before this impacts upon the bottom line.

There will also be a loss of the informal 'fast track' procedures within the organisation. In any company, even those with a high level of codification of knowledge and processes, there is always an element of 'who you know not what you know'. Human beings will always find a way of circumventing process and once the social structure of an organisation is disrupted the personal favours and informal processes that allow things to happen quickly in exceptional circumstances will disappear through the loss of personnel and changes in the structure of an organisation.

In addition the impact of the loss of 'tacit knowledge' to an organisation should not be underestimated. Knowledge management experts have long acknowledged the importance of the informal communication network in the dissemination of knowledge within the organisation (see Zorn and Taylor's chapter, in this volume). Knowledge networks grow organically and are dependent upon social interaction. The disruption of teams, company structure and the reduction in trust in the organisation damages these knowledge networks. Not only is ‘tacit knowledge’ lost to the organisation as individuals leave but those remaining within the organisation can lose access to their knowledge network through the reorganisation. ‘Early adopters’ of new processes, skills, knowledge and cultural ideologies, who are important in the championing of change within the organisation, lose confidence and possibly their status in new teams, slowing the dissemination process through the organisation.

Although it is also difficult to compute the value of trust, it is clearly a social construct which is hard to build and yet easy to destroy. The loss of trust can have very serious consequences, since this dimension is at the very heart of relationships (Hargie and Dickson, 2002). In the downsizing game, trust and relationships may be particularly damaged because, counter-intuitively, most firms that engage in this activity are not in a straightforward profits crisis. One study found that, in any given year, 81% of companies downsizing were profitable (Burke and Cooper, 2000). Employees may therefore assume that their employers had the time to pursue other profit improvement strategies, but disregarded them without sufficient thought for the human consequences.

Furthermore, this transparent loss of trust is at odds with the organisational imperative to achieve quality, since it undermines the basis for employee involvement in work practices that underlie quality systems. As Feldheim and Liou (1999: 63) put it, when ‘cost considerations replace quality considerations, the principles of employee empowerment, responsibility and loyalty are sacrificed for a reduction in overhead.

This tradeoff results in a loss of employee trust in the organization and betrayal of the concept of work.'

The impact of the psychological costs of downsizing may be hard to place on a balance sheet. Nevertheless, it is severe. Given that so much of an organisation's ability to achieve its bottom line financial objectives depends on intangible factors such as trust, loyalty and associability, the damage inflicted by downsizing on its social capital is one of the most obvious reasons why the practice fails to live up to expectations. This begs the question of why it remains so popular.

Reasons for downsizing

Many companies faced with problems still immediately embark on workforce reduction strategies. An outstanding example in the UK is that of Corus, the steel manufacturing company. In early 2001, it announced that 6050 jobs were to be eliminated (Morgan, 2001a). The company's chairman, an accountant, also said that further capital investment was not on his agenda, spending was to be kept to a minimum and more job cuts were not ruled out. It will be recalled that such a finance driven agenda has been found to be the least successful basis for downsizing (Kabanoff, 2000).

In essence, Corus serves as a good example of irrational management behaviour. The research evidence indicates that the company's actions will deliver the opposite of what is intended. It is as though a steady stream of volunteers keep jumping from a cliff, convinced that this time they will achieve unassisted flight. The corpses below suggest otherwise. But people keep on jumping. How can this be? There are several possible factors, many rooted in communication processes, which we believe can help to explain this conundrum.

1. *What gets rewarded, gets done*

The evidence is that managers who downsize are rewarded, even though the practice does not genuinely improve profitability and effectiveness. This is the equivalent of paying managers for each person who jumps off the cliff. Revealingly, Corus's announcement of redundancies saw the company's shares rise in value by 10% (Morgan, 2001b) – an immediate reward for those senior managers with stock options in the company. Nor is this atypical. One study of popular management techniques found that they did not lead to improved economic performance (Staw and Epstein, 2000). However, the companies that used them were more admired, perceived to be more innovative and rated higher in management quality. Accordingly, their chief executives were paid more than those that did not utilise the techniques – a level of remuneration inspired by the achievement of greater internal and external legitimacy, through association with management actions deemed popular. Moreover, it is increasingly the case that top managers who fail to raise the value of shares in their company will actually lose legitimacy, and with it, their jobs. In the ten years up to 2000, such a fate befell top managers in AT&T, Sears, General Motors,, Xerox, Coca-Cola, Aetna and other well known corporations (Reich, 2001). Downsizing may therefore be conceived as a short cut to legitimacy, and hence to heightened prestige, remuneration and, paradoxically, job security for the managers who embrace it. Its actual impact on their organisations is neither here nor there.

2. *Illusions in leadership*

Illusions in the transformative potential of leadership within organisations are widespread (Tourish and Pinnington, *in press).* The business press routinely depicts leaders as all-powerful, all knowing and the controller of the organization's destiny in a complex environment (Meindl et al, 1985). The corollary is the expectation that leaders, on assuming office, will rapidly diagnose strengths and weaknesses, articulate compelling new strategies, propose plans for restructuring and generally show they are in control (Dobrzynski, 1993). As has also been pointed out, the brutal truth is that even the process of developing an understanding of an organisation, never mind devising a convincing strategy to address its problems, is in reality rather complex (Denis *et al.*, 2000). The task of building and maintaining relationships is onerous and requires mastery of a large repertoire of complex communication skills (Hargie and Tourish, 1997). However, the pressure of expectations may compel top managers to seek a short cut to success. Looking for rapid cost reductions through RIFs has the apparent advantage of simplicity and immediacy. Building strong partnerships with a workforce may take years. A programme of redundancies can be announced almost at once. Thus, if people will not jump voluntarily over the cliff, they may need to be pushed.

3. *Downsizing as a system of self-persuasive narratives*

Fundamentally, organisations depend on metaphors and stories to rationalise their actions (Morgan, 1997). These assist all organisational members with the vital process of sense-making (Weick, 1995). Such narratives are used to sell what is happening internally, and achieve legitimacy. They also have an external role, convincing the business press, the stock market and industry partners that a well thought through and integrated strategy underpins the workforce reduction programme. In the process of developing such narratives, managers may become intoxicated by their own rhetoric. They can then assume that the metaphors they construct are a more faithful depiction of reality than they are. Constant repetition also helps people to inoculate themselves against doubt. The process can be defined as one of self-persuasion - i.e. by focusing our communication efforts on the positive reasons for something, aimed at others, we nevertheless wind up reconvincing ourselves (Pratkanis and Aronson, 1991). According to Downs (1995), the main narratives of this kind attached to downsizing include the following:

- *The Lean and Mean Story*: Downsizing is portrayed as part of a cost cutting programme. Metaphors to do with weight loss and athletics are common – 'we are fighting the flab,' 'we must beat the competition,' and 'we must win the battles ahead.'
- *The Strategic Flexibility Story*: Here, technological change bears the opprobrium for what is deemed necessary. The narrative proclaims that a particular product or technology is no longer required. Opponents of downsizing are likened to the Luddites, who fought against new machinery introduced by the industrial revolution in the eighteenth century. Irrelevant historical analogies or misplaced international comparisons displace critical thinking.

- *The Learning Organisation Story*: This is a more modernist narrative, hinging on the need for continued learning and continuous improvement. People are told that their job has changed and that they no longer have the skills required for the new jobs that are emerging. Superfluous to requirements, they have become 'the weakest link.' Their departure is essential for the prosperity of the rest of 'the team.'
- *The Mystical Management Story*: We have, above, noted an excessive reliance on superhuman leaders. Hence, the narrative frequently emerges that organisations desperately need leader managers capable of inspiring people to do more with less. Such narratives are especially common during delayering processes, described by Mintzberg as '… the process by which people who barely know what's going on get rid of those who do' (Mintzberg, 1996: 62). Downsizing enables organizations to dispose of those who lack 'the right stuff' to become transformational leaders, and whose existence is deemed to be necessary for survival.
- *The We're Out of Money Story*: The organisation proposes that it does not have enough funds to keep everyone on board, due to market conditions. Some employees must be culled so that the rest of the herd can be fed. If insufficient numbers volunteer, they will be conscripted.
- *The Eye on The Prize Story:* This is a variation of the previous narrative. Vital and life affirming goals are proposed, but are linked to the need to reduce expenses. A greater prize lies ahead, and there is no gain without pain. It is assumed, usually wrongly, that this prize will be sufficient to energise survivors and minimise the negative psychological consequences of the downsizing process.

Sense-making is often driven by plausibility rather than accuracy. In terms of the cliff jumping metaphor, there are many well documented instances where cult leaders have persuaded scores of seemingly intelligent people to commit suicide. Each of the narratives sketched above may have an internal logic that renders them more persuasive than would be justified by a scrutiny of objective data. This becomes especially potent if an organisation's internal communication systems are afflicted by the problem we describe below.

4. The absence of critical feedback

There is now considerable evidence indicating that top managers tend to over-estimate the gains from downsizing while under-estimating its negative consequences. A particular problem here, from a communication perspective, is the difficulty for senior managers in obtaining critical feedback about decisions made.

One study of Institute of Management members in the UK obtained responses from 1313 people, ranging across the entire spectrum of managers from Company Chairman to junior managers (Worrall *et al.*, 2000). Eight hundred and eighteen respondents had experienced organisational restructuring, most of which involved some sort of downsizing. The study revealed a stunning gap in perceptions of its effects. For example, the net agreed score (i.e. the percentage of respondents agreeing with a proposition minus the percentage disagreeing) for chairs, CEOs and MDs saying participation in decision making had increased in the aftermath of downsizing was 60; directors, 34; senior managers, 6; middle managers, 4 and junior managers, –

3. In terms of whether productivity had increased the figures were 70, 47, 16, 12 and –1; for whether the speed of decision-making had increased they were 48, 24, -5, -7, -25. Thus, senior managers were much more likely to view downsizing as effective than their most junior colleagues. The further apart the management levels surveyed, the greater the gulf in perceptions. It is therefore hardly surprising that when those at the top view downsizing as having benefited their organisations they are keen to implement it again, whatever the feelings of everyone else.

A likely reason for the perceptual gap noted here can be found in ingratiation theory (Jones, 1990). Essentially, this proposes that those with a lower level of status habitually exaggerate the extent to which they agree with the opinions and actions of higher status people, as a means of acquiring influence with them. It should also be remembered that self-efficacy biases suggest that most of us imagine we are better on various crucial dimensions of behaviour than we actually are (Myers, 1996). For example, one survey found that 95% of drivers rated themselves as better at driving than the average driver (Hargie *et al.*, 1999). Researchers have thus generally found that managers view the defective and uncritical feedback they receive from subordinates as accurate, sincere, and well meant (Rosenfeld *et al.*, 1995) – it is in line with their self-efficacy biases[2]. In this context, it would appear that downsizing has a negative effective on organizational performance. However, few people are willing to tell senior managers this. A vicious cycle is set in motion, in which a destructive initiative is enacted, senior managers receive mostly positive feedback on

[2] We would point out, here, that we have frequently presented this research to senior management teams. All immediately perceive the relevance of the research, and agree that it accurately describes much of what occurs. However, in line with self-efficacy biases, the majority also assume that it does not apply to them and that they are in that elusive upper quartile with an accurate feel for communication processes within their own organisations. Our subsequent work with communication audits has rarely found this assumption to be warranted.

its effects – and resolve to do it all over again. Those who have jumped over the cliff never return to say how awful the experience was. Those who implement the jump schedule tell the boss what a wonderful success it all has been.

5. The priority of short-term relationships

As has been widely discussed, downsizing as a fad originated in the US – a country that does not have a regulatory tradition of job property rights (Fukuyama, 1995). Moreover, the 'new psychological contract' stresses personal responsibility for career development, commitment to certain kinds of work rather than a given organisation, constant change, acceptance of job insecurity, and the abandonment of the notion that a career can be built within one organisation (Cavanaugh and Noe, 1999). As Pfeffer (1994) has wryly noted, this new contract looks surprisingly like the old contracts found in the 18th and 19th centuries. Thus employment practises that emphasise short-term relationships have a long historical pedigree. Downsizing is consistent with such short-term relationships. Yet this runs contrary to what systematic research studies continue to find. In a major survey of 15, 945 employees in the U.K., Moskowitz and Levering (2001) identified the Top 50 companies. They found that, 'The winners are providing an environment in which the workers are treated as important contributors rather than as hired hands' (p. 3). In the top companies, employees felt that the company **cared**. Managers who hardly know their staff, and who maintain a purely fiscal relationship with them, will be less worried about their fate when they jump over the cliff.

Downsizing is also consistent with external short-term relationships. The focus on purely fiscal objectives rather than long-term strategies is concurrent with short-term relationships with suppliers based on costs and pricing issues rather than a long term shared-destiny, shared benefits relationship. Both internal and external relationships like this are destructive in the longer term (Reichfield, 2001).

6. Irrationality and the principle of social proof

Puzzlement in the face of the popularity of downsizing suggests a belief that human decision-making is inherently rational. We have frequently found that students tend to just assume that major management decisions *must* have been the result of intense reflection, research and debate, and therefore have some logic behind them. In reality, a great deal of evidence suggests that much human thought is irrational (e.g. Dawes, 2001). Irrationality derives from a number of reflexive responses. As discussed above, downsizing originally acquired enormous popularity within the US. It was then always likely that what has been defined as the principle of social proof would come into play. Fundamentally, this means that we are inclined to decide whether something is rational and desirable on the extent to which we see other people either doing it or wanting it (Cialdini, 2001). It is for this reason that political advertisements invariably show candidates for high office surrounded by hordes of cheering admirers. The implication is that since the leader is so highly esteemed by others, he or she should also be esteemed by you. In this case, organisations throughout the world observed the trend towards downsizing in the US, assumed that it was the outcome of a rational process of decision-making, and rushed to emulate it at home – in the interests of remaining competitive. The psychology is similar to that of a mob, each member of the crowd convinced that the presence of others bestows legitimacy on their actions. Precisely this dynamic would appear to lie behind the adoption of management fads in general. These fads are not really surprising. We all define problems in terms of the solutions that are available to us. If people offer managers what appear to be highly successful solutions, then organisational problems are recast in this light. Thus, if other organisations are sing the praises of cliff jumping, it becomes a must-do for us too. We cannot be left out or left behind.

The role of communication

A vast amount of practitioner-oriented literature has been published, advising managers on how best to approach downsizing (e.g. Heenan, 1991; Cameron *et al.*, 1991; Cameron, 1994; Feldman and Leana, 1994). Underpinning much discussion is the assumption that most organisations have failed to adequately address the people factor in their dealings with survivors (Appelbaum et al., 1999). An obvious issue is therefore whether management communication strategies may be able to eliminate or at least reduce the destructive consequences discussed above. This issue surfaces in many empirical investigations.

We would argue that such questions raise ethical issues, though they rarely feature in the literature. Rosenblatt and Schaeffer (2000) are a notable exception. The implication of some writing seems to be that whatever the destructive impact of downsizing on people and businesses, communication may be enlisted in some attempt to enable managers to implement it, while evading the psychological levies described in this chapter. Ethically, it is questionable whether communications practitioners should see their primary role as that of corporate spin doctors helping to reconcile people to whatever management initiatives happen to come along. Rather, we would argue that communication can be most usefully conceptualised as a dialogic facilitator of long-term relationships in which downsizing is noticeable by its absence. This becomes clearer if we consider the research findings on the role of communication during downsizing processes.

What communication accomplishes, and what it doesn't

Various studies have investigated, sometimes incidentally, whether communication can mitigate some of the negative impacts of downsizing. At best, the evidence is equivocal. In a study of the perceptions of 1363 nurses of downsizing in Ontario hospitals, Murphy (1994) found that much depended on how the process was managed and communicated. In particular, *perceived fairness* had a significant impact on levels of absenteeism and professional efficacy. Greater communication efforts and improved staff participation in downsizing activities (e.g. in helping determine the criteria for layoffs) also had significant impacts on these variables. On the other hand, the mere presence of an organisational vision was unrelated to more positive outcomes. Thus, active communication seemed to be a key factor. Other research has found that when criteria or procedures applied in layoffs are seen as fair, employee commitment and performance are less likely to decrease (e.g. Brockner et al, 1995). Providing clear explanations of why downsizing is necessary (and assuming that it is!), treating all employees with dignity and using fair procedures all seem to be vital for maintaining any chance of survivor trust (e.g. Mishra and Spreitzer, 1998).

Such findings are consistent with the view that organisational members are likely to feel deprived when they think they do not know what is going on (Miller et al., 1994). They lend empirical support to the proposition that keeping surviving workers informed of changes by explaining the rationale behind them can reduce some of the more negative consequences of downsizing (Feldman, 1989). It should be noted that none of this work suggests the negative effects can be entirely eliminated. At best, it seems that communication reduces some of the worst trauma, much as does a pressure dressing on a wound.

It seems inescapable that job instability erodes social capital within firms (Leana and Van Buren, 2000). Such erosion may be endemic to downsizing, whatever the organisational context. As Pfeffer (1998: 174) put it: '…the evidence indicates that downsizing is guaranteed to accomplish only one thing – it makes organisations smaller.'

Thus, managers cannot assume that the good intentions that may underlie particular episodes of downsizing will be enough to ensure widespread understanding, support or compliance. Moreover, suspicion, misunderstanding and hostility may be inevitable, whatever the context of downsizing. Where downsizing is an unavoidable part of a process designed to deliver a wider social benefit, an enormous attention to communication processes is still required, in order to minimise the harmful psychological consequences discussed in this chapter. It may be doubted whether downsizing conducted by profitable organisations, and intended to strengthen profits further, can ever be communicated in such a way that the negative psychological effects can be avoided.

In general, the literature suggests that organisational members feel deprived when they think they do not know what is going on (Miller et al, 1994). This is likely to impact on organisational performance. Increased information flow may ease some of the sense of deprivation. For example, Schweiger and DeNisi (1991) looked at the impact of a realistic merger preview in an organisation announcing a merger with consequent job losses. One plant received the realistic merger preview, while another received limited information, in line with normal company policy. News of the merger generated additional stress globally, with perceived uncertainty and absenteeism rising, and job satisfaction, commitment, and perceptions of the firm's trustworthiness deteriorating. However, the experimental plant scored significantly lower on perceived uncertainty and significantly higher on job satisfaction, commitment and perceptions of the company's trustworthiness, honesty and caring than the plant that received limited information. Again, this research does not suggest that a more open flow information eliminates such problems as reduced commitment. At best, the problem is eased.

It has therefore been argued that keeping surviving workers informed of changes by explaining the rationale behind them is central to success, and that this involves reassuring them about their future status within the organisation (Feldman, 1989). However, there are two problems with this sort of counsel.

The first is that around 67% of firms that downsize in a given year also do so the following year (Mishra *et al.*, 1998). Employees are well aware of this. Moreover, the psychological contract has been broken once. Why should people believe it will not be broken again? Communication researchers have long established that when there is a gap between our nonverbal behaviour (or what we do) and our verbal behaviours (i.e. what we say), most people put more credence on the former (Hargie and Dickson, 2002). The propensity to engage in further downsizing makes it hard to reassure people about their future. Even if genuine reassurances can be offered, it will be quite a challenge to get anyone to believe them. For staff it is a case of ‘Fool me once, shame on you. Fool me twice shame on me.’ This suggests that downsizing may lock management communication strategies into a spiral of crisis for some considerable time.

The second problem is that managers are likely to have a different perception of what constitutes adequate information for the purpose of reducing uncertainty than their staff. For example, Shaughnessy (1986) found that 15% of employees in a federal government RIF said they got adequate information about the cutback. At the same time, 50% of personnel managers involved said employees got as much information as they needed. Thus, it appears that the general guideline stressing the need to improve information flow during RIFs will be difficult to implement in practice. Managers tend to under-estimate how much information their employees need, while over-estimating the amount of information they are transmitting - in line with their self-efficacy biases. Meanwhile, ingratiation theory suggests that few employees will draw this to their attention. The result is likely to be a disabling mismatch of perceptions.

Another study found that employees affected by downsizing in the context of asset divestiture, but who perceived greater procedural justice in selection criteria, had higher levels of trust in a new ownership and a greater degree of post-divestiture commitment to the organisation (Gopinath and Becker, 2000). Interestingly, this research also found that 'communications from management (from a variety of sources, including e-mail, staff meetings, and personal interactions)… helped employees understand the events relating to the divestiture (and) increased employees' perceptions of the procedural justice of the divestiture and layoffs. Further, the extent to which communications were seen by employees as helpful was predictive of future levels of trust and commitment' (p.74-75).

Nevertheless, decision makers frequently assume that confidentiality during RIFs is important, fearing that announcements of imminent downsizing can cause people to be discouraged, disobedient or render them more likely to leave (Greenhalgh, 1983). However, the evidence in general supports the view that '…depriving continuing employees of information during RIFs does not appear to alleviate their job fears; rather, in the absence of official communication, survivors frequently rely on rumours that depict a more hopeless picture than is justifiable and result in greater uncertainty' (Johnson *et al*., 1996: 144). Of course, this does not mean either that maintaining a strong flow of information will be sufficient to eliminate uncertainty or keep it at pre-downsizing levels.

Thus the focus of some writing on communication during downsizing has been to find a means of reducing rumours and avoiding prolonged uncertainty. For example, Kilpatrick (1999) stressed the importance of using formal and regular channels of communication, and argued that 'Employees should be provided all information that it is possible to share without jeopardizing the organization's survival…

Communication – frequent, consistent and open – is one of the most important variables in the implementation of a downsizing plan' (Kilpatrick, 1999: 215-216).

One of the few accounts of successful downsizing in the literature also highlights the role of communication. The study looks at a firm that downsized and relocated (Starkweather and Steinbacher, 1998). The firm reported a 30% increase in product volume, the achievement of a 98% quality acceptance rate, and a 6.5% increase in productivity per employee. Information overload was a key part of management's strategy. Firstly, the decision to downsize and relocate was instantly announced, minimising the scope for rumours. A new company newsletter was created. So was a forum whereby employee questions could be submitted anonymously. The management team continued to share information about profits, business plans, performance and other company issues. They also involved the local media, who publicised the availability of highly trained workforce. However, some distinctive features of this situation should be noted. The company employed only 300 people and downsized at the height of an economic boom. Its small size and the relative availability of alternative employment are likely to have reduced people's anxiety, far beyond what would be possible with large organisations or during economic downturns.

Clearly, downsizing is sometimes unavoidable. We have given the example here of mental health hospitals, where changed patterns of care have reduced the need for large institutions with many staff. Sometimes, organisations may find themselves in situations where an unavoidable commercial imperative requires this type of action. However, the evidence suggests that such circumstances arise more rarely than many managers think. They are insufficient to explain the popularity of downsizing. We have also explored the psychological and communication consequences of the process. Added to the economic costs, they are compelling arguments in favour of using downsizing as a last resort rather than a first.

Thus, communication has a certain ameliorative effect, but to a lesser extent than may be commonly supposed. The main findings from this research in terms of implications for practice are summarised in Box 2.1.

Insert Box 2.1 near here

Conclusion

The term managerialism generally refers to the increased power of managers within modern organisations (Tourish, 2000). It has been pointed out that managers often 'actually function as an independent group actualising particular interests of their own' (Deetz, 1992: 212). Thus, untrammelled power held by any one group increases the prospects of that group using that power to its own advantage, whatever the wider social consequences. Ultimately, we would argue that this provides a useful context in which to appraise downsizing and other management fads.

Some top executives with share options in their companies have indeed gained, prioritising their personal well being above that of the organisations in their charge. However, managers would do well to heed Boyle's (2000) many warnings about the pitfalls of over-reliance upon numbers. As we have shown, downsizing has failed to deliver wider economic benefits and has also exacted an enormous psychic toll on the millions of people it has affected. It is indeed often the case that the process would be more aptly termed dumbsizing. Its continued popularity calls to mind a well-known definition of insanity –repeating the same course of action, while expecting different results. In this context, it is debatable whether communication can or should serve the instrumental role of merely transmitting information about the inherently unpalatable. From an applied perspective, the research literature suggests that communication can indeed ameliorate some of the worst psychological consequences of downsizing – but only partially, and then only if a number of conditions have been met, including that the downsizing itself is a last resort rather than a first.

A primary role of communication is to ensure consistency between different management messages, and between management rhetoric and behaviour. A fundamental problem with downsizing is that many companies pursue it as a cost reduction strategy, while simultaneously advocating high-involvement work programmes and total quality management systems. Yet '… employee trust and empowerment, often shattered in the process of downsizing, are the engines that make these initiatives work' (Mishra *et al.*, 1998: 84). Communication has a fundamental role in maintaining relationships. It cannot accomplish this while being deployed by managers intent on disregarding the most elementary needs of their employees.

More fundamentally, the dialogic properties inherent to communication suggest that the development, utilisation and institutionalisation of effective communication systems into organisations must also transform how they function (Deetz, 1995). In particular, they are likely to promote a more participatory and democratic ethos in business (see Chapter 11, in this volume). Where this occurs, the enthusiastic adoption of unproven but highly dangerous fads is less likely to occur. Communication is a transformative ingredient in organisational life. This means that its effective utilisation transforms how the goals of managers are formulated, as well as the goals themselves. There is an urgent need for fewer fads in management practice. A longer-term perspective would prioritise the importance of social capital and hence human relationships. Organizational communication, divested of its instrumentalist interpretations, can make a significant contribution to this process.

Box 2.1: The Communication Consequences of Downsizing

The search for alternatives

- Communicate extensively at all times, and about your organisation's problems as well as its achievements. Cultivate a reputation for openness.
- Avoid downsizing or other management initiatives appearing as a bolt from the blue.
- Consider other options (e.g. attrition, hiring freezes, voluntary retirements).
- Develop a communication strategy that extends participation in decision-making and transforms internal organisational relationships.
- Ensure that your behaviour is consistent with your communication messages. For example, do not issue statements saying people are your most important asset one week, and announce layoffs the next.
- Make downsizing a last resort rather than a first. Be seen to make an enormous effort to avoid this.

Implementation: when downsizing is unavoidable

- Communicate obsessively and at length. In particular, over-communicate about why downsizing is unavoidable. Use all available channels and media (dedicated intranet site, special newssheets, meetings, video, etc.). Have a rumour 'hotline' that employees can ring to check out the truth of what the grapevine is telling them.
- Involve employees in all aspects of the implementation effort. For example, include staff in deciding criteria for lay-offs.
- Be honest. If you don't know something, say so.
- Seek upward and especially critical feedback on what you are doing.
- Provide support to managers, survivors and victims. In particular:
    - avoid lay-offs by memo or email. Give news face-to-face.
    - allow for anger, disbelief, grief and goodbyes.
    - treat all parties with respect.
- Expect a decline in morale, loyalty, and trust whatever you do.

Moving forward

- Reduce role anxiety as quickly as possible. Clarify where people fit in the new structure and what is expected of them.
- If further redundancies are not planned, say so loudly, insistently and often.
- Focus on other challenges, and explain how the new structure will help.
- Evaluate the effectiveness of what has happened.