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The Impact of Downsizing on Workplace Attitudes

DIFFERING REACTIONS OF MANAGERS AND STAFF IN A HEALTH CARE ORGANIZATION

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Downsizing has become a popular organization-wide intervention for improving effectiveness. However, much of the existing literature is based on prescriptions and anecdotes. This article presents a longitudinal, quasi-experimental field study of a downsizing intervention in a health-care organization. Measures of work attitudes (job satisfaction, organizational commitment, supervisor support, and workgroup trust) were taken at annual intervals over a 3-year period. Results partially supported the hypotheses that managers and front-line employees would report different reactions to downsizing programs. Explanations and implications for future research and practice are discussed.

Health care organizations are going through dramatic changes. These changes include an increasingly diverse work force, an aging and declining patient population, and, perhaps most significant, sharply escalating costs (Sheridan, Proenca, White, & McGee, 1993). Between the 1950s and the 1990s, there was a transition from a direct consumer spending pattern to third-party payers. This transition is largely responsible for the sharply escalating health care costs and is one of the factors that have led to the crisis in health care in America today. Because health care organizations (HCOs) are labor intensive, the great majority of variable costs are tied up in human resources. Therefore, the major challenge facing today's HCOs is cutting back on personnel costs without compromising quality patient care or employee commitment and job attitudes. There is considerable literature in organizational behavior and human resource management indicating that satisfied, committed employees are related to desirable organizational outcomes (e.g.,

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absenteeism, turnover, and, to a degree, performance) in all kinds of organizations, including HCOs (Mathieu & Zajac, 1990; Ostroff, 1992).

There is considerable pressure and demands from both society and boards being placed on HCOs and their managers to make changes to reduce costs and enhance efficiencies and effectiveness. Yet, human resource costs continue to escalate, in some cases threatening the very survival of HCOs (Sheridan et al., 1993). An increasing number of HCOs are attempting to satisfy these concerns by restructuring their staffs through reduction of the workforce "head count" and radical work process changes (redesign), typically referred to as downsizing (Grayson, 1992; Zablocki, 1993). To get away from the negative connotation, a variety of terms have been used by organizations as replacements, such as streamlining, reallocating, reengineering, rightsizing, and reorganizing. Organizational downsizing can be comprehensively defined as

> a set of activities, undertaken on the part of the management of an organization and designed to improve organizational efficiency, productivity, and/or competitiveness. It represents a strategy implemented by managers that affect[s] (a) the size of the firm's work force, (b) the costs, and (c) the work processes. (Cameron, 1994)

Downsizing in HCOs involves a process whereby a facility thoroughly and critically reviews its organizational structure and operating practices (a) to respond to downward trends in facility utilization, and/or (b) to become more efficient and effective with fewer employees, with both measures intended to reduce costs and improve profitability (Sullivan & Silverstein, 1993).

Despite its status as a contemporary organizational reality, downsizing has been relatively unstudied by researchers. Empirical studies that question the "precursors, processes, and effects associated with downsizing" (Cameron, Freeman, & Mishra, 1993, p. 23) have been sparse in the management research literature. Moreover, studies that analyze the differences in perception between the "surviving" managers and front-line employees during change interventions such as downsizing have been few (e.g., Brockner, 1988). The purpose of this study is to make a contribution to the systematic, empirically based knowledge on the effects that downsizing has on the attitudes of both health care managers and front-line employees.

REVIEW OF THE LITERATURE

Recent debates concerning effective human resource management have identified two contrasting approaches. One approach is the human

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investment approach and has spurred significant research in recent years. This research stream seeks to identify key individual skills and abilities as well as critical organizational activities that are associated with superior organizational performance (Huselid, 1995). This approach postulates that investing in and improving the capabilities of organizational members will generate greater effort, synergies, and commitment. The resulting increases in attachment and firm-specific knowledge and processes can be a source of competitive advantage for the firm (Pfeffer, 1995). Specific tactics for investing in people include empowerment, team-based organizational designs, and technological innovation that is built around ways to enhance human effectiveness (Graham & LeBaron, 1994).

Downsizing belongs to the other strategy, one that focuses on managing or reducing costs. Beginning with the TQM movement (Deming, 1982), several scholars and practitioners have explored ways to enhance organizational productivity through speeding up the time and/or decreasing the cost of doing business. This approach focuses on analyzing and streamlining the necessary steps and processes, often through the implementation of information technology in place of human effort (Hammer & Champy, 1993). Downsizing through reengineering has become a popular intervention in the 1990s (Sloan, 1996), promoting some to call it the "practice of the month" (Pearlstein, 1993). Given the multitude of pressures from economic forces, global competition, increasing customer influence, and technological innovation, it is no wonder downsizing gained fad status—early efforts produced noticeable short-term profit improvements (Carpenter, 1996). Before long, the revolution was started, generating a $51 billion-a-year seminar and consulting industry (Harari, 1996), a proliferation of terminology and techniques (Pearlstein, 1993), and a new institutional mythology (DiMaggio & Powell, 1983). External pressures for "lean and mean" organizations that provided added value exerted the coercive pressure; the exalted tales of success of others (e.g., Bell Atlantic, Ford Motor Company, IBM) provided the mimetic pressure, and the growing professionalism of the reengineering industry created all the necessary demand for institutional isomorphism.

In presenting the foundation for this study, the literature review is divided into two sections. First, we explore the relevant literature on downsizing. Specific attention will focus on downsizing strategies used by organizations and the consequences of layoffs associated with downsizing, particularly for organizational members of the surviving workforce. Second, we examine the literature on downsizing as it pertains to the field of health care.

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ORGANIZATIONAL DOWNSIZING

There has been a major shift over the past 10 years or so in the assumptions underlying organizational performance, efficiency, and effectiveness. These changing assumptions have led, in part, to downsizing as a strategy of choice for many companies (Cameron, 1994), first in the smokestack industries, then in the service industries. It holds a sort of allure for impatient executives, directors, and shareholders. In an important way, downsizing has not been reserved for merely those firms "in trouble" financially but also has been used by successful, profitable companies. One recent survey found that one third to one half of all medium and large U.S. firms have downsized annually since 1988 (Henkoff, 1994). In fact, over half of all Fortune 1000 firms went through a major "reorganization" in 1987 alone (Cameron, Freeman, & Mishra, 1991). Downsizing has resulted in a 10% workforce reduction since 1988 at major corporate players such as IBM, DuPont, Sears, and AT&T (Bernardin & Russell, 1993). Thus, the 1990s may very well go down as the decade of corporate "whatever an employer calls it—downsizing, rightsizing, streamlining, or restructuring" (Leonard, 1995, p. 90).

There are several different approaches to downsizing, and each takes a different form. One approach that several firms have adopted is a last-in, first-out policy. Under this form of downsizing, decisions regarding restructuring through layoffs are based entirely on employee seniority and are often the result of collective bargaining arrangements. For example, General Motors and the United Auto Workers have a contract that specifies such an agreement. Another approach to downsizing involves employee cutbacks based entirely on company needs and performance of employees. For example, Digital Equipment Corporation reduced its workforce by more than 5,000 people based on such a strategy. A recent study showed that one fourth of companies surveyed used employee performance as at least one basis for layoffs. Other approaches to downsizing include early retirement packages (such as those used by IBM, Xerox, and Ford), retraining of workers, and redeployment efforts (Bernardin & Russell, 1993).

However, despite the media attention surrounding downsizing, it has been relatively unstudied in a systematic, rigorous way by organizational researchers. The literature that does exist is primarily anecdotal and prescriptive in nature. Cameron (1994), in a large, 4-year study, identified three main types of downsizing strategy implemented by organizations. The first type of downsizing strategies are workforce reduction strategies. These strategies focus on short-term payoffs by eliminating head count, or cutting back the

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number of employees. The second type of downsizing strategies, called work redesign strategies, lead to moderate-term payoffs and are designed to cut back on the work itself, for example, by merging units and redesigning jobs along with or instead of reducing the number of employees. The third kind of downsizing strategies are called systematic strategies. These strategies target a long-term payoff and “focus on changing the organization’s culture and the attitudes and values of employees, not just changing the size of the workforce or the work” (Cameron, 1994, p. 192).

Laying off workers is by far the most common action taken in organizations implementing downsizing (McCune, Beatty, & Montagno, 1988). In response, there has been a stream of literature that breaks down victim-focused layoff research and survivor-focused layoff research. Specifically, Jahoda (1982) looked at those people most directly affected by downsizing layoffs. Obviously, the layoff victims themselves along with their families were found to be in the direct path of possible interpersonal, psychological, and economic devastation. Subsequent research has followed that concentrates on fairness of treatment, respect, compassion, and sensitivity toward the victims (Bies, Martin, & Brockner, 1993; Folger & Bies, 1989). For example, in survivor-based research conducted by Brockner (1988), the focus was on how organizations could manage the survivors of layoffs in a successful manner. This involved prescriptions of how organizations could prevent the deterioration of employee morale and, ultimately, performance. Subsequent research by Kozlowski, Chao, Smith, and Hedlund (1993) found negative outcomes related to the effects of downsizing on the surviving employees’ personal and family relationships, as well as their physical and emotional health.

Downsizing, in general, has been shown in the literature to cause a plethora of organizational problems. Cole (1993), for example, identified a mass of problems that downsizing can bring organizations, including loss of cross-unit and cross-level knowledge from interpersonal interactions, loss of personal relationships between employees and customers, and disruption of smooth and predictable routines. Furthermore, Cameron, Freeman, and Mishra (1993), in a study of downsizing in the automotive industry, revealed even more negative outcomes associated with layoffs, such as increased interpersonal conflict, increased resistance to change, increased centralization in decision making, and a decrease in employee morale, commitment, and loyalty. Overall, research on downsizing has shown an array of negative results and minimal positive results for organizations. Downsizing has begun to receive moderate research attention recently as more and more organizations are doing it. However, most research has looked at large firms in the so-

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called "smokestack" industries when making assessments. One industry that should receive much more attention is health care.

DOWNSIZING AND HEALTH CARE

HCOs are facing not only increasing costs, but also decreasing financial margins and patient volumes. To combat some of these less than favorable trends, HCOs "continue to focus on staff reductions and downsizing as methods to reduce costs and improve profitability" (Kazemek & Channon, 1988, p. 96). Downsizing in HCOs involves a process of thoroughly and critically reviewing organizational structure and operating practices to identify inefficiencies or redundant activities. Although downsizing is sweeping the health care industry, studies on its impact have been relatively few. In particular, systematic research reporting the impact of downsizing on health care employees has been, to date, largely ignored. The studies that do exist provide mostly descriptive, anecdotal, and prescriptive information to illustrate and facilitate downsizing activities. Specifically, the analysis of downsizing in HCOs has been limited to addressing areas such as recommendations for a targeted, planned, systematic approach to downsizing in HCOs; case studies on health care systems; the specific experiences HCOs went through and lessons learned; prescriptions for "streamlining" HCOs through nontraditional processes; and interventions for the distrustful, confused, and often unproductive surviving workforce.

For example, Kazemek and Channon (1988) suggest ways in which HCOs can implement downsizing in a systematic, planned way. They argue that downsizing strategies that have typified the health care industry are untargeted and often very reactive. They suggest steps to change this trend, including developing more effective communication plans and conducting management training so productivity improvements can be sustained. In addition, they suggest that sustainable performance improvements will be more likely to occur if the HCO revises salary administration programs to support value changes, authority, and responsibility that are different because of downsizing, as well as continually updating the HCOs strategic plan to meet changes caused by downsizing. Mullaney (1989) wrote a case study that described one hospital system's experience with downsizing. This piece makes the point that more and more hospitals and health care institutions will be faced with the necessity of cutting back their workforces because of a decrease in the use of traditional hospital services. Furthermore, it is argued that downsizing, although very difficult, is a critical task toward attaining long-range organizational health. To be successful, Mullaney explains, HCOs must

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define clear goals, formulate comprehensive plans to attain the goals, communicate the goals and the processes needed to achieve them, and be sure management is prepared to deal with the consequences of downsizing.

In other literature on downsizing in HCOs, Van Sumeren (1986) suggests that traditional processes used in achieving reductions may not be very effective if subsequent reductions are necessary. First, reductions have traditionally been limited to line positions. Further reductions will need to involve staff and managerial positions, which will make it harder to determine where these reductions will occur. Second, reductions have traditionally been based on productivity measurements and declining volumes, assuming a certain range of activity levels. These relevant ranges are no longer valid. Third, determination of who was "reduced" was traditionally based on politics. Those with political power during the first reduction may not have it for subsequent reductions. Fourth, reductions have traditionally been made without restructuring responsibilities and reporting relationships, thus causing confusion. Finally, differences in declining patient volumes require differences in organizational structures. Based on these inefficiencies, it is argued that nontraditional downsizing methods should be used as effective tools for restructuring an HCO in response to declines in patient use. Three main steps can be followed: (a) develop goals and expectations, (b) assess opportunities, and (c) implement planning (Van Sumeren, 1986).

It should be no surprise, then, that downsizing in HCOs tends to produce a surviving workforce that is confused, distrustful, and not very productive. Yet, administrators still rely on downsizing as the best attempt to contain the rising costs of health care. Consequently, the human resource departments are being held responsible for HCOs becoming more efficient and effective. Yet, systematic research on the impact that downsizing has on both health care managers' and employees' work attitudes (e.g., job satisfaction, organizational commitment, attitudes toward supervisors and coworkers), which would help organizations understand and potentially determine downsizing effectiveness, has been largely ignored. In particular, we propose that

Hypothesis 1: Downsizing will have a negative impact on manager and employee attitudes concerning their work environment in an HCO.

This first hypothesis proposes an extension of prior research findings into a new arena, health care. We propose that downsizing will have the same impact of decreasing employee attachment as a result of possible termination and lowering job satisfaction as work roles expand to adjust for the reduced head count. In addition, we hypothesize that organizational members will feel their supervisors are less considerate and supportive. This will be a

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reaction to them as agents of the reduction as well as a self-protecting external attribution of the potential for future layoffs. Finally, we propose that collegiality will decline as members begin to see themselves as possible competitors "jockeying for position" (keeping their jobs).

We feel that the impact will be pervasive across the entire hierarchy of an HCO. In traditional production and service organizations, a gap may exist between employees and management. This gap may be a result of an existing union, different socializations due to functional silo, or the fact that we now see different organizational entry points. That is, due to educational backgrounds, individuals may not enter and follow the same path up the ladder. Thus, one might become a manager without having been a front-line employee. This is not the case in HCOs. In most instances, an individual enters an HCO in some health care-delivery position. Over time, experience and training provide opportunities to move into supervisory and administrative ranks. Given this common history, we expect some shared reactions to interventions that disrupt the organization's culture (Schein, 1985).

Even so, this study proposes that there will be significant differences in the decline between manager and front-line employee perceptions of job attitudes during the time of the downsizing intervention. In addition, this study proposes that there will be significant differences between managers and front-line employees in their reactions to downsizing. This might be due to the fact that managers have been the more frequent targets for staff reductions in recent downsizing activities. Or it may be that their closer position to the decision making that influences reduction decisions may cause them to be more aware and accepting of who gets cut.

Hypothesis 2: Managers and staff employees will report significantly different changes in attitude over the downsizing intervention period.

METHODS

SETTING AND SAMPLE

The setting for this study was a large, 250-bed medical rehabilitation hospital in the Midwest employing about 500 people on a full-time basis. This HCO provides service programs in the areas of acute rehabilitation, subacute rehabilitation, complex medical and rehabilitation, ventilator-assistance, aquatic physical therapy and exercise, outpatient services, occupational health services, adult day services, long-term care, and Alzheimer's disease. The size and reputation of this HCO draws patients from 11 states in the region.

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The sample used for the study was the total number of responses to a climate assessment tool administered over the 3-year downsizing period and used to facilitate the organizational restructuring process. The total number of responses during this period was 848 managers and employees. This represented 60% of the full-time staff and 95% of the management personnel. Table 1 provides the demographic breakdown of the sample for each year of data collection. There were no statistically significant differences across the 3 years for the sample's demographic characteristics.

BACKGROUND/INTERVENTION

In 1993, the rehabilitation facility required changes in its workforce. Unfavorable economic conditions, both industry-wide (i.e., escalating costs, increased taxes) and organization-wide (i.e., loss of revenue, decreased patient registration), created a need to reduce these costs and meet demands for higher efficiency (75% of expenses were employee related). The decision was made by administration to downsize the organization. Subsequently, all employee workloads were subjected to radical process changes by way of reengineering (e.g., Hammer & Champy, 1993) through systems chart analysis and restructuring. As a result, 8% of the workforce saw their positions eliminated during the first half of the study period.

Other affected employees were required to reduce their status from full-time to part-time, and some were laid off but not terminated (ceased scheduling hours for 6 months). The variation in response was due to the fact that each department varied in services to customers, and thus different tactics were required. To facilitate the restructuring, the HCO changed the definition of full-time from 80 hours per pay period (2 weeks) to 70 hours per pay period for benefits and scheduling purposes. Pay was reduced accordingly. This change was made to minimize the impact to employees (e.g., avoid large-scale terminations as seen in the popular press) and to create an opportunity for employees to volunteer for a change in their employment status without loss of benefits.

The factors the organization used to determine who to reduce (both terminations and restructured hours) were based on performance issues. For example, if there were several people in one position all doing the same job, the best qualified performers were selected and kept. Seniority was not the No. 1 factor in determining who to keep. Seniority was used only when there were staff members considered equal in qualifications and performance of the essential job functions and who demonstrated the organization's "values as defined in our mission and philosophy." All employees displaced by this reduction met with their department director and, in some cases, the director

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TABLE 1
Demographic Breakdown of Study Sample: Percentages, Annual Means, and Standard Deviations

	1991	*1992*	*1993*
Age	37.88	40.08	37.08
	(11.03)	(11.36)	(11.63)
Gender (%)			
1 = male	13.4	10.5	12.7
2 = female	86.6	89.5	87.3
Marital status (%)			
1 = single	24.7	16.0	27.3
2 = married	57.8	65.8	58.3
3 = divorced	14.5	18.1	14.4
Job tenure	3.61	5.12	4.23
	(3.76)	(7.27)	(5.10)
Sample size	296	261	291

NOTE: The coding used is displayed to the left of each variable category. Means are in years, standard deviations are in parentheses.

of human resources to learn of their last day of work, their benefit options, and transition assistance programs. The entire downsizing process lasted from 1993 to 1995.

RESEARCH DESIGN AND PROCEDURE

A pretest-posttest quasi-experimental control group design was used in this field setting (the rehabilitation facility). Quasi-control (comparison) groups could be identified by which division had or had not been affected at the time of each annual survey administration. The 1993 survey was used as the baseline, as no divisions had been affected. At the 1994 data collection point, three of the eight operating divisions had been affected, and the process was considered completed at the time of the 1995 survey.

The survey used to examine manager and employee reactions to the downsizing intervention was administered each October in 1993, 1994, and 1995. These items were embedded within an instrument used to evaluate several dimensions of workplace climate. The administration procedures were consistently followed for the 3 years. Each July, a meeting was held with the chief executive officer (CEO), the vice president-operations, and the human resources director to discuss the survey's content (the study scales plus inclusion of items of specific interest to the HCO), the administration schedule and

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location, and the feedback schedule. The survey was typically administered over a 6- to 10-day period in which the surveys were handed out and collected on site by the authors and a graduate assistant. The collection times were designed to maximize employee availability (for example, a 1 a.m. to 3 a.m. period for the night shift) and minimize operational disruptions. On average, 70 hours of administration time for the survey were scheduled each year.

During the collection period, subjects would come into the assigned room, pick up a survey, complete it, and hand it back to the experimenter. Each survey contained a consent form explaining that data would be analyzed by departments only and that all individual responses would be kept confidential. The survey generally took between 30 and 45 minutes to complete. Each subject was asked to indicate the extent to which he or she agreed or disagreed with each statement. Following the collection of the surveys, the annual departmental scores and general trends were calculated and compared with the previous year's results. Finally, an annual feedback report was presented to the administration of the health care facility. This report consisted of an oral presentation and a detailed written document.

MEASURES

Standard scales, well-supported in the literature and widely associated with work attitudes, were used to determine the impact of the downsizing intervention. All scale items used a 7-point Likert-type scale with response choices ranging from 1 = *strongly disagree* to 7 = *strongly agree*. Many of the scale items were reverse coded to prevent possible threats (response pattern biases). These measures are identified and explained below.

Organizational commitment. The well-established 15-item Organizational Commitment Questionnaire (OCQ) developed by Mowday, Steers, and Porter (1979) was used to measure employee attachment as characterized by the three component factors: (a) a strong belief in and acceptance of the organization's goals and values, (b) a willingness to exert considerable effort on behalf of the organization, and (c) a strong desire to maintain membership in the organization. The OCQ included items such as "I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful," "I am proud to tell others that I am part of this organization," and "For me this is the best of all possible organizations for which to work." Higher scores on the questionnaire indicated higher levels of organizational commitment. The scale showed an excellent level of internal consistency for this study ($\alpha = .85$).

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Job satisfaction. Job satisfaction was measured by the widely recognized Job Diagnostic Survey (JDS) developed by Hackman and Oldham (1980) to measure employee perceptions of how well their job matches desires for enriched, motivational potential. Once again, higher scores on the scale indicated higher job satisfaction; the survey consisted of items such as "The major satisfaction in my life comes from my job," "I am generally satisfied with the kind of work I do in this job," and "Generally, I am satisfied with the overall quality of the supervision I receive." The scale showed an excellent level of internal consistency for this study ($\alpha = .83$).

Supervisor support. A 12-item scale was used to assess the superior-subordinate relationship, particularly as it would be affected over the course of the restructuring intervention. The Supervisor Support Scale was developed and validated by Pearce and associates (Pearce, Branyiczki, & Bakasci, 1994; Pearce, Sommer, Morris, & Frideger, 1992) and was extremely reliable for this study ($\alpha = .95$). This scale measured interpersonal behaviors promoting a close working relationship, including "I can rely on my supervisor," "My supervisor seems willing to listen to my problems," and "My supervisor seems rather distant and unapproachable."

Workgroup trust. An eight-item scale (Pearce et al., 1992) was used to evaluate attitudes among coworkers during and as a result of the downsizing intervention. Workgroup trust measured the perception of shared objectives and mutual support and included items such as "The people in my work group are friendly," "This group has no 'team spirit,'" and "Overall members of this group are trustworthy" ($\alpha = .89$).

Demographics. To control for potential effects of individual differences on work attitudes, various traditional measures of demography (Tsui, Egan, & O'Reilly, 1992) were collected. Age (in years), gender (male, female), marital status (single, married, divorced, kids), and job tenure (in years) were collected.

RESULTS

The descriptive statistics and intercorrelations for the study variables combined for all three time periods are presented in Table 2. As expected, age and job tenure were significantly associated with most of the work attitudes. Older and longer-tenured managers and employees were more satisfied with their jobs and were more committed to the HCO. Gender and marital status

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TABLE 2
Descriptive Statistics

Variable	*Mean*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Age	38.3 (11.38)								
Gender	88% female	.12**							
Marital status	60% married	.22**	.07*						
Job tenure	4.27 (5.46)	.32**	.07	.07					
Job satisfaction	5.17 (1.14)	.17**	.04	.02	.09*	[.83]			
Organization commitment	5.23 (.97)	.18**	.08*	.08*	.14**	.73**	[.85]		
Supervisor support	5.33 (1.30)	.14**	.01	.00	.00	.63**	.49**	[.95]	
Group trust	5.55 (1.01)	.06	.05	–.01	–.03	.41**	.38**	.45**	[.89]

NOTE: Standard deviations are in parentheses, reliabilities are in brackets.
$*p < .05$. $**p < .01$.

were positively related to commitment only. Female and married members expressed higher organizational commitment. Given the strong correlations across many of the demographic variables, multiple regression analysis was used to determine potential collinearity effects. The results of this analysis showed that, when controlling for the other variables, only age and gender had consistent, independent, and significant relationships to the dependent attitude variables.

The first hypothesis stated that organizational members in general would experience less positive work attitudes as a result of the downsizing intervention. Multiple ANCOVAs with repeated measures were used to test this proposition. Age and gender were used as the covariates to control for effects of demography. Time, as the repeated measure, and downsizing status of the individual departments were entered as main effects. An interaction term was introduced to see if attitude changes were confined to the direct experience of being downsized, or if there was a spillover effect whereby known interventions in one area of the organization affected attitudes in other departments. Table 3 shows the results of these analyses. Three of the four measured attitudes (organizational commitment, job satisfaction, and workgroup trust)

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TABLE 3
Analysis of Variance of Attitudes Over the Period of Downsizing Intervention Controlling for Gender and Age

Variable	df	MS	F	p <
Organizational commitment				
Covariates				
Age	1	7.10	8.30	.01
Gender	1	2.35	2.75	.10
Main effects				
Year	2	4.21	4.93	.01
Downsize status	1	5.73	6.70	.01
Two-way interactions				
Year × Status	1	.00	.01	n.s.
Error	816	.86		
Job satisfaction				
Covariates				
Age	1	8.58	6.98	.01
Gender	1	.62	.50	n.s.
Main effects				
Year	2	5.50	4.67	.01
Downsize status	1	5.49	4.64	.04
Two-way interactions				
Year × Status	1	.73	.60	n.s.
Error	816	1.23		
Supervisor support				
Covariates				
Age	1	9.17	5.65	.02
Gender	1	7.72	4.76	.03
Main effects				
Year	2	.64	.39	n.s.
Downsize status	1	3.23	1.99	n.s.
Two-way interactions				
Year × Status	1	.51	.31	n.s.
Error	816	1.62		
Workgroup trust				
Covariates				
Age	1	1.78	1.82	n.s.
Gender	1	.31	.31	n.s.
Main effects				
Year	2	2.88	2.94	.05
Downsize status	1	.69	.71	n.s.
Two-way interactions				
Year × Status	1	.01	.01	n.s.
Error	816	.98		

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TABLE 4
Organizational Attitudes by Manager/Employee Status Over Time

	1993	*1994*	*1995*
Manager			
Job satisfaction	5.45	5.28	5.38
	(1.10)	(1.32)	(.97)
Organizational commitment	5.71	5.63	5.53
	(.78)	(.86)	(.74)
Supervisor support	5.77	5.74	5.54
	(1.08)	(.94)	(.92)
Workgroup trust	5.83	5.84	5.85
	(.71)	(.64)	(.82)
Staff			
Job satisfaction	5.36	4.95	5.08
	(1.02)	(1.28)	(1.03)
Organizational commitment	5.36	5.08	5.04
	(.87)	(1.01)	(.97)
Supervisor support	5.36	5.24	5.23
	(1.34)	(1.39)	(1.30)
Workgroup trust	5.51	5.38	5.65
	(1.11)	(1.02)	(.96)

significantly declined over the downsizing intervention. In addition, organizational commitment and job satisfaction were significantly different between those departments that were affected versus those that were not affected by the restructuring. Thus, Hypothesis 1 received moderate support.

The second hypothesis stated that attitude changes would also be influenced by whether respondents were managers or staff employees. Table 4 presents the descriptive statistics for each status (manager, employee) for each measure for each of the three measurement periods. Table 5 provides the MANCOVA results for the manager versus employee analysis. Again, the results are mixed. Both main effects were significant for organizational commitment and workgroup trust. Only the time effect was significant for job satisfaction, and only the status difference was significant for supervisor support. A visual inspection of Table 4, along with the univariate ANOVA tests, reveals the following patterns: Whereas both groups reported significant declines in commitment, and employees showed lower workgroup trust (although it did rebound), managers reported higher levels of both attitudes throughout the intervention. Neither group reported a significant decline in supervisor support although managers reported higher levels of support than

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TABLE 5
Analysis of Variance of Manager Versus Employee Attitudes Over the Period of Downsizing Intervention Controlling for Gender and Age

Variable	df	MS	F	p <
Organizational commitment				
Covariates				
Age	1	6.17	7.33	.01
Gender	1	.79	.94	n.s.
Main effects				
Year	2	5.24	6.23	.01
Manager status	1	18.60	22.10	.01
Two-way interactions				
Year × Status	1	.22	.26	n.s.
Error	767	.84		
Job satisfaction				
Covariates				
Age	1	8.75	7.13	.01
Gender	1	2.47	2.02	n.s.
Main effects				
Year	2	9.07	7.40	.01
Manager status	1	3.64	2.97	n.s.
Two-way interactions				
Year × Status	1	.73	.60	n.s.
Error	767	1.23		
Supervisor support				
Covariates				
Age	1	10.71	6.63	.01
Gender	1	9.56	5.92	.02
Main effects				
Year	2	.31	.19	n.s.
Manager status	1	15.07	9.32	.01
Two-way interactions				
Year × Status	1	.85	.52	n.s.
Error	759	1.62		
Workgroup trust				
Covariates				
Age	1	1.43	1.44	n.s.
Gender	1	.03	.03	n.s.
Main effects				
Year	2	3.75	3.78	.02
Manager status	1	10.71	10.79	.01
Two-way interactions				
Year × Status	1	.65	.65	n.s.
Error	759	.99		

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staff employees. Finally, job satisfaction for both groups declined over the intervention period, but (surprisingly, from the visual inspection) the groups were not different from each other. In conclusion, Hypothesis 2 also received moderate support.

DISCUSSION

The purpose of this study was to provide a systematic, empirically based investigation of the effects that downsizing has on attitudes in an HCO—both for managers and front-line employees. The first study hypothesis was that all members of downsized departments would experience significantly different attitudes over time when compared with nonaffected department members. Analyses showed that downsizing experience did affect traditional organizational level attitudes such as satisfaction and commitment. Furthermore, more local measures such as attitudes about one's own work group were significantly affected, although to a lesser extent when comparing effect sizes. The second hypothesis stated that attitudes would differ based on whether the individual was a manager or front-line employee. Again, the results showed this to be partially true. In terms of collective-oriented attitudes—commitment and work group—there were significant differences by job level. However, in one-to-one type attitudes—job satisfaction and supervisor relations—there were no significant differences.

Several implications can be drawn from these results. The first concerns the focus of attention for negative reactions. In general, these results suggest that managers and employees are more likely to target their frustrations against the organization rather than against their immediate colleagues. Such an attributional scheme may allow individuals to "vent" against faceless entities while preserving their necessary ongoing collaborations. By comparison, the results also suggest a potential local-cosmo differentiation about the downsizing activities. For example, respondents might be indicating that they hear a lot about what is going on, that others are being affected; but their own experiences suggest the impact is less severe and thus likely to be more manageable. That is, the rumors abound about "the sky falling," "this change is really hitting everyone hard," and other "they said" types of expressions. Yet, when assessing their own experiences, actual disruptions and effects are not viewed as so devastating. That is, one's own manager is handling the situation, as evidenced by the stable opinions concerning supervisor support. Furthermore, the "rebound effect" for employee opinions about their work group might suggest that initial effects are felt within the unit, but the group is able "to pull together," to rally in mutually confronting and overcoming

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the challenges presented by the major changes imposed by “them” (upper management).

In general, the manager results suggest little change in attitude over the intervention period. This might be explained, in part, by managers’ tendencies to have a longer-term vision. Managers knew the downsizing intervention was not a “quick fix” solution and would take time to generate organizational benefits. In addition, managers frequently met face-to-face and as a management team to be briefed on plans and progress regarding the transformation. Staff employees only received occasional updates through newsletters and second-hand reports.

This greater involvement of the managers, as recommended for all targeted members by the change literature, may have caused managers to have greater feelings of loyalty beyond what might be due to more years spent with the organization. However, overall downward trends in commitment from managers and employees alike imply that both groups may not have felt as secure in their jobs as they had in the past; past loyalties, particularly from management, might be diffusing. This is consistent with the findings by others (Henkoff, 1994) that change processes such as downsizing often bring about fear, anxiety, and resistance from key managers and employees. Often, survivors of downsizing feel guilty that they still have a job, and they worry that they may be next (Kirk, 1995). In fact, two thirds of organizations that downsize once will do it again (Henkoff, 1994).

The next implication derives from the lack of an interaction effect for each of the analyses. These results might suggest that even though attitudes of downsized departments declined, there were parallel declines in attitudes among members of nondownsized departments. This suggests that whereas some were experiencing the pains (downsized departments), others were vicariously feeling its effect (nondownsized departments). One might expect nonaffected departments to feel relieved; however, these results suggest otherwise and possibly reflect the empathy of those affected along with the sympathy of those who were not. This finding should be understandable when considering that downsizing is an organization-wide intervention in general, and this HCO promoted a warm and supportive culture in particular.

A further implication can be drawn from the lack of significant interaction effects. As found in other studies, employee attitudes are negatively affected by radical transformations. These results help to extend our understanding of these reactions. We propose that the difference in attitudes at baseline and the departments selected for intervention were not coincidental. It may be that the lower attitude scores were a function of existing inefficiencies. Thus, these results confirmed the identification of where the intervention should begin. As expected, all employees reacted to the actual intervention. Further

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attitude declines could reflect the reactions of those in departments targeted, as well as survivors having to pick up the post-layoff slack. Declines in other departments might reflect a spillover effect. One, resentment that the entire organization would eventually be analyzed, and two, concern about having to cut hours and compensation for problems “caused by others.” Commitment thus went down as members “kept their eyes open” for other more secure job opportunities.

On reviewing these impacts on the organization’s managers and staff, a pertinent question becomes “Was it worth it?” That is, were the cost savings substantial enough, given the turmoil and potential detriment to morale. Was there an acceptable tradeoff? Or did any cost savings obtained through reduced personnel costs vanish from the lowered commitment and efficiency of those who remained? For example, given their reduced income and security, how likely is it that remaining employees might now display a less effective “bedside manner” in terms of patient interaction? How probable that lower commitment to the organization could lead to less frequent extra-role behaviors (going beyond the call of duty) and even lower quality care? These issues were raised in follow-up discussions with the HCO. According to data they collected, they stated that service had actually improved. Based on their own surveys, patient satisfaction had increased 2.5% in the final year of the study. Based on their financial records, the average cost of a patient’s stay decreased almost 15%. However, we did not have sufficient information to determine the representativeness of the patient survey. In addition, growing pressures from insurance companies have led to quicker discharges and shifts to using more outpatient methods to provide treatment. Thus, although this data is informative, we could not rigorously determine that performance had improved. Future research should specifically and rigorously test the actual tradeoffs involved.

Several aspects of this study provide an opportunity to strengthen our understanding of the downsizing process. First, this study is one of the few known quasi-experimental, empirical, and longitudinal investigations found in the literature. Most articles report on downsizing prescriptions and anecdotes. As such, we answer Cameron and Mishra’s (1991) call for more research on the “precursors, processes, and effects associated with downsizing.” Another contribution is the breakdown of the analysis into front-line employee and manager reactions. These results provide insight into the differences in reactions, given the hierarchical status of the individual, a point of departure for future research. Furthermore, this study extends the generalizability of our knowledge into the health-care arena.

However, a couple of potential limitations should be noted. First, the sample was very homogenous in nature. All subjects in the study were associated

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with the same organization, thus potentially limiting the external validity of the findings. Another potential limitation was the use of voluntary questionnaires. Namely, the subjects were self-selected, meaning that it is possible that the employees who filled out the survey may have been biased in one way or another. A comparison of respondents to the organizational population would suggest the sample was representative. However, some respondents noted in writing their dissatisfaction with the length of the survey, and some skipped sections and/or didn't fill out the survey completely, leading to potential response bias concerns. In addition, such voluntary procedures may draw responses from members more critical, dissatisfied, or disenfranchised with the organization (Judd, Smith, & Kidder, 1991). However, the large sample size helps alleviate some of these bias concerns. More important, if these were the most disenfranchised workers, then these results would overstate the consequences of the intervention. If this is indeed the case, these findings speak well to the potential ability to manage and mitigate the downside threat from downsizing programs.

IMPLICATIONS FOR PRACTICE

This study provides several implications that may help improve the practice of management. First, and most important, organizations need to seriously consider whether downsizing "is worth it." As previously discussed, two differing approaches to human resource strategy are available: the investment approach and the cost reduction approach. Downsizing represents a commitment to the latter philosophy, which will have implications for the organization's culture. Is the organization willing to make the commitment, risk the tradeoff between cost savings and lowered employee attachment? This study showed that downsizing had an overall negative impact on both manager and front-line employee attitudes in the underinvestigated health care industry. Unfortunately, organizations requiring changes to improve efficiency and effectiveness have traditionally jumped on the downsizing bandwagon without considering its objectives, appropriateness, and potential impact, especially on human resources (Moravec, Knowdell, & Branstead, 1994). This has very often led to disappointing results. Ironically, many now claim organizations have downsized too far, producing what some call "corporate anorexia" (Carpenter, 1996). By focusing exclusively on cost, companies have ignored their core competencies and have cut personnel so much that they are now starving for people possessing critical managerial and professional skills (Hirsh, 1997). We shall now discuss several means by which the tradeoff may be mitigated.

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The first practical implication involves the power of open communication for facilitating effective change. Most failed downsizing efforts were inattentive to those most involved in the change process, the managers and front-line employees (Cameron, Freeman, & Mishra, 1991). The organizational development literature has long discussed the importance of involving the target of change in the planning and implementation process (Cummings & Worley, 1993; Kotter, 1995). As indicated here, the managers in this HCO were well-informed. They were notified when the decision was made to downsize, they were told of the criteria to be used, and they were involved in the assessments of who was to be affected. At each step, they had information, time to adjust, and an understanding of the process. In short, long-established theories do work. We concluded this was the major reason for the different attitudes between managers and staff employees. Managers had time and information to "come to grips with," to adequately prepare and respond to the impending upheaval.

Extending the conversation to the rank-and-file level could provide similar benefits to employees and thus close the attitude gap. It has been recently demonstrated that individuals prefer to receive information face-to-face, and in particular, they prefer to hear it from their immediate supervisor (Larkin & Larkin, 1996). In some cases, these conversations may help to mitigate the tendency for rumors to overexaggerate. Employees were told, impersonally by upper management, what was going to happen and not given an opportunity to respond. It is easy to see how rumors might abound unchecked. Managers had the benefit of team meetings (described in the methods section) where they could hear directly, ask questions, and discuss implications and alternatives. Expanding these interactions can provide adjustment benefits, even if employees do not provide input into planning and implementation. The open discussions may just provide an opportunity for individuals to vent, to commiserate with others. The managers had such opportunities in their team meetings; the employees did not. As shown here, feelings of local support and effectiveness help build a shield against the perceived chaos thought to be occurring elsewhere in the organization. Thus, organizations need to consider not only how downsizing will affect the entire organization but also how to provide active communication and information sharing throughout the organization. Implications here suggest that a climate of support for both supervisors and work groups needs to be adapted.

Downsizing is a decision that organizations need to consider carefully and not enter into lightly. As shown here, the impact is organization-wide. To be noted, this organization suffered consequences in spite of its noted culture of concern and support for its members. The implication is that negative effects might be more pronounced in organizations that do not possess just a "family

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atmosphere." Although some have referred to downsizing as a fad approach (Pearlstein, 1993), it does remind us of important fundamental principles for managing financial and human resources (Harari, 1996). This study has shown potential detriments to employee morale; however, downsizing has a related potential impact that cannot be overlooked. Once an organization downsizes, it has crossed a line it can never go back. As anecdotal evidence has illustrated (e.g., IBM), there is a trust factor that is irreparably changed. Companies that had no layoff policies now irrevocably change their culture. Even in companies where layoffs were experienced before, the total system approach to downsizing places everyone "on alert" wondering when the ax will fall again (Henkoff, 1994; Kirk, 1995). Again, is it worth it?

There are significant tradeoffs to consider, and the literature has shown that the tradeoffs are not always beneficial to the organization. We think the concern of this organization for its human resources may have mitigated the potential downside. However, the data also suggest that downsizing might be avoided if appropriate interventions are pursued earlier. As mentioned, the departments that were most affected had displayed lower staff employee attitudes at the baseline. As suggested by others (Sherman, 1997), these attitudes may be a leading indicator of organizational inefficiency or human resource management problems. We suggest that organizations that are attuned to people issues may identify and correct problems earlier and thus may be able to avoid the need for drastic approaches such as downsizing.

Obviously, there are ways to improve on this study. One improvement would be a better opportunity for experimental control: use of comparison organizations, broader sampling, and generalizability. In addition, future research should investigate a broader range of outcome variables. Specifically, in addition to job satisfaction and organizational commitment, hard criteria measures of performance, turnover, and absenteeism could be examined—although our efforts suggest these are often difficult to collect and typically may change as a result of reengineering programs. Even so, the findings of this study can be beneficial for future research, not only in health care, but as evidence of systematic, empirical contribution to theory and practice.

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