

THE DOWNSIDE OF DOWNSIZING

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Abstract

With the help of data obtained from open-ended interviews conducted with the various stakeholders in downsizing operations and applied within a clinical framework, individual reaction patterns are explored in the victims, the survivors (those staying with a company after layoffs,) and the "executioners" (those responsible for the implementation of downsizing.) Special emphasis is given to the reactions of the executives implementing the downsizing operation. Among this group of people, a number of ways of coping can be discerned, described as compulsive/ritualistic, abrasive, dissociative, alexithymic, anhedonic, and depressive. The article ends with a number of practical recommendations about how to facilitate the downsizing process. From the interviews conducted, it appears that downsizing, in the more narrow sense of the word, can be a quite destructive process. Reframing the concept so that downsizing is viewed as a continuous process of corporate transformation and change, a way to plan for the continuity of the organization, seems to be a more constructive approach.

Key Words: downsizing, clinical approach, coping patterns, psychological contract, survivor's guilt, mourning, hardiness, burnout, *lex talionis*, dissociative behavior, abrasive behavior, depression, alexithymia, anhedonia, compulsiveness.

Introduction

I have striven not to laugh at human actions, not to weep at them, nor to hate them, but to understand them.

-- Spinoza --

Downsizing -- the planned elimination of positions or jobs -- is a relatively recent phenomenon that seems to have become a favorite business practice for a large number of troubled corporations. Starting with factory closures in sunset industries during the recession of the early eighties and continuing as an aftereffect of merger and acquisition mania, downsizing has turned into one of the inevitable outcomes of living in a global world where continual adjustments to products, services, and the price of labor are needed to remain competitive.

Since the late 1980s, nearly all of the Fortune 1000 firms have engaged in downsizing. What is more, this trend seems to be continuing. Various developments in management indicate that downsizing is here to stay. A major contributing factor has been the increasing popularity of global benchmarking. Finding one's overhead costs wanting compared to not only domestic but also international competitors has turned into a convincing argument to take large numbers of employees off the payroll. Another reason for the continued introduction of downsizing practices is the administrative impact of the revolutionary transformation in information and communication technology. Changes in these technologies have led to a growing redundancy of the traditional, go-between role of middle management -- a group of people previously preoccupied with collecting, analyzing, and transmitting information up and down the hierarchy. Last, but certainly not

least, downsizing is sometimes the price paid for strategic errors made by top management -- the erroneous interpretation of market trends, for example.

While in the past, in cases of cyclical downturns, it was the blue-collar workers who had to bear the brunt of reductions in personnel, this situation has changed dramatically. Downsizing has brought a certain amount of "cutback democracy" to the workplace; people in all job positions now seem to be included. Not only are hourly blue-collar workers affected, but an increasing number of white-collar employees have become aware of what it means to be at the receiving end of cost-cutting programs.

Among the expected benefits of downsizing are such factors as lower overhead, decreased bureaucracy, faster decision making, smoother communication, greater "intrapreneurial" behavior, increased productivity, and better earnings. Its major *raison d'être*, however, is to make a company more efficient compared to its competitors. But whether these benefits materialize is another question. The effectiveness of downsizing as a way to bring a company back to organizational health and increased competitiveness has been seriously challenged. The actual gains may be much less than originally expected. According to a survey by the Society for Human Resource Management, more than 50 percent of the 1,468 restructured firms surveyed reported that productivity either remained stagnant or deteriorated after downsizing (Henkoff, 1990.)

A study by an outplacement firm noted that 74 percent of the senior executives in downsized companies experienced problems with morale, trust, and productivity (Henkoff, 1990.) Another survey, profiled in the *Wall Street Journal*, found that of the 1,005 downsized firms questioned, only 46 percent had actually cut expenses, 32 percent had increased profits, 22 percent had increased productivity, and 22 percent had reduced bureaucracy (Bennett, 1991.) Research results have indicated that many organizations

enjoy an initial upsurge in productivity immediately after downsizing but then become depressed and lethargic (Appelbaum, Simpson, and Shapiro, 1987.) One consulting firm reported that stock prices of firms that downsized during the 1980s actually lagged behind the industry average in the 1990s (Baumohl, 1993.)

The Illusion of the Quick Fix

Some management scholars have argued that one of the reasons for the failure of many downsizing efforts is an overly simplistic approach. Too many executives equate downsizing with cutting costs through an across-the-board reduction of headcount. This, however, may be an excessively short-sighted business strategy. Executives who take this approach limit themselves to the implementation of superficial changes, focusing on perceived internal efficiency rather than challenging the overall way that the company does business. Paradoxically, in situations of attrition, hiring freezes, or forced early retirement, the star performers seem to be the first ones to leave the company. Consequently, crucial skills in human resources disappear, and organizational memory is disrupted or completely lost. Furthermore, those who remain are often stuck with an increased workload. The result is a group of unhappy, overworked employees, some of whom have to do tasks for which they have not been trained. To ease the disruption, patch-up solutions have to be found. Ironically (given the initial drive to cut expenses and save money,) costly consultants may have to be hired. Furthermore, due to the prevailing malaise in the company, downsizing may eventually beget more downsizing, causing "change fatigue" in executives and employees. It is because of consequences such as these that the effectiveness of the "wonder drug" downsizing has turned out to be highly questionable.

Granted, slashing people from the payroll may have a temporary beneficial effect in the form of reduced overhead (as might holding back on capital investments and R&D,) but mere cost cutting is inadequate to prepare a corporation for the "global business

Olympics." More is needed to ensure increased market share and profitability. Companies that take the downsizing route seem to be more preoccupied with their past than with their future; long-term investments seem to be delayed for short-term gains. What confirms this supposition is the disappointing track record of companies that have taken the downsizing approach. A majority of these companies have had a poorer performance after downsizing than before.

The fact that future success very much depends on such factors as constant innovation, exceptional customer satisfaction, and good corporate-citizen behavior (that is, behavior fostered by a corporate culture that encourages participants to be team players rather than turf defenders) implies that substantial investments have to be made in employees. Merely cutting people from the payroll is not the way to go. Doing so creates resentment and resistance and thereby affects employees' loyalty and commitment. In fact, firms that engage repeatedly in downsizing have difficulty attracting the best and the brightest due to bad publicity (regardless of whether that publicity is issued officially or by word of mouth.) As one wit very appropriately noted: downsizing, rightsizing, capsizing! Symptomatic of downsizing's darker side is the fact that most firms do not succeed in their original effort and end up downsizing again a year later (Pearlstein, 1994.)

From Downsizing to Reinventing

A number of students of organizations have argued that a broader approach to downsizing can have a positive long-term impact (Cameron, Freeman, and Mishra, 1993; Freeman, 1994; Mishra and Mishra, 1994; Grey and Mitev, 1995.) To these theorists, downsizing does not imply the mere elimination of positions or jobs; on the contrary, it is much more than that. If it is done in the proper way, it affects all the work processes in the organization. With the enlarged definition offered by this viewpoint, the goal of a downsizing effort becomes to reassess and alter the fundamental ways in which a company

conducts its business. Thus the company's organizational design, work processes, corporate culture, and mission may need an overhaul. Not only functions but also hierarchical levels and even complete business units may need to be eliminated. In its widest sense, the term *downsizing* can be used to describe a complete strategic transformation effort to change the values and attitudes of the company's corporate culture. Taking this outlook makes for a very different time span: rather than an often unsuccessful shortcut, downsizing becomes part of a company's continuous improvement scheme and takes on a long-term perspective, its objective being to look for ways to improve productivity, cut costs, and increase earnings.

It is clear from this discussion that downsizing can take many forms, all of which are efforts to improve organizational effectiveness, efficiency, productivity, and competitiveness. In its most narrow sense, downsizing can be viewed as a set of activities introduced to make the organization more cost-effective. In its most extreme form, it turns into an across-the-board cut in personnel. There appears, however, to be a progressive differentiation in people's perceptions of the downsizing phenomenon, from merely restructuring (getting smaller,) to reengineering (getting better,) to reinventing the corporation (getting smarter.) In its widest sense (which is probably the most constructive way of looking at the process,) downsizing becomes part of a continuous corporate renewal process. Many people, unfortunately, do not consider the corporate transformation option in interpreting this business practice.

Its mixed press notwithstanding, corporate downsizing is likely to remain an attractive option to many organizations. Even if the long-term benefits are questionable, downsizing creates the illusion that decisions are being made and actions are being taken. In addition, many consulting firms have recognized a new, profitable niche and have thrown themselves into the downsizing arena. There is a high social cost attached to this newest

rage in management, however. With all the hype, the people dimension is often left by the wayside. The way people affected by the process are dealt with generally leaves a lot to be desired. In spite of a growing number of articles, studies, and research efforts devoted to this subject, solutions about how individuals can learn to live with continuous downsizing are few and far between. Perhaps we will discover that continuous downsizing and the presence of a motivated workforce are contradictions in terms.

What is becoming increasingly clear, is that lasting, beneficial changes in the corporate world will require the painful adaptation of those concerned to a radically different way of life -- one without job security in the traditional meaning of the term (coined when people's sense of relevance and purpose was provided by the organization.) In many vanguard organizations, the notion is gaining foothold that in order to foster an intrapreneurial environment -- one that allows employees to approach their jobs as individual entrepreneurs, moving in and out of the organization as their and the organizations' needs dictate -- the relationship between the person and the organization has to change..

Career self-management -- that is, taking control of one's job and career as opposed to letting the company take care of them, according to the old employment contract -- is viewed as one possible solution to the problem of diminished job security. Toward that end, the term *employability* is replacing the concept of *job tenure*. The organization of the future is described as taking on a mentoring role to help employees toward a self-employed attitude. In order to provide at least a modicum of security, organizations encourage employees to keep their work experience as up-to-date as possible so that they are better able to get a new job if laid off. A new, shorter-term employment contract is proposed as part of this solution -- a contract that gives a limited amount of security for a defined period of time. Fine as these new ideas may sound on paper, however, for many

people this new way of organizing goes against their need for connectedness and affiliation and necessitates a great shift in thinking and expertise on the part of both employees and executives.

A New Area of Research

Given these recent developments in the organizational world, an increasing number of management scholars have become interested in the downsizing phenomenon. They want to better understand its dynamics. Most of the literature, however, concentrates on the technical and procedural issues associated with narrowly based downsizing strategies. And although this orientation has its merits, such an approach pays insufficient attention to the cognitive and emotional effects of downsizing on the individual. Many questions about important psychological processes are left unanswered.

Some management scholars, however, have realized the importance of the psychological dimension. Although a number of their studies have provided new insight, most of them have not gone into sufficient depth to deconstruct the psychological dynamics that are set in motion by the process of downsizing. In short, the question of how downsizing affects the various stakeholders has not been adequately explored, despite the fact that the psychological state of the various parties involved in the process has a decisive influence on the outcome of that process. Thus it is our belief that the existing literature in this field could be enhanced if more attention were given to the mindset of the different "actors" in this all-too realistic psychodrama and to the roles that the various parties play in the process. Furthermore, a better understanding of emerging coping patterns would be useful in designing intervention techniques.

The objective of this article is to take up this challenge -- that is, to examine the effects of downsizing on those affected by it -- and to do so from a clinical organizational

perspective (Kets de Vries, 1991, 1995.) By applying concepts derived from psychoanalysis (in particular self-psychology and object relations theory,) dynamic psychiatry, cognition and family systems theory, and developmental psychology to the issue of corporate downsizing, we hope to elucidate the effects of downsizing on the inner world of its various *dramatis personae*.

We will start by reviewing a number of the main themes in the literature on corporate downsizing, elaborating on the dimensions that pertain to the clinical orientation to organizational analysis. Some of the most frequent clinical reactions and coping patterns will be described from the point of view of the various parties concerned, whether they be the executives doing the downsizing, the employees being laid off, or the survivors. This taxonomy of reaction patterns is based on over 200 open-ended (clinical) interviews with various affected parties representing a wide variety of sectors in private and public enterprise (MacKinnon and Yudovsky, 1986; Leon, 1989; Leon, Bowden, and Faber, 1989.) The interviews, of varying duration, were sometimes done individually, sometimes in a group setting. Based on the conclusions we draw from our analysis, we will then make some practical recommendations about implementing the downsizing process. We hope that these suggestions will eventually make for more effective individual and organizational functioning.

Downsizing: Salient Issues

In spite of being a relatively new phenomenon in organizational life, corporate downsizing has inspired a large amount of research concentrating on different issues pertaining to the subject -- research that has resulted in a number of important findings. The most extensive and systematic survey of corporate downsizing is a four-year study done by Cameron,

Freeman, and Mishra (1991, 1993,) Freeman and Cameron (1993,) and Cameron (1994.) This study offers a theoretical framework of the process, focusing on possible implementation strategies, the organizational effects of downsizing, and best practices. A significant negative correlation between organizational effectiveness and downsizing through layoffs is one of the major findings of this research project (Cameron, 1994.) Although that study points to the effective management of the human resource system as one of the most critical factors in successful downsizing, it does not examine the downsizing process from the perspective of the individual.

Unfortunately, much of the subsequent literature follows this line of investigation (Freeman, 1994; Feldman and Leana, 1994.) All too often employees, in the typical approach to downsizing -- whether in corporate offices or the research arena -- are still treated in an abstract fashion. In this human engineering approach to downsizing, people are seen more as liabilities than as assets. The emotional experience of the individual in the process seems to have gotten short shrift. It is exactly this changing nature of the relationship between individual and organization, however, that warrants further attention. It is difficult to be successful as an organization with a group of demotivated employees. Fortunately, there are some students of the downsizing phenomenon who have taken on this problem from a more individual perspective.

The Breaking of the Psychological Contract

The major issue for those at the receiving end of downsizing -- the survivors and the victims -- concerns the "psychological contract." This term was coined by Harry Levinson (1962) to describe people's unconscious choice of an organization to respond to their psychological needs and support their psychological defenses in exchange for meeting the organization's unstated needs. The term "organizational codependency" has also been used to describe such a state of affairs (Noer, 1993.) In the case of downsizing, the

organization breaks this implicit psychological contract between employer and employee -- a contract that implies lifetime employment in return for hard work and loyalty (Brockner, 1992; Sherman, 1993.) As a result, the feeling of dependency that may have evolved into entitlement is transformed into a sense of betrayal.

Other researchers sharing this perspective on the individual consider stress to be the theoretical construct underlying the psychological dynamics pertaining to job loss (Leana and Feldman, 1988.) In his study of the effects of work layoffs on survivors, Brockner (1988) shows clearly that organizational downsizing is a strong stressor that has a profound influence on the work behaviors and attitudes of the remaining workforce. These findings underline the importance of managing interpersonal relations to help employees deal with the stress caused by the increased level of uncertainty and ambiguity generated by the downsizing process (Gilmore and Hirschhorn, 1984; Sutton, 1987.) Job loss (or the threat of job loss,) which makes for feelings of loss of mastery and control over one's environment and threatens one's internalized concept of self, seems to be a strong stressor (Zaleznik, Kets de Vries, and Howard, 1977.) The continued threat of job loss is regarded as the primary cause of deteriorating psychological well-being in the workplace and accounts for many stress-related illness, such as heart disease and ulcers.

Leana and Feldman (1988, 1990) take a closer look at how employees differ in their reactions with respect to downsizing. What are the major factors that they identify as contributing to employees' sense of despair? Financial distress and previous attachment to the job seem to have the greatest negative impact. For the victims of downsizing, losing the job often evokes reactions comparable to those experienced with the death of someone close (Greenhalgh and Rosenblatt, 1984; Henkoff, 1994.) Feelings of desperation over job loss may even culminate in violence or self-destruction, as illustrated by statistics that

denote murder in the workplace as the fastest growing form of homicide in the United States, with about 40 percent of these homicides followed by suicide (Thornburg, 1992.)

Other researchers have explored possible defensive reactions aroused by the downsizing process. One common reaction seems to be denial, a coping mechanism common to both management and employees in the downsizing process. It has been suggested that the higher the organizational level, the stronger the denial tends to be (Noer, 1993.) Researchers have also found various cognitive coping strategies leading to two different reactions to downsizing: people either resort to denial-detachment, thus distancing themselves psychologically from the perceived threat, or show signs of hypersensitivity, closely monitoring for danger signs (Greenhalgh and Jick, 1989.)

The crucial importance of communication has been a fixture throughout much of the downsizing literature. And rightly so: attention has to be given to communication if one wants to avoid rumors and the loss of the best employees with the most marketable skills (Greenhalgh and McKersie 1980; Sutton, 1984, 1987; Harris and Sutton, 1986; Brockner, 1988; Cameron, 1994; Brockner, 1992.) Open communication seems to be essential for the success of the downsizing process. Many of these studies indicate, however, that senior executives are often reluctant to let go of significant information, fearing that to do so would result in loss of control over the process.

The View from the Top

In most of these studies, little attention is paid to the role of the top executives -- those in charge of the downsizing process. Yet a 1991 survey of 1,005 companies conducted by the Wyatt Company indicates that the behavior of top executives -- especially their treatment of surviving employees -- is one of the main determinants of the success or failure of the downsizing process (Bennett, 1991; Lalli, 1992.) The way top executives

handle layoffs has a significant impact on the degree of dysfunctionality in survivors' work behavior and attitudes (Brockner, 1988.) The competence, knowledge, dynamism, and accessibility of leaders and their ability to clearly articulate a vision that provides motivation for the future are crucial to a positive outcome (Cameron, Freeman, and Mishra, 1993.) What makes this situation so difficult for executives who are involved in downsizing is that they often have to discard the values and belief systems that furthered their own advancement up the organizational career ladder in the first place. Many executives, to escape dealing with the personal conflicts that downsizing arouses, become quite detached, focusing on projected organizational outcomes. As they experience more and more stress with every new layoff, this way of coping turns out to be quite ineffective, given the manifestation of hostility, depression, absenteeism, and substance abuse among the workforce (Noer, 1993; Smith, 1994; Leana and Feldman, 1988.)

Adding to the stress of the process is the likely scapegoating of leaders and the withdrawal of leader credibility (Cameron, Kim, and Whetten, 1987.) This scapegoating, and the politicized environment that fosters it, causes many top executives to distance themselves even further from their employees to avoid criticism and antagonism (Cameron, Freeman, and Mishra, 1993.) They frequently react to layoffs by withdrawing from the remaining workforce (Brockner, 1992.) Already lonely top executives thus become even more isolated during downsizing and layoffs. Moreover, many of these executives are not prepared for the strong reactions of the survivors.

Many senior executives do not sufficiently recognize that the productivity of the remaining employees depends to a significant extent on the apparently trivial details of the implementation of the downsizing process. These implementation details affect people mainly because of their symbolic meaning (Brockner, 1992.) By ignoring the surviving subordinates' emotional state, however, executives become prone to making grave

mistakes -- mistakes that may lead to self-destructive behavior in those survivors. Executives should expect their surviving subordinates to experience a wide variety of psychological emotional reactions, including anxiety, anger, guilt, envy, relief, and denial (Brockner, 1988, 1992; Henkoff, 1994.) Another common mistake senior executives tend to commit in order to make employees feel guilty and work harder, is to tell the people who remain to be grateful for being able to keep their jobs (Noer, 1993.) Such a stand is bound to create resentment and may result in oppositional behavior.

The Reactions of the Survivors

As the behavior of top executives indicates, too little attention has been paid to the reactions of the survivors of the downsizing process. The realization that survivors of downsizing also need care and support is quite recent, but it is confirmed by the Wyatt Company survey mentioned above. According to a director of the Wyatt Company, layoffs and restructuring have a "severe adverse impact" on the morale of the survivors. Indeed, 58 percent of the surveyed companies reported that employee morale was seriously affected (Bennett, 1991.)

Survivors of downsizing usually perceive a significant and lasting change in their relationship to the organization. After an initial upsurge in productivity, they settle into a condition of fearful expectancy (Appelbaum, Simpson, and Shapiro, 1987.) One finding that many researchers of the downsizing phenomenon agree upon is a cluster of reactions among those remaining in the organization -- a cluster that has become known as "survivor sickness" (Noer, 1993) or "survivor syndrome" (Cascio, 1993.) "Layoff survivor sickness" is a generic term that describes a set of attitudes, feelings, and perceptions that occur in employees who remain in organizational systems following involuntary employee reductions. These include anger, depression, fear, guilt, risk aversion, distrust, vulnerability or powerlessness, and loss of morale and motivation (Noer, 1993; Navran,

1994; Cascio 1993; Brockner, 1988.) The greater the survivors' perception of violation, the greater their susceptibility to survivor sickness seems to be. The feeling of loss of control over the situation and the uncertainty caused by the possible loss of their own jobs can cause severe stress reactions in the survivors (Kets de Vries, 1979.) The sharp increase in the size of their workload, longer working hours, and fewer vacation days can reinforce this effect, leading to inefficiencies and burnout (Mone, 1994; Brockner, 1988, 1992.)

The issue of trust stands central during organizational downsizing. The broken psychological contract results in a steep reduction in trust, causing survivors to believe that management is guilty until proven innocent. This blaming phenomenon in those who remain may be a form of projection that serves as a defense mechanism, helping individuals confront their own survivor's guilt. Fairness on the part of the organization when implementing layoffs becomes of crucial importance in minimizing this phenomenon.

A study of the impact of layoffs on the work attitudes of survivors -- one using the framework of equity theory -- reveals that survivors' reactions take one of two forms when employees are confronted with injustice in the way layoffs are carried out (Brockner, Davy, and Carter, 1985; Brockner and others, 1987; Brockner, 1988.) Survivors either distance themselves from the layoff victims (if they do not substantially identify with those victims) or (if they do identify with them) distance themselves from the organization. Furthermore, to reduce feelings of guilt over their co-workers' dismissal employees increase their level of output. Job insecurity also causes survivors to develop a more negative attitude toward each other and triggers in them the need to outperform their co-workers. At the same time, the remaining workers need to redress the feeling of inequity elicited by their survival by convincing themselves that those who have been laid off

deserved it. Thus it appears that a moderate amount of job insecurity actually leads to temporarily heightened productivity, but it has the opposite effect on morale.

Downsizing from a Different Perspective

Most authors in the existing literature on downsizing focus on the "costs" to individuals who are at the receiving end of the process: the victims and the survivors. They deal -- usually in a very descriptive way (listing various stress symptoms) -- with the question of how the people whose jobs have been terminated cope with sudden unemployment. They also address the consequences for the survivors. How do they work through their survivor's guilt, their sense of embarrassment at still having a job? How do they deal with the fact that they are able to continue to work for their organization while others are asked to leave?

To get a better grasp of the psychology of the downsizing process, we have to go beyond mere description of what happens with victims and survivors. The listing of their symptoms may be a start, but it does not enable us to fully understand what is going on.

What also needs to be addressed is how the people who actually do the downsizing are psychologically affected. Interviews with executives involved in the process show quite clearly that this often unpleasant task can have a considerable emotional impact. For many, it is an activity that contradicts their basic outlook toward business life. Thus they have to cope with the double burden of their own emotional reactions and those of the other survivors. They have to deal with major change while experiencing it. These are very important considerations, especially given that the executives' psychological state as the powerholders in the organization is likely to have a serious effect on corporate culture, strategy, and structure (Kets de Vries and Miller, 1984.)

In the discussion that follows we will first focus on the victims and survivors. We will review their reaction patterns. Subsequently, we will address the reactions of the "executioners."

Managing Change

Victims and survivors of the downsizing process find themselves on opposite ends of the spectrum. By comparing their situation, however, we can see that in spite of the very different destinies they live out, there are some distinctive similarities in their cognitive and emotional approaches to the events, often resulting in comparable reactions. Both groups have to endure extremely stressful events, both have to cope with the loss of colleagues and friends, and both have to "start a new life" -- one that is bereft of the falsely (as it turns out) perceived security that governed their working identities. Often two psychologically similar individuals' reactions to very different situations have more in common than the reactions of two psychologically different individuals in the same situation. Therefore, it seems appropriate to start with what is common to both sides before discussing different individual reactions to what might rightfully be called an extremely traumatic event.

The Process of Mourning

Most people work for more than just money; they have *intrinsic* motivators as well. One of these is the need for belonging. To have a sense of belonging to something is important in the establishment of a person's identity. To be part of an organization, to pursue a lasting career, offers that opportunity. For many people, organizational and career identity are important components in the construction of their overall identity, thus constituting a major source of self-esteem.

Given the time people spend at work, companies can be regarded as symbolic families. The people one interacts with in organizations become part of one's inner world and are therefore important for one's overall well-being. Consequently, to be separated from members of this "family," either by being laid off oneself or by losing colleagues who are laid off, comes with a sense of separation and loss. This, for most people, creates a need to "mourn" this loss and results in a sequence of mourning reactions. The basic model of the mourning process can be compared to what children experience when their mothers leave them. Comparisons can also be made with the literature on bereavement (Kübler-Ross, 1969; Parks, 1972; Parks and Weiss, 1983; Marris, 1958, 1974; Osterweis, Solomon, and Green, 1984.) From child development studies, we have learned to expect a fairly predictable sequence of emotions: protest, despair, and detachment (Bowlby, 1969.) This is a familiar pattern of dealing with stressful experiences which begins in early childhood and is repeated throughout life.

In the case of separation from a company, a similar sequence applies (Kets de Vries and Miller, 1984.) The first stage can be described as a phase of disarray, in which the individuals affected generally experience a sense of numbness interrupted by feelings of panic and outbursts of anger. These are understandable reactions to having been hurt, ways to direct one's aggression. People who have suffered a loss need the opportunity to invest a proper amount of time into working through their feelings in order to be able to go on. Any attempt to suppress these feelings will only cause greater problems. A certain amount of anger is to be seen as a positive sign, an indicator that the person has retained his or her fighting spirit.

The first mourning phase is usually followed by a period of yearning and searching for what is lost. This period may last for several months and may be accompanied by feelings of disbelief and denial of the new reality. A sense of disorientation may prevail. From

having had a strong sense of identity as a member of an organization, the person who is affected by a downsizing effort (whether as a victim or as a survivor) now may wonder whether and where he or she will fit in. What are the opportunities going to be, if any? What is the future going to be like? Bouts of self-reproach and sadness are not unusual. Although the downsizing actions taken by management may be completely out of their control, victims and survivors may blame themselves for what is happening; they are preoccupied instead with the past.

If people are able to work through the initial stages of the mourning process, the state of discontent subsides, to be followed by a discarding of past patterns of thinking, feeling, and acting. A gradual acceptance of the new situation develops, both personally and organizationally; there is a willingness to go through a process of self-examination, followed by a redefinition and even reinvention of oneself. Tentative explorations are made toward finding new opportunities and establishing a new equilibrium. This shift leads to the final stage of the mourning process, which involves a redefinition of one's psychic world. There is a growing sense of hope; new choices seem possible. A more proactive attitude and a gradual orientation toward the future emerge. The arrival of this phase marks the fact that the person has come to grips with the new reality.

In certain cases, however, people are unable to properly mourn what has happened to them. They may get stuck, unable to proceed from one stage of the mourning process to the next. Defensive patterns persist, resulting in the denial of the situation and a clinging to the past. People who are caught in this situation will continue to function as if nothing had happened, trying to uphold their illusions, and will, of course, incur the associated adverse consequences. In some cases, the perceived withdrawal of status and respect may lead to activities characterized by aggression and destruction. Very prominent defensive maneuvers may result in displacement, cognitive disconnection, or splitting.

In displacement, the affected person redirects anger away from the responsible party and toward someone else. Family members and friends are likely to be affected.

In contrast, in cognitive disconnection, the emotional responses are uncoupled from their ideational content, resulting in dissociative thinking. Dissociative thinking is an emergency reaction to trauma, a way of preventing the flooding of emotions. As a result of such thinking, emotional mismanagement occurs; feelings are expressed inappropriately.

Splitting creates a paranoid view of the world which is divided into two camps: friends and enemies. Toward the latter is directed all one's hostile energy. "Others" are always out to attack and calamities are always just around the corner. Occasionally, these troubled individuals will themselves assume the role of the scapegoat instead of looking for others to blame, continuing to reproach themselves. This behavior may be accompanied by extreme helplessness, passivity, diminished zest for life, accident proneness, and even suicide attempts.

Some individuals seem to be able to handle the downsizing process better than others. These people manage the mourning process without too many conflicts. Their resistance to stressful situations can be explained by a term that has been recently introduced into psychological literature: hardiness.

Hardiness

Hardiness defines a certain kind of personality structure typified by the following characteristics: a feeling of control and influence over the events of one's life, deep commitment to the activities of one's life, and the perception of change as a positive challenge. Hardy individuals have a strong commitment to self, an attitude of vigorousness

toward the environment, a sense of meaningfulness, and an internal locus of control (Kobasa, 1979.) Their feeling of control over what is happening to them and their low need for security enables them to tolerate ambiguity better than others. They are said to possess an adaptive cognitive appraisal process that helps them to anticipate and internalize the changes they face. These people take charge; they make decisions; they feel that they are not at the mercy of events. The origin of this attitude toward their environment can be traced back to the kind of childrearing patterns they were subjected to. Their primary caretakers may have exposed them to age-appropriate frustration and encouraged them in their childhood activities, thereby helping them to acquire a perception of control over their environment and the development of a positive sense of self-esteem. Their commitment to self helps them preserve their mental health under strong pressure. When challenged by new circumstances, their positive outlook toward change lends them flexibility and adaptiveness; consequently, they show greater job involvement and put themselves easily into the role of catalyst. All these positive characteristics give hardy people the skills to cope both psychologically and somatically with the stress caused by the downsizing process.

Hardy individuals are the people who react in a constructive way when faced with downsizing; that is, when laid off, they make an effort to understand the reasons instead of blaming themselves or others. Then they actively look for another job. They may even consider their job or career change a challenge. In contrast, a person who lacks the same degree of hardiness perceives a similar situation as a threat and may react with passivity, experience depressive reactions, or resort to scapegoating.

Burnout

In contrast, for many "nonhardy" people, downsizing is accompanied by emotional, cognitive, and physiological symptoms. Recent research has tried to point out the

relationship between the phenomenon of downsizing and both the increase in disability claims for mental disorders and the incidence of stress-induced illness (Smith, 1994.) The term *burnout* has been used in this context.

Burnout is another way of describing an amalgamation of stress reactions. This concept is usually mentioned in the context of work. The main symptoms of burnout are feelings of emotional exhaustion, lack of energy, and emptiness. Depersonalization and a cynical, dehumanizing, and negative attitude toward people combine in a stress syndrome that often accompanies cases of severe burnout (Cordes and Dougherty, 1993.)

Burnout implies a deterioration of mental health symptomized by self-esteem problems, irritability, depression, helplessness, and free-floating anxiety. Among the physical characteristics can be listed fatigue, insomnia, headaches, nausea, chest pains, gastrointestinal disturbances (such as ulcers and colitis,) and allergic reactions. The consequences of burnout include an increase in substance abuse, employee turnover, absenteeism, and sometimes even suicide.

Because of its chronic stress and the frustration it brings to interpersonal contacts, downsizing may accelerate and amplify the manifestations of burnout (although there is no one-to-one connection.) Employees affected by the downsizing process -- be they victims, survivors, or "executioners" -- have a tendency to show signs of burnout as a reaction to repeated layoffs. After repeated layoffs, emotional exhaustion may compound the physical exhaustion caused by sheer work overload.

One important factor in the development of burnout among those who implement the process is the conflict surrounding role ambiguity. Executives tend to perceive themselves as the "builders" of the organization and the ensurers of the well-being of their employees.

Downsizing forces them to reduce staff by firing people -- thus violating what they see as their proper role. The inner conflict this creates, the guilt it arouses, often results in burnout. This, coupled with the fact that downsizing layoffs are generally not a one-time occurrence but have to be implemented repeatedly, can give executives a sense of failure. Executives who feel that they lack the necessary skills to solve the problems of the organization do not see themselves as being competent in their jobs anymore; they do not experience a sense of achievement. The result is a diminished sense of self-esteem, often accompanied by strong feelings of guilt for "playing destiny" in other people's lives and a prevailing sense of inadequacy in their ability to prevent the suffering of others. Thus burnout becomes a defensive coping strategy to compensate for these feelings of failure, guilt, and inadequacy and often leads to a state of psychic numbing.

Ways of Coping: The Victims

Coping can be seen as a person's cognitive, emotional, and behavioral efforts to manage specific external and internal demands that are experienced as taxing by that person. All of us, given our specific personality makeup, have our own characteristic ways of dealing with stressful situations: we try to alter or ameliorate the situation we find ourselves in. Some individuals do this by taking a proactive stand and trying to take new control over their lives, while other people cope more reactively, attempting to escape or avoid the stress. From our discussions with "downsized" individuals, we were able to distinguish a number of recurrent patterns. Bear in mind, however, that these descriptions are not necessarily exhaustive; rather, they are attempts at categorization in order to clarify how the process of downsizing affects the individual. Many different permutations and combinations are possible.

The Adaptable

For some individuals, the downsizing process engenders comparatively little drama. These people, who generally have a high skill level, succeed at finding another job with relative ease, usually in a field similar to the one they worked in when asked to leave. Experience shows that these people regularly join smaller companies. Doing so may make them feel less like a cog in a wheel. Although the experience of downsizing may lend these people a somewhat cynical outlook toward their new organization (after all, in spite of all the rational arguments given about their termination, their belief in the psychological contract has been shaken, evoking a lingering sense of betrayal and distrust,) being in a new organization can have a positive effect. When the transition between jobs is over, these adaptable individuals often discover that in the new, smaller company, the daily challenges (and also the rewards) are greater and more immediate. Their position may encompass a wider or somewhat different spectrum of responsibilities than in the former organization. This often gives them a jolt to learn new things and creates in them a stronger sense of being alive. As one executive told us, "My dismissal was the best thing that happened to me. I was literally dying on the job. To be forced to find a new job and prove myself once more has given me a greater feeling of being alive."

Those Who "Do a Gauguin"

Like those people who feel alive again after joining another company in the same field, another group of executives turns termination into a new opportunity. For this group, the experience of downsizing offers a new lease on life through career change as well as job change. After all too many working years, these executives were like "walking dead" before downsizing struck. As one person mentioned, "Over the last years I've been sleepwalking through life. The only times I've felt somewhat alive were when I was with friends playing golf or tennis. This has changed now tremendously. I thoroughly enjoy coming to work. I really like what I'm doing." Prior to their termination, these people were going through the motions of work, but they no longer got any pleasure out of it. Their

life was too comfortable, however, to contemplate a change. So they were hanging in there without being really productive (and certainly without being creative.) To find themselves suddenly out of work was exactly the stimulus they needed to come back to life. It opened up the opportunity to pursue something they had always dreamed of doing but had never dared to do. Being at midlife when faced with downsizing (as many of the victims of the process are,) they have arrived at a life stage that forces them to stop and reconsider their priorities. For the first time, they are asking themselves what they want to do as opposed to what others expect from them. Some come to the realization that they have been put into a role -- that they have become a "proxy" for their parents, for example, trying to accomplish what their parents never succeeded in doing themselves. Finally becoming aware of that, they are now determined to pursue their own dreams.

Most of them are now at a different life stage from when they started their career. Older now, they experience an increasing realization that time is running out. If they do not take action now, change will never happen. Many of these people, after years on the job, have also acquired adequate financial security to provide them with a safety net. These underlying factors, combined with being forced out of a job, now push them over the edge: they finally dare to take the leap they have always have dreamed of but feared to do. People in this group often pursue a kind of Protean career, a term named after the Greek god Proteus, who was able to continually change shape. These people decide to go for a major career (and often life) change -- for example, from senior vice president of a bank to real estate developer, educator, hotel owner, or art gallery manager. Some may be even more adventurous, following Gauguin's example, and try to make a living with painting. In many instances, these apparently dramatic changes come as no surprise to close friends and family. Often people who embark on such a route have already been considerably involved in these activities as time allowed.

The Depressed

Quite regularly, however, people who have been subjected to downsizing end up with depressive reactions (Gaylin, 1983; Sartorius and Ban, 1986.) These are the people who have the most difficult time adjusting to the new situation they find themselves in. Generally the nonhardy type, they feel betrayed by the organization to which they devoted a considerable part of their lives. With their sense of self-esteem very closely tied to organizational identity, the loss of familiar surroundings causes them now to fall apart. Unable to move on, they become stuck in the mourning process. They avoid dealing with the new reality; they seem to have no energy left to go out and find a new job; they cannot concentrate on whatever they are doing; they procrastinate and are irritable. They also experience a host of emotional and physiological problems: they often neglect their appearance; they have a tendency to suffer from insomnia and loss of appetite and are preoccupied with negative thoughts; they may become stuck in a vicious circle of negativity. Some of these people may drop out of the job market completely. Because of their depressive outlook toward things, their fear of not being able to find another job becomes a self-fulfilling prophecy; they end up becoming part of the permanently unemployed. Alcoholism and other forms of substance abuse are common consequences. Marital problems, often resulting in divorce, lead to a further deterioration of self-esteem and the fighting spirit. Some of these individuals may eventually resort to suicide.

Among the people with depressive reactions, there are some who initially take a proactive stand, making an effort to look for another job. Their efforts are stymied, however, by repeated setbacks in the job market. They soon realize that their skills are no longer wanted. If they eventually find another job, it may be well below their original qualifications. Underemployment becomes a way of life for these individuals, creating serious problems centered around self-esteem and leaving them with a depressive outlook on life.

The Antagonistic

One natural reaction of people who are hurt is anger. Conceptually, we manage aggression by turning it either inward or outward, depending on the basic personality of the individual. Depressive reactions, as described earlier, are frequently symptomatic of inwardly directed aggression. There is a group of people, however, who turn their aggression outward. Although this might be their usual way of reacting, it might also be a heretofore-repressed behavior pattern finally triggered by the trauma of being "rejected." For this group of people, violence becomes the outlet for their aggression, their pattern of choice. Obviously, the most common victims of their aggression are the members of their family. Sometimes, though, this angry way of dealing with the world extends outside the family circle. Even if they find other employment, the aggression these people carry may result in abrasive behavior on the new job, which in turn leads to repeated dismissal. In extreme circumstances, these people may become quite dysfunctional, deciding to "get even" with those who supposedly caused their misery: they direct their violent impulses toward former employers, superiors, or colleagues. This aggressive type of behavior can take the form of harassment or sabotage and may, in rare instances, even lead to homicide.

Ways of Coping: The Survivors

The term "survivor's syndrome" introduced earlier, refers to the way survivors react when many of their friends and colleagues are forced to terminate their relationship with the company. By breaking up a complex set of interconnections, downsizing often creates dramatic changes in the organizational environment. In the worst case, the downsizing process succeeds in tearing the organization's whole value system apart. Consequently, the corporate culture that used to serve as the glue that kept the organization together now loses its amalgamating function, and feelings of rudderlessness and anxiety emerge. Job

insecurity has an enormous impact on organizational effectiveness: many surviving executives begin to ask themselves if they are next in line; the dismissal of long-term employees results in the loss of institutional memory; head office staffers with a more overall strategic outlook are likely to be dismissed; specialists on whom one could rely for certain types of decisions are no longer there; and executives are likely to resort to a short-term approach toward decision making, which is bound to have serious repercussions for R & D, capital investments, and training and development. All these changes contribute to a sense of disorientation.

In situations where companies narrowly define downsizing as a simple cutback in personnel (as opposed to a continuous corporate transformation process,) it is very likely that commitment and loyalty to the employer will disappear. The survivors are asked to take on additional roles while getting very little in return. After the psychological contract between employee and employer is broken, distrust toward top management raises its ugly head. Because lack of trust, like job insecurity, can have an enormous impact on organizational functioning, disrupting and even destroying it, the way remaining employees experience their role as survivors is an issue that management has to give great consideration to.

Ways of Coping: The Executioners

Downsizing leaves an indelible imprint on the executives who implement the process. Some of the factors in the inner theater of these executives that influence the way they experience the downsizing and their behavior during the process are described below. First, though, let us examine the impact of the *lex talionis*.

There exists an unconscious "equation" in human interaction: the belief that what we do to others will be done to us. This so-called *lex talionis* -- the law of retaliation (or, as it is often phrased, "an eye for an eye, a tooth for a tooth") -- is an ancient rule with a long presence in human interaction. This principle is earliest described in Babylonian law, which states that criminals should receive punishment equaling the injuries they inflicted on their victims. This exacting retaliation has been the law of many societies throughout history. Although modern Western society has found other systems and forms of justice to compensate for injury, the ancient *lex talionis* still operates in the collective and individual unconscious in the form of subliminal fear of reprisal. Feelings of guilt, a general fear of retribution, and stress symptoms are the manifestations of this subconscious belief.

Downsizing is one of life's situations in which the effects of the *lex talionis* come strongly to the fore. To be the executor of an unpleasant process that affects the life and happiness of others, to cause people hurt and grief, often results in fantasies of reversal of the situation, activating the unconscious belief in the *lex talionis*. The fear of retaliation from those who have been hurt in the past, the expectation that someone might "get even," can result in paranoid reactions. This anxiety causes some executives to become caught up in an escalation of aggression. Their paranoid fear of retaliation makes them resort to preemptive action, taking destructive initiatives to crush others.

Given the existence of our belief in the *lex talionis*, we are reluctant to do unpleasant things to others, fearful as we may be that those people will harm us in response. That being the case, being the executioner in the downsizing process engenders a considerable amount of stress. Having to fire old friends and acquaintances with whom one has spent many years in the organization is a very painful process. It is not surprising that so many euphemisms are used to disguise what one is actually doing. Terms such as *dehiring*, *disengaging*, and *decruiting* carry Orwellian overtones. Because of the stress associated

with the process, there is a tendency among executives to regress to behavior patterns that are not always functional. We now turn to those.

Depending on the executive's personality, his or her reactions during and following a downsizing process will vary. From our interviews, a number of patterns stand out. Again, it should be emphasized that this list of reaction patterns is not exhaustive. Furthermore, more than one pattern can occur simultaneously.

The Compulsive/Ritualistic Executive

The compulsive personality is characterized by a preoccupation with order, parsimony, obstinacy, and perfection and the need for mental and interpersonal control (Freud, 1908; Shapiro, 1965; Rachman and Hodgson, 1980; Salzman, 1968, 1980; Kets de Vries and Perzow, 1991; American Psychiatric Association, 1994.) This orientation is motivated by the aim to reduce anxiety and distress through maintaining a strong sense of control over oneself and one's environment and is achieved through self-imposed high standards. The compulsive's need for control is fulfilled by rigid attention to rules, procedures, and schedules. These people are very detail-oriented. Many of them seem to hear all the words but none of the music. They are typified by a degree of interpersonal aloofness and restrained affectivity. Emotions are kept under tight control; an absence of joy and relaxation is prevalent. Inflexibility, excessive carefulness, and proneness to repetition are further characteristics. The approach taken toward authority is that of complete deference -- given or demanded, depending on the hierarchical position occupied.

Their need for control and their self-imposed high standards may cause these personalities great distress. Compulsive individuals may be aware of the excessiveness of their need for control. This insight, however, does not provoke any change in their behavior, because the behavior serves to maintain their psychic equilibrium.

Compulsive personalities in executive positions can be recognized by an almost exclusive devotion to work and productivity. They hardly ever participate in leisure activities; and when they do, they feel uncomfortable for neglecting work. They are not apt to delegate tasks, and they do not easily work with other people. Characteristic of compulsive executives is the giving of rigid orders and insistence on complete adherence. Meticulous and detailed planners, these individuals are unwilling to consider changes required by their situation. Spending is tightly controlled, as is employee conduct.

One of the main defensive patterns found among compulsive people is that of isolation. Isolation in this context refers to the splitting or separation of an idea from the affect that accompanies it (but that remains repressed.) While isolation can take on very primitive characteristics, in organizational life this defense mechanism is usually employed in a more mature form. In the latter instance, affect is separated from cognition and manifests itself in such patterns as rationalization, moralization, compartmentalization, and intellectualization. By focusing on all the details of an issue, it becomes possible to avoid the affect-laden whole.

Thus executives with compulsive tendencies in charge of a downsizing operation carry out the task in a very specific manner. The complete downsizing procedure is planned out in great detail, and the plan is rigidly adhered to, without tolerance for even the smallest deviation. Uncertainty is reduced, as far as humanly possible, by meticulous planning, ritualistic follow-up, tight control, and a complete centralization of power in the hands of the executive.

Because one of the major prompters of their behavior is their underlying fear of disapproval and punishment, compulsive executives will do everything to make others

regard their behavior as "proper" and "correct." Priding themselves on their (perceived) absolute fairness and sense of duty toward others, they follow rigid, mechanical procedures that reinforce their own and others' perception of the adequacy of such procedures. Consulting firms may be hired to activate certain functions in an effort to depersonalize layoffs. Outplacement firms are often called into action to provide those "rightfully" laid off with a "fair chance" at reemployment through, for example, training in the job search process. At the same time, the whole downsizing process provides some of these people with a legitimate outlet for their repressed hostility. Thus, by doing their utmost to present the downsizing as a perfectly implemented process that is necessary for the good of everyone involved, they are able to cater to the needs of their personality structure and to appease their sense of guilt.

One executive we asked how he felt when deciding to lay off 300 people, started a long monologue about the company's need to attain a certain return on investment, the cost of the newly installed information system, and the dangers of the global situation. He continued his monologue by going into great detail about the criteria he used in deciding on both a consulting firm to assist him in the restructuring process and an outplacement outfit to assist him in helping the laid off people. Subsequently, he mentioned the termination benefits that were given to the laid off employees. In all of this, he never referred to his feelings. When pressed repeatedly to discuss his feelings with respect to downsizing, he mentioned that he felt that it had been a job well done.

The Abrasive Executive

Abrasive executives possess certain characteristics similar to those of compulsive/ritualistic executives. They are driven, above all, by a strong need for perfection (Levinson, 1978.) Although they may not be aware that they are burdened by an abrasive personality, they suffer from an unconscious need that can never be matched

by their conscious image of themselves. As a result, they experience a constant, underlying sense of failure that cannot be explained rationally. To counteract this sense of failure, they push themselves even harder to reach their unrealistic aspirations; they attempt to match their current self-image to the person they would like to be. Despite all their efforts, however, they are unable to live up to their own expectations and experience a mounting sense of frustration, which makes for aggressive feelings. The strength of these aggressive feelings is determined by the size of the discrepancy between where they feel they are and where they would like to be. However, because they have such exaggerated standards for themselves (standards that most likely originated with the first caregivers,) they are never able to completely close the perceived gap. Eventually, their anger and aggression can no longer be contained. Like water surging through a broken dam, their hostility and aggression spill over, directed toward colleagues and subordinates, family and friends.

The abrasive personality is usually highly intelligent, possesses excellent problem-solving skills, is quick at grasping situations, and is adept at finding the right solutions. This is one of the reasons why people with this personality can frequently be found in senior executive positions. Their intelligence and quick wit, however, are often accompanied by impatience, a degree of arrogance, and a lack of interpersonal skills. These executives are intensely rivalrous; they know their own abilities and do not trust others to possess equal capabilities. By showing open contempt for others, abrasive people create in subordinates feelings of inadequacy that destroy their self-confidence and lead to the elimination of whatever initiative and ideas these subordinates might have had. Also apparent is the abrasive's tendency to dominate, prompted by a strong need for control of both self and others.

Abrasive personalities often show signs of "reactive narcissism" -- signs such as emotional coldness, grandiosity, vindictiveness, and a sense of entitlement (Kets de Vries, 1989b.)

Because phase-appropriate development did not occur when these individuals were growing up (probably due to a poor holding environment for frustrating experiences,) many acquired a defective, poorly integrated sense of identity, leading to an unstable sense of self-esteem. Early frustration may have created a legacy of bitterness, making for vindictiveness as a personality characteristic. Thus, apart from being forever frustrated in what they set out to do, for some of them there is also the sense of getting even for the wrongs they feel they have experienced. As a result, their behavior can be very explosive when they do not get their way. They see themselves as special and feel that they deserve to be treated differently from others. Furthermore, they believe that the boundaries of proper behavior do not apply to them. Frequently, others are viewed as extensions of themselves, as devices for their own self-aggrandizement, to be freely and legitimately used for their own purposes.

Abrasive executives, when put in charge of downsizing, generally adopt reaction patterns that correspond to their personality traits. When laying people off, they resort to the primitive defense mechanisms of splitting (as noted earlier, the division of objects into "good" and "bad") and devaluation in order to appease their strong feelings of guilt. Through splitting, they create an us-versus-them mentality in the organization, putting the blame for the problems the company finds itself in on employees who are about to be dismissed. In addition, they tend to rationalize the process by devaluing those subjected to it -- that is, by belittling the people they have downsized -- calling them "deadwood" or "rotten apples."

For example, one executive we interviewed kept harping about the people he had laid off. According to him, "It was those SOB's in my organization who were responsible for the company's decline in sales and profitability. To fire them was the best thing I've done in a long time. Good riddance. Actually, I've probably been too soft all along. I should have

done it much sooner and fired more!" Since this person was involved in running a global corporation, splitting became even more pronounced as he contrasted certain national cultures with his own. It became clear from his conversation that some of these national cultures had been devalued and had carried the brunt of his downsizing effort.

This scapegoating of the victims, repulsive as it may seem to most people, can unfortunately find strong resonance among some of the survivors in the organization. These survivors, too, need defense mechanisms in order to cope with their feelings of uncertainty and threat. One of the defense mechanisms that often emerges in such cases is known as the "identification with the aggressor" syndrome (Freud, 1966.) The only way some survivors seem to be able to cope with their feelings of impotence in the situation they find themselves in is to identify with the perceived aggressor -- in this case, the executive who is in charge of their fate. This identification may enhance their self-esteem by creating the illusion of a merger with the powerful figure (Kets de Vries, 1980, 1993.) The alliance with the aggressor reinforces the survivors' often prevailing us-versus-them attitude, making them feel part of the "winning camp" and reinforcing the mental distance felt toward the victims. The result is a feeling of legitimacy in the scapegoating of the "losers."

The dangers of having an abrasive executive in charge of the downsizing process seem obvious. Even in the best case, that person is likely to be the cause of a negative, counterproductive attitude among employees. In the worst case, that person can trigger a series of destructive processes among members of the organization that result in a disastrous outcome for the company's attempted renewal process.

The Dissociative Executive

One of the reaction patterns typical of executives who implement downsizing is dissociation. As we mentioned in our earlier discussion of cognitive disconnection, dissociation is a primitive way of dealing with stressful situations, allied to the defense denial (Nemiah, 1989; Ross, 1989; McWilliams, 1994,) a kind of emergency measure in situations of stress -- the separation and exclusion of mental processes that are normally integrated. Typically, what sets this defensive process into motion is a situation charged with painful emotions and psychological conflict. Dissociation becomes the way of protecting oneself against unbearable experiences. It can be looked at as a shut-off mechanism, an alteration in the perception of reality. A person who resorts to this way of coping removes from conscious awareness and control a complex of associated mental elements such as thoughts, images, feelings, sensations, and desires. Dissociation is a distorted experience of the self associated with a sense of unreality, or strangeness, and profound detachment. One essential feature is a prevailing sensation of the familiar (such as the body or personal self) as novel, unreal. In the words of one of these top executives, "I wasn't really there when I had to fire a few hundred people. Granted, I was there physically, but certainly not emotionally. I remember distinctly being in a daze, standing in one of the company's meeting halls, trying to explain to the employees why they were going to be laid off. It was as if I were looking at myself from the outside in. This sensation became even worse when I had to do it another time. It was like I was acting in a dream!"

These executives describe themselves as being completely detached from what they are doing while engaged in downsizing, firing literally hundreds or even thousands of people. They become like spectators in the process, going through the motions but not really feeling part of it. Although inner mental processes and external events go on exactly as before, everything seems to be different and lacks any personal relation or meaning to the individual concerned. This feeling of unreality affects the individual's perception of his or

her physical and psychological selves and the surrounding world. It is experienced, as the above quote illustrates, as detachment from one's own mental processes or body. The person becomes an outside observer, feeling like an automaton or someone moving through a dream. Associated features are dizziness, anxiety, hypochondriacal feelings, fears of going insane, and a disturbances in the sense of time and space.

A loss of the capacity to *experience* emotions occurs in dissociated executives even though they may appear to *express* emotions. Some people experiencing dissociation may be driven to vigorous activity to induce intense sensations in order to break through the prison wall of their sense of unreality. In general, people prone to this disorder have a keen and unfailing awareness of the disturbance in their sense of reality. As a matter of fact, the self-observation capacities of the persona are heightened. Although people may complain about feelings of estrangement and absence of emotions and may manifest considerable anxiety, they show no evidence of either a major disturbance of affect or disorganized thought processes. Dissociation often accompanies depression. It can also be seen as a disturbance of identity. As an occasional isolated experience, dissociation is rather common. In some people, however, it is a recurrent phenomenon.

The Alexithymic Executive

While dissociation does not cause a major disturbance of affect, the same cannot be said about alexithymic-like behavior. Executives who suffer from this are those who, after having repeatedly engaged in the process of downsizing, begin to have problems with a diminishing ability to feel. This may develop into a full-fledged communication disorder called *alexithymia*. The term comes from the Greek and means "no words for moods." In the case of true alexithymia, individuals have an extreme reality-based cognitive style, an impoverished fantasy life, a paucity of inner emotional experience, a tendency to engage in

stereotypical interpersonal behavior, and a speech pattern characterized by endless, trivial, repetitive details (Sifneos, 1973; McDougall, 1982; Krystal, 1988; Kets de Vries, 1989a.)

Some executives may already possess a mildly alexithymic disposition; that is, they may have difficulty experiencing and recognizing emotions. Others may develop such tendencies after a specific stressful event or series of events. Life in certain types of organizations -- those in which control of emotions is the norm -- may add to the problem; and certainly the traumatic experience of being the main actor in a downsizing process exacerbates it. Some of the people we talked with -- veterans of downsizing -- had become completely numb after repeated downsizing. Executives susceptible to this disorder increasingly experience difficulty feeling, yet they ignore the distress signals given by their minds and bodies. They take flight into doing to prevent experiencing. As one executive said, when asked how he felt during the downsizing process, "I really don't know how I feel; my wife tells me how I feel. To be honest, I'm quite muddled up about feelings. I have no idea what you're talking about when you ask me to make certain differentiations."

In the end, these people acquire a sense of deadness; their behavior takes on a robotlike quality. Because external details bring some life to their inner deadness, they may use work as a kind of drug. The unconscious aim behind their detail orientation is to prevent any time being left for painful reflection on what they have been doing. Obviously, to have an executive with such a mindset in charge of an organization does not augur well for its future. Effective executives need to be schooled in emotional management. Otherwise, it will be difficult for them to inspire their subordinates.

The Anhedonic Executive

Associated with alexithymia is anhedonia, the loss of interest in and withdrawal from all activities that ordinarily provide pleasure (Hamilton, 1989.) The way this pattern manifests itself is through difficulty in maintaining concentration and interest in the activities that previously occupied all attention. A frequent complaint among anhedonic executives is that of boredom. As their original enthusiasm about work fades, these executives become increasingly disinclined to engage in normal activities. Their concentration diminishes and procrastination sets in, leading to postponed decisions and ever-increasing ineffectiveness. Anhedonics end up just going through the motions of working; any initiative is missing. (This loss of pleasure is applicable to private life as well.)

A number of the executives interviewed complained about their lack of work enjoyment; the excitement they had felt when starting in their position seemed to be completely gone. Some may simply have been in the same top job for too long. Most, however, felt that the continuous process of downsizing had contributed to their dissatisfaction. Whatever the cause, their feelings of malaise became a burden for their company over time.

The Depressive Executive

It is only a small step from anhedonia to depression. We have already commented on the depressive reactions among the *victims* of the downsizing process. The experiences of the *implementers* are not that much different. In fact, depression is a regular occurrence among *most* people -- one that can vary from simply a depressed mood and feelings of guilt to serious thoughts of (and even attempts at) suicide (Gaylin, 1983; Sartorius and Ban, 1986.) The common symptoms of depression, some touched on earlier, are many. Depressive executives generally experience a flattening of affect -- that is, an inability to respond to the appropriate mood of the occasion. They see only the darker side of things, preoccupied as they are with gloomy thoughts: life is perceived as a burden, not worth living. In addition, their emotional reactions may become inappropriate at times.

Depressive executives may burst into tears at the workplace, for example. They also experience a noticeable loss of energy: their activity level slows down, and they (like depressive victims) may start to neglect their personal appearance. They may suffer from insomnia; and even if they sleep, they may feel tired or even exhausted in the morning. Food loses its appeal; weight loss is common. Sexual interests diminish: that special feeling of enjoyment is no longer there and impotence may occur.

Executives who become depressed may turn to self-accusation. In many, a pervasive sense of guilt becomes the predominating pattern. As a matter of fact, a remarkable switch occurs: after directing aggression outward in the process of downsizing, these executives now direct it inward. Due to this new sense of culpability, they are ready to believe the worst about themselves. And as the main executioners in a downsizing drama, they do not find it difficult to identify sins. Increasingly, they blame themselves for the harm they have caused others. This preoccupation with guilt may even drive some of them to suicide.

The Tactics of Downsizing

We have seen the great variety in reaction patterns among individuals who are affected by the downsizing process. However carefully it is done, downsizing, applied in its more narrow sense (that is, not as part of a continuous corporate transformation process to create organizational continuity,) will leave wounds. However humane one tries to be, individuals will be hurt; and in the process, the company itself may be negatively affected. To successfully implement a narrow downsizing effort is difficult if not impossible. Indeed, downsizing as a measure of expediency may *inevitably* cause more harm than good. Only if downsizing is applied in its broader sense is the outlook more positive.

Moreover, even if an organization survived a narrowly construed downsizing, such a process is no guarantee of the company's future success. The most important dilemma will always be there: people need to believe in the new organization to make it work, but they need to see that it works in order to believe in it!

Many executives first face others' and their own unexpected emotional reactions at a time when they are already deeply involved in downsizing activities. Even executives who have a detailed strategic plan generally stumble when they set out to realize that plan; they fail to take into account one of the most significant determinants of the success or failure of their efforts: the behavior of the people involved. However, by acknowledging from the beginning that downsizing is an emotionally fraught process for all concerned and by actively preparing themselves and their subordinates for the various psychological reactions that are likely to emerge during the process, executives are able to significantly limit the likelihood of disaster.

To Downsize or Not to Downsize?

As we have seen, in downsizing the price in human suffering can be considerable. And as our descriptions have shown, no party to the process seems to be excluded. Downsizing, in its narrowest sense, has proven to be an operation in which the costs generally exceed the benefits. Although this view is buttressed by somber statistics, it does not seem to have deterred many companies from choosing this strategy (or the very same firms from repeating their mistakes.) The questions then become these: Taking into consideration the human factor, if one decides to go ahead with a narrowly construed downsizing effort, what are the best ways to do it? What can be done to avoid falling into the classical downsizing traps?

First of all, it must be remembered that every effort in downsizing is an attempt to change both the individual and the organization. Experience has shown that, in most instances, some form of pain is necessary in effecting change. Pain becomes a stimulus to find a new order of things; it becomes a main motivator. But students of human behavior also know that pain *alone* is not good enough. Without pleasure somewhere in the equation, pain makes people depressed. Thus an additional ingredient in the change process must be hope: the hope for a new, exciting future is the engine that drives the people affected by the change process forward.

One of the early mistakes in downsizing organizations, as we have noted, was to seek to remedy excessive costs (often the sole perceived reason for organizational ineffectiveness) through sharply reduced headcount only. Selectivity in the process -- a selectivity grounded in an exciting vision for a new future -- was conspicuously absent in these early efforts (and remains elusive today.) As we have emphasized repeatedly, however, mere headcount strategies, if not accompanied by adjustments in other components of the organization, are more often than not doomed to fail. Such ways of going about downsizing are simply too indiscriminate, reminiscent of surgery with an extremely dull scalpel. As we have indicated, layoffs, if considered necessary, have to be part of a comprehensive change process in the organization. This often includes a complete, systemic change in the company's culture -- a change sometimes described as a "reengineering" process -- achieved partly by the departure of employees lacking the necessary skills and flexibility and partly by an influx of new, enthusiastic people with the creativity and fresh energy to reinvent the organization. Making investments in people in the form of training and education, and in new equipment and machines, sends a strong signal about management's belief in the organization's future. Such practices therefore lessen survivor's guilt and limit dysfunctional coping patterns.

An important consideration in any downsizing effort is work redesign. A frequent complaint of survivors in the downsized organization is that the dismissal of employees has resulted in an increased workload, putting an additional burden on already anxious and disoriented individuals. In order to avoid this kind of unnecessary strain, it is essential for management to clarify each person's new role, responsibility, and workload.

A reengineering of the business need not necessarily involve layoffs; but even if the increased efficiency of operations does result in redundancies that call for dismissals, reengineering is beneficial to the company in yet another way. The tangible, concrete, and positive changes it involves, along with the demonstration of a firm and new strategic intent, reassures survivors about management's determination to get the company up and going again.

The Dynamics of Layoffs

Obviously, one of the most essential preimplementation tasks of management involved in a downsizing operation is to develop a coherent strategic rationale for layoffs. In the early days of downsizing, employees were often laid off en masse or encouraged to leave through early retirement offers or "golden handshakes." Without having made any previous selection, management was content to see as many people as possible leave the organization. We have already indicated that such across-the-board cuts usually lead to the loss of organizational muscle, in the form of essential knowledge and memory. The departure of key employees may, in the worst case, result in the complete demise of the organization. By picturing in detail the future organization and carefully choosing the key employees necessary to run it, and by then building up a new organizational chart around these key people (offering them better positions or an augmentation in salary, even if only a small amount,) organizations can avoid expensive mistakes that result in costly retraining

of survivors, the rehiring of already fired employees (for a price!.) and the need to resort to outside consultants.

An important consideration when layoffs are deemed unavoidable for the company's survival is the speed with which dismissals are implemented. Even though downsizing is at best regarded as a gradual, continuous corporate renewal process -- a way of life rather than a one-shot game -- management must remember that a stable working environment is very important for the psychological well-being of both victims and survivors. Human beings are characterized by a low level of tolerance for uncertainty. As a matter of fact, the work of worrying about what *might* happen can be more stressful than the feared event itself. When faced with the threat of uncertainty, people appease their anxiety by acting impulsively and destructively as they attempt to steady their disturbed psychological equilibrium at all costs. Keeping the possibility of layoffs dangling above the survivors' heads results in an atmosphere of fear and paranoia that leads to diminished productivity and may eventually trigger organizational paralysis.

The Importance of Communication

Communication is probably one of the most significant aspects of the downsizing process, yet -- as we mentioned earlier -- executives often reduce communication while downsizing (Brockner, 1992; Cameron, Freeman, and Mishra, 1993.) There are numerous reasons for this. Executives have to face increased pressure -- too much to do in too little time -- when involved in radical corporate transformation. Furthermore, they often find themselves in a cruel dilemma, forced to confront people face to face with bad news. They do not realize that giving false hope to employees might have dire consequences: employees who try to cope by denying the situation will, if not given clear warning signals, make no serious attempt to look for other work and will find themselves unprepared for an unpleasant situation later on.

We have already commented on the fact that the fear for their own and their employees' emotional reactions causes many executives to withdraw from the rest of the workforce and concentrate their energy on the technical aspects of the process. These executives see communication as "idle chatting," a waste of time, and do not realize that a lack of accessibility results in growing distrust from the employees' side. They also fail to see that being open about the dilemma they find themselves in, and showing that they are not indifferent to it, is likely to trigger sympathy and thus a greater willingness on the part of the employees to cooperate and pull the company through.

A further reason for insufficient communication may be executives' reluctance to share disturbing information for fear of causing damage in morale and productivity. Yet, as has been mentioned, it is precisely the lack of realistic information that is apt to cause the greatest damage. Employees usually know more than management is aware of, and what they do not know, they try to put together from bits and pieces of information obtained from different sources. This gives rise to speculation, which usually portrays the situation as being worse than it is. The rumors can easily reach inordinate proportions, causing employees to divert their concentration from work, and may eventually, if not halted in time, lead to complete organizational paralysis. One of the most effective ways for executives to maintain credibility and trust is to communicate everything, constantly, and in detail. By being accessible and interacting frequently with employees, management is in the position to provide reassurance to those in need of it by clarifying the situation and being honest and open about its consequences.

Managing the Victims

One of the most crucial factors determining the outcome of the downsizing process is the executives' behavior toward the victims. We have already pointed out the severity of

survivors' reactions to what they perceive as unfair treatment of those who are laid off (Brockner, 1988.) Clearly, survivors' behavior, morale, and productivity are directly affected by the way layoffs are managed. By providing the victims with tangible caretaking services (such as outplacement consulting and psychological and career counseling,) actively trying to help them find new jobs, and assisting them in bridging the transition period, management can make the best of a precarious situation.

The Art of Choosing the Right Scapegoat

Blame is a natural human reaction, inevitable when an organization has to be reduced, dismantled, or changed in a major way. We all look for someone or something to blame when faced with an unpleasant situation outside of our control. The most obvious targets for blame during a downsizing process are, depending on different factors, management and the layoff victims. Blaming the victims is sometimes an explicit policy of management, in the hope of diverting attention from itself. This strategy often backfires in a major way, however, resulting in what was intended to be avoided in the first place: the scapegoating of management. Another method open to management that often leads to a more positive, or at least less destructive, outcome is to consciously choose an outside culprit to put the blame on. Such "artificial" scapegoats can be the economy (recession,) the market (diminishing demand,) poor management (if there has been a change recently,) or a former leader who left the organization recently. If there is no obvious internal reason for downsizing, and if the scapegoat seems to make sense, this method stands a fair chance of success. By displacing blame in this way, management can help employees divert their negative attention from inappropriate targets and causing serious damage to the organization.

The Summing Up

With this article, we hope to have contributed to a better understanding of the impact of downsizing on the individual. Our journey started with a brief review of the literature, continued with a discussion of ways of coping among the various stakeholders, and concluded with a list of practical suggestions for executives faced with the planning and implementation of downsizing.

Our exploratory study made it clear to us that much more work has to be done to better understand the key parameters of downsizing. As we have tried to demonstrate, downsizing is a process that brings out a myriad of poorly understood emotional reactions. We have seen that downsizing, when not done properly (particularly if interpreted in its narrowest sense,) can be a very blunt instrument -- one that affects people's deepest value and belief systems and thereby causes a great deal of stress. Monitoring the stress level of the different parties in the process becomes essential, as does the facilitation of less dysfunctional coping strategies. Thus proper diagnosis of individual reactions and organizational dysfunctioning is the first step towards more effective intervention.

At the center of the downsizing process is the way people deal with change. For that reason, we have to become more knowledgeable about the process of individual change and corporate transformation before we can get a better handle on this business practice. Making that statement brings us to the final irony in writing an article on downsizing: we would do well, it seems, to abandon the word *downsizing* altogether and replace it with the term *corporate transformation* -- the process of continuously aligning the organization with its environment and the shaping of an organizational culture in which the enduring encouragement of new challenges stands central. Reframing the term in this wider sense offers a much more constructive way of looking at the process. We are talking here about the creation of an organizational mindset that concentrates unwaveringly on finding new learning opportunities. Only with this mindset does the organization plan for continuity.

For those people who are ready to join in this process of continuous learning, the French philosopher Montaigne's statement that "the journey, not the arrival, matters" is very apt.

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