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NOTE

A SOCIOCOGNITIVE INTERPRETATION OF ORGANIZATIONAL DOWNSIZING

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To better understand the phenomenon of organizational downsizing, we compare three theoretical perspectives on downsizing: the economic, the institutional, and the sociocognitive. We use the three perspectives to organize the growing empirical literature on downsizing, and we link streams of empirical work to the theoretical perspective that underlies each. With our sociocognitive model, we argue that downsizing has become institutionalized through the collectivization and reification of a "downsizing is effective" schema. We also discuss implications for future theory and research.

As America enters the twenty-first century, we see that organizational downsizing, defined here as "intended reductions of personnel" (Cameron, Freeman, & Mishra, 1991; Freeman & Cameron, 1993) has become solidly entrenched in its corporate and public organization sectors. By one estimate, more than 43 million jobs have been lost in the United States since 1979 (Uchitelle & Kleinfield, 1996). Although recent job creation rates also have been robust and overall U.S. unemployment is low, evidence suggests that the organizational downsizing juggernaut continues unabated (Cappelli et al., 1997; *The Economist*, 1996a,b). The result appears to be a "revolving door," in which corporations routinely displace and hire large segments of their workforces in a permanent restructuring process (*The Economist*, 1996b; Naik, 1998). Recent reports have documented the dramatic effects of this process on the employment levels of large industrial firms (Littler, Bramble, & McDonald, 1994) and on the ranks of managers (Cappelli, 1992; Cappelli et al., 1997; Kozlowski, Chao, Smith, & Hedlund, 1993).

Consistent with current scholarly usage (Freeman & Cameron, 1993), we make a distinction between organizational downsizing and organizational decline. *Downsizing* is an intentional, proactive management strategy, whereas *decline* is an environmental or organizational phenomenon that occurs involuntarily and results in erosion of an organization's resource base (Freeman & Cameron, 1993). Building on this distinction, in much of the literature on downsizing, scholars have examined the effects of this strategy on organizations and their employees.

On the individual level, researchers have investigated the impact of downsizing on employees who lose their jobs (e.g., Leana & Feldman, 1992; Leana & Ivancevich, 1987), as well as those who survive layoffs (e.g., Armstrong-Stassen, 1998; Brockner, 1988; Brockner, Grover, Reed, DeWitt, & O'Malley, 1987; Mishra & Spreitzer, 1998; Mone, 1997). On a more macro level, in theoretical and empirical articles, researchers have explored the influence of downsizing on changes

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in organizational structure (DeWitt, 1993; Littler & Innes, 1999; McKinley, 1992; Mentzer & Near, 1992; Sutton & D'Aunno, 1989). Also, downsizing researchers have studied the financial outcomes of downsizing, in an effort to determine whether downsizing increases productivity, profitability, and stock prices (e.g., Barker, Mone, Mueller, & Freeman, 1998; Cascio, Young, & Morris, 1997; De Meuse, Vanderheiden, & Bergmann, 1994; Worrell, Davidson, & Sharma, 1991).

Explicitly or implicitly, in much of the research cited above, researchers have adopted an economic perspective to explain the occurrence of downsizing. This is particularly true in the research stream exhibiting attempts to link layoffs and downsizing with their financial performance outcomes. With the economic perspective, scholars assume that downsizing is caused by a search for productivity and efficiency, whether in response to organizational decline or as a means to enhance corporate profitability under nondecline conditions. It is assumed that decision makers understand the relationship between downsizing and future financial performance so that downsizing can be used as a rational, predictable tool for manipulating that performance.

While pervasive, this economic perspective recently has been questioned because of researchers' inability to find consistent positive relationships between layoffs or downsizing and subsequent financial performance (e.g., De Meuse, Bergmann, & Vanderheiden, 1997; De Meuse et al., 1994; Mentzer, 1996). These null findings suggest that the causal forces driving organizational downsizing and restructuring may be more complex than a pure economic perspective can account for, although it is likely that the search for concrete financial benefits still has an explanatory role to play in many organizational downsizing initiatives.

As a complement to the economic account of downsizing, scholars recently have called on institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Powell & DiMaggio, 1991) to help explain widespread downsizing. Those with the institutional perspective on organizational downsizing argue that downsizing is impelled by social conventions that define it as "good" or "effective" management (McKinley, Sanchez, & Schick, 1995). In a process that DiMaggio and Powell (1983) refer to as *coercive isomorphism*, managers conform to such conventions in exchange for legitimacy. As described by McKinley et al. (1995), institutionalized downsizing also stems from "cloning" (or mimetic) responses to uncertainty, as well as from "learning" dynamics, in which downsizing is reinforced through career rewards and professional interaction.

Although the institutional perspective represents a promising addition to the economic model of downsizing, here we maintain that it is necessary to push our conceptualization of downsizing one step further. To fully understand downsizing, management scholars need to explore a third model, which we label the *sociocognitive perspective*. As presented here, the sociocognitive perspective elaborates the microlevel foundations of the institutional theory of downsizing. Specifically, consistent with recent cognitive research in management (Walsh, 1995), the sociocognitive perspective focuses attention on managers' mental models of downsizing and how those models are collectivized and reified (Berger & Luckmann, 1967) through social construction processes.

In this note we first briefly summarize the core arguments of the economic and institutional perspectives, reviewing the empirical research streams that fall within each. We then concentrate on the sociocognitive perspective, suggesting that the institutionalization of downsizing has taken place through the progressive consolidation—or "packing"[1]—of downsizing schemas that provide different views on the question of downsizing's effectiveness and ethical acceptability. The result has been the emergence among managers of a dominant "downsizing is effective" schema and the collectivization of that schema across multiple industries and organizational sectors. This has occurred even in the absence of convincing empirical evidence that downsizing actually produces technical or financial performance improvement.

We also argue that at the current stage of the institutionalization process (the year 2000), downsizing appears to be entering a reification phase similar to that described by Berger and Luckmann (1967). In this phase downsizing is being constructed as an objective reality exter-

[1] We are indebted to an anonymous reviewer for suggesting the packing metaphor.

nal to managers' decisions. Managers, thus, have begun to lose sight of their own agency in the downsizing process, and downsizing is being experienced as an inevitability. This belief in downsizing's inevitability is enhanced by observation of the restructuring activities of competitors, customers, and suppliers: if other managers whom a focal manager views as competent are seen to be restructuring, restructuring appears necessary and inevitable, even if the consequences for one's own organization are unclear. This late phase of the institutionalization of downsizing is fully consistent with Giddens' (1984) structuration thesis, in that continual restructuring creates a context within which individual corporate leaders enact continual restructuring.

Our model also views the cognitive order imparted by the institutionalization of downsizing as an important reinforcer of management participation in the process. In other words, given that perceived order is attractive to managers (O'Neill, Pouder, & Buchholtz, 1998), the order imposed by an institutionalized regime of downsizing provides an incentive for managers to cooperate with (and enact) that regime.

THE ECONOMIC PERSPECTIVE ON DOWNSIZING

We begin our review with the economic perspective on downsizing. As indicated in Table 1, this perspective rests on the assumption that managerial actions and their outcomes are tightly coupled. The perspective presumes, along with many other economically oriented frameworks, that organizations are intendedly rational and efficiency seeking (e.g., Donaldson, 1995) and that managers understand the relationships between their actions and organiza-

TABLE 1
Three Perspectives on Organizational Downsizing

	Economic Perspective	Institutional Perspective	Sociocognitive Perspective
Paradigmatic foundations	Economic/rational paradigm	Sociological paradigm	Sociocognitive paradigm
Key assumptions	Firms are rational, self-interest seeking, and efficiency driven. Managerial actions and their outcomes are tightly connected, and managers understand those connections.	Managerial actions and their outcomes are loosely connected, and managers experience uncertainty about those connections. Organizational change arises from conformity to institutional rules as well as an internal impetus for efficiency.	Boundedly rational managers impose schemas on information environments. Managers make decisions based on those schemas, which often become reified through social construction processes.
Major arguments	Firms downsize in order to reduce costs and improve efficiency and profitability.	Firms downsize in order to gain legitimacy and reduce uncertainty. Downsizing is driven by coercive, mimetic, and normative isomorphism.	Managers' decisions to downsize are based on shared mental models that define downsizing as effective. These mental models are socially constructed through social interaction and connected enactment processes.
Empirical focus and results	Mixed evidence on the effects of downsizing on cost reduction, profits, and stock prices	Some tentative support for the institutional approach	No empirical results yet available
Representative contributors	Cascio (1993); Cascio et al. (1997); De Meuse et al. (1994); Mentzer (1996); Norman (1995a); Worrell et al. (1991)	Budros (1997a,b, in press); Lamertz & Baum (1998); McKinley et al. (1995); Mentzer (1996); Norman (1995b)	McKinley et al. (1998)

tional outcomes so that they can choose strategies with a reasonable probability of generating valued outcomes.

Based on these assumptions, those with the economic perspective explain downsizing as an attempt to increase an organization's future productivity and economic performance. Managers' expectations that downsizing will reduce costs, and therefore enhance financial performance, provide the motivation to engage in the strategy. Traditionally, in this view, downsizing has been confined to situations where organizations are experiencing decline (DeWitt, 1998; Harrigan, 1980; Zammuto & Cameron, 1985); in those situations downsizing and cost retrenchment are seen as a means to achieve turnaround (Hambrick & Schecter, 1983; Hofer, 1980; Robbins & Pearce, 1992). However, in recent years it has also become common for organizations to use downsizing as a performance improvement strategy, even in the absence of organizational decline (McKinley, Mone, & Barker, 1998; Mroczkowski & Hanaoka, 1997; Murray, 1995; O'Shaughnessy & Flanagan, 1998).

The economic view of downsizing has been the stimulus for extensive commentary in the business press (e.g., Loomis, 1996; Murray, 1995) and a growing body of empirical research by management scholars. The focus of the scholarly investigations has been the relationship between downsizing or layoffs and subsequent financial performance. Although the findings are mixed, they do not support the existence of a consistent positive relationship between downsizing and postdownsizing financial performance. For example, the ability of downsizing to lower dollar costs has been questioned, particularly when involuntary workforce reduction is compared with other possible cost-saving mechanisms, such as employee attrition (e.g., Cascio, 1993; Greenhalgh & McKersie, 1980). Although downsizing may shrink the payroll, this cost saving is often offset by increases in other expenses, as evidenced by restructuring charges (Byrne, 1994; Dial & Murphy, 1995; Loomis, 1996), costs for replacing the labor of downsized employees (Cascio, 1993), and costs connected with the negative affect of layoff survivors (Brockner et al., 1987). There is typically little information about how these costs compare to the payroll savings produced by downsizing, so that the net effect of downsizing on dollar costs is uncertain.

Furthermore, empirical research does not encourage the conclusion that downsizing is reliably associated with higher postdownsizing profits. Some studies have suggested that downsizing can be beneficial for postdownsizing profitability (Bruton, Keels, & Shook, 1996; McKinley, Schick, Sun, & Tang, 1999), but others have revealed little influence of downsizing on profits or financial turnaround chances (e.g., Barker et al., 1998; Cascio et al., 1997; Mentzer, 1996; Norman, 1995a). De Meuse et al.'s (1994) study even suggests that layoffs may depress postlayoff accounting returns.

Finally, despite anecdotal evidence about the boost that layoffs give to stock prices (see Dial & Murphy, 1995, and McKinley et al., 1995), large-sample studies indicate a general negative effect of layoff announcements on market-adjusted equity values (Franz, Crawford, & Dwyer, 1998; Lee, 1997; Ursel & Armstrong-Stassen, 1995; Worrell et al., 1991). The only exceptions to this regularity appear to be layoffs that are framed as restructuring or consolidation events and workforce reductions associated with early retirement programs (Davidson, Worrell, & Fox, 1996; Worrell et al., 1991).

The findings summarized above lead to questions about the ability of the economic perspective to provide a complete account of the widespread adoption of organizational downsizing programs. If there is so little evidence that downsizing reliably lowers costs, increases profitability, or raises stock prices, why have corporate and public sector managers shown such a strong propensity to embrace downsizing? The effort to grapple with this question has led to the development of a second theoretical perspective on downsizing—the institutional perspective.

THE INSTITUTIONAL PERSPECTIVE ON DOWNSIZING

The theoretical foundation of the institutional perspective on downsizing is derived from neoinstitutional theory (e.g., DiMaggio & Powell, 1991; Greenwood & Hinings, 1996; Meyer, Boli, & Thomas, 1994; Meyer & Rowan, 1977; Scott, 1995)—particularly, the seminal article by DiMaggio and Powell (1983). Neoinstitutional theorists argue that organizations are embedded in a social environment that is constituted by institutional rules and norms (Meyer &

Rowan, 1977). These rules and norms represent expectations shared by the members of a society or industry about what constitutes "good" management and how an organization should be structured to be effective. Once established or taken for granted, these expectations can be experienced by managers as a lawlike constraint. In some cases the expectations attain enough cognitive legitimacy (Aldrich & Fiol, 1994; Suchman, 1995a) that alternatives to the expected practice are literally unthinkable. Institutionalized expectations, therefore, are an important source of cognitive order for managers, and they reduce uncertainty for those managers who conform to them (DiMaggio & Powell, 1983).

The assumptions of the institutional perspective differ from those of the economic perspective in emphasizing uncertainty reduction and the search for legitimacy more than the search for economic efficiency and profits (see Table 1). In the past, neoinstitutionalists have suggested that efficiency and legitimacy are incompatible goals, because the pursuit of legitimacy often requires the adoption of practices that impede efficiency (Meyer & Rowan, 1977). However, in more recent constructions of neoinstitutional theory, scholars are receptive to a compromise between legitimacy and efficiency goals. For example, it is now recognized that most organizations must accommodate both market and institutional forces (e.g., Dacin, 1997). Furthermore, deviation from institutional prescriptions is sometimes possible as organizational actors pursue their strategic interests (Oliver, 1991) or exercise discretion in ambiguous institutional contexts (Goodrick & Salancik, 1996). In fact, organizational decisions can be driven by efficiency considerations, institutional forces, or both (Norman, 1995b; Roberts & Greenwood, 1997). This recent literature implies that, in explaining downsizing, the institutional perspective should be used as a complement to the economic perspective, rather than a substitute for it (Budros, 1999, in press).

McKinley et al. (1995; see also Norman, 1995b) have drawn on the institutional perspective to explain the widespread adoption of downsizing among corporations and government agencies in the 1990s. The core of this argument is that downsizing has taken on the status of an institutionalized norm, and, therefore, it imparts legitimacy to those organizations practicing it. This legitimacy-enhancing function is based on a reconceptualization of the term *downsizing*, such that downsizing is no longer as closely connected with *decline* as it once was.

This cognitive reorientation among managers and the general population has been reinforced by a set of validating metaphors—or "myths"—that are associated with downsizing in the business press (Dunford & Palmer, 1996). These tropes—such as "nimble," "flexible," and "competitive"—are rarely defined, but they serve to connect downsizing with culturally accepted activities, such as competition and body conditioning. The very ambiguity of the validating metaphors increases their power (Astley & Zammuto, 1992), since each observer can interpret a downsizing metaphor as consistent with his or her individual values and priorities. Through these social and cognitive processes, downsizing becomes more and more taken for granted and diffuses even in the absence of compelling evidence of its financial efficiency (O'Neill et al., 1998).

To date, in five empirical studies of downsizing, scholars have approached the phenomenon from an institutional viewpoint (see Table 1). Mentzer (1996) identified several competing models of downsizing—the rational, asymmetrical/hysteretic, and institutional models—and tested hypotheses consistent with each of the models. Mentzer's (1996) results showed no consistent effect of changes in net income on later downsizing, or downsizing on later changes in net income, and he interpreted these results as indeterminant in discriminating among the three models. Budros, in two studies (1997a, in press), examined an array of predictors of downsizing, using a database consisting of Fortune 100 firms examined over the period 1979 to 1995. He (1997a) reported significant effects of industry culture and prior adoption of downsizing on the likelihood that a given corporation would implement downsizing, discussing these findings as supportive of an institutional perspective. Budros's (in press) results suggested that a contingency framework may be appropriate, because institutional variables influenced downsizing more in some types of organizations than others. In yet another study, Budros (1997b) tested a downsizing diffusion model based on Tolbert and Zucker's (1983) argument about institutionalized dispersion of civil service reform. Budros concludes that his results "support the idea that this [institutionalization] process can have significant effects [on downsizing] over time but not the idea that institutional pressures will be weakest during early adoption" (1997b: 24). Finally, Lamertz and Baum (1998) studied shifts in the content of newspaper stories about downsizing over time, arguing that the content of the stories revealed increasing institutionalization of downsizing. In summary, these studies provide some tentative, but encouraging, empirical evidence that institutional forces play a role in the dispersion of downsizing.

THE SOCIOCOGNITIVE PERSPECTIVE ON DOWNSIZING

Although the institutional perspective on downsizing is theoretically fruitful and deserving of further empirical investigation, it does not do much to illuminate the microlevel foundations of organizational downsizing. Concern with the microlevel foundations of institutionalized practices has been increasingly prominent in recent neoinstitutional writing, and it is common to see statements that more attention needs to be paid to the cognitive basis of institutionalization (e.g., DiMaggio & Powell, 1991; Lamertz & Baum, 1998; Scott, 1995). However, with some exceptions (Suchman, 1995b; Tolbert & Zucker, 1996), there has been little effort to model the specific cognitive processes that underlie convergence toward taken-for-grantedness in managerial practices or organizational forms. No model has yet been developed to describe the cognitive underpinnings of the institutionalization of downsizing.

If it is true that social norms now define downsizing as legitimate, or even necessary, we still lack an answer to the question of how those norms have come into being. What microlevel processes account for the cognitive shifts implicit in the transformation of institutional rules that once defined job security as an important corporate objective (Noer, 1993; Rousseau, 1995)? To address these questions, we turn to a third perspective on downsizing that is rooted in the evolving literature on managerial cognition (Walsh, 1995). We argue that a sociocognitive perspective based on this literature has the potential to relocate the explanation of downsizing from the macrolevel of firm profits or institutional rules to the microlevel of managerial cognition.

As shown in Table 1, a fundamental assumption that spans the diverse literature on managerial cognition is that managers, like other actors, impose schemas (Augoustinos & Walker, 1995; Ocasio, 1995) on external information domains that require interpretation. Garud and Rappa, citing Neisser (1976), define a schema as "an organization of experience that serves as an initial frame of reference for action and perception" (1994: 346). Whether schemas are linked to categorization (Dutton & Jackson, 1987), labeling (Ashforth & Humphrey, 1995, 1997), or mental models of competitors (Porac & Thomas, 1990; Porac, Thomas, Wilson, Paton, & Kanfer, 1995), they provide a simplified representation of the information environment to which they are applied. This greatly reduces the information-processing demands placed on the individual decision maker and imparts meaning to external stimuli that do not contain such meaning intrinsically.

Furthermore, as emphasized by Neisser (1976) and Holyoak and Gordon (1984), a schema initiates focused perceptual cycles that result in subsequent elaboration of the schema. Schemas also frequently develop as products of social interaction and are negotiated in a consensus-building process that gradually produces standard "typifications" (Berger & Luckmann, 1967; Corner, Kinicki, & Keats, 1994; Fiol, 1994). As social interaction proceeds, an emerging schema tends to undergo a process of objectification and reification (Augoustinos & Walker, 1995; Berger & Luckmann, 1967), through which the individual decision maker loses sight of the socially derived character of the schema. In other words, the enacted origins of the schema recede from consciousness, and the schema becomes transformed into an institution, which is "there, external to [the decision maker], persistent in [its] reality, whether he likes it or not" (Berger & Luckmann, 1967: 60). Berger and Luckmann's (1967) analysis suggests that this reification process transforms agreements negotiated through social interaction into external social realities.

These general principles can be applied to an analysis of the sociocognitive foundations of the institutionalization of downsizing. We begin by arguing that early in the process through which downsizing became institutionalized, multiple schemas about downsizing competed for credibility and legitimacy. Although the exact nature of these schemas is open to debate, it is likely that they were differentiated in terms of underlying cognitive dimensions that reflected fundamental disagreements about downsizing in the preinstitutionalization stage.

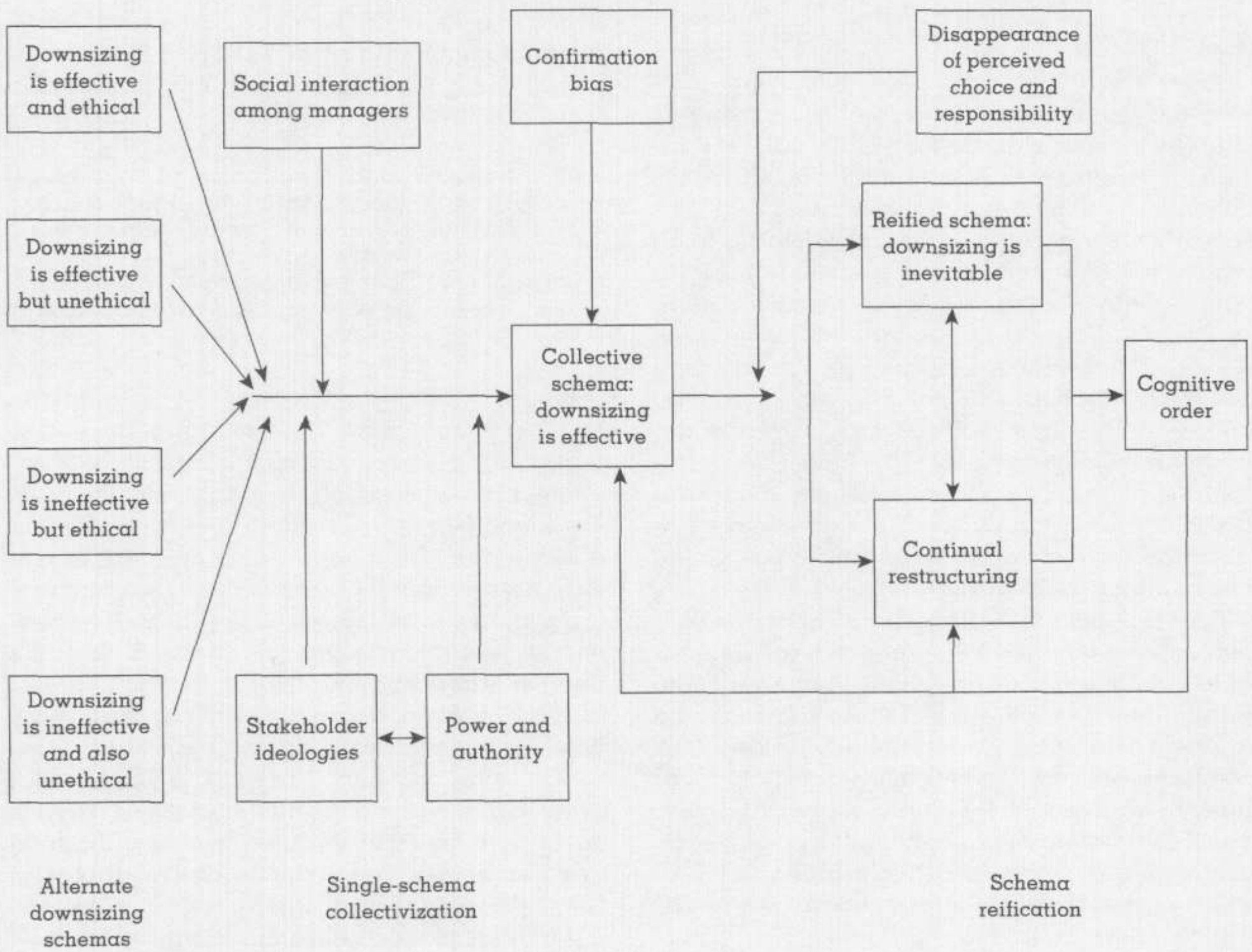
One likely possibility is that the alternative downsizing schemas at the preinstitutionalization stage were differentiated according to underlying dimensions of effectiveness and ethical acceptability. A simple representation of this hypothesized cognitive space is provided on the left side of Figure 1, which shows four different schemas about downsizing. The presence of the effectiveness and ethics dimensions as differentiators of these schemas, and the tension between the dimensions, are suggested in Perry's (1986) account of the moral concerns exhibited by managers as they made decisions about layoffs. The conflict between effectiveness and ethics also surfaces in the following statement by a CEO:

> Laying off those three thousand workers was the hardest decision I've had to make in thirty years of business.... But I have to put my personal feelings aside. As CEO I have a duty to do what's best for the shareholders (quoted in Worrell et al., 1991: 662).

Note that both Perry's (1986) description and the CEO statement cited by Worrell et al. (1991) reflect managerial thinking as of the mid to late 1980s, when downsizing was arguably less institutionalized than it is today.

The four schemas portrayed on the left side of Figure 1 suggest that beliefs about downsizing at the preinstitutionalization stage were diverse. Disciples of the schema at the top left-hand corner of Figure 1 would have viewed

FIGURE 1
Downsizing Schema Evolution and Institutionalization Among Managers



downsizing as both effective and ethical, whereas adherents of the schema immediately below it would have converged with the first group on effectiveness but would have disagreed on ethical acceptability. The two schemas in the lower left-hand corner of Figure 1 include individuals who would have resembled one another in their doubts about the organizational effectiveness of downsizing, while differing in their evaluations of its morality. It should be noted that our broad use of the term *effective* is intentional: the term is designed to incorporate both the specific financial consequences sometimes attributed to downsizing (e.g., cost reduction) and its metaphorical or "mythical" benefits (e.g., organizational "flexibility" or "competitiveness"). It should also be emphasized that pending empirical testing, the cognitive structure portrayed on the left side of Figure 1 is a provisional representation of preinstitutionalization downsizing schemas. Other structures are certainly possible.

Single-Schema Collectivization

From a cognitive point of view, an important step in the institutionalization of downsizing as a taken-for-granted strategy is the collectivization of a standard "downsizing is effective" schema. As depicted in the middle of Figure 1, the collective acceptance of a downsizing is effective schema provides the basis for later reification of downsizing through social construction processes (Berger & Luckmann, 1967). We argue here that the collective spread of a downsizing is effective schema in the 1990s involved two conceptually distinct, but temporally overlapping, phenomena: schema "packing," or consolidation of the alternative schemas that were present among managers at the preinstitutionalization stage (Figure 1), and diffusion of the consolidated schema that has resulted.

Schema packing. Schema packing can be conceptualized as a reduction of alternative available schemas about an event or phenomenon, through the consolidation of those schemas into a single template. Since schema packing is a cognitive process, it operates at the individual level of analysis, but within a collectivity, such as an industry or organizational field. This type of packing is suggested in Suchman's (1995b) study of the evolution of a standard venture finance contract in Silicon Valley law firms. Schema packing also appears to be at work in the simplification of the competitive structures perceived by competing hotel managers (Lant & Baum, 1995) and in the adoption of standard evaluation routines for assessing new technologies (Garud & Rappa, 1994). The packing construct is consistent with Miller's (1993) argument that organizations evolve toward simplicity, excluding alternative perspectives and focusing increasingly on a single world view as time passes. Schema packing lowers uncertainty for individuals operating within a given cognitive domain, because it reduces the number of options an individual has to consider as feasible interpretations of reality.

In the case of downsizing, we argue that schema packing first involved the subordination of ethical criteria to effectiveness criteria in managerial thinking about downsizing. In other words, it has become increasingly difficult to maintain an ethical evaluation of downsizing or restructuring that is independent of the organizational effectiveness dimension. This is not because managers are becoming amoral; rather, it is symptomatic of more general processes inherent in the postmodern condition. In Lyotard's words:

> In postindustrial societies the normativity of laws is replaced by the performativity of procedures. "Context control," in other words, performance improvement won at the expense of the partner or partners constituting that context (be they "nature" or men), can pass for a kind of legitimation. De facto legitimation (1984: 46–47).

Budros (1997a) provides support for applying Lyotard's statement to downsizing by noting that there is less ethical compunction about implementing downsizing than once was the case. Brockner, Grover, O'Malley, Reed, and Glynn also suggest the subordination of ethics to performativity when they recommend that "managers may try to make low SEs [low self-esteem employees] at least somewhat worried about the threat of future layoffs, to boost their motivation" (1993: 164). Even Daniels' (1995) critique of the Brockner et al. (1993) article is primarily concerned with the performativity of Brockner et al.'s recommendations and only raises the issue of ethics in the last sentence. This subordination of ethics to performativity is also apparent in George Soros's recent statement that "by allowing market values to become all-important, we actually narrow the space for moral judgment" (quoted in O'Brien, 1998: 11).

To see schematically the effects of the kind of subordination we are talking about, we refer you back to Figure 1. Imagine the ethics dimension underlying the four available schemas on the left side of Figure 1 subsumed under the effectiveness dimension. In that case effectiveness "takes over" ethics, and the top two schemas on the left side of the figure collapse into one, as do the bottom two schemas. The participant in the cognitive domain is confronted with a simplified, more densely packed cognitive space. The main question becomes whether or not downsizing is effective, and this duality is reflected in two competing schemas, rather than four. The tighter packing represented by this effective/ineffective duality furnishes a platform from which the evolution of a single downsizing is effective schema can take place more easily.

In the final packing stage, where available managerial schemas coalesce toward a single downsizing is effective template, stakeholder ideologies and power/authority play key roles (Figure 1). We first discuss the effects of stakeholder ideologies on the schema packing process and then describe how power and authority interact with ideological forces to institutionalize the view that downsizing is effective.

Beyer has defined an ideology as a relatively coherent set of beliefs "that bind some people together and that explain their worlds in terms of cause-and-effect relations" (1981: 166). Over time, ideologies frame and filter the way information is used in organizational decision making, analysis, and evaluation, acting as a control on the cognitions and behaviors of adherents (McKinley et al., 1998). This conceptualization of ideologies links the work on organizational ideologies (e.g., Barley & Kunda, 1992; Beyer, Dunbar, & Meyer, 1988; Meyer, 1982a,b; Miles & Creed, 1995; Weiss & Miller, 1987) to the sociocognitive perspective we represent here.

For any publicly owned corporation, an important stakeholder is the investment community, particularly Wall Street securities analysts and institutional investors. Securities analysts make predictions about the value of a corporation's stock, and institutional investors buy and sell large portions of corporate equity, directly influencing the stock price and therefore the financial fortunes of the corporation. Cappelli et al. (1997) suggest that the investment community has embraced an ideology in which shareholder value dominates other potential corporate goals (see also Dial & Murphy, 1995). In this ideology radical restructurings are viewed as good for performance, and "efforts to protect employees simply hurt the bottom line" (Cappelli et al., 1997: 222).

We argue that this "ideology of shareholder value" has had an important influence on the packing of available downsizing schemas into a simplified cognitive structure in which it is increasingly difficult to see any other alternative besides the downsizing is effective option. In other words, under the influence of this ideology, the dual schemas left after the collapse of normativity discussed above are further consolidated into a single downsizing is effective template. This is true, despite that

> there is no real evidence that protecting employees when restructuring has to cost the employer in terms of performance. While companies rush to restructure in ways that appease the investment community, analysts and experts in that investment community in fact have no systematic information about what works or does not work in terms of performance" (Cappelli et al., 1997: 222).

The ideology of shareholder value is not backed up by concrete performance evidence, but it still retains its capacity to devalue the possibility that downsizing is ineffective.

McKinley et al. (1998) have identified two other ideologies that, arguably, play a similar role in downsizing schema packing. These two ideologies—that of employee self-reliance and that of debureaucratization—are being promulgated by stakeholders in the business press and in the management consulting community (e.g., Carbone, 1997; Hakim, 1994; Noer, 1993; O'Reilly, 1994; Pinchot & Pinchot, 1994). These ideologies help rationalize downsizing by weakening the traditional social contract between the employee and the corporation and by stigmatizing large, bureaucratic organizations (McKinley et al., 1998). The cognitive effect is to frame downsizing as a natural, acceptable strategy that is consistent with the inevitable shifting of human assets in a hypercompetitive environment and, therefore, to submerge the possibility that downsizing is ineffective.

Power and authority have been studied extensively in organizational settings (e.g., Astley & Sachdeva, 1984; Hickson, Hinings, Lee, Schneck, & Pennings, 1971; Ibarra, 1993; Pfeffer, 1981), but their role in cognitions about downsizing has not yet been examined. However, Gioia, Thomas, Clark, and Chittipeddi (1994) have described how the power of a top university official influenced the cognitions of task force members as they struggled to construct their mission in a context of extreme ambiguity. Applying this insight to organizational downsizing, we suggest that the power and authority of organizational stakeholders will play an important part in the cognitive framing and justification of downsizing for managers and employees (Figure 1). Specifically, power and authority will increase the impact of the three ideologies described above on the downsizing schema packing process. This is consistent with McKinley et al.'s (1995) assertion, following DiMaggio and Powell (1983), that dependence on external stakeholders enhances a corporation's incentive to conform to those stakeholders' norms about downsizing. Thus, to the extent that constituencies espousing the ideologies of shareholder value, employee self-reliance, and debureaucratization have power, the convergence of available schemas toward a single downsizing is effective template will be enhanced.

Schema diffusion. Above, we stated that the collectivization of a downsizing is effective schema has involved two interrelated processes: schema packing, which we have just described, and the diffusion of the consolidated schema about downsizing that has resulted from packing. Schema diffusion takes place largely through social interaction among managers, both within and across organizational boundaries. Social interaction spreads the downsizing is effective schema that has emerged from the combined influence of ideology and power/authority, while completing the articulation of that schema via incipient social construction processes (Berger & Luckmann, 1967; see Figure 1). This echoes Abrahamson and Fombrun's (1994) argument that shared answers to questions about competition and strategy evolve out of social ties (see also Porac et al., 1995).

A number of attributes of the social interaction process are likely to affect the speed with which a downsizing is effective schema becomes diffused. For example, the more frequent the interaction among a given set of managers, the more quickly information is processed within the set and the more rapidly any schema about reality will spread among members of the set.

However, variation in demographic characteristics across managers should slow down the diffusion and collectivization of schemas, consistent with O'Neill et al.'s (1998) views about the effects of homogeneity/heterogeneity on the diffusion of innovations. This argument is also implicit in Dougherty's (1992) finding that the existence of different functional "thought worlds" impeded standard interpretations of the meaning of product innovation. In the case of downsizing, it seems likely that age differences among interacting managers will have a particularly strong influence on the diffusion of downsizing schemas, since younger managers tend to have a different conception of the social contract between employee and corporation than do older managers (Kleinfield, 1996; Rousseau, 1995). This difference will lead to differences in younger and older managers' attitudes toward actions that disrupt that contract, including downsizing. Thus, frequent interaction among managers should hasten the diffusion of a downsizing is effective schema, whereas variation in age across managers should slow such diffusion.

Finally, Shapin (1994), drawing on a discussion of scientific communities, has emphasized the critical role of trust in the social construction of truth. Since scientists cannot verify every published claim and every measure, they ultimately must trust the results of past scientific work in order to achieve a collectively accepted representation of reality. Trust, Shapin (1994) stresses, is a generator of cognitive order; without trust, chaos would reign in any scientific discipline. Assuming the same principle applies to managerial communities, we can anticipate that a downsizing is effective schema will diffuse more rapidly if the managers participating in the diffusion process trust one another. In the presence of trust, individual managers are less likely to require concrete evidence of the effectiveness of downsizing and are more likely to accept the downsizing is effective schema as a communally validated social product.

Schema Reification

As shown in Figure 1, schema reification constitutes the second major stage in the institutionalization of downsizing, following schema collectivization. Once a single schema portraying downsizing as effective begins to be shared collectively, it functions as an important source of meaning and cognitive order for managers. The managerial cognition literature (e.g., Fiol, 1994; Gioia et al., 1994; Harris, 1994; Walsh, 1995) suggests that this sense of meaning and felt order provides strong psychological incentives for individual managers to align their views with collective schematic representations. Accepting a standard account of downsizing as effective reduces the amount of information a manager has to process. Since information is a source of disorder (Hayles, 1991), this lowers the perceived disorder and increases the perceived order that the manager experiences.

The incentive that cognitive order provides for adopting a collectivized schema about downsizing is represented in Figure 1 by the feedback loop connecting the "cognitive order" box on the right-hand side of the figure with the "collective schema" box in the middle. Note that we do not propound a functional argument here: we do not maintain that the need for order gives rise to a collective schema about downsizing. However, once such a schema has developed through the causal processes explained above, the cognitive order imparted by the schema feeds back to reinforce its collective acceptance. Note also that the order-generating capacity of a collective schema that defines downsizing as effective can operate independently of any empirical evidence that downsizing actually does improve organizational performance. In the short term, at least, knowing what to do next and feeling that one's actions are meaningful may be as important to a manager as objective proof that the actions are rational (Weick, 1995).

The literature on cognitive simplification (e.g., Duhaime & Schwenk, 1985; Schwenk, 1984) also implies that once a collectively shared schema about downsizing or restructuring has become established, it will exhibit a bias toward self-confirmation (Figure 1). In order to reduce information-processing burdens and preserve cognitive order, individuals tend to discount schema-incongruent information and pay attention to schema-congruent information (Dutton & Jackson, 1987; Kiesler & Sproull, 1982). Thus, a downsizing is effective schema will channel managers' attention toward schema-confirming data and away from schema-disconfirming data. Given the wide range of results in empirical research on downsizing, and past debates about its effectiveness in the popular press (*New York Times*, 1996; Sloan, 1996), managers have a diverse array of ambiguous but potentially supportive information from which to extract confirming evidence for a prodownsizing schema. If a downsizing is effective schema has jelled, and this bias toward confirmation operates in a consistent way across managers, the empirical validity of the schema will appear to be supported. Disconfirmation of any prodownsizing schema that has evolved into dominance will be very difficult, because data with the potential to disconfirm will be filtered out by the schema itself. The theoretical conclusion from this logic is that the "truth" about downsizing—as well as any other management change program—is relative to the particular mental model that enjoys consensus at a given period of time.

The sociocognitive perspective we develop here also suggests that, in addition to its self-confirming character, any collective schema about downsizing will undergo pressure toward reification. That is, the schema will tend to be transformed by the externalization process that Berger and Luckmann (1967) described for socially negotiated constructions of reality (see also Tolbert & Zucker, 1996). Downsizing is an intentional management decision to reduce the workforce of an organization, but reification converts the managerial experience of strategic choice and agency into an uncontrollable external reality (Figure 1).

This is apparent in statements such as the one made by the CEO of Chase Manhattan, commenting on the merger of his company with Chemical Bank: "If you've got fifteen years worth of backlog in downsizing, the downsizings will be more severe" (quoted in Kleinfield, 1996: A10). Here, downsizing takes on an inevitability that, in Suchman's words, removes "an aspect of social structure from the presumed control of the very actors who initially created it, so that 'for things to be otherwise is *literally* unthinkable'" (1995a: 583). The unthinkability of avoiding layoffs is also reflected in the statements of such celebrated turnaround artists as "Chainsaw" Al Dunlap (e.g., *Harper's Magazine*, 1996). Although Dunlap's views on downsizing may be extreme, the reification of downsizing as an external inevitability resembles the externalization described for other strategic phenomena, such as mental models of competitive structure (Porac, Thomas, & Emme, 1987; Porac et al., 1995).

As indicated by the vertical, double-headed arrow linking the "reified schema" box with the "continual restructuring" box in Figure 1, the inevitability of downsizing is reinforced through enactment or structuration processes like those described by Giddens (1976, 1984). If managers begin to see downsizing as inevitable, they are likely to implement a downsizing program quickly, in order to gain whatever competitive advantage downsizing is believed to offer vis-à-vis rivals. Although the act of restructuring reveals managerial agency, the actors themselves will likely be blind to such agency, perceiving their own actions as constrained by an unyielding environment. The continual restructuring that results from many individual managers bowing to the "inevitability" of restructuring enacts the inevitability itself. Thus, in Berger and Luckmann's words, "Even while apprehending the world in reified terms, man continues to produce it" (1967: 89).

Figure 1 also shows that the cognitive order generated by the reification of downsizing and the continual restructuring that accompanies it feed back to promote more restructuring. To argue that continual restructuring is a source of cognitive order is ironic, because most academics (e.g., Cappelli et al., 1997) suggest that restructuring is experienced as chaotic and insecurity producing by the employees subjected to it. But, from the perspective of top management, we believe that restructuring is order generating, given that it appears to bring the organization into conformity with a continually changing environment. This sense of conformity is enhanced by a rhetoric of permanent, uncontrollable environmental change (Miller, Greenwood, & Hinings, 1997) that is being promulgated in literature written by well-known consultants (e.g., Hammer & Champy, 1993). To restructure one's organization continuously, therefore, is to conform with the rhetoric and the reality unfolding around one, and the outcome is a sense of meaning and order that is conducive to further restructuring. Among other implications, this argument highlights the gap between the cognitive worlds of top managers and other employees in today's corporations—a gap that has already been hinted at in works such as Cappelli et al.'s (1997) and Collinson and Collinson's (1997).

DISCUSSION AND CONCLUSION

Although the sociocognitive perspective we present here casts organizational downsizing in a novel light, we do not interpret this framework as negating the economic perspective. The latter perspective has been the source of most, if not all, of the empirical research on downsizing conducted thus far. This research has produced valuable knowledge about the wave of restructuring currently being experienced by corporations and public sector organizations. The three perspectives reviewed here suggest diverse causes for this restructuring process, but we do not believe these causal variables are mutually exclusive. In most cases they probably operate together as part of a complex array of downsizing predictors.

Thus, the typical downsizing decision is likely to be informed by a mixture of future performance expectations, conformity to institutional rules defining downsizing as legitimate and effective, and the sociocognitive dynamics that underlie the origins of those rules. We also note that our arguments may be more applicable in the postindustrial societies of the West than in other societies. Finally, there is no reason to assume that the process of convergence and reification described in this article is never reversible; for example, future unpacking of diverse downsizing schemas might be stimulated by a resurgence of the ethics dimension in discussions of downsizing (e.g., Orlando, 1999).

IMPLICATIONS FOR FUTURE THEORY AND RESEARCH

In addition to empirically examining the causal processes we propose, future researchers could extend the sociocognitive model of institutionalization to management practices other than downsizing. For example, Westphal, Gulati, and Shortell (1997) and Zbaracki (1998) have analyzed the institutionalization of total quality management programs in organizations, while Garud and Rappa (1994) have studied the institutionalization of evaluation routines for assessing technological innovations. Fligstein (1996), meanwhile, has focused on the development of the social institutions underlying markets. To what extent are the dynamics described in this article—dynamics such as schema packing, schema diffusion, and schema reification—also characteristic of institutionalization in the domains investigated by these researchers? What kinds of boundaries (Bacharach, 1989) need to be placed on our sociocognitive model to delineate the institutional phenomena to which it applies and those to which it does not? Exploring questions such as these could radically expand our knowledge of the psychological foundations of the institutionalization process, and could help fulfill DiMaggio and Powell's (1991) mandate to integrate psychology's "cognitive revolution" into neoinstitutional theory.

Our model does suggest that managers have an incentive to simplify their cognitive domains and converge quickly on a schema that defines the "truth" about problems or issues they are facing. This convergence process tends to exclude multiple interpretations of a problem or issue, creating order even in the absence of empirical evidence that the interpretation being adopted is valid. This echoes Weick's (1995) contention that managers value plausibility more than irrevocable proof of validity, because plausibility furnishes an adequate platform for action. As the schema embodying managers' dominant interpretation becomes collectivized and established, it undergoes a process of externalization and reification that leads to managerial perceptions of external constraint.

This theoretical view complements Miller's (1993) suggestion that institutional constraints contribute to simplicity in organizational cognitions. Our model implies that simplicity, or at least reduction of complexity, in the cognitions of managers and employees underlies the genesis of institutional rules. The externalization and reification that are such prominent features of institutionalization depend on a consolidation of interpretations about what is real—the process that we have labeled *schema packing*. Once a plausible interpretation has become objectified, it functions as a taken-for-granted constraint that promotes further cognitive simplification about the "reality" to which the constraint refers. Thus, simplification on the institutional level and simplification on the cognitive level are self-reinforcing (Masuch, 1985). Organizational researchers have not yet begun to study these self-reinforcing dynamics, and their investigation in future laboratory or field research would contribute much to our understanding of the institutionalization of organizational practice.

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