

## Are Quality Improvement and Downsizing Compatible? A Human Resources Perspective

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### Résumé de l'article

L'amélioration de la qualité (AQ) et la réduction d'effectifs (RE) sont apparues comme deux moyens d'améliorer la compétitivité des entreprises. La RE consiste en l'élimination planifiée d'emplois permettant la réduction des dépenses et l'accroissement des profits. L'AQ est un terme parapluie pour ces principes et pratiques visant à améliorer la qualité des produits et services. On déduit que plus les consommateurs apprécieront la bonne qualité des biens et des services, plus les affaires et les profits s'accroîtront. Les principales caractéristiques de l'AQ incluent le ciblage des consommateurs, l'amélioration des processus, la collaboration patronale-syndicale et la participation intensive des employés à l'amélioration de l'entreprise. L'AQ et la RE partagent ce double objectif ultime d'améliorer l'efficacité et l'efficience d'une organisation. Leur sont sous-jacents cependant de très différentes hypothèses et différentes implications organisationnelles.

Les gestionnaires qui perçoivent l'amélioration de la qualité et la réduction des effectifs comme deux volets de la même stratégie d'amélioration de l'entreprise font souvent face à un curieux dilemme. Alors que quelques chercheurs ont suggéré que ces deux initiatives sont complémentaires, d'autres sont sceptiques et ont même proposé qu'elles pourraient être contradictoires. Il y a cependant peu de travaux empiriques portant sur la relation entre l'AQ et la RE. Ainsi que sur leurs implications organisationnelles. Nous visons ici à combler cette lacune : (1) en examinant d'abord comment les employés réagissent à des initiatives combinées d'AQ et de RE, (2) en scrutant le degré de compatibilité de ces initiatives, et (3) en établissant comment les effets négatifs d'une initiative sur l'autre peuvent être éliminés.

Les sujets de cette étude proviennent d'un hôpital albertain où un processus à deux étapes d'AQ fut implanté entre 1989 et 1996. Durant la première étape, caractérisée par une approche de gestion de la qualité totale (GQT), les améliorations furent graduelles et l'emploi continua d'être stable. La deuxième étape a coïncidé avec une réduction substantielle d'effectifs et a impliqué un effort de réingénierie appelé le « Patient Care Design Project » (PCDP) qui visait à changer radicalement l'organisation du travail. Les résultats indiquent que l'étape GQT du processus d'amélioration de la qualité n'a aucunement menacé la qualité de vie au travail des employés.

Les relations du travail se sont améliorées et tout allait bien durant cette période pendant laquelle les décisions d'amélioration de la qualité n'ont pas eu d'impacts négatifs sur les ressources humaines. Cependant, les résultats de cette GQT ont été modestes, provoquant ainsi l'introduction du PCDP. Cette initiative fut accompagnée d'une coupure sans précédent de budget, imposée par le gouvernement provincial, réduisant sérieusement les effectifs et modifiant l'approche du PCDP de l'amélioration de la qualité à la réduction des coûts. Ces derniers développements ont sérieusement changé l'environnement de travail de l'hôpital, entraînant notamment l'insécurité d'emploi, l'intensification du travail, la détérioration de la qualité des services, une baisse de l'implication des employés, une érosion du leadership, la rivalité entre les pairs et l'opposition syndicale.

Ces changements ont résulté en une baisse de moral du personnel et en un niveau plus bas de confiance entre les parties organisationnelles. Comme l'AQ ne peut s'épanouir que dans une culture de haute confiance et de haute implication, on peut constater que l'appui pour l'AQ a souffert dans cette vague de changements. Syndicats et employés ont été incapables, ou ne se souciaient pas, de faire la différence entre les résultats des réductions d'effectifs et l'AQ vu que ce qui comptait vraiment, c'était l'impact total. Ils ont perçu ces deux initiatives comme une seule et entretenu des sentiments négatifs envers l'AQ.

Nos résultats nous amènent à proposer que la réduction d'effectifs et l'AQ sont des initiatives essentiellement incompatibles lorsqu'elles sont accompagnées de ce qui suit : (a) le manque d'une culture d'AQ bien établie qui fait que les employés sont incapables de distinguer les effets de ces deux initiatives; (b) un encadrement temporel serré pour les réductions d'effectifs, ce qui limite le temps nécessaire à une analyse approfondie des recommandations d'AQ; (c) des relations du travail empreintes de confrontation, où les droits syndicaux acquis sont continuellement attaqués; (d) une mauvaise implantation d'une de ces deux ou de ces deux initiatives découlant de mauvaises communications et du peu de respect envers les employés lors de mise à pied. D'autres recherches sont toutefois nécessaires pour voir si ces deux initiatives auraient de meilleurs résultats dans d'autres contextes. Lorsqu'elles sont utilisées ensemble, les relations entre l'AQ et la RE ne sont ni simples ni directes. Les organisateurs devraient alors être prudents dans leur implantation combinée. Il est possible que les coûts en ressources humaines d'une telle implantation simulamée annule les gains financiers escomptés de ces initiatives. On devrait faire des efforts pour comprendre ces préoccupations de ressources humaines. Communications ouvertes, politiques justes et constantes, réelle implication des employés, bon leadership, planification soignée et participation syndicale sont quelques-uns des moyens permettant d'améliorer les effets négatifs sur l'environnement de travail de l'AQ et de susciter le support des employés à son égard. Vu que l'opposition syndicale à l'AQ en contexte de réduction des effectifs peut durer longtemps, on devrait prendre des mesures pour favoriser la compréhension et la collaboration éventuelles des parties. Certains de ces moyens sont l'implication des syndicats dès les premières étapes du processus de l'AQ, la reconnaissance des contraintes organisationnelles et opérationnelles des syndicats et la légitimité de la négociation collective, la volonté d'accommodement des droits syndicaux acquis et le partenariat avec le syndicat dans la prise de décision. Cependant, vu les objectifs opposés des parties, le fait de ne pas recourir à ces moyens ne peut que créer de la résistance qui sera difficile à surmonter. Mais, même, avec de tels efforts, le succès n'est pas garanti.

# *Are Quality Improvement and Downsizing Compatible?*

## *A Human Resources Perspective*

HELEN LAM  
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*Quality improvement (QI) and downsizing have been two popular initiatives to enhance firm competitiveness. When used together, the relationship between them is neither simple nor straightforward. Although there have been many separate studies of QI and downsizing, there is a paucity of empirical work on the relationship between them, and their organizational implications. This study seeks to fill this lacuna by shedding light on: (a) how employees respond to these initiatives when combined; (b) their compatibility; and (c) ways to alleviate the negative effects of one initiative on the other.*

During the past decade, many firms have introduced downsizing and quality improvement (QI) initiatives to improve their competitiveness. Downsizing is the planned elimination of positions or jobs, which should quickly reduce expenses and increase profits (Cascio 1993). The cut in headcount may or may not be accompanied by work redesign and/or organizational restructuring. QI is an umbrella term for principles and practices designed to improve product and service quality. Two often-used QI initiatives are Total Quality Management (TQM) and reengineering. TQM is a continuous gradual process that managers use to “enable everyone in the organization in the course of performing all duties to establish and achieve standards which meet or exceed the needs and expectations of their

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customers, both external and internal" (Miller 1996: 157). Reengineering, on the other hand, requires radical changes by seeking "breakthroughs, not by enhancing existing processes, but by discarding them and replacing them with entirely new ones" (Hammer and Champy 1993: 49). It requires intensive, top-down, vision-driven efforts that entail rethinking every aspect of the business. Despite their apparent differences, both TQM and reengineering are QI initiatives that focus on customers and processes. The distinction between them is a matter of degree (Nissen 1996). In this paper, the term QI initiatives refers to both TQM and reengineering with distinctions being made between them whenever appropriate.

Downsizing and QI share the ultimate twin objectives of improving an organization's efficiency and effectiveness but they are driven by different assumptions. Through voluntary and involuntary layoffs, downsizing reduces operational expenses almost instantaneously. On the other hand, QI is a long-term effort. TQM is based on gradual continuous improvements that are not expected to bear fruit immediately. Even in the case of reengineering, reviewing, redesigning, and implementation take time. Moreover, in principle, QI shuns layoffs. Performance enhancements and increased profitability should follow process improvement.

Some managers view QI and downsizing as two prongs of one business improvement strategy. The QI-downsizing relationship, however, has been a conundrum. Some research work suggests that the two processes are compatible, even complementary (McDonnell 1994; Stabler and Sullivan 1994; Staniforth 1994). For example, downsizing often involves removing front-line employees and managerial layers. Fewer staff, in turn, renders it imperative to become more efficient by improving work processes. At the same time, flattened hierarchy means less bureaucracy, which should facilitate process improvement (McDonnell 1994; Staniforth 1994). Moreover, when organizations downsize, QI principles (e.g., open and effective communication, treating employees as internal customers) could be applied in planning and executing layoffs, thereby, enhancing the effectiveness of downsizing (Messmer 1992; Sullivan 1994). However, this line of argument has not gone unchallenged. There is scanty, systematic empirical evidence of simultaneous QI/downsizing success and the possible problem of fundamental incompatibility between QI and downsizing has not been addressed.

Downsizing and QI can be contradictory. QI flourishes in an environment of high trust, open communication, total commitment of every organizational member to quality improvement, and employee empowerment. Unfortunately, downsizing often negatively affects perceived job security, staff morale, organizational commitment and trust, all paramount to successful QI implementation (Al-Kazemi 1998; Becker 1993; Henkoff 1990; Lawler 1988; Lehrer 1997).

This paper explores the compatibility of QI and downsizing by investigating the effects of the simultaneous implementation of the two initiatives on employee work attitudes and behaviour. The analysis emphasizes how relationships were altered between front-line employees and their fellow workers, union officers, management, and the employing organization following the implementation of QI and downsizing. Additionally, to advance understanding of the implications of simultaneously introducing both initiatives for QI, we propose a model that postulates the cause-effect relationship between QI/downsizing and employee support for QI. The research is based on the case of a major hospital in Alberta where a two-stage QI process was implemented between 1989 to 1996. During a first TQM stage, employment stability prevailed. The second stage involved a reengineering effort that coincided with substantial downsizing.

### *RESEARCH FRAMEWORK*

The main characteristics of QI include customer focus, process enhancement, management-labour collaboration and intensive employee participation in business improvement. With better processes, not only will organizational efficiency and effectiveness be enhanced, it is also expected that increased business and profitability will follow because the customers appreciate good quality products and services. Additionally, under QI, employees are to be recognized as a firm's major source of competitive advantage. As such, they should be empowered to identify quality problems, and design and implement solutions.

The main objectives of downsizing are to enhance firm competitiveness by eliminating jobs and positions. Workforce reductions should bring forth lower overhead, less bureaucracy, faster decision-making, smoother communications, and greater entrepreneurship (Heenan 1989). These benefits should translate into reduced expenses, greater productivity, increasing profits and shareholders' returns, and improved cash flow (Bennett 1991). But despite its sound objectives and popularity, downsizing often does not produce the positive results anticipated (Bennett 1991; De Meuse, Vanderheiden and Bergmann 1994; Henkoff 1990; Tomasko 1992). Worse again, downsizing sometimes results in negative outcomes for the employees, such as fear of job losses (Cascio 1993), greater workloads (Rubach 1995), higher levels of stress and anxiety (Bailey and Szerdy 1988; Cameron, Freeman, and Mishra 1991), and lower levels of trust, morale and productivity (Cascio 1993).

Yet, some researchers and practitioners have viewed downsizing and QI as two components of the same business improvement strategy. Cameron's (1994) "systemic downsizing" emphasizes a long-term process of continuous improvement as the best downsizing strategy. By gradually redesigning

and improving core business processes, organizations improve their capacity to accomplish more with fewer employees. This concurs with studies that have proposed QI philosophy and tools as a means to facilitating downsizing (Messmer 1992; Stabler and Sullivan 1994; Sullivan 1994). As organizations are downsized, they have to improve continuously in order to remain efficient, productive, and competitive (McDonnell 1994; Staniforth 1994). According to this view, downsizing and QI not only are compatible, they are complementary in the long run.

On the other hand, successful QI implementation requires that employees identify quality problems and design and implement solutions without any fear of management retribution. Many agree that the biggest fear for an employee is losing her/his job (Aguayo 1990; Delavigne and Robertson 1994; Deming 1986; Walton 1986). In theory, QI should improve organizational competitiveness and profitability which, in turn, should enhance employee job security (Gitlow 1990). While workforce reduction is not an explicit goal of QI, it can be a by-product of greater productivity in QI organizations (Stabler and Sullivan 1994). Faced with job loss, employees may resist and even undermine a QI campaign.

Although there have been many separate studies of QI and downsizing, there is a paucity of empirical work on the relationship between them and their organizational implications. This study attempts to fill this lacuna by shedding light on: (a) how employees respond to these initiatives when combined; (b) their compatibility; and (c) how whatever negative effects of one initiative on the other can be redressed.

### *SAMPLE AND METHODOLOGY*

We used semi-structured interviews to collect data. While some fundamental questions were set, other questions evolved as the interviews proceeded and new information surfaced. Moreover, such interviews generally provide enough time and personal interaction between the interviewer and interviewees to facilitate the free flow of reminiscence and reflection. In addition to interviewing front-line employees, we also interviewed management and union officials, who provided more background information about the organization and the downsizing and QI processes. Understanding the unions' perspective is important because, often, unions provide a collective voice for their employees when mediating the management-employee relationship.

Some 60 interviews, including over 40 in-depth ones (each about an hour long), were conducted from 1992 to 1996. We initially obtained a sample of management and union representatives from top management

and union executives. Further referrals were then obtained from both management and unions who allowed us to approach employees for their perspectives. The interviews were transcribed verbatim. Separate analysis of the transcripts by each of the authors allowed for a more independent and unbiased identification of the major themes. An iterative process followed in which the findings and insights were discussed, the themes redefined, corresponding coding schemes established and data re-analyzed.

### BACKGROUND

The University of Alberta Hospital is located in Edmonton, Alberta. In the early 1990s, it had 1,237 beds and received over 367,000 patient visits each year. In 1993, the hospital employed more than 6,000 people, with 4,200 being front-line employees. The TQM effort was conceived in 1989 in response to the problems of rising costs, poor labour relations and a lack of customer focus. The initiative was officially launched in 1990. Between 1990 and 1992, some 3,000 front-line employees attended TQM orientation sessions and over 150 quality improvement teams were formed. The results of TQM on the set objectives were reportedly modest. A more rigorous approach was therefore sought.

In 1993, a 25-member steering committee with representatives from various departments was established to oversee a reengineering campaign called Patient Care Design Project (PCDP). Three sub-committees were also set up to develop strategies related to human resources, communications and information technology. Thirteen design teams and various work groups were then formed and given responsibilities for developing ideas to best utilize diminishing resources. PCDP continued until 1996 when it was put on hold due to changes to the Alberta health care system (Reshef and Lam 1999).

The decision to launch PCDP coincided with the 1993 provincial election that was fought over the issue of which political party would reduce public spending the most. Health care was an obvious target as it accounted for over \$4 billion in government expenditures. In mid-1993, the hospital was informed that it should cut 20 percent, or some \$55 million, from its 1994/5 budget. Consequently, between 1993 and 1996, the hospital reduced its work force by 956 full-time and 264 part-time employees. Three hundred and eighty-three of these employees voluntarily left the hospital through early retirement (97) and voluntary severance (286).

### CHANGING WORK ENVIRONMENT

The TQM stage of the QI process did not threaten the employees' quality of work life and livelihood. The organization was gradually improving

work processes and had enough resources to support the efforts. The employees enjoyed the learning opportunities and the collaborative employee-manager relationship. As one employee observed, "[TQM] just makes sense to me. It's a good way to treat everyone. To treat them with respect. It seems a practical way of doing business." A manager explained that things worked quite well during this period when quality improvement decisions did not have adverse human resources implications. Even a skeptical union official agreed that, "we have enjoyed the new relationship [with management]. It's opened doors that might not have been open before."

Unfortunately, as a top executive explained, TQM just "wasn't quick enough, wasn't big and deep enough, and wasn't systematic enough." As a result, a second reengineering stage, PCDP, was introduced in 1993. This initiative was coincided with an unprecedented budget cut that shifted the PCDP focus from quality improvement to cost saving through, among other things, deep layoffs. These developments, in turn, significantly altered the hospital's work environment.

### *Job Insecurity and Work Intensification*

PCDP embodies a fundamental change in the way patient care ought to be delivered. It promoted radical process redesign emphasizing changes to the content, mix and number of jobs. Despite the changes in jobs, managers and employees often found the jobs had not been clearly defined. The uncertainty and frustration were illustrated by employee comments like "they haven't come up with any job description as to who will get or who can apply for these jobs." Some employees thought that PCDP targeted employees with more seniority. They said that the changes in jobs provided an excellent opportunity for management to use the excuse of "operational requirements" to justify the retaining of the "younger, stronger, brighter, more enthusiastic" employees instead of the long service ones.

One manager remarked, "where it [the employee/union-management relationship] changed was with the reengineering part of [QI]. It became very adversarial, defensive, accusatory." Another manager heavily involved in PCDP was more specific and admitted, "If TQM had been the only change, it would have worked well. But when we got to the point where jobs were lost and there was such pervasive change, it distracted you from TQM." A union official suggested, "Had the government initiatives [i.e., budget cuts] not been implemented, perhaps QI would have worked eventually."

The rapid downsizing created a double anomaly: first, the QI effort was associated with job losses; and second, the rapid downsizing was not supported by processes redesigned to improve productivity. Consequently, in the short run, fewer people were saddled with the same amount of work.

One union representative lamented, “the workload has just increased like crazy. People are required to do more than is humanly possible for a person to do and to do safely and properly.”

### *Service Quality*

Work intensification undermined service quality. For example, a union representative explained that, “people don’t have the time to double check orders that aren’t right. There are a lot of errors. We are filling out incident reports everyday; that’s not quality.” People were forced to assume more responsibilities, even when they might not be fully prepared. One employee indicated that, “[i]f somebody gets laid off, you can bump in another department and then that nurse goes here and there and you’re getting people working that aren’t qualified to be working in different departments and it’s unsafe for me.”

Multi-skilling provides another example of how the imperative of cost effectiveness could compromise service quality. Multi-skilling meant that licensed practical nurses and auxiliary, non-nursing workers assumed responsibilities previously held by registered nurses. Multi-skilling was linked with a proposal to change the ratio of registered nurses to licensed practical nurses from 9:1 to 7:3. Not only were the registered nurses concerned about it, even a union representative who was not in the nursing area criticized multi-skilling as “totally against professional ethics.” Another officer from the union representing the licensed practical nurses said that the “horrible scene that comes to my mind is that I’m the patient there and these people are cleaning my toilet, and then they are going to say, well deary let’s have lunch now, I’ll help feed you.”

### *Leadership Erosion*

With many staff leaving the organization, including managers, QI leadership and vision were being eroded. One executive involved in PCDP admitted that “many of the people who took the [QI training] are no longer here because they have been laid off in the downsizing process.” “In the past, there was one manager for about 40 people,” a union representative said, “but right now, we probably have a manager for 400 or 500.” Moreover, as one of the first steps towards instituting PCDP, the typical disciplinary divisions (e.g., nursing, radiology, gynecology) of the hospital were eliminated to give way to demarcations according to patient care processes. This resulted in unprecedented changes in management and work organization. One employee lamented that “there was a lot of decentralizing that occurred. So a lot of us were running around like chickens without heads



trying to find out who the appropriate person is to communicate this to and never finding that person.”

Even when the putative QI leaders were around, some employees felt that managers sometimes stalled on QI issues. Not surprisingly, in a context where managers did not know if they were going to have a job the next day, QI was not their top priority.

### *Empowerment*

Employee empowerment suffered significantly during the simultaneous PCDF/downsizing process. For employees to feel empowered, they must be given the autonomy to identify quality problems and the authority and resources to design and implement solutions. Some hospital employees felt that their improvement ideas were welcome as long as they addressed cost-saving issues. According to one design team member, the official purpose of their project was to generate ideas “to save money, to maintain or improve patient care, to maintain or improve quality of work life.” But it turned out that “the thing [the team] talked about the most was saving money.” That particular employee felt the deception: “I didn’t feel like we drove it, I felt like they [the consultants who were viewed as the cuts’ advocates] drove it.” As such, some employees saw things run the same old “bureaucratic way.” Not only did employees feel a lack of control over their work, they also found that “there was very little to help people adjust and deal with the changes. Very little because the dollars were not there.”

One union executive called empowerment a “window dressing” that created an “illusion of empowerment,” while another considered that the “false sense of empowerment” prompted some workers to “bamboozle others.” Another union official elaborated further that, “[e]thically, I really have a problem with management considering empowerment as handing me a seniority list and saying OK, pick which one of those people are gone. That’s not empowerment.” Still more employees commented that their improvement suggestions were rejected, or they were kept being told to return with suggestions that would better conform to management’s money saving objective.

### *Peer Rivalry*

In theory, QI should promote collaboration among all members of the organization. In the downsized work environment, however, hospital employees were pitting against each other in an effort to stay afloat. “There has been serious back stabbing, serious job protection,” admitted a union official. Employees involved in design teams were sometimes seen as “ax

slashers," aiming to displace fellow workers with their quality improvement recommendations. As a result, "there were a few hard feelings towards some people on the teams." One design team member ironically proposed that in cutting people, one should "[t]hink of them as FTE's (i.e., a number relating to full-time equivalent positions), otherwise you will kill yourself ... don't think of them as people." When asked about the cost of being involved in the QI process, another design team member replied, "I've lost a lot of my friendships from the work that I did, knowing that I did what I thought was right." A union official agreed that there was a lot of animosity among employees and described the situation as "[p]eople undercutting each other. People helping management to do away with other people's jobs." Some union representatives suggested that a few members might be thinking that working on the QI teams meant they were empowered and that someday "maybe management will save [these members'] job, because look at what they have done to participate and help."

### *Union Opposition*

One manifestation of the deteriorating management-labour collaboration was the rapidly growing union opposition to PCDP. During the TQM stage, the four unions adopted a "wait and see" attitude. Jobs were not on the line. The unions were wary of some of the TQM potential "to erode, reduce, and fragment the unions" by attempting to "end run" around the unions and directly negotiate with their employees. Real threats, however, had not been realized. In short, the unions did not support or resist TQM.

PCDP, however, was associated with a radically different agenda. As a union official put it, "they [the unions] knew it was going to be a dog-eat-dog situation." Unions' territorial rights and boundaries, or scope of vested interests within the hospital, were challenged in three different ways (Reshef and Lam 1999). First, PCDP threatened the unions' organizational security by jeopardizing their survival through a drastic reduction in membership. Second, as team members were asked to come up with improvement ideas, unions felt that their institutional security was being compromised as these QI ideas were assumed to be undercutting the union's representational capacity in collective bargaining. As lamented by a union representative, "there is some sucking up [to management] going on like you wouldn't believe. I have watched people in my department go to management rather than go to the union with regard to what their rights are." Finally, with many members losing jobs and others working under stress, union leaders felt that their political security was jeopardized. In other words, union leaders' ability to maintain and improve their members' well being was seriously undermined, thus challenging the leaders' political future.

Consequently, the unions were advising their members to refrain from involvement in the PCDP design and implementation. When this position had been made clear to the employees, many of them became reluctant to participate in the QI process.

### *EMPLOYEE RESPONSES TO DOWNSIZING/REENGINEERING*

The foregoing analysis highlights the complex ways downsizing and reengineering can influence the work environment, and how employees feel about them. The combined initiatives produced a set of intertwined effects that impact on employees' livelihood and quality of working life, their pride of workmanship or professionalism and, possibly, their level of empowerment, as well as leadership and the availability of important resources. They also unleashed peer conflicts and union resistance. These developments likely have various psychological and behavioural implications for employees' QI support. In this case, low employee morale and trust, the two most pervasive signs of employee dissatisfaction, were the immediate results of the developments outlined above (Frazee 1997).

#### *Morale*

Ramsey (1997) defines employee morale broadly as all beliefs and attitudes employees hold regarding their job or profession. More specifically, this definition covers how employees feel about themselves, their work, superiors, workplace, and overall work life. Witnessing the advent of layoffs and PCDP, employees became fearful, frustrated, and stressed. They were fearful of losing their jobs, compromising performance standards, and being castigated by management or ostracized by unions and/or co-workers if they had supported one party over the other.

Besides, after years of devoted service, many hospital employees realized that they were disposable. The stable jobs they had been doing for a long time might be gone, changed, or combined with other jobs at any time. The daily uncertainty added to the survivors' stress. With many permanent positions cut, there were also cases of laid off people being rehired to work almost full time equivalency as casuals without benefits. In other words, some employees became "just-in-time" cheap labour. People were also aware that once they were laid off, chances of obtaining a similar position in the region were slim. This pessimistic outlook is reflected in an employee's comment that "in this health climate, we have lab technologists hired as lab aids because they can't get jobs anywhere else." Even if one could keep one's job, it was demoralizing to see colleagues walking out of the door for good for no fault of their own. As an employee said, "everyone is now defeated

and demoralized because you see half your buddies leave with layoffs and we know a lot are never going to come back.”

In addition to uncertainty, people left behind found themselves loaded with unmanageable amounts of work. People who were involved in QI teams not only had to deal with their own day-to-day work, but also were “going to meeting after meeting” where, as a team leader revealed, “things [were] going nowhere.” Employees’ subsequent frustration was evident by such comments as, “I was trying to cover the equivalent of two full-time positions in a one time position ... I was not going to give those hours free anymore.” Others noticed that, “people are concerned about their paychecks and their jobs.” With the multi-skilling associated with PCDP, some employees found themselves assigned into positions requiring other skills with little notice or training. The changes could be particularly frustrating when employees did not get the necessary support from managers. In the organizational chaos that followed the PCDP/downsizing efforts, sometimes employees “didn’t even know who their boss was for months.” Importantly, managers themselves were struggling to keep their jobs or adjust to new roles and responsibilities, feeling little enthusiasm to be on the vanguard of quality improvement. One manager called the experience “very traumatic.”

Unions supposed to protect front-line employees were unable to stem the tide of layoffs. Grievances were often unresolved and unions were complaining that sometimes, in the big job shuffle, they did not even know to whom they should forward the grievances or who had gotten the grievances filed. There were times when it appeared that no one was taking charge. It is not difficult to understand why an employee said that the unions were “doing a very poor job of coming up with any alternatives at all.” A union representative, in turn, described the hospital as having lost “the focus on people and the importance of them. It’s materialism versus people.”

Overall, many employees saw their working environment deteriorating into one of individualism, infighting, and hostility. Inevitably, these changes produced feelings of fear, frustration and stress, and took their toll on employee morale. Consequently, employees developed more negative sentiments towards management, their workplace and even their co-workers and unions, thus diminishing employee commitment to the organization and QI.

### *Mistrust*

Trust is one’s willingness to be vulnerable to another based on one’s belief that the other party is competent, open, reliable, and concerned about the individual’s own interest (Mishra, Spreitzer and Mishra 1998). The evidence shows that since 1993, mistrust had developed between front-line employees and management, among employees, and more so between

unions and management. Employees either believed that management was not sure of what would come next, or that management knew what was happening but was reluctant to share that knowledge. As one hospital employee said, "I don't think there's any trust at all because we don't know what's going to come next. There is no real communication." Some employees also said that management was preaching one thing but doing another. For example, employees were told that service quality was the top PCDP priority while they saw that money was the number one issue. Worse, as a union official summarized it, the savings in money were actually "a cost of people; a cost of humanity; a cost of our social fabric."

Managers were not oblivious to the situation. However, they felt they were doing their best to manage under very trying circumstances. With downsizing and reengineering happening concurrently, one manager explained, "time frames are very short and there are no clear directives. So things change very quickly. What you told staff one moment may be changed the next, and so there is always the perception that you are holding something back."

As unions often influence employee perceptions of management, the quality of the management-union relationship can influence employee responses to management initiatives. With the advent of downsizing and reengineering, unions' territorial rights and boundaries were threatened by job losses and managers' and consultants' attempts to bypass the collective agreement. The unions also complained that management never involved them as real partners by, for example, divulging all the information necessary to help make QI decisions. A manager agreed and explained that "a lot of top down decisions were made these [downsizing] days. They're made because of time." When the union officials were told to "take their hats off at the door" and consider PCDP team proposals solely on the basis of their business merit rather than their human resources consequences, the officials felt that management was trying to discard or undermine their representational role. Similarly, not understanding the unions' organizational constraints, vested interests and modes of operation, management perceived union behaviour, such as slow decision-making, as an orchestrated effort to derail PCDP (Reshef and Lam 1999). Consequently, management had concluded that the unions should not be involved in the PCDP decision-making.

Finally, as explained before, trust among employees was also at a low level. In the downsizing environment, employees wishing to keep their jobs had to bump and undercut each other. Moreover, some employees, viewed as contributing to the management efforts to reduce the workforce, were shunned by their fellow workers.

The evolving low-trust work environment was not conducive to QI, which should be anchored in values that stress the dignity of the individual and

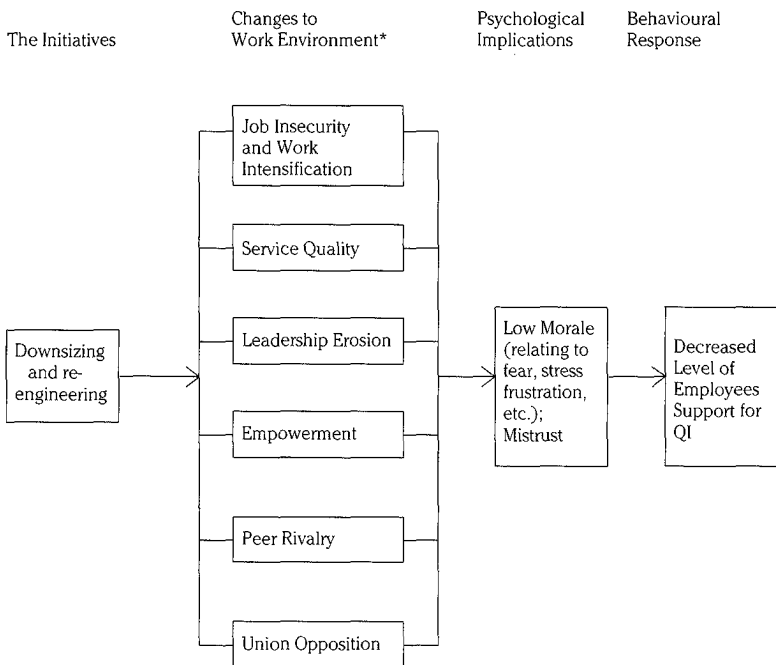
the power of community action (Becker 1993). Thus, support for QI from all organizational actors heavily depends on developing a high-trust relationship. In the current case, the low level of trust was reflected in management's unwillingness to share authority and information, and unions and employees' unwillingness to collaborate with management in promoting QI.

QI-DOWNSIZING COMPATIBILITY

Figure 1 summarizes our findings. The model presents the various paths through which simultaneous downsizing and reengineering should influence employees' QI support. Although the findings may not always be generalizable to other settings, the underlying factors that moderate the various relationships are of such a general nature that they should be applicable elsewhere.

FIGURE 1

Effect of Downsizing and Reengineering on Employee Support for QI



\* Most of the factors relating to changes in work environment also interact with each other.

In this case, the employee QI support was adversely affected by the simultaneous implementation of QI and downsizing. Why? Our main argument is that soon after the onset of downsizing, many front-line employees equated QI with layoffs. From the employees' and unions' standpoints, any distinction between the two initiatives seemed irrelevant. Comments like "PCDP is a means to an end; it is the vehicle through which they [managers] will cut its [the hospital's] budget" were echoed in a number of interviews with union representatives and employees. In the employees' and unions' eyes, in 1995/6, TQM and PCDP had degenerated into a fad designed to facilitate downsizing and bash the unions. "It's really difficult to tease the two [QI and downsizing] out to determine which is purely budget and which is related to the QI, because QI is so integral in the whole budget cutting exercise," explained one employee. A union official skeptically remarked, "To me, these kinds of ventures have gotten us into the kind of problems we are in right now." Another union representative's view was, "I don't think anyone really has a problem with the [TQM] theory, but, the reality was it was not a quality management initiative; it was a fiscal management initiative." A union official summed up the experience as "[r]eally what it amounts to is everybody has to accept more work and not more pay and not more authority. More responsibility, but no more authority."

On the other hand, from a management perspective, the layoffs were due to budget cuts that occurred almost overnight and had nothing to do with PCDP. One manager pointed out, "there is a big difference between cost cutting being the purpose and cost cutting or cost saving being a result, [a] very big difference." The disappearing jobs were seen as "a function of the larger economy mainly, not a function of PCDP."

Yet, even if some employees were aware that QI and downsizing were two separate efforts driven by different philosophies, the results would be inextricably intertwined, leading many to assume a cause-effect relationship between the two efforts. It was the impact that the employees felt was important, not the philosophical or theoretical aspects of the initiatives. When employees could not distinguish between the results of the two initiatives, they harboured ill feelings towards the QI initiative as well. As a PCDP design team leader said, "the reason people are so resistant to change is because they are scared that it may mean their job." QI relies on a cultural change, a commitment by everyone in the organization to pull in a new direction. To achieve this, individuals should be working without fear, being free to pursue their quality vision the way they feel is right (Aguayo 1990; Delavigne and Robertson 1994). When employees were reluctant to embrace change due to fear, the QI effort suffered. The general indication from the interviews was that after the massive changes, there were more people coming to work just "for a paycheck, not because they [were] loyal to the

company anymore." Some employees were saying, "I am doing what I can do and that's all I can do."

These findings lead us to propose that downsizing and QI initiatives are inherently incompatible when they are accompanied by the following: (a) the absence of a firmly established QI culture, so that employees are unable to distinguish between the effects of the two initiatives; (b) a tight time frame for downsizing that limits the time required for systematic analysis and implementation of QI recommendations; (c) adversarial labour relations where unions' vested interests are continually jeopardized; and (d) poor implementation of either one or both of the initiatives, stemming from such factors as poor communication and employees being treated with little respect when laid off. Future research, however, should determine if the two initiatives might work better in other settings.

### CONCLUSION

The foregoing analysis suggests that organizations should be cautious when planning the joint use of downsizing and QI to improve competitiveness. There may be significant counter-productive human resources implications such as role ambiguity, conflicts and demoralization. These will not only adversely affect QI support, but also overall employee commitment, productivity, and the retention of expertise. In this study, while many employees were forced out the door, others lost faith in the system and voluntarily moved away. Are the QI-derived financial gains really worth the human resources costs? We do not have the data to answer this question which, we hope, will be taken up by others. However, it is possible that the human resources costs of simultaneous downsizing/reengineering do undermine the initiatives' financial gains. In this case study, the budget cuts were made unilaterally and expenditure was reduced accordingly. But it does not necessarily mean the hospital was doing more with less. It could well have been doing less with less as many procedures were postponed or cancelled at the expense of patient care. In subsequent years, once the financial picture of the provincial government improved, money was pumped back into the health system, apparently to fix the problems created by the deep cuts. Even if the downsizing/reengineering initiatives did meet their goal of accomplishing more with less in the short run, the long-term human costs could not easily be estimated. For example, no price tag can be attached to any mistakes made as a result of work overload or lack of competency due to multi-skilling. Indeed, the long-term effects of the QI initiatives on the labour-management relationship are still unknown.

Nevertheless, certain circumstances may require concurrent implementation of QI and downsizing and subsequently call for ways to mitigate the



negative effects downsizing might have on QI. Given employees' difficulty for distinguishing QI and downsizing, efforts should be made to heed the human resources consequences of downsizing and process reengineering. Looking back, a top hospital executive admitted that, "the people doing the reengineering [within or outside the hospital situation] have a lot to learn about the human resource side of this." For example, displaced employees should be treated with dignity and respect. They can be offered adequate support and resources to find new jobs. Similarly, the remaining employees should be cared for and their concerns recognized and addressed. This should help alleviate survivors' syndrome such as fear, anxiety, stress, and guilt (Brockner 1988).

QI thrives on open communication and information sharing (Blackburn and Rosen 1993; Bowen and Lawler 1992). At a time of change, they are the best tools to eliminate rumours and unnecessary speculation. With advanced communication of downsizing plans, employees are more likely to perceive the organization as caring for their well-being and more ready to accept the job loss (Eby and Buch 1998). Indeed, some of our interviewees said that their resistance to QI/downsizing could have been less had the union and team members been given the hospital budget and more up-to-date information to work with. A management member agreed that "[a]ny relationship depends upon really good communication and a willingness to understand the other person." If there had been better communication about the changes, people would not have felt like "chicken without heads." Communication is all the more important when employees are expected to participate actively in process improvement through QI.

Moreover, carefully planned downsizing can reduce the deterioration in quality of work life. Organizations could embark on real employee empowerment, not merely paying "lip service," that can provide pride of workmanship, even in a downsizing climate. Leaders of QI are important driving forces and the cost of their removal from the organization through downsizing should be considered carefully. Peer conflicts may be inevitable when job cuts are underway. However, they can be reduced with better communication, proper justifications for layoffs, and fair and consistent policies and procedures.

Union opposition to QI during downsizing is one challenge that may linger over the long term. Early involvement of unions in the QI process, recognizing the unions' organizational and operational constraints and the legitimacy of collective bargaining, willingness to accommodate the unions' vested interests, and inviting unions to be partners in decision-making are some of the ways that may make it work. However, given the inherent opposition in the objectives of the parties, one can only say that failure to take these steps will certainly create union resistance to QI but their

implementation will not guarantee less union resistance. A union official expressed pessimism in this regard, "In the best of worlds, I would sit down as equal partners [with management]. But it is never going to be that way, not in large institutions. Not with the government pulling the purse strings."

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## RÉSUMÉ

### Amélioration de la qualité et réduction d'effectifs : deux notions compatibles ?

L'amélioration de la qualité (AQ) et la réduction d'effectifs (RE) sont apparues comme deux moyens d'améliorer la compétitivité des entreprises. La RE consiste en l'élimination planifiée d'emplois permettant la réduction des dépenses et l'accroissement des profits. L'AQ est un terme parapluie pour ces principes et pratiques visant à améliorer la qualité des produits et services. On déduit que plus les consommateurs apprécieront la bonne qualité des biens et des services, plus les affaires et les profits s'accroîtront. Les principales caractéristiques de l'AQ incluent le ciblage des consommateurs, l'amélioration des processus, la collaboration patronale-syndicale et la participation intensive des employés à l'amélioration de l'entreprise. L'AQ et la RE partagent ce double objectif ultime d'améliorer l'efficacité et l'efficience d'une organisation. Leur sont sous-jacents cependant de très différentes hypothèses et différentes implications organisationnelles.

Les gestionnaires qui perçoivent l'amélioration de la qualité et la réduction des effectifs comme deux volets de la même stratégie d'amélioration de l'entreprise font souvent face à un curieux dilemme. Alors que quelques chercheurs ont suggéré que ces deux initiatives sont complémentaires, d'autres sont sceptiques et ont même proposé qu'elles pourraient être contradictoires. Il y a cependant peu de travaux empiriques portant sur la relation entre l'AQ et la RE ainsi que sur leurs implications organisationnelles. Nous visons ici à combler cette lacune : (1) en examinant d'abord comment les employés réagissent à des initiatives combinées d'AQ et de RE, (2) en scrutant le degré de compatibilité de ces initiatives, et (3) en établissant comment les effets négatifs d'une initiative sur l'autre peuvent être éliminés.

Les sujets de cette étude proviennent d'un hôpital albertain où un processus à deux étapes d'AQ fut implanté entre 1989 et 1996. Durant la première étape, caractérisée par une approche de gestion de la qualité totale (GQT), les améliorations furent graduelles et l'emploi continua d'être stable. La deuxième étape a coïncidé avec une réduction substantielle d'effectifs et a impliqué un effort de réingénierie appelé le « Patient Care Design Project » (PCDP) qui visait à changer radicalement l'organisation du travail.

Les résultats indiquent que l'étape GQT du processus d'amélioration de la qualité n'a aucunement menacé la qualité de vie au travail des employés. Les relations du travail se sont améliorées et tout allait bien durant cette période pendant laquelle les décisions d'amélioration de la qualité n'ont pas eu d'impacts négatifs sur les ressources humaines. Cependant, les résultats de cette GQT ont été modestes, provoquant ainsi l'introduction du PCDP.

Cette initiative fut accompagnée d'une coupure sans précédent de budget, imposée par le gouvernement provincial, réduisant sérieusement les effectifs et modifiant l'approche du PCDP de l'amélioration de la qualité à la réduction des coûts. Ces derniers développements ont sérieusement changé l'environnement de travail de l'hôpital, entraînant notamment l'insécurité d'emploi, l'intensification du travail, la détérioration de la qualité des services, une baisse de l'implication des employés, une érosion du leadership, la rivalité entre les pairs et l'opposition syndicale.

Ces changements ont résulté en une baisse de moral du personnel et en un niveau plus bas de confiance entre les parties organisationnelles. Comme l'AQ ne peut s'épanouir que dans une culture de haute confiance et de haute implication, on peut constater que l'appui pour l'AQ a souffert dans cette vague de changements. Syndicats et employés ont été incapables, ou ne se souciaient pas, de faire la différence entre les résultats des réductions d'effectifs et l'AQ vu que ce qui comptait vraiment, c'était l'impact total. Ils ont perçu ces deux initiatives comme une seule et entretenu des sentiments négatifs envers l'AQ.

Nos résultats nous amènent à proposer que la réduction d'effectifs et l'AQ sont des initiatives essentiellement incompatibles lorsqu'elles sont accompagnées de ce qui suit : (a) le manque d'une culture d'AQ bien établie qui fait que les employés sont incapables de distinguer les effets de ces deux initiatives; (b) un encadrement temporel serré pour les réductions d'effectifs, ce qui limite le temps nécessaire à une analyse approfondie des recommandations d'AQ; (c) des relations du travail empreintes de confrontation, où les droits syndicaux acquis sont continuellement attaqués; (d) une mauvaise implantation d'une de ces deux ou de ces deux initiatives découlant de mauvaises communications et du peu de respect envers les employés lors de mise à pied. D'autres recherches sont toutefois nécessaires pour voir si ces deux initiatives auraient de meilleurs résultats dans d'autres contextes.

Lorsqu'elles sont utilisées ensemble, les relations entre l'AQ et la RE ne sont ni simples ni directes. Les organisateurs devraient alors être prudents dans leur implantation combinée. Il est possible que les coûts en ressources humaines d'une telle implantation simultanée annule les gains financiers escomptés de ces initiatives. On devrait faire des efforts pour comprendre ces préoccupations de ressources humaines. Communications ouvertes, politiques justes et constantes, réelle implication des employés, bon leadership, planification soignée et participation syndicale sont quelques-uns des moyens permettant d'améliorer les effets négatifs sur l'environnement de travail de l'AQ et de susciter le support des employés à son égard.

Vu que l'opposition syndicale à l'AQ en contexte de réduction des effectifs peut durer longtemps, on devrait prendre des mesures pour favoriser la compréhension et la collaboration éventuelles des parties. Certains

de ces moyens sont l'implication des syndicats dès les premières étapes du processus de l'AQ, la reconnaissance des contraintes organisationnelles et opérationnelles des syndicats et la légitimité de la négociation collective, la volonté d'accommodement des droits syndicaux acquis et le partenariat avec le syndicat dans la prise de décision. Cependant, vu les objectifs opposés des parties, le fait de ne pas recourir à ces moyens ne peut que créer de la résistance qui sera difficile à surmonter. Mais, même, avec de tels efforts, le succès n'est pas garanti.