

Managing Work Force Reduction

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The current wave of economic change will produce both opportunities and challenges for human resource managers. As companies adapt to changing markets they will be forced to close, relocate, or consolidate facilities. Yet while these closings are attempts to minimize costs and redeploy resources, they can become extremely costly in both financial and human terms. As Buss and Redburn (1981) note, organizational closings are the "down side" of economic change. In the context of organizational decline, decisions are made that dramatically affect both the economic and psychological well-being of managers, workers, and community members.

We believe that managing the transitions associated with organizational decline and closing will become a critical role for human resource managers. As managers gain more experience with these transitions it will become clear that the incentives will be great for effective performance in managing organizational decline. It is not just the direct and indirect financial costs of organizational closing to a company that are at stake. Poorly managed transitions may carry with them the threat of regulatory legislation enacted in reaction to the human costs of poor management. In fact, in recent years Congress has considered several proposals for laws to regulate the management of plant closings (Cipparone, 1981; Cook, 1980).

At first it may seem that the management of an organizational closing is a "zero sum game" from the manager's point of view. That is, it would appear that there are substantial incentives to minimize corporate costs by closing a plant rapidly with as little communication with workers, unions, and the community as possible. Yet this may be a very costly strategy in the long run, possibly bringing unwanted sanctions on the corporation, prolonging the costly payment of unemployment benefits, and incurring a variety of other hidden costs that can be avoided.

Managing organizational decline need not represent a zero sum game for the human resource manager. The manager can play a role to minimize

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the costs of transition to workers and their community on the one hand, and to the company on the other. The role of the human resource manager entails recognizing the critical transactions that can occur among key groups and organizations, and managing those transactions to promote the exchange of needed resources.

In this article we describe the role of the transition manager as a manager of critical transactions in a complex network of individuals and organizations. We will draw upon concepts from exchange theory (Emerson, 1976; Cook, 1982) to provide a strategic perspective for managers of such transactions. More specifically, we examine transition management for managers who must reduce the size of an organization's work force. We present case examples of managing work force reduction in industrial organizations and focus on the outcomes of key transactions for workers, companies, communities, and the manager him or herself.

THE ROLE OF THE TRANSITION MANAGER

Our perspective suggests that the focus for the transition manager should not be directly on individuals, groups, or organizations in managing organizational decline. Rather, it should be on the *relationships* among them. It is these relationships, both potential and actual, and the resources exchanged in these relationships that deserve scrutiny and require orchestration.

What Is the Goal?

The goals of the transition manager are to (1) manage relationships of (2) key actors (3) so as to establish and promote the exchange of resources that (4) optimize outcomes for workers, the company, the community, and the transition manager during the process of organizational closing. We will further explore each of these four key elements in the role of the transition manager below.

What Key Actors?

We can identify three clusters of actors in the environment of the transition manager. These have been shown in numerous studies (Gordus, Jarley, and Ferman, 1981) to play a vital role in coping with plant closings. They are (1) a cluster of actors including individual workers and union representatives, (2) a cluster consisting of community agencies, elected officials, and other opinion leaders in the local community, and (3) a cluster consisting of the company that has made the strategic decision

to close a facility or reduce the size of the work force in a particular location.

Transition managers often focus narrowly on their relationship with the union, the plant management, and workers. The stress of plant closings can limit managers' ability to take various alternatives into account and they sometimes respond to situations in a rigid manner (Staw, Sandelands, and Dutton, 1981). This can result in the neglect of critical transactions both with other organizations and agencies on the one hand, and with their own organization on the other. From our point of view, key actors in the environment of the transition manager go well beyond the local personnel of the organization experiencing decline or closing as shown in Figure 1.

What Transactions?

A moment's reflection suggests that a transition manager will be involved in a variety of interactions with each of these focal clusters of actors in the course of an organizational closing. Yet, the transition manager's role is not only to establish and manage direct ties between him or herself and these key groups. What may be less obvious, but more important, is the management of *secondary ties* among the groups them-

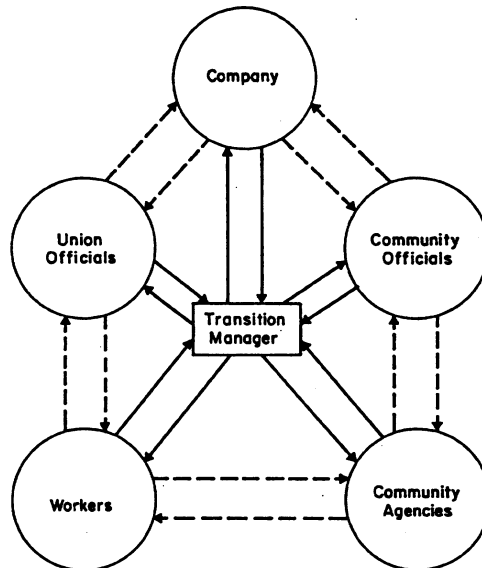


Figure 1. Key actors and primary and secondary ties in the management of organizational decline.

selves (see dotted lines in Fig. 1). These secondary ties, we will show, are the keys to effective transition management.

We should also note that in the configuration shown in Figure 1, the transition manager occupies a position of structural advantage or network centrality (Boje and Whetten, 1981; Cook, 1982; Galaskiewicz, 1979; Laumann and Pappi, 1976; Rogers and Maas, 1979; Tichy, 1981). This position offers a broader knowledge base about the intentions and needs of various actors and the opportunity to take the initiative to negotiate or build relationships.

What Resources?

A wide variety of resources can be exchanged in transactions between key actors in this exchange network. Critical resources can include information, skills, money, legitimacy, or any combination of these. The important point to emphasize here is that the transition itself can be regarded as a complex flow of a variety of different resources among critical actors over time. The managers of such transitions should recognize that these flows of resources take a wide range of forms and can be managed to the mutual advantage of numerous groups.

What Outcomes?

Organizational decline and closing involve outcomes for a number of different key actors. The literature in this area frequently considers a single group such as workers, or takes the point of view of management, focusing only on the financial balance sheet at the end of an organizational closing. For the company, it is clear that the outcomes of a plant closing are financial, but the outcome also may affect the corporation's reputation, either locally or nationally, and may even elicit regulatory legislation. Critical outcomes for workers include the provision of unemployment and health benefits, and, above all, rapid reemployment. For the community in which an organizational closing occurs, the outcomes are not only economic, but also organizational and social. To the degree that community institutions and human service organizations are able to use their capacities to buffer the effects of an organizational closing effectively, these communities will have developed an adaptive capacity that can aid in other tasks they may confront. As a result of working together during a plant closing, community organizations may become more effective in future collaboration to meet community needs.

Finally, the transition manager will inevitably be concerned with the impact of closing on him or herself. As Leibenstein (1976) points out, agents typically have split loyalties between their own ends and to their principals' ends. This problem of split loyalties is one experienced fre-

quently by people occupying boundary roles in organizations (Adams, 1976). At McClouth Steel corporation in Detroit, for example, key executives demanded—and were awarded—large bonuses to stay with the company as it struggled to avoid bankruptcy (Rohan, 1982). On the one hand, the executives wanted to make McClouth solvent, but, on the other hand, they were concerned with their own financial security. We are inclined to believe that such split loyalties will always exist, and yet can be managed by recognizing that the promotion of effective exchanges in the context of transition management has its own incentives and rewards for the transition manager.

ENACTING THE ROLE OF TRANSITION MANAGER

In the previous section we introduced the role of the transition manager; we now describe how managers can enact this role by systematically assessing transactions among key actors in their environment. Transition management involves a series of steps or phases that unfold as an organization is undergoing changes such as plant relocation, consolidation of operations, or plant closing.

Identifying the Actors

The first step for the transition manager is to identify key actors that will be affected by an organizational transition. As we noted above, there typically are several actors involved in organizational changes including workers, managers, and other organizations in the community. These actors are related to each other by a complex web of exchanges of material and human resources. *Exchange* refers simply to the transfer of resources between two actors (Cook, 1977). A worker who is being retrained to operate a robot, for example, gives her attention and effort in return for the information and expertise of a technician.

But, it is important for transition managers not to focus exclusively on the exchange of material resources such as money or goods. On the contrary, many of the most important resources exchanged by people and organizations are subtle, psychosocial resources such as status, respect, and legitimacy. For example, unemployment represents much more than losing a salary. It represents a change in how others view you and how you view yourself. It also represents a change in the kinds of exchanges that are possible with others and a change in the set of actors with whom one interacts.

To perform work effectively, or, at a minimum, to survive, organizations exchange resources with a diverse set of people, groups, and other organizations. Taken together, the actors with which an organization establishes working relationships form its *exchange network* (Burt, 1980; Cook,

1977, 1982). The initial task of the transition manager is to produce a map of his or her organization's exchange network that depicts in as much detail as possible the actors and connections among them. Note that actors often are connected to each other by multiple direct and indirect ties. For example, two manufacturing plants may be linked indirectly to each other by an employment services agency that deals with both plants. As we show later, these secondary ties are critical in transition management, and it is important to include them in the "map" of the exchange network.

Balance and Dependence in Exchange

After identifying key actors involved in an organizational transition, managers can then characterize relationships among the actors using the concepts of dependence and balance.

An exchange relationship is *balanced* when the resources involved in the exchange are perceived to be relatively equal in value. In an unbalanced exchange, for example, a person may see him or herself receiving relatively low pay in return for long hours and hard work. The importance of assessing balance in exchange relations is that individuals and organizations typically seek equity in exchanges and, other factors being equal, they will withdraw from or attempt to renegotiate exchanges that are unbalanced. In short, an organization that maintains unbalanced exchange relations with other social actors risks losing their resources.

Exchange relations also are characterized by varying degrees of *dependence*. In the course of exchanging resources, individuals and organizations become more or less dependent on each other. An organization is dependent on an exchange partner to the extent that the partner controls a resource that is important to the organization. An organization is also dependent on a partner to the extent that there are few or no alternative suppliers of the resource (Blau, 1964; Emerson, 1962; Jacobs, 1974; Thompson, 1967).

Resources are "important" to the extent that an organization could not attain its objectives without them. Employment service agencies, for example, could not function without counselors. A resource also is important to the extent that it accounts for a large proportion of the resources acquired or disposed of by an organization. Nurses, for example, are an important resource for hospitals because they constitute a large percentage of the personnel needed to provide health care.

A second aspect of dependence concerns the extent to which an important resource can be obtained from alternative sources. An organization is usually less dependent on a supplier of a resource if there are several other suppliers of the resource. There are manufacturing organizations, for example, that sell 100% of their products to General Motors, but each

organization contributes only a small amount to the auto parts that GM purchases (Pfeffer and Salancik, 1978).

Thus, the overall dependence of an organization on an exchange partner is a function of both the importance of the resource obtained from the partner and the availability of the resource from other suppliers. Consider, for example, a community in which there are several industrial organizations. The community and its workers are relatively independent of any given industry as long as there are several of them. In contrast, a town with only one major employer is highly dependent on that organization and if it closed the results would be severe. The last economic recession had a much more severe impact on Detroit than Los Angeles, for example, because Detroit depends so heavily on a single industry.

It is important to note that dependence can be viewed as the obverse of power (Emerson, 1962). That is, the power of organization A over organization B is highly correlated with the dependence of B on A. Organizations that enjoy power advantages, of course, are more likely to attempt to control the behavior of organizations that are dependent on them. It is for this reason that it is critical to assess the power of actors in the environment of the transition manager and his or her organization. A key objective of transition managers is to avoid or alter relationships that maintain or increase dependence on other actors.

To summarize: On the one hand, imbalance in relationships motivates actors to seek new exchange partners or to increase their demands for resources. On the other hand, organizations that are dependent on other actors risk loss of autonomy. Thus, exchange relations that are characterized by imbalance or dependence jeopardize the resources of individuals and organizations. Transition managers can assess balance and dependence in relations to determine what steps, if any, must be taken to establish exchanges that enhance outcomes for workers, companies, and the community. To minimize the costs of organizational decline it is necessary to manage balance and dependence as much as possible. This management begins with assessing states of balance and dependence and the risks that accompany them.

Potential Exchange Partners

We have focused primarily on exchange relationships that exist among actors in an organizational transition. Careful assessment of those relationships is likely to reveal that new exchange partners are needed to reduce imbalance or dependence and to minimize costs. Thus, transition managers must begin to scan the organization environment in search of opportunities to establish new transactions between various actors. Scanning the environment can be as simple and inexpensive as obtaining a list of human service organizations from a local United Way. The list

might include several potential exchange partners for unemployed workers that can help them find new jobs or retrain for other jobs. Of course, scanning the environment can demand time and money—resources that usually are scarce during plant closings. We believe, however, that the investment of resources to search for potential exchange partners often has rewards for both workers and companies.

The key point is that transition managers must recognize the needs of the corporation, managers, and employees as well as other members of its current exchange network and begin to search for exchange partners who can alter the network to enhance exchange for various actors. The transition manager asks several questions of potential exchange partners: What resources do they possess? How accessible are they? Under what conditions or terms of exchange will they become members of the current network?

Exchange networks can be extended to meet the needs of certain actors. Networks also can be consolidated to reduce the chances that other partners will enter the network and place actors in a position of dependence or imbalance. For example, the more relationships that develop between unemployed workers and service organizations in the local community, the less likely it is that state or federal governments will intervene to minimize costs for workers and communities at the expense of corporations.

Brokering the Transition Exchanges

The final task for a transition manager is to act as a liaison or broker who brings two or more actors together who might otherwise not have connected with each other. At this point, the transition manager takes an active role in arranging transactions that mutually benefit two or more actors. Based on his or her assessments of balance and dependence in the current exchange network as well as his or her analysis of potential exchange partners, the transition manager begins to alter the exchange network, consolidating or extending it as necessary. In many instances the transition manager does not provide resources or engage in exchanges. Rather, the manager remains an intermediary. We know of a case, for example, in which the owner of a company that produced electric cars found that he was unable to pay his debts. He arranged a meeting of all his creditors, asking them to help produce a plan to determine who should be paid and in what order. Though all the creditors were not completely satisfied with the solution, the owner was not sued for bankruptcy, and was able to keep the company alive for a few more months. The transition manager benefits from arranging mutually beneficial transactions because he or she is linked to the actors who are acquiring valued resources as a result of such efforts.

We have briefly described how the role of transition manager can be enacted. The role entails several tasks that can be accomplished using the key concepts introduced in this section. In the next section we provide two cases that illustrate the role of transition manager in more detail.

MANAGING RESOURCE EXCHANGE DURING ORGANIZATIONAL DECLINE: CASE EXAMPLES

We now turn our attention to two cases that illustrate in more detail how the role of the transition manager can be enacted during organizational decline. These examples are based in part on the review by Gordus, Jarley, and Ferman (1981). Gordus and her colleagues reviewed research on 27 plant closings published over the last twenty years. They observed that while there was considerable diversity in the patterns of organizational closings, there also emerged a common set of actors with typical concerns and discernible patterns of transactions and exchange. Some of these patterns also have been summarized by Buss and Redburn (1981).

We focus on the relationships between the transition manager and workers, unions, and management in the first of our two cases. We focus on the relationships that emerge between the transition manager, workers, and various community agencies in the second case. These two cases actually are part of the same larger set of exchanges and in practice do not exclude each other. As such, they represent complimentary sets of activities that can be integrated in the strategic plan developed by the transition manager and other corporate decision-makers. The actors in our two cases include the transition manager, corporate decision-makers, individual workers, unions, community agency officials and spokespersons, government agencies, and even, in some cases, the courts.

The overall strategy of the transition manager is to

- (1) identify the critical actors who are currently part of or who could be involved in a particular transition,
- (2) to recognize the nature of actual or potential resources that may be exchanged among these actors in the process of transition,
- (3) to identify major sources of imbalance or dependencies that may occur in these exchanges, and, finally,
- (4) to plan and carry out new exchanges or to identify new exchange partners to reduce imbalances and dependencies that may occur in the course of organizational decline or closing.

Let us now turn to an examination of our two cases that illustrate how this strategy can unfold.

An Exchange Network Designed for Reemployment Assistance

A critical insight for managers and corporate decision-makers is that while organizational closings are often designed to reduce costs or reposition capital, they are often extremely expensive. Furthermore, management may actually be dependent on the behavior of workers and unions during and after closing to reduce corporate costs. For example, if the cost of benefit provisions made by management to displaced workers depends on the speed with which workers are reemployed, corporate profits depend on the reemployment success of displaced workers. Furthermore, Gordus, Jarley, and Ferman (1981) observe that in recent years union efforts to improve the terms of settlement using lawsuits have become more common. In cases where the company has made visible and systematic efforts to aid worker reemployment, the probability of such *ad hoc* lawsuits should be lower.

A schematic portrayal of the exchange network that can be developed by a transition manager to both benefit displaced workers and reduce corporate costs is shown in Figure 2. The transition manager who recognizes the actual and potential dependencies of the corporation on

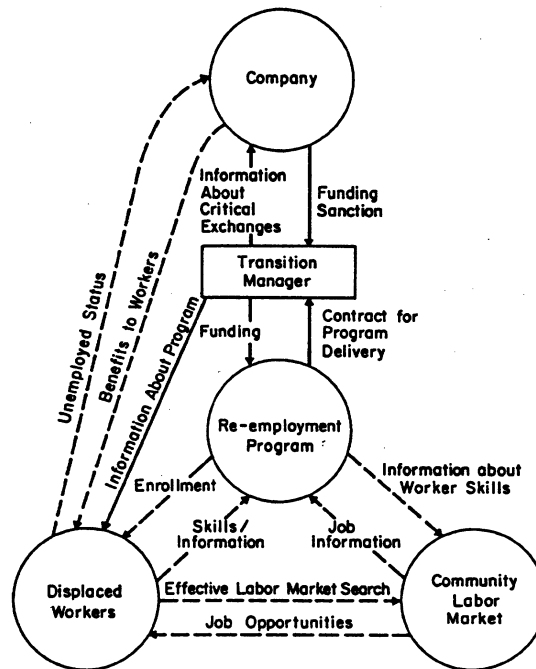


Figure 2. Exchange for reemployment assistance.

workers and union is in a position to begin to communicate this information to company decision-makers. The manager then may be in a position to request corporate support and funds to create additional actors in the exchange network. In the case depicted in Figure 2, the transition manager has chosen to develop a reemployment assistance program designed to reduce the period of unemployment for displaced workers. This should, in turn, reduce costs for management in the provision of unemployment benefits and reduce the probability of law suits by workers. The transition manager cannot merely provide an employment assistance program. The manager must also engage in other exchanges with workers, plant managers, and unions. He or she must, for example, advertise this new service to insure that it is effective in enrolling workers and in aiding worker exchanges in the labor market that will lead to more rapid reemployment.

There appears to be a growing recognition of the importance of this complex set of interdependencies. Recent efforts by the United Auto Workers and Ford and General Motors to create joint reemployment and retraining organizations funded in part by wage contributions of auto workers reflect this new awareness. In addition, reducing the period of unemployment for displaced workers not only has economic benefits for the worker. It also can reduce the negative impact of unemployment on mental health and health. The rapidly growing literature on the relationship between the duration of unemployment and physical and mental health strongly suggests that the costs of unemployment to individual workers (Dooley and Catalano, 1980), their families (Farran and Margolis, 1983; Leim and Raymon, 1983), and even to entire communities (Bluestone and Harrison, 1980; Brenner, 1973) can be substantial. Thus, efforts by the transition manager to stimulate reemployment programs either initiated by the company or through joint union corporate efforts may have multiple benefits.

This case example illustrates that organizational decline and closing need not be a zero sum game (i.e., if one wins the other must lose) from the point of view of workers or corporate actors. In the context of most organizational closings, however, it is the corporate decision-maker and manager who make the initial decision regarding an organizational closing. Many of the other actors in this exchange network are in a more reactive position. How they react and whether the reaction is to the mutual benefit of the company, workers, and other actors depend largely on the foresight of decision-makers and the degree to which they recognize that such efforts can be acts of enlightened self-interest.

This case also illustrates the strategies of both network extension and network consolidation (Cook, 1982). The network of organizational actors is extended by adding a reemployment program to the exchange network. At the same time, from the point of view of workers, the network has been consolidated since such a program may allow workers to engage in exchanges with selected portions of the labor market and/or manage

their exchanges directly through the reemployment program, depending on its design.

A NETWORK LINKING THE ORGANIZATION AND LOCAL COMMUNITY

Consider now a case example that involves relationships among corporate decision-makers, the transition manager, workers and unions, and a variety of community agencies. It illustrates further the role of transition manager and its potential to minimize costs in organizational decline. It is similar to the preceding case in that corporate managers have decided to reduce the size of the work force in a plant, resulting in unemployment for many individuals.

As we noted, the transition manager's analysis of dependence and balance among key actors leads her to recognize that the corporation, to a certain extent, depends on workers to find reemployment. That is, the corporate costs of unemployment benefits decrease substantially if workers are reemployed rapidly. In addition, the transition manager wants to avoid potential exchanges with the community that can result in further losses for the corporation. These exchanges include possible sanctions that the community might impose on the corporation in the form of reduced tax shelters, poor sales, boycotts, inadequate police protection, and, more generally, poor public relations.

Given these concerns, the transition manager can decide to extend the corporation-middle manager-worker network by developing ties with the community. Figure 3 depicts relationships among the key sets of actors. The dotted lines represent exchanges that may be avoided as a result of the transactions shown in solid lines.

Building the ties depicted in Figure 3, however, is a difficult task. Though there is a variety of health and human services agencies in most communities, their services often are not well coordinated. Sometimes it is difficult to determine which agencies are useful or appropriate for a plant's workers (Taber, Walsh, and Cooke, 1978). At the same time, the motives and skills of the workers themselves may present barriers to exchanges with service agencies. More specifically, research by Taber, Walsh, and Cooke (1978) showed that several factors contribute to the problems of employees of a closing industrial plant who were to be laid off. They often did not have information about possible helping agencies and did not seek assistance until it was too late. As a consequence, employees lost fringe benefits (e.g., health insurance) as well as wages. Employees did not have job-seeking skills that were badly needed to cope effectively in the labor market.

These barriers to exchange between employees and community service organizations require transition managers to play an active role as brokers. Buss and Redburn (1981) suggest at least two tactics to overcome

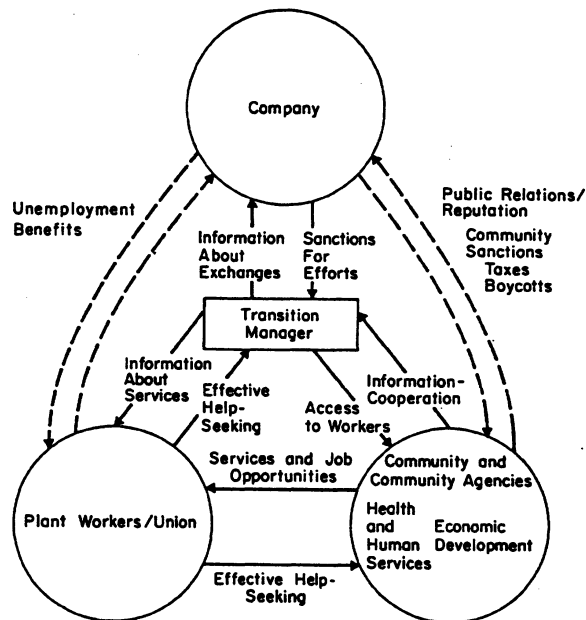


Figure 3. Exchange network for organization–community ties.

the barriers. First, transition managers can arrange to have the corporation make a name and address file of workers whose jobs will be or were terminated available to local agencies. Of course, it is necessary to insure confidentiality and it will be important to work with union leaders. Second, transition managers can arrange to allow representatives of various agencies inside the plant prior to layoffs or closing to provide workers with information and answer their questions. This has the advantage of having workers as a “captive audience” and it is not expensive to the corporation.

In addition to linking workers to health and human services agencies in the community, transition managers can focus on developing ties with economic development agencies (Buss and Redburn, 1981). For example, transition managers may work with local planning agencies to identify businesses and industries in the area that may need employees with the skills of those who are being laid off. Similarly, the corporation and transition manager can help identify and recruit new industries to the community who need the pool of skilled labor that will be available in the area. It is important to point out once again that the incentives for corporations and transition managers to develop such exchanges are at least twofold: (1) to improve public relations, thereby reducing the risk of legal and economic sanctions and (2) to reemploy workers as soon as possible to reduce capital expenditures for unemployment benefits.

We can summarize the work of the transition manager in this case by emphasizing that he or she acts as a broker who links workers and unions to the community by securing the support of corporate decision-makers to:

- provide local health and human services agencies access to workers prior to layoffs or closing
- provide a name and address file to local agencies
- distribute data on occupational skills, especially for retraining programs
- assist in identifying corporations both within and outside of the community as sources of jobs for laid-off workers (Buss and Redburn, 1981).

On the other hand, the transition manager attempts to secure agreements from the directors of community agencies and community leaders to

- provide viable retraining programs
- develop mechanisms for increasing jobs in the community by attracting new business and industry
- coordinate the efforts of health and human service agencies
- develop worker self-help programs
- cooperate in the dissemination of accurate information about the closing or layoffs

As in the previous case, this case suggests that organizational decline and closing do not inevitably imply that corporations must "win" at the expense of workers and their communities. Transition managers can arrange exchange relations that are of mutual benefit and that reduce human and material costs for the actors involved in organizational declines. There is, of course, no doubt that the role of transition manager is complex and challenging. We noted above several specific barriers to exchange, and transition managers are dependent on corporate decision-makers for resources to accomplish their task. Nonetheless, the benefits of enacting the role can outweigh the costs associated with continuing to manage organizational decline as we have in the past.

CONCLUSION: PRESCRIPTIONS FOR THE ROLE OF TRANSITION MANAGER

We have described the role of transition manager and discussed how analysis of exchange relations can suggest strategies to reduce costs for

both corporations and employees facing organizational decline and closing. In this concluding section, we assess potential pitfalls of our approach and offer prescriptions for the management of organizational decline.

Beware of Bounded Rationality

Much of our description of transition management implies that decision-makers and managers are rational. That is, we describe people making conscious choices based on self-interested deliberation prior to taking action. In fact, however, human behavior and decision-making are at least as much guided by habit, norms, sentiments, and "irrational" considerations. Social behavior and decisions are filtered through the perceptions of individuals. These perceptions are, in turn, conditioned by individual values and needs as well as social norms, all of which are products of previous social experience. In addition, people have limited ability to gather and use information from the environment, i.e., as March and Simon (1958) noted, human behavior is characterized by "bounded rationality."

As a consequence, transition managers need to attend carefully to the perceptions of various individuals and social actors involved in an exchange network. It is a mistake simply to assume that we know what resources various actors need or value, or that we know the barriers to the exchange of resources. Transition managers must attempt to view exchange relationships, actual or potential, from multiple perspectives. In short, to be a successful broker, a manager must make efforts to accommodate actors with diverse values and perceptions. It is necessary to *negotiate* exchanges even if they appear on the surface to be unlikely or "matches made in heaven."

Top Management Is an Exchange Partner

Transition managers are likely to find top management difficult but indispensable exchange partners. The problem for transition managers is that they typically are dependent on top managers and corporate executives. As a result, they may be reluctant to take the role of a broker who represents the needs of employees and local communities. Yet, transition managers must remember that their goal is to maximize rewards and benefits for *both* corporations and employees. Taking this goal seriously should allow middle managers to bargain effectively with top management. Furthermore, many corporate decision-makers now are searching for alternative approaches to the management of organizational decline. It is critical for transition managers not to neglect top management as exchange partners whose sanction is necessary for many of the efforts we described above.

Avoiding Unfavorable Exchanges: Self-Regulation

Corporations that take the initiative to regulate themselves in conditions of organizational transition and decline are less likely to invite regulation and similar undesirable relationships with local, state, and federal government. We know of a regional hospital corporation, for example, that regulates its costs by arranging contracts with insurance companies that limit the amount of money the hospitals can spend in any given fiscal year. Hospital administrators in the corporation prefer self-regulation to that imposed by the state, and they successfully negotiated exchanges with insurance companies that free them from transactions with certain state regulatory bodies. The key point is that it is important to avoid unfavorably balanced exchange relationships. This goal often can be accomplished by engaging in particular exchanges that prevent or reduce the likelihood of others.

A Long-Term View of Exchange

While striving to design exchanges for mutual benefit, transition managers sometimes will find themselves and their corporations engaging in unbalanced exchanges either in favor of workers or in favor of management. It is important, however, for transition managers and corporate decision-makers to take long-term perspectives on balance and dependence in exchange relationships. Some relationships will be balanced only over the course of months or even years. A stark contrast between American and Japanese management is that the Japanese take a long-term view of relationships with workers, consumers, and others with whom they interact. We suggest, along with others (e.g., Takamiya, 1981), that the long-term view of the Japanese may be an important factor in their success, and that it is time for American management to recognize that in the long run it does not pay to maintain unfavorably balanced relationships with employees and other groups. Transition managers must take long-term repercussions into account when they are assessing exchange relations. Exchange partners will tolerate being "short changed" only so long before they seek redress of some sort.

Manage Transactions, Not People

Many of us are so accustomed to studying the behavior of individuals and organizations taken in isolation, that it is difficult to shift our attention to characteristics of the *relationships* among social actors. An example of this is found in the study of leadership in organizations. For years, researchers focused without much success on the attributes of individuals, neglecting key characteristics of leader-work group interaction.

We believe that the effective management of organizational decline lies in the analysis and management of transactions. The outcome of an organizational transition should include a series of linkages developed among a diverse set of actors, including employees and unions, community organizations, and managers. The goal of transition managers can, and we believe should be, to arrange networks of resource exchange that produce mutual benefit.

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