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# Organizational Change, Restructuring, and Downsizing: The Experience of Employees in the Electric Utility Industry

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ORGANIZATIONAL CHANGE, RESTRUCTURING AND DOWNSIZING:  
THE EXPERIENCE OF EMPLOYEES IN THE ELECTRIC UTILITY INDUSTRY

A Dissertation

Submitted to the School of Graduate Studies and Research

in Partial Fulfillment of the

Requirements for the Degree

Doctor of Philosophy

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May 2009

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Title: Organizational Change, Restructuring, and Downsizing:  
The Experience of Employees in the Electric Utility Industry

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This research examines the experience of employees working in the electric utility industry during a time when it was undergoing significant transformation. It was undertaken to examine this phenomenon in the context of how the history and nature of the industry's environment, and specifically regulatory effect of regulation, led to an organizational form characterized by stability, structure and inertial resistance to change. A case study approach was used to examine the effect of deregulation on an organization in the industry, and specifically how their actions impacted employees working there.

A phenomenological approach was used to explore employee perceptions of the organizational culture and employment relationship there both prior to and after implementation of a reorganization and downsizing that resulted in the first significant employee layoffs in the history of the organization. Data gathering consisted of conducting semi-structured interviews with current and former employees of the company who experienced the phenomena.

Analysis of the data show that employees in this organization perceived an unusually strong psychological contract for stable employment and the expectation that it would continue, despite the prevalence of corporate

downsizing and restructuring at the time. This psychological contract and the importance of career employment was found to be particularly significant for women who were hired during a period of time when gender and pregnancy discrimination was prevalent. Findings demonstrate that, given the historical stability and strong inertial resistance in the organization, company leadership did not effectively communicate the need, or prepare employees sufficiently for the significance of the changes or the effect they had on the organization. Findings also revealed that employees perceived the methods used to select individuals for layoff and exit from the company violated principles of organizational justice for distributional, procedural, and interactional fairness.

This research illustrates the need for leaders to consider the culture in their organizations and its readiness for change prior to implementation of significant transformation.

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## CHAPTER ONE

### INTRODUCTION AND STATEMENT OF THE PROBLEM

This research focuses on the phenomena of organizational change, specifically that which occurred in a major electric utility noted for its stability and resistance to change. As part of a restructuring effort, the company, hereafter referred to as Public Electric Utility (PEU), reorganized its business units and began making significant changes to its processes, including a reduction in force which resulted in the elimination of a number of jobs. The first phase of a reorganization resulted in 170 employees in the company, approximately three percent of its workforce of over 5,000, being notified their positions were being eliminated. About six months later, the reorganization and downsizing was expanded to include the entire company. Nearly twice as many employees, 330 to be exact, were laid off from their jobs during the second phase. Many others learned that the job they had at the time was eliminated, and while they had a position, their lives and work would likely be very different from that point on. Some experienced demotions and assignments to new jobs that were unfamiliar to them. Others would have to relocate themselves and their families to a new location. Because the reorganization involved the elimination of a number of middle management jobs, many also saw their incomes, status, and prestige gone.

All of the employees who lost their jobs received separation packages, some fairly lucrative, depending on their age and seniority with the company. Despite this, some left PEU believing that the company where they had worked,

many of them for their entire working lives, no longer valued, needed, or wanted them. The insular environment in which they worked had created stability, equilibrium and an inertial resistance to change at PEU. A culture that rewarded conformity, loyalty and commitment led to the development of a strong sense of job security among employees. When the reorganization occurred, in addition to employee layoffs, many of the changes that were implemented at PEU and the resulting culture they created were particularly difficult for surviving employees. In particular, a management tool used by the company to determine who would lose their job, called an "Objective Judgment Quotient," or "OJQ", was anything but objective. In the perception of many of the employees there, the OJQ, and the overall manner in which the downsizing was implemented, violated values and norms that had characterized the company and had a profound effect on victims of job loss and survivors alike.

This overall process undertaken at PEU reflected a significant change in the psychological contract employees had with the organization. Rousseau (1995) defines a psychological contract as "an individual's belief regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (p. 124). This psychological contract that employees perceived they had with PEU was very strong, and the research data suggest that it went beyond a simple agreement for employment. As a result of the unique development of the electric utility industry, the insular nature of its environment, and the organizational equilibrium it created, employees working at PEU developed an expectation for long-term, predictable employment in a

secure and stable organization. This was epitomized in PEU's slogan, which stated, "PEU - A Sure Thing in a Changing World." This phrase was emblazoned on company literature, its trucks, customer bills, and the company's website. It was intended to promote the PEU as a stable organization to investors, customers, and its employees, telling them that they could count on it remaining that way when the rest of the world, and possibly the electric utility industry, was changing. Given that kind of proclamation, it isn't surprising that when change did come to PEU, it had a dramatic effect on the people most accustomed to it being a sure thing – the employees working there, many of them who had been with the company for most of their adult lives. After all, this was the first time in the 80 year history of the company that anyone had been laid off. Also, when PEU underwent reorganization, in addition to laying off employees, they transferred and reassigned many others and instituted changes that disrupted the equilibrium and stability that had been characteristic of the company.

I chose this topic because I was one of those employees. I began working at PEU when I graduated from college and remained there for over 23 years. Other than working at part time jobs while I attended high school and college, it was the only place I had ever worked. When I began working for the company I was quickly oriented into the culture there and developed an expectation that it and the organization could be counted on to remain that way. Like most employees, I believed that the employment relationship we had with PEU was for job security and stable employment, a sure thing in a changing world. I thought that I was very fortunate to have a secure job in an industry and organization that

was known for its stability and resistance to change. I always believed, however, that I was making a tradeoff for that job security. Though I didn't know what a psychological contract for employment was at the time, I was content to sacrifice higher wages and future advancement for the comfort and security of knowing that I had a stable job there as long as I met my end of the bargain with the company. My sense at the time was that most of the people working at PEU shared those same beliefs, at least for the first fifteen years I worked there. We knew very few people who had lost their jobs, even for just cause, and were often reminded by more senior employees that PEU had never experienced a workforce reduction or general layoff in its history.

Employment wasn't the only thing that was stable at PEU. My perception when I worked there was that the company, its management, culture, practices and methods, were very conservative in nature as well, and highly resistant to change or innovation. Until the company underwent dramatic restructuring in the mid-1990s, it had remained that way, lagging behind the rest of industry, and in many employees' perception, other electric utilities as well, in areas such as technology, management practices, and employment diversity.

This research was undertaken to better understand the experience of employees, like myself, who believed they were immune from many of the changes that had characterized employment by then and who were dramatically affected by the reorganization and downsizing that was undertaken at PEU. This story is not unique in terms of organizational restructuring and downsizing. Numerous researchers have written about the experience of organization change

and in particular, downsizing, and job loss (Cameron, Freeman, & Mishra, 1991; Newman, 1988; Tomasko, 1987; Uchitelle, 2006). By the mid-1990's employment for most of the American workforce had been impacted by the influence of foreign competition, economic downturns, and organizational restructuring. However, what makes this case study different and a compelling topic for inquiry is the fact that for most of their existence, companies like PEU had been insulated from many of the external influences that had affected other employers. During a period of time following World War II when employment in American industry became increasingly characterized by job stability and security, employment in regulated sectors like the electric utility industry was even more stable (Cappelli, 1997). However, as employment security for American workers began to lessen in the early 1980's (Tomasko), and then continued to plummet in the 1990's (Cappelli; Kletzer, 1998, Uchitelle, 2006), the electric utility industry, and in particular, PEU, remained largely unaffected. For a number of reasons, including its regulated environment, its insulation from typical market forces, and most importantly, its history of stability, employees at PEU believed it would remain that way. However, in 1996, the changing world came to the company, and from that point on, employment at PEU was anything but a "sure thing."

## Research Questions

This research was conducted using a constructivist paradigm. A complete rationale for using this method of research is provided in the Methods section of this chapter. Mertens (2005) suggests that researchers using an interpretive approach should develop research questions at the onset of their study, but also be open to new and unexpected issues that present themselves as the data are collected. The research questions identified at the outset were less definitive inquiries to which answers were to be found, but instead, intended to serve as a guide to the researcher exploring this phenomena of organizational change. The following questions reflect the primary focus guiding this research and reporting its findings.

1. How did the history and development of the electric utility industry create an environment that led to long-term stability and inertia in the industry and for the organizations like PEU?
2. How did the influence of deregulation impact this stability?
3. How did the regulated, monopolized environment that electric utilities operated within lead to a strong psychological contract for stable and secure employment between employees and organizations?
4. What was the nature of the psychological contract for employment at PEU?
5. What was the experience of employees working at PEU when the nature of the employment relationship changed?

6. How did employees perceive reorganization and downsizing at PEU in regards to distributive, procedural and interpersonal violations of the psychological contract?
7. What was the experience of employees undergoing change, restructuring and downsizing in the organization? How did both the process and outcome of the change effort affect the lives of the individuals experiencing it?
8. What was the effect of job layoffs, demotions and restructuring at PEU on employees losing their jobs and survivors?

In addition to the above inquiries identified at the outset of this research, in the process of gathering data it became apparent that the experience of many women in regards to their careers and perception of a psychological contract for employment at PEU was unique. This emerged as a potentially significant finding during initial interviews with women and was included as another line of inquiry that should be examined more fully. The data suggest that many women who were hired prior to laws prohibiting gender discrimination, particularly in regards to pregnancy, developed a very strong employment relationship and attachment to the workplace at PEU. For some of these women, the company and their careers there appeared to be a particularly strong influence for them, providing much of their social network and friends, and in some cases possibly acting as a surrogate family. When this relationship changed during the reorganization, it had a particularly dramatic effect on them because they had invested so much of their lives in their careers with PEU. Given this finding, the



following question was added during this project for data collection, analysis and examination.

9. What was the experience of women working at PEU in regard to their careers, employment relationship, perceived psychological contract for employment and its violations?

What was it about this particular organization and industry that insulated it and its employees to such an extent from the external and internal influences that had effected change in so much of the rest of the country by the mid-1990's? How was this environment different than most other employment sectors, particular those in the private sector? What happened that caused this stable and conservative company to undertake dramatic transformational change? These questions will be answered in Chapter Two, which deals with the history and development of the electric utility industry in general, and PEU in particular. It will provide an understanding of the nature of the environment in the electric utility industry and explain how it led to organizations like PEU being largely insulated from external influences that affect change and result in the strong culture that developed there. Chapter Two also examines how the influence of deregulation in the industry affected the stability and equilibrium that characterized the organization for most of its existence. Chapter Three builds on this framework to understand the expectations employees at PEU had regarding organizational stability, the continuation of a strong employment relationship, and a psychological contract for job security and stability there. It will also provide insight into how employees viewed the culture at PEU and the

relationship they had with management at the company. While it was characterized by its friendly, family-oriented atmosphere, it was also heavily reliant on employee conformity, loyalty, and commitment to the organization. Chapter Four will examine the action taken by management at PEU, purportedly in response to pending deregulation, the significant disruption it brought to the organization's culture, and how it was perceived by employees to violate the psychological contract they had with PEU. The way employees perceived the relative fairness in the outcomes of the process, the procedures used to determine them, and the interactional way they were implemented, will also be explored in Chapter Four. Chapter Five deals specifically with the effect that the reorganization and downsizing at PEU had on laid off individuals and survivors who remained at the organization alike and explores how and why the experience of employees at PEU was different than that of many other victims of layoffs and restructuring during this period. Chapter Six examines the experience of women at PEU, and in particular, their perceptions of career employment and the psychological contract. This section will challenge the prevailing focus in the literature on the career experiences of women in executive and professional positions. The data from this research suggest that many women in lower level clerical positions possibly valued their careers at PEU as much as individuals working at higher levels, and made even greater personal sacrifices to keep them.

The examination of this company within the context of the industry in which it evolved, the environment it operated within, the culture that developed

there, and the relationship it had with its employees, is important for several reasons. A principle reason for focusing on this organization is the contention that PEU was different than many others that had engaged in workforce reduction during the period of the 1980's and 1990's. Prior to the downsizing there, organizational restructuring and workforce reduction in the country was far from an isolated occurrence. Attewell (1999) noted that by the mid-1990's, the rate of involuntary job loss through plant closings and downsizing had been going on for ten years. The New York Times (1996) reported that 43 million jobs were lost in the period between 1979 and the mid 1990's. Many of these losses occurred during economic downturns, an external influence from which electric utilities like PEU were relatively insulated. However, researchers noted a change in the manner of job loss during periods of relatively good economic conditions. Increasingly they were being done to improve performance, reduce operating costs, and boost stock price, rather than for organizational survival (Cappelli, 1997; Leana & Feldman, 1992; The New York Times). Newman (1988) called attention to the phenomena of increased downward mobility for white collar workers during this time. Heretofore relatively secure, she observed that they were differentially affected because the nature of downsizing and restructuring during this time frequently eliminated their management positions. Cappelli called the period of the 1980's to the 1990's a watershed in restructuring as companies changed their structure, flattened their organization and eliminated jobs. Tomasko (1987) also noted that previous downsizing was typically initiated as a temporary measure in response to economic downturns or short term

influences. Once the organization weathered the storm, they typically would hire back laid off workers in their old jobs. Increasingly however, organizations begin implementing dramatic restructuring and change that resulted in the permanent elimination of core jobs. During this period, numerous corporations also utilized change management tools such as Business Process Reengineering and Total Quality Management, which were intended to make dramatic changes in the organization's structure, processes and personnel, and tended to result in permanent job loss (Cappelli; Hewitt, 1995).

Less research has focused on the phenomena of dramatic change, particularly in regards to employment, in organizations and industries that had experienced little or no change in the past. Researchers have observed the relative equilibrium that developed in sectors such as airlines (Miller & Chen, 1994), healthcare, telecommunications, and savings and loans (Haveman, Russo, & Meyer 2001). The electric utility industry is merely one of the latest in a number like these to be affected by deregulation. The outcomes, good and bad, of this influence on the industry are still being written over a decade after it was begun. In terms of improved cost, options, and service, the results are mixed. Some research has found that deregulation and competition has lowered electric rates (Keystone Research Center, 2001; Fagan, 2008). Opponents of deregulation have characterized it as a failure, reporting that thus far, it has cost the jobs of 30 percent of the workforce, caused a decline in service, and will eventually result in higher rates to the consumer (Apt, 2005; Hirsch, 1987; Rubin, 2001). Weidman (1998) expressed concerns that one of the consequences of

deregulation is that it will lead to environmental degradation. There are differing views among employees and outsiders as to whether deregulation of the electric utility industry, and the changes undertaken by PEU in response to them, were ultimately useful or even required. Certainly many of the employees interviewed for this inquiry felt that the changes and the impact they had on them, their coworkers, and the company as a whole, were unnecessary and counterproductive. However, this research was not undertaken to prove whether deregulation was necessary or beneficial, or that actions taken by PEU were implemented properly. Instead, it was done to examine the dramatic change that occurred in this organization and tell the story of the people who were affected by it. From it we can hopefully gain an understanding of how the nature of this industry created organizational stability at companies like PEU, leading to a culture and family-oriented environment there that valued employee loyalty and commitment in return for security in employment. Its findings can inform leaders in similarly situated organizations and environments in order that they can implement change more effectively and with potentially less detriment to their employees.

## Methods

Numerous studies have been conducted in the phenomena of organizational change, restructuring, downsizing and worker displacement, particularly during the period of the 1980's to 1990's, when it was most prevalent. Some of the research has focused on quantitative measures such as the effect of

downsizing and restructuring on a company's finances (Lee, 1997; Worrell, Davidson, & Sharma, 1991). Other approaches have used secondary data such as the Displaced Worker Survey (DWS) to measure the extent of job displacement (Fallick, 1996), and the General Social Survey (GSS) to quantify objective measures of displaced worker's perceptions of job loss and the likelihood of reemployment (Aaronson & Sullivan, 1998). Some research has examined the phenomena of worker displacement according to particular industries such as aerospace (Ong & Lawrence, 1993) or savings and loans (Haveman, 1993) or from a geographical perspective (Babcock, Benedict, & Engberg, 1994). Johnson, Mermin, and Uccello (2006) studied the impact of layoffs on older Americans while Deitch, Nowak, and Snyder (1991) combined quantitative data methods with interviews to study the effect of job loss by gender and occupation, focusing on women working in blue collar jobs.

Other researchers have examined this phenomenon using a constructivist paradigm (Leana & Feldman, 1992; Newman, 1988; Rubin, 1994; Uchitelle, 2006). A constructivist approach views reality as a socially constructed phenomenon (Mertens, 2005). A basic assumption of the paradigm is that knowledge is constructed by the researcher engaged in the process and that reality can only be understood through the lens of the people experiencing it (Schwandt, 2000). In her accounts of the personal experiences of individuals and their working families, Rubin describes the reality of struggling to survive with the economic uncertainty of job loss insecurity. Newman tells the stories of individuals who experienced downward mobility as a result of job loss. Uchitelle

used the experience of employees in various industries and organizations to examine the changing nature of employment in the United States. Leana and Feldman focused on reactions to job loss among laid off workers, identifying coping strategies they used to deal with the reality of job loss. These and other researchers take the reader inside the lives of people who have been impacted by job loss or dramatic changes in their organizations to understand the reality they constructed of the experience.

This study of the phenomena of change at PEU is done from a constructivist paradigm. Such an approach is better suited for an in-depth examination of the experience of the employees there than one done from a post-positivist perspective. According to Guba and Lincoln (1994), the post-positivist views the world as having one reality that can be determined within probability. Objectivity and separation between the researcher and participants is critical in this type of inquiry. A constructivist approach, on the other hand, assumes that there are multiple, socially constructed realities that can only be known by the researcher interacting with the data gathering. Given the unique nature of this industry and organization, a post-positivist perspective would only render part of the story. Administering an objective survey may provide valuable data that could be measured and compared to research conducted in other places at other times. However, that kind of objectivity in this endeavor would not have provided the individual perspectives and realities of employees who experienced the phenomena necessary to fully understand how it affected them.

Research can also be characterized by the personal experiences and attachment to the field of inquiry by the researcher. Patton (2002) characterizes research that is conducted by an individual with personal knowledge of the group, topic or issue, as having an emic, or insider perspective. An etic perspective, on the other hand, is research that is characterized by the researcher having little or no prior involvement or personal attachment to the research project as an etic, or outsider perspective. Patton suggests that an etic viewpoint implies some degree of detachment from the research participants, data gathering and data analysis. Given my emic, insider perspective, an objective neutral approach would not have made the most effective use of the personal knowledge and understanding I have of the industry, the company, its practices, culture, and employees. Direct engagement with the participants also provided the opportunity to explore how they perceived their relationship with the organization, the importance of the culture there and the affect the dramatic changes had on them in a way that would not have been possible through an objective survey instrument. As a participant in the reorganization and downsizing that occurred there, I could empathize with many of the respondents and relate to their stories, which added an additional element to the project. It was apparent in some instances that in addition to providing data for the research, these interviews helped to bring closure for some participants who felt very passionate about what happened to them and their colleagues at PEU. Many of the respondents still held very strong views about their experience with this phenomena 12 years after it occurred. Some had left the organization very



abruptly, and other than an occasional conversation with a former co-worker, never had an opportunity to tell their story to someone who could relate to how they felt and the impact it had on them.

Since this research was concerned with how employees perceived the culture in this industry and organization and how they experienced dramatic organizational change in an environment that was characterized by stability and resistance to change, a phenomenological approach was adopted.

Phenomenological inquiry assumes that there is no objective reality for people (Patton, 2002). Patton describes it as a “focus on exploring how human beings make sense of experience and transform experience into consciousness, both individually and as shared meaning” (p. 104). This was particularly useful in this effort given the highly insular nature of the industry and the extent of job stability and security perceived by the employees at PEU. If it had been undertaken at an organization in a highly competitive industry that was more open to its environment and characterized by frequent change, it would have likely revealed a far different sense of the experience for respondents. Given the individual perceptual nature of the psychological contract employees have with their employer (Rousseau, 1995), employees who experienced this organizational change, restructuring and downsizing developed their own construction of the employment relationship they had with PEU. This research was also heuristic in nature, which Patton calls a form of phenomenological research that is characterized by the extent to which the researcher’s personal experience and insights influence the study. Given my emic perspective, the experiences and

insights I have regarding the phenomenon guided me in identifying data sources, data collection and interpretation, synthesizing theory, and inductively analyzing the research questions. It also brought potential bias to the endeavor, which I have made transparent and been cognizant of during all aspects of the research process.

### Research Design

The data for this research are drawn from 23 interviews conducted with former employees at PEU. All of the respondents who agreed to be interviewed did so voluntarily and were provided no compensation for participation, though I met a number of them in restaurants and paid for the expense of any meals or drinks consumed. A purposeful sampling approach was used to identify individuals who were involved in the reorganization and downsizing and could be invited to participate in semi-structured interviews for this research. According to Patton (2002), purposeful sampling permits the researcher to select information-rich cases that provide the opportunity to get the most meaningful understanding of the issue. Gubrium and Holstein (2002) refer to these respondents as key informants and describe them as individuals who on the basis of their knowledge and experience, motivation, or combination of the two, are able to provide valuable information to the researcher. They state that,

Many research projects have been 'made' by the researcher's finding that rare, reflective inside informant who seems to know just

about everything that seems to be important and has thought about it and reflected on it for some considerable period of time before he or she ever meets an ethnographer or does an in-depth interview.

(p. 110)

Joan was an example of several of the key informants to whom Gubrium and Holstein (2002) refer. A career employee at PEU, Joan had worked as a secretary in a department within the company that placed her in frequent contact with many key people in the organization. As with several of the other women interviewed, and many more to whom she and others referred, Joan was single and spoke in terms that suggested that PEU was a significant part of her life, professionally and personally. By chance, Joan was one of the first respondents interviewed in this process. During the interview she brought out many pictures taken over the years of people of she had worked with and social activities such as parties, retirement dinners, picnics she had experienced during her career at the company. Joan also had kept in touch with a number of people she had worked with and was able to suggest other individuals who might be interested in participating in the research. She clearly had spent a great deal of time thinking about the company and her experiences there since her forced retirement over 10 years earlier. Also, as an “insider,” Joan knew a great deal about important events and people she had experienced over the years. Also, Kanter (1977) noted the implicit power, influence, and insider knowledge that secretaries often gain as a result of their positions in the corporation. Joan was not unlike several other secretaries interviewed, who by the nature of their experiences at PEU,

were key informants who were able to provide invaluable assistance in the data collection process.

As a long term employee of the company who had worked in numerous parts of the business and interacted with a number of people, I had a network of individuals to contact to invite to participate in this project. This was found to be the most effective strategy for initially locating current and former employees who met key demographics identified as necessary to provide a rounded account of the phenomenon and the perceptions of those experiencing it. As a result, initial contacts for interviews were comprised primarily of individuals I knew personally or professionally while working at PEU. From these initial interviews additional contacts were developed to invite to participate in the research. Gubrium and Holstein (2002) identify this method of identifying respondents as a useful tactic for researchers. They suggest that respondents in initial interviews can help the researcher find others in their particular social network who can meet the theoretical construct of the research. They note that this is particularly true when sampling begins with acquaintances, as this research did, and then moves on to strangers. Using snowball or chain sampling techniques (Mertens, 2005), early key informants were asked if they could recommend anyone who could provide useful information from their experience with this change process in the organization. Many of them were able to do so, which led to the opportunity to interview individuals with whom I had had less interaction and who were able to provide unique perspectives and experiences from the phenomena.

As noted, I knew all of the respondents interviewed for this project from my experience working at PEU. However, other than two, my prior work with them had only been at a professional level engaged in typical business contact. Also, there were only two respondents with whom I had any contact since leaving the company five years earlier. In addition to snowball or chain sampling to identify potential respondents, I also used a list of employees from a company publication that I had maintained in personal files. This was useful in developing a list of individuals to contact initially for participation. Many of the individual's phone numbers were located using internet search engines and directory assistance services. This worked reasonably well, though contact information for many individuals was not available using ordinary means and this limited the pool of individuals available for interviews.

When I was able to contact potential respondents by phone, I briefly described the nature of the call and the phenomena being researched. If they agreed to consider participating in the project, I mailed them an informed consent form (Appendix A) that fully described the nature of the research and provided them with the option of declining to participate at any point in the project. I asked each participant to review the form and if they were still willing to participate, to return it to me in a self-addressed stamped envelope indicating the best time and way to contact them again to arrange for an interview. After receiving the returned informed consent form, I made another phone contact with the individual and arranged an approximate one to two hour interview. Most of the interviews were conducted in public place, such as restaurants or coffee shops. I

interviewed seven individuals in their homes and conducted one interview by phone. With the exception of two participants who asked to be interviewed together, all of the respondents were interviewed individually. Before beginning the interviews I asked each of the respondents if they consented to me recording it for transcription purposes. Out of the interviews, all but six were transcribed using a digital voice recorder. In those instances I took copious notes and dictated my thoughts regarding what was said immediately following the interviews.

To some extent criterion sampling was used to seek respondents to participate in the interviews. Patton (2002) characterizes criterion sampling as a process in which data sources that satisfy particular criteria are selected for sampling. I was interested in ensuring that certain demographics, including gender, occupation, and years of service were represented in the sampling process. Therefore, I used these key criteria as a guide to identify individuals who I believed satisfied them and invite to participate in interviews. In addition to criterion sampling, opportunistic sampling was employed as well, since some individuals who were identified initially were either not available or declined to participate.

Of the 23 respondents interviewed, slightly less than half were comprised of employees who lost their jobs during the reorganization. This composition was appropriate for several reasons. First, the total number of employees who lost their jobs in the reorganization was approximately 10 percent of the workforce, so there were far fewer numbers of employees from which to contact for interviews.

Also, many employees who remained at PEU following the reorganization and downsizing experienced significant changes in their positions, including several who were demoted, sustaining a loss of income and potentially in perceived status. Of the 23 employees interviewed, six were in this category. While these individuals' predicaments were not on the same order or magnitude of a job loss, the data inform us that the experience was still very disruptive and affected them a great deal. Several went from supervisory or managerial positions that provided status and certain perks in the organization to a subordinate job that did not. One of the respondents was an executive secretary who was demoted to a lower level administrative position, which was a very difficult experience and transition for her. Several others also shared how reassignments to a lower level position affected their pensions, affecting their post-retirement finances.

Newman (1988) noted that the experience of demotions and downward mobility can be very traumatic for individuals. In addition to financial decline, individuals who experience this downward mobility can perceive a loss of status, perks and self-esteem. One area of interest in this research was understanding how individuals who remained with the organization in a reduced role were affected by the changes at PEU. In terms of other impacts on employees, several respondents remained at PEU following reorganization, but their new positions involved a relocation within the company. In some cases, these moves were to a different geographic location that required moving or entailed significant travel and inconvenience for them and their families. The perspective of these individuals was important in understanding the experience of going

through the reorganization and downsizing and retaining their job but in a very different capacity than they had prior to it. The remaining nine individuals interviewed remained in similar positions at the same pay and level following the reorganization. This balance, with approximately a third of the respondents representing individuals who either lost their jobs, retained their jobs with some reduction or significant disruption in it, or retained their jobs with either an improvement or no reduction, resulted in a desirable mix to fully understand what the experience was like for employees at PEU.

In order to get a diverse account of the experience and how it affected various employees, I also sought out individuals to contact and invite to participate in interviews who represented key demographics. I identified individuals in both the job loss and survivor categories that represented different occupational classifications including clerical, professional and supervisory personnel. I was interested in how each level perceived the culture at PEU and the effect organizational changes had on it, as well as their perceptions for the psychological contract for employment and how it may have been violated. Years of service with the company was another factor that influenced who was contacted and invited to participate in this project. I was primarily interested in interviewing individuals who had gained a sufficient amount of service with the company to have developed a sense of the culture, and a perception of job stability and security within the industry and organization. All of the individuals interviewed had at least 12 years of service with the company. They ranged from 12 years of service to over 30 years of employment with the company. For this



particular project I was not interested in interviewing employees with little service at the company, which I determined to be less than 10 years. It certainly could be useful to conduct research examining the differential experience between employees who had achieved significant time in the organization to those with less service. A comparative approach from a post-positivist perspective could be an appropriate model for researching dependent variables such as perceptions of culture, the nature of the psychological contract, and meaning of violations of workplace justice and their relationship to an independent variable such as years of service. However, this inquiry was not engaged in for the purposes of measurement or comparing causality or correlations. Rather, it was embarked upon to examine the experience of employees who were most dramatically impacted by the phenomenon and could provide the most meaning from their experiences there. Therefore, it was determined that interviewing employees with at least 10 years of service with the company was preferred.

There were a number of compelling reasons, however, to compare the particular experiences of employees who were under the age of 55 with those who were older than that threshold. Research has shown that job loss can be particularly severe for individuals over the age of 50 (The New York Times, 1996; Johnson, et al., 2006; Brand, Levy & Gallo, 2008). In his study of the effect of displacement on older workers, Couch (1998) focused on individuals 51 and older, claiming that younger workers are more readily employable and can make downward financial adjustments easier than older workers. Leana and Feldman (1992) also state that age has been shown to be a significant factor in how long

laid off employees remain unemployed. The Age Discrimination in Employment Act, passed in 1967, prohibits age-based discrimination against workers over the age of 40 (Jasper, 2008). This applies to any employment action, including hiring, firing, demotions, assignments or transfers. However, despite this federal statute, as well as numerous state discrimination laws, age discrimination in employment is still very prevalent in society (Posthuma & Campion, 2008). As a result, individuals who are laid off at this age are likely to find it more difficult to find reemployment than younger displaced workers.

Another factor that can result in the older worker remaining unemployed for a longer period of time is the individual themselves. Newman (1988) suggests that older employees and those who have risen to a higher level in organizations have a tendency to cling to the past, and as a result, it can take them longer to recognize their situation and take appropriate actions in response to it. However, in addition to these factors that could have created difficulty for older workers to find reemployment, the options available to laid off employees in this reorganization were very disparate depending on whether one was over or under the age of 55 at the time. Individuals who were laid off from the organization were eligible for a separation plan called the “Voluntary Separation Package” (Internal Company Document). In addition to other benefits for all laid off employees, the Voluntary Separation Program (VSP) included the following benefits that applied to employees who were between 55 and 62:

1. Medical Plan – Continuation of coverage will be provided for a maximum of 18 months following separation (employees eligible for

and electing retirement will be provided coverage according to the retiree provisions of the plan)

2. Retirement Plan – Benefit reductions for early retirement (ages 55-62) will not apply for employees eligible for and electing retirement in conjunction with the VSP.

The implication of this provision in the separation package was that employees who were over 55 at the time they entered the staffing force could retire early without penalty in either their pensions or medical coverage. Individuals who had not reached age 55, while still eligible for other provisions of the separation package, did not have this option. Chapter Four examines how eligibility for this package based on an individual's age had a significant effect on laid off workers, the options available to them, and their overall perceptions of the process.

Another important demographic factor to explore in this research was how gender differences affected the perceptions employees had regarding PEU and the employment relationship they had with it. Researchers such as Deitch, et al., (1991) and Leana and Feldman (1992) have noted the disparate impact for women experiencing job loss so I was interesting in interviewing a sufficient number of women to understand their perspective. Out of the 23 interviews conducted, nine were with women who had worked at PEU. Though this was less than half of the total, there were several factors that led me to determine that this represented a sufficient dataset from which to draw conclusions. For one, there were less women employed at PEU during the reorganization than men. This research did not have access to specific employment numbers in the

company in 1996 so a conclusive count of the employees by gender could not be determined. However, I had possession of a company document that was published in 1992 (Internal Company Document, 1992) that listed all of the employees working there at that time. Using gender-associated names, this list was used to determine the number of men and women working at PEU at that time. While admittedly non-scientific, it provided an approximate ratio that could be used for data collection purposes. Also, while this list was prepared five years earlier, there was nothing to suggest that there was either an influx or dramatic departure of employees, at least prior to the reorganization, that would have significantly affected the validity of the approximation. Based on this non-scientific survey, it was determined that a little over 25 percent of the workforce in the company at the time of the reorganization was comprised of women. In addition to the fact that women numbered significantly less than men in the company, I was also confident that the nine respondents represented sufficient diversity in such demographics as occupation, age, years of service and marital status to report findings on the experience of many of the women working at PEU. Of the nine, two worked in supervisory roles, two were in exempt, professional positions, and five worked in clerical, non-exempt positions at PEU. Also, of the nine women interviewed, four were over the age of 50 and five were under it. Regarding job loss, four of the female respondents lost their jobs while five did not. Regarding marital status, four of the respondents were married, three were divorced and two had never married. This variable became significant after conducting several initial interviews when it became apparent

that marital status, and in particular, child-rearing, may have been a factor in how women working at PEU, particularly women who had spent their entire adult lives there, viewed their careers and a psychological contract for employment. Given this variety of work, age, marital status and consequences from the reorganization, I was confident that female respondents reflected key demographics to gain a diverse understanding of their experience of the phenomena.

Of the 23 interviews, 12 were conducted with respondents who worked their entire careers at the PEU general office and the remainder with individuals who had spent some time at a field location, though the majority of these had also spent some part of their career at the general office. For several reasons, I expected to find a different perspective from individuals who worked in the general office versus those who worked in field locations, and to some degree that was the case. This was apparent in regards to the respondents' perceptions about organizational culture and the reorganization and downsizing that took place there. Respondents who had worked in the general office seemed to have a broader view of the organization and the changes that took place at PEU than those who worked exclusively in field offices. This was not surprising for several reasons. For one, many of the functions in the general office provided overall support to the organization, so employees working in those areas tended to interact with a greater number of employees than those working in field locations. Another factor was that the employee population in the general office was much greater than that in any of the field locations. There were over 1,000 employees

working in the general office at one time, whereas the field locations ranged from less than 10 employees in the smallest, to no more than several hundred at the largest. Employees in the general office were also in closer contact with senior management in the organization, which provided them with a better overall sense of activities taking place within the company.

Finally, most of the layoffs and elimination of jobs occurred in the general office, so employees there were more likely to have been affected by the organization change, either losing their job or knowing a number of coworkers who did. I noted a difference in the respondents' perceptions regarding the culture of the organization as well depending on whether they worked in a field location or the general office. Employees in the field locations talked less about organizational characteristics such as bureaucracy, inertia and resistance to change. They also appeared to have a closer connection to the work output of the company. One of the respondents who worked in both a field location and the general office summed it well when he said,

One of the most difficult things I had to get accustomed to at (the general office), when it was engineering, payables, accounting it was 'ok' we'll take care of it in time. I always was used to dealing with the customer. They just didn't seem to give a shit. When you looked at the employees at (the general office), back then, probably only 10 or 20 percent had any experience out in the division. They had no contact with the customers. Pete

This view isn't surprising since the generation, transmission, distribution and service of electricity all took place in the company's field locations. Other respondents who had experience in both locations noted that the culture of family, which many noted was very strong in the company, was even stronger in

smaller field locations. In describing the differences between working in a field location and the general office, Bill said,

It (the service center) had that family atmosphere, you felt like you were taken in as a part of the group right away. For the guys that metered, they helped each other with where to go and what routes to take. They would draw me maps or warn me of bad dogs. They ended up trusting me with their safety. You have to be safe in this business. It was nice, like a key chain. It was just like a big family. It was the same at (the general office) but just not as close because there were so many people. Bill

Though the location where the employee worked was not considered significant at the outset, during data collection it served to provide additional meaning and diversity to the experiences of the respondents and was included as demographic in the respondents.

Finally, in order to understand the experience of individuals who were involved in the decision-making and layoff process, I contacted several senior managers and executives to solicit their participation in interviews. As noted earlier, I had limited success in this regard, with a number of people declining to be interviewed. I did secure an interview with a former director in the organization who had personal knowledge of the change process. He agreed to be interviewed and signed a consent form to use the information in the research. However, he declined to permit the interview to be recorded and I also sensed that taking copious notes during the interview would not be appropriate. However, I dictated my thoughts immediately after the interview and was able to get very good data from it. This interview proved to be very valuable in gaining an inside perspective of what was taking place during the reorganization and

downsizing. In addition to this executive, I also interviewed eight individuals who were members of management before and/or after the reorganization. These respondents also provided a very good perspective of how managers and supervisors implemented the changes in the organization as well as how they were affected by them.

### Data Collection

Mertens (2005) observes that interviews in qualitative inquiry can be either semi-structured or unstructured in nature. Patton (2002) delineates three alternative approaches to interviews. An informal conversational interview is the most open-ended approach. It involves asking open-ended questions which allow the respondent to take the answer in any direction they choose. The second alternative is to use a general interview guide. McCracken (1988) advises interviewers to use a questionnaire for long interviews with numerous individuals to ensure consistency and that all information is covered in the same order, though the its use doesn't preclude also asking open-ended questions. Finally, the most structured interview type is the standardized open-ended interview (Patton). Researchers using this method develop detailed inquiries in advance and use them to ask specific questions during each interview.

For the purpose of this data collection effort, a combination of a standardized question guide and semi-structured interviews was used. This combination ensured that all of the respondents were asked the same general



questions in the same order. (See Appendices A through D for the semi-structured interview guide used in data collection) However, while the guide served to provide structure and consistency, questions were designed to be open-ended and respondents were encouraged to take the interview in other directions they felt were important. For instance, several of the women interviewed spoke freely and at great length about their experience with discrimination in the workplace, though that was not an area of initial inquiry. These conversations were very useful and provided me with the opportunity to raise this issue with women who were interviewed later. Another respondent also described personal experiences during and after his career that did not relate a great deal to the focus of the research. However, while forays into areas like this may not have necessarily provided information useful for data analysis, they helped create a conversational environment in the interviews that aided in data collection and identifying emerging themes of importance.

There were individual differences in respondent's situations which necessitated asking different questions in the interviews. Since some of them left the company at the time of the reorganization and others remained, questions related to the change in culture, or what the experience of losing one's job was like, entailed taking the interviews in different directions. Some interview questions were similar across categories and others were specific to the individual respondent's situation. With the exception of one respondent, all interviews were conducted in person. This individual lived quite some distance away, so the interview was conducted over the phone. This worked well,

however it had its limitations. Not being able to see the individual and note their body language and expressions limited my observations from the interview, and I avoided arranging any further interviews that could not be conducted in person.

Mertens (2005) notes that research in the interpretive paradigm often requires the researcher to make decisions as the study unfolds and suggests that opportunistic sampling provides the necessary flexibility to seek information that was not apparent during design. I anticipated that initial interviews and contacts may lead to other information-rich sources and help identify different questions and issues to pursue. One of the areas in which this occurred was the special meaning that the culture of family and the strength of the psychological contract for employment in the organization appeared to have for women that worked there. Perhaps because of my own gender bias, I expected male respondents to stress the importance of their careers and the significance they placed on having relative job security more so than women. In their research on job insecurity, Smithson and Lewis (2000) reflect what may be the common perception that men view work and their professions as more permanent and that they attach greater importance to “jobs for life” than do women (p. 693). However, I was surprised and somewhat embarrassed to discover the relative importance that a number of the female respondents assigned to the careers they had at PEU. For some, who may represent a significant number of other women in the organization, their jobs were as important to them, both financially and socially, as men. Numerous research has reported on the difficulties facing women in the workplace, particularly career challenges at the professional executive level, and the

discrimination and bias they face at work (Lyness & Thompson, 2000; Ragins, Townsend, & Mattis, 1998; Ryan & Haslam, 2005; Tharenou, 1999; Wootton, 1997). However, less research has focused on the experience of women working at lower levels in the organization and their expectations for career employment. In her account of the experience of work in a corporation, Kanter (1997) describes the nature of women's work in business and how their careers can impact their lives and decisions they make regarding family and children. Her chapter on the role of secretaries was particularly instructive and was supported by the experiences of some of the respondents, and potentially many more women who worked at PEU. This area emerged from the initial inquiry and can provide a valuable opportunity for additional research that is more narrowly focused on this particular occupational group at organizations like PEU.

### Data Analysis

Mertens (2005) characterizes qualitative data analysis as an ongoing process. Tersch (1990) calls it an inductive process by which findings are generated as the data are collected, allowing the researcher to consider additional categories or themes as they develop. Miles and Huberman (1994) suggest that the researcher should code and note personal reflections of initial data, looking for patterns and themes before the next wave of data collection. Mertens (2005) suggests that qualitative research differs from objective inquiry in that, while guiding research questions can be developed at the beginning of the

study, the researcher should be open to other directions the data suggest. The focus of this research was employee perceptions of the culture in the organization, the psychological contract for employment, and how changes in the organization affected their views of it. However, I also wanted to remain open to exploring other themes that described how employees were affected by the organizational changes.

I began transcribing interviews approximately a third of the way through the process. I transcribed three interviews personally and graduate assistants documented the remaining interviews. Before they did, they were provided with training in utilizing the transcription software and ensuring they understood the essence of the project by briefing them on the nature of the research. Each of the individuals involved in the transcription process signed agreements assuring they would maintain complete confidentiality. After transcription, I went back and listened to portions of the recorded interviews to compare them with the written transcripts to ensure their accuracy. Since a number of the interviews were conducted in public places, the presence of background noise interfered with the audio at times and it was difficult for the transcribers to hear voices. Also, since many respondents used terminology specifically associated with the electric utility business, there were some errors and omissions in transcription. However, since I was still relatively familiar with the interviews and what was said, as well as my knowledge of terms and phrases associated with the business, I was able to correct any missing or incorrect transcription information.

Several patterns and themes began to emerge during initial data gathering. To some extent they were anticipated based on my experience with the organization, a review of the literature and my insider perspective. However, in many instances, they were more prevalent and expressed to a much stronger degree than even anticipated. These included frequent references to a stable culture and environment at PEU that was highly resistant to change. Themes about the friendly atmosphere, good relations with management and a family-oriented environment were also prevalent in the interviews. It became apparent that many of the respondents had a very strong attachment to their jobs and social network at PEU. A very powerful and continually recurring theme was the strong perception that employees held regarding job stability, job security and an implied psychological contract for continued employment at PEU. This contract, and its development at PEU is a central theme in this research. Violations of this contract, in outcomes, procedures, and interactions with employees, was very prevalent in the data. Finally, the particular experience of women at PEU and their unique view of careers and a psychological contract with their employer was significant and has been a special focus of this inquiry.

Mertens (2005) characterizes data analysis using qualitative methods as an ongoing process. Rather than staying removed from the data collection process to maintain objectivity, the qualitative researcher uses the experience to begin analyzing the data and direct further data collection. Patton (2002) also distinguishes qualitative inquiry from quantitative in that the distinction between data collection and data analysis is not absolute and suggests that data analysis

begins during the data collection process. After completion of the interviews, a more thorough data analysis was performed in order to begin to get a general sense for the data, their meaning, and application in theory. Mertens describes qualitative data analysis as a mysterious process in which the findings gradually emerge from the process. Miles and Huberman (1994) take a more objective view, identifying tactics for generating meaning from qualitative data. Several of these were used to generate meaning and draw conclusions from the data, including noting patterns and themes, making metaphors, conceptual and theoretical coherence, and to a limited extent, counting.

### Credibility and Dependability

Credibility in qualitative inquiry can be compared to validity in quantitative study (Guba & Lincoln, 1989). There are several measures that can be used to enhance credibility. Triangulation is a procedure that looks for convergence of themes and patterns from various research methods, theories and sources of data. A popular practice for corroborating evidence is to use interviews, observations and documents as sources (Creswell & Miller, 2000), though Mertens (2005) suggests triangulation can also be achieved when the same method, such as interviewing, uses multiple and varied sources to provide different context of meaning. Finally, theoretical triangulation can be used to improve credibility of interpretive findings (Creswell & Miller). In this research, both interview and theoretical triangulation were used to enhance credibility of

the findings. Mertens suggests that seeking variation in the experiences of respondents can lend to conclusions drawn from the data and reduce threats to the credibility of the findings. Interview triangulation in this inquiry was achieved by drawing on a diverse group of respondents to share their experiences of the phenomena being studied. Even though the dataset was relatively small, there was significant diversity in respondents, both from their demographic backgrounds as well as from the perceptions they shared during interviews. Finally, theoretical triangulation was used by taking themes and patterns drawn from interviews and comparing them with theories of organizations, change, job security and the psychological contract for employment. Theories of organizational change and their implications for developing a strong psychological contract were triangulated with evidence of the stable nature of the industry and this organization drawn from the interviews.

Credibility in this study was enhanced by other measures as well. Peer debriefing involves sharing data, analysis, findings, and conclusions with another disinterested party (Mertens, 2005). Given my emic perspective in this area, I used peer debriefing during the data collection process to ensure that bias did not affect my approach to conducting the research, analyzing and interpreting data and drawing conclusions and findings. I am part of a doctoral support group comprised of Ph.D. students who are at various stages of their work. While all of them are not conducting research using a constructivist paradigm, they all are accomplished researchers who provide an invaluable source for peer debriefing. During regular monthly meetings, I was able to share my research design, data,

progress and interpretations with them. Their objectivity and distance from the research topic helped to limit my bias and lent credibility to the study. Meetings with my dissertation chair also provided an opportunity for enhancing credibility as she challenged me to move beyond my initial focus and consider other issues and theories of organizational change that were not apparent upon initial examination.

Member checks were also used to improve the credibility of this study. Member checks involve going back to participants with data and interpretations for their confirmation of the data collected and interpreted by the researcher (Creswell & Miller, 2000). Guba and Lincoln (1989) call member checks the “most crucial technique for establishing credibility in a study” (p. 314). Due to logistics involving location and time constraints for this process, I was not able to return to all of the respondents for confirmation of the data collection and interpretation. I did discuss my findings with several respondents who I considered key informants in order to get feedback from them regarding my interpretation of the data. These individuals largely shared my interpretation of the findings though there were some differences noted. These comments are contained within the chapters that follow.

Creswell and Miller (2000) suggest that seeking disconfirming evidence of interpretations and findings can also improve credibility. After establishing preliminary themes or patterns, the researcher actively seeks evidence that will disconfirm the initial findings. Closely related to disconfirming evidence is the practice of negative case analysis. Mertens (2005) suggests that researchers



should seek cases that do not fit their hypothesis in order to test it. Given the nature of the change that is the focus of this research, one would expect to find themes of employee resistance, feelings of betrayal, and a desire to return to the old way of doing things. As I identified people for interviews I intentionally sought out several who could disconfirm the findings. For example, some individuals who left the company with very good severance benefits may not harbor negative feelings, or individuals who remained with the company may have found the organizational change to be positive and the methods used to restructure and eliminate jobs sound and fair. Several of the respondents interviewed provided disconfirming evidence that was inconsistent with the perceptions of most of the others interviewed. Their views, while largely in agreement with the others, tend to provide the credibility in data collection that Mertens suggest. Their views are provided in the context of the following chapters dealing with the issues that comprised the focus of this research.

Audit trails can be used in qualitative inquiry to enhance credibility (Guba & Lincoln, 1989). They enable other researchers to follow a trail indicating how the research was conducted in order verify the accuracy and legitimacy of the procedures used (Miles & Huberman, 1984). An informal audit trail comprised of notes and observations, samples of interviews, documentation of the ongoing process of data analysis, and informal log of research activities lends credibility to the procedures used in this research and the findings developed from it.

I have noted the potential for bias affecting this research given my emic perspective with the phenomena of change in this study. Though implicit in the

description and reasons for undertaking the research, Creswell and Miller (2000) suggest that constructivists should make any bias explicit and known so the reader can understand it and compare it against methods, data collection procedures and analysis used in the research. For that reason I included in the data methods section a description of my experiences and how they affected me. I also noted how my assumptions, beliefs and potential biases might have shaped this inquiry as well as ways in which they were challenged by any of the findings. Readers can consider that potential bias in evaluating the overall research project.

Finally, qualitative inquiry is characteristically rich in description. Mertens (2005) observes that thick description involves “extensive and careful description of the time, place, context, and culture” (p. 256). It can enhance both transferability, which Mertens characterized as the degree to which findings can be generalized to other situations, as well as credibility (Creswell and Miller, 2000). In describing the individuals, and the time, place and context of this phenomena, I have attempted to provide a rich and detailed account of their experiences and perceptions from it.

## CHAPTER TWO HISTORY AND DEVELOPMENT OF THE INDUSTRY

A brief review of the history of the electric utility industry is necessary to set the stage for why and how dramatic, transformational change affected individuals working at companies like PEU. As noted earlier, corporate restructuring, downsizing and job layoffs were commonplace by the mid 1990's. Many industries had undergone dramatic transformations and few likely considered themselves immune from these turbulences. However, more so than these industries, including a number of regulated ones such as airlines, healthcare, and savings and loans, the electric utility industry was largely insulated by the nature of their environment and had not undergone these disruptions. Understanding how and why that environment developed is central to understanding the dramatic effect that reorganization and downsizing at PEU had on its employees. The following review of the history and development of the industry will demonstrate that, for most of their existence, organizations like PEU operated within a relatively stable and secure environment. It will show that this stability and equilibrium acted as an incentive for employees and the organization to create strong psychological contracts for employment. The closed system in which electric utility industries operated for most of their history and which insulated them from external forces that were typical for many other organizations, also led to an environment in which there were strong incentives for a reciprocal commitment on the part of employers and employees. Merely focusing on the period during which this phenomenon occurred would only tell

part of the story. Berger and Luckman (1966) state that it is impossible to understand institutions without examining the historical process in which they were created. It would likewise be difficult to fully comprehend the electric utility industry and the effect of dramatic change within it without considering the process by which it was created and its evolution into the institution that it was by the 1990's. This examination will aid in understanding how this organizational stability and equilibrium affected the relationship employees developed with PEU and how they were affected when it was dramatically altered.

The history of the electric utility industry can be depicted as occurring in three distinct and dramatically different periods (Energy Information Association, 2000). Each reflected a different environment for the organizations in the industry and for the employees working within them. The first period, beginning with Thomas Edison's Pearl Street Station going online in 1882, (Phillipson & Willis, 1999) to passage of the Public Utility Holding Company Act (PUCHA) in 1935, (Brennan, Palmer, & Martinez, 2002) was characterized by constant change and uncertainty as the new industry developed. The second occurred from 1935 until the early 1990's and represented a period of growth and consolidation in a highly regulated, stable environment. The third, which took place from the 1990's to today, has been filled with punctuations, dramatic change, and turbulence unlike any the industry has experienced since its origins (Energy Information Association).

The first decade of the industry in particular represented very dramatic change. The period after 1882 was one of rapid growth, coinciding with a time of

industrialization and economic growth in the country. As a result of this growth and change, the fledgling industry was characterized by extreme uncertainty and instability (Energy Information Association, 2000). While there were less than two dozen firms in existence in 1882, within three years that had grown to nearly 500, and by 1891, there were almost two thousand independent local companies providing electric service (Granovetter & McGuire, 1998).

One of the factors leading to change and instability was the independent nature of these first electricity suppliers. In the early days of the industry, each electric supply company operated on its own system, building a generation and distribution network as well as selling its customers the equipment and appliances necessary to use it. Exclusive contracts locked the central supply stations into buying equipment from one supplier and prohibited equipment suppliers from selling to another generating company (Granovetter & McGuire, 1998). This resulted in a variety of different voltages and electric frequencies in the same city, creating a wide array of equipment for both supplying and using the electricity (Granovetter & McGuire). It was not until 1893 that alternating current, promoted by George Westinghouse, became the standardized method of supplying and distributing electricity, which led to some standardization and conformity in the industry (Hyman, 1988). One of the features that made alternating current the preferred method was the relative ease in which the electrical voltage could be transformed. Unlike direct current electricity, which had to be generated in a plant near its customers, alternating current electricity could be generated in large, remote plants and transmitted long distances to

customers with relatively little loss (Phillipson & Willis, 1999). Proponents of direct current like Edison favored smaller generators strategically located in order to provide electricity to a small customer base. If this view of the industry had prevailed, it likely would have developed very differently, with far less stability and structure than what eventually came to characterize it (Granovetter & McGuire). It also would most likely not have resulted in the development of a strong employment relationship that eventually became a central characteristic at large companies like PEU. The use of alternating current led to a system of very large generating plants that transmitted electricity over wide and complex delivery areas. It also created an incentive for vertical integration and efforts to achieve economies of scale (Phillipson & Willis) which would eventually lead to the stability and conformity that would one day characterize the industry.

Employment in the early days of the electricity business was not unlike most other industrial employment at the time. Cappelli (1997) describes work around the turn of the 20<sup>th</sup> century as very transitional, with very little attachment between employees and employer. Cappelli notes that most workers at this time acted more as contractors for their employers than as employees. The stability and strong sense of a family relationship that would come to be a central feature at organizations like PEU was not a prevalent in employment at this time. Another factor affecting the work relationship in all sectors of industry was the rapid influx of immigrants who further weakened an employment relationship that was already characterized by little or no job security (Cappelli). With an abundant labor supply and two thousand independent local electrical firms

competing for employees in 1891, there was also likely rapid employee turnover in the electric utility industry and long term internal employment stability was not the norm. Also, few statutory laws existed at that time to act as an incentive for employers to strengthen the relationship they had with their employees (Cappelli).

### Consolidation of the Industry

However, after the first several decades of its existence, the industry began to undergo significant consolidation. If the birth of the industry and the view of electricity as a commodity can be largely credited to Thomas Edison, one of his associates, Samuel Insull, is perhaps most responsible for the organizational environment and stability that developed within the electric utility industry and came to characterize employment in it for most of its existence (Granovetter & McGuire, 1998). After spending his early years with Edison learning the technical, financial and political aspects of the business, Insull took head of the Chicago Edison electric company and eventually dominated the energy industry in the Midwest (McDonald, 1958). Several of the most significant factors that led to the organization of the electric utility industry as a closed system that resulted in a stable culture and employment relationship can be attributed to innovations introduced by Insull.

As noted, one of the factors that led to a very loosely coupled environment and a weak employment relationship in the early days of the industry was the

large number of small independent electricity providers (Granovetter & McGuire, 1998). Once Westinghouse's alternating current became the dominant form of electricity, there was an incentive to consolidate and add scale to the delivery of electricity. Since electricity cannot be economically stored, electricity providers must install sufficient plant to meet the highest demand they expect for the energy, called peak demand. Insull knew that the business of generating and providing electricity had very high fixed costs because of the investment needed to meet these peak power demands (Hyman, 1988). He also recognized that after the initial cost of building a plant, adding capacity and the equipment to operate it was relatively inexpensive (Phillipson & Willis, 1999). The current system of a number of small independent operators was inefficient since each was making the initial investment in plant but was not capable of realizing savings through economies of scale. Insull observed that these economies of scale could be realized by building larger plants and delivery systems and gaining more customers to sell the electricity. As these large scale electricity providers began to build larger plants, there was also an incentive for them to develop a more reliable and stable workforce to run them.

Another factor that led to a more stable employment environment and eventually to a strong psychological contract was the complexity of the industry. As the industry grew to meet ever demanding needs for the product, the plants and distribution systems necessary to generate and provide it grew larger and more complex (McDonald, 1958). In his study of businesses, Chandler (1962) found that as organizations moved from small, single unit operations to larger,



multi-unit organizations, there was an incentive to internalize their business operations to avoid external transactions. In his profile of General Motors, Chandler observed that this internalization led to a system in which they produced the components for the automobile, assembled them and distributed them all within the organization. This vertical integration, as it was called, eventually became a central characteristic of electric companies, with each independent firm building its own generating and distribution network and then selling its customers the equipment and appliances necessary to use it (Granovetter & McGuire, 1998). Phillipson and Willis (1999) define a vertically integrated utility as one in which the functions of generation, transmission, distribution and retail sales are intertwined into one company. They note that this arrangement served as the model of the industry for much of its existence. As organizations became more complex, interconnected and vertically integrated, they operated as closed systems that were less reliant on their environment. This too resulted in an increased level of stability and equilibrium within the organizations in it.

The internalization of the employment relationship is another trend that grew from this more complex, multi-unit organizational structure (Chandler, 1962). Chandler observed that as the need for a more predictable supply of skills and human resources grew, the incentives to move away from the external market for labor and to secure it from within the organization became necessary. Theorists like Chandler and Cappelli (1997) posit that as industries grow, consolidate, and become more complex, they require a more reliable workforce.

As the electric industry began to align with Insull's model for growth, consolidation, and vertical integration, in addition to increased organizational stability, the nature of the employment relationship moved to one that was increasingly characterized by job stability and security.

However, the most significant impact that Insull and his associates had on the industry, particularly in terms of the stability and equilibrium it would eventually embody, was the proposition that everyone would benefit from a noncompetitive system of electric supply. Perhaps more than any other factor, this moved the industry from the open system that was heavily influenced by competitive forces at its beginnings, to one that operated within a closed system that was insulated from the market and other external influences. This change was dramatic, with Lave, Apt, and Blumsack (2004) noting that only 25 years after its beginnings in the 1880's as a free market system, suppliers in the industry were pleading for regulation, arguing that without it, they faced 'ruinous competition'" (p. 3).

Insull pursued a model in which the service provided by the electric utility industry should be considered a natural monopoly best supplied by private organizations that were subject to state regulation (Granovetter & McGuire, 1998). Besides his personal motivation to adopt this model, Insull argued monopolizing electric utilities would provide better service to customers of the electric utility at a lower cost. According to the concept of economies of scale, customers served by one large electric company should theoretically receive better service at a lower cost than if the service was provided from several

smaller competing ones (Hyman, 1988). Navarro (1985) cautions, however, that in a free market absent regulation, one large utility with the lowest cost could eventually drive out smaller rivals by offering lower prices. Called the natural monopoly problem, once a dominant company cornered the market it could set prices and dictate service in the monopoly it had created. Hyman concludes that proponents of regulation like Insull supported this oversight because they recognized that the government would never let them corner the market in that way, particularly given the experience with other large trusts in the country during this period. However, there was another very significant reason for Insull and others to support regulation of the industry. McDonald (1958) posits that an incentive for private owners of the electric utilities to seek regulatory oversight was to avoid increasing competition from municipal ownership. According to McDonald, at the birth of the industry in 1896, there were less than 400 municipally owned electric plants in the United States. However, by 1906, the number had more than tripled to 1,250. Hyman suggests that the principals of private, investor-owned utilities like Insull recognized that without state regulation, the movement toward public ownership would only increase. He and other private owners of electric companies were successful in bringing in external oversight, and as a result, much of the industry began to come under state regulation. Before 1910, only six of the 43 states had regulatory commissions. However, by 1922, three-quarters of the states regulated electric companies within their jurisdictions (Stigler & Friedland, 1962).

Industries that are subjected to regulation are generally characterized by stability and a state of equilibrium (Haveman, 1993). Theorists viewing organizations as closed systems, such as monopolized electric utilities, contend they tend to develop rules and structures that lead to increased formalization and rationality. In their typologies of organizations, Miles & Snow (1978) characterize *Defenders* as organizations that have a very narrow focus in product and service lines. They assert that these organizations become very good in their domain but have little interest in venturing outside this boundary. Operating as regulated monopolies for most of their existence, electric utilities developed a very narrow focus. This, along with little incentive and in fact, in some cases, barriers to venture outside their boundaries, resulted in electric utilities operating as closed systems. Another result of regulation and monopolization is that these industries also have a stronger incentive to provide secure and stable employment than those not subject to regulation. Uchitelle (2006) reported that regulation acts as a buffer that protects workers in industries that are subject to state oversight. Cappelli (1997) also found that stable, protected markets, either as a result of explicit regulation such as in the telecommunication, airlines or energy industries, or those that occur naturally form virtual market monopoly status such as the early U.S. auto and steel industries, tend to lead to strong employment relationships.

While Insull's push for regulation brought some stability to the chaotic industry, it was still far from the stable and inertial entity it would eventually become, and once again, Samuel Insull played a large part in this process. Once

the industry became dominated by privately held utilities subject to state regulation, the next phase was characterized by solid growth and consolidation into holding companies (Hyman, 1988). The industry was born during the age of the trust at the turn of the 20<sup>th</sup> century, and after the effective elimination of any other significant competitors, the only constraint on its growth was from individual state regulation (Hyman). However, utilities had an advantage over other industry trusts such as those that developed in oil, steel and manufacturing in that they could argue that ever-increasing size and consolidation was necessary because of the benefits of monopoly and economies of scale in the industry (Bonbright, 1969). As a result, large holding companies began acquiring the smaller regulated operating subsidiaries that were providing electricity to customers. By 1932, 73 percent of all electric companies were part of a holding company, (Energy Information Association, 2000) several of which were quite large. As illustration, prior to 1935, three holding companies controlled over half of the generation in the United States (Brennan, et al., 2002). There were legitimate reasons for this phenomenon, most notably the argument for economies of scale. However, there were nefarious reasons for the growth of large holding companies as well. Unlike their subsidiaries, many holding companies covered a region encompassing a number of states, each with their own regulatory agencies. As a result, they weren't affected by state regulation and frequently overcharged their operating companies (Hyman, 1988). Many also engaged in pyramid schemes and activities to milk the stable assets and

secure income from their subsidiaries in order to finance higher risk investments (Hyman).

The era of the holding company came to an end in 1935, in part due to natural causes such as the Great Depression and an increased federal presence in public power, but to a greater extent from public and political outrage over the conduct of the large holding companies. Passage of the Federal Public Utility Holding Company Act (PUCHA) in 1935 brought this era to an end and was responsible for the next 50 years of remarkable stability and equilibrium in the industry (Energy Information Association, 2000). The basic purpose of the act was to transform the large complex companies comprised of vast and disparate holdings into smaller, simpler structures (Brennan, et al., 2002). It required interstate holding companies to register with the Securities and Exchange Commission (SEC), putting them under their jurisdiction and requiring they conform to SEC rules. Perhaps the most significant effect of PUCHA, referred to by Hyman (1988, p. 82) as the “death sentence” for many holding companies, was to break up the systems comprised of operating subsidiaries that were not contiguous to each other. The practical effect this had on the industry was to bring nearly all of it under increased state regulation. Hyman posited that the implications of the PUHCA were to shift the electric utility industry’s emphasis from one of “razzle-dazzle finance and enrichment by questionable means to providing service to customers at a reasonable profit” (p. 83). This obligation to provide a basic level of service at a reasonable cost determined by a regulatory body created the blueprint for the industry environment for the next fifty years. It

also resulted in the organizational structure that was characterized by its stability, resistance to change and a workforce that developed an expectation for job security and a culture of closeness and family-oriented management.

### Stability in the Industry – A Sure Thing in a Changing World

After a decade of adjustment to PUHCA, including the resolution of a number of lawsuits and legal proceedings, the industry began to assume its present structure (Hyman, 1988). Demand for electricity soared as the nation's economy grew following the Great Depression and World War II. This period of rapid growth in demand also coincided with an incredible improvement in the efficiency of electricity generation (Phillipson & Willis, 1999). Hyman refers to this period of the industry, from approximately 1945 to 1965, as "The Good Old Days" (p. 84). Insulated from competition, with a growing need for its product while being strictly regulated by state commissions, the industry and the organizations and employees within it, had incentives to function in a rational manner.

Given the industry's monopoly status, two predominant concerns of regulators were to determine an allowable rate the utility could charge, and to establish minimum standards for service. One of the principal functions of rate-setting is to allow appropriate revenue that will allow the regulated entity to cover operating costs while earning an acceptable profit (Hyman, 1988). Brennan, Palmer, Kopp, Krupnick, Stagliano, and Burtraw (1996) refer to this as a "fair rate

of return” (p. 34). A practical effect of these two predominant features of regulation was that they tended to provide a disincentive to act in ways that would increase profits or change service. Both of these encouraged the development of a culture within organizations that was resistant to change and complemented stasis. Miles and Snow (1978) suggest that organizations that do not have incentives to venture outside their boundaries will focus on their core functions and become very good in their particular domain. Scott (2003) offers a rational view of organizations as one in which their formation, actions, and outcomes develop according to a functional or technical perspective. Organizational players act in a rational manner, developing internal technology, structures, and formalization to achieve goals. Given that there was no incentive to compete, regulation tended to encourage the development of formal procedures and bureaucracies to comply with orders of regulators. Part of the expectations of those regulators was that, in return for the advantage afforded by monopoly, utilities would take actions to keep operating costs low. In this controlled environment, electric utilities also had an incentive to develop what Gersick (1991) characterized as deep structure. Deep structure is defined as “the set of fundamental choices a system has made of (1) the basic parts into which its units will be organized and (2) the basic activity patterns that will maintain its existence” (p. 14). Gersick asserts that deep structures are highly stable and develop as a result of the reactions organizations take to their environments.



## Internalized Employment in the Industry

One of the ways organizations could stabilize their functions and encourage rational, functional behavior was through a stable and dependable workforce. Cappelli (1999) suggests that the application of scientific management to work organization was an impetus for rationalizing and standardizing employment practices. At the turn of the century, and prior to the scientific management movement, variability was one of the central characteristics of employment. A lack of strong internalized employment led to frequent turnover and a lack of standardization in work rules and personnel practices (Uchitelle, 2006). With passage of numerous employment laws regulating labor-management relations, fair wages, benefits and other working conditions, as well as the post Depression and World War II employment boom, the country saw a significant increase in the internalization of employment beginning in the mid-1930's (Cappelli).

With a steadily growing demand for electricity, albeit with capped rates of return and virtually no competition, electric utilities had an added incentive to develop a well-trained, stable and reliable internal workforce. In fact, in one area, the electric utility industry developed differentially from much of the rest of industry. Cappelli (1999) observes that while the strength of the employment relationship overall was increasing, the need for specialized skills among craft workers led to a diminishment in some areas such as construction and heavy industry. He maintains that skilled trades such as carpenters, pipe-fitters, and

machinists have tended to establish a stronger allegiance to their unions than to their employers. Given this proposition, since much of the work within the electric utility industry was either construction or heavy industry oriented, an observer might conclude that this would have also held true in this industry. It did not, however, for several reasons. One was the unique nature of work in the electric utility industry. Rousseau (1995) notes that industries that require specialized skills and knowledge have an incentive to develop a strong internal employment relationship. Work in the electric utility industry is highly specialized, with the need for workers, particular physical workers, with skills and abilities that are not well transferable to other industries. In addition to physical skills and abilities, working in the industry also requires extensive knowledge of the intricate systems of circuits, transmission, and distribution equipment unique to each electric system. The American railroad industry provides a similar parallel with the electric utility industry, albeit much earlier, in regards to the development of a stable workforce with a strong employment relationship with the organization. In the early days of the industry, railroad managers determined that it was essential to have personnel that understood the rail system in order to coordinate the complex flow of the trains crossing the country (Uchitelle, 2006). They recognized that this would require job specialization beyond that expected of other industries. There would be little incentive for employees to develop these skills and knowledge without a corollary return of job security. Likewise, managers would not want to provide the time, money and resources required to train their employees in this required job information if they were likely to leave

the organization. Therefore, job security and stable employment benefit both sides of the employment equation. Chandler (1962) traces the roots of the structure of modern enterprise with its hierarchy of middle and executive managers to the railroad industry for similar reasons.

Many of these same factors can be attributed to the electric utility industry and its need for a secure, stable, specialized workforce, nearly half a century later. Like the railroads, the commodity of electricity was becoming an essential component of the rapid economic growth of the nation (Energy Information Association, 2000). The complexity of the electrical grids that supplied the electricity was comparable to the rail system, with similarly hazardous public consequences from mistakes and errors. Finally, like the railroads, the nature of the work entailed many unique employment hazards, such as working at significant heights around high electrical voltages, dealing with high pressure and temperature systems, and using specialized equipment not applicable to most other work environments. Like the railroad industry, these factors contributed to the need for a stable internalized workforce comprised of skilled, knowledgeable craft workers and supervisors and middle managers to direct them.

Cappelli (1997) claims that providing skills, retaining skilled employees and managing employee commitment to the organization is one of the central challenges in maintaining the employment relationship. As noted, for employers, one of the disincentives to providing skills training is that the trained worker may leave before the employer can recoup the investment. If, due to the nature of employment, the employer must make these investments, as they did in the

electric utility industry, there is an incentive to develop very strong employment ties with their workforce. One way employers can do that is by linking pay and advancement to longevity in the organization. Mills (1985) cites seniority and future promotion as one reason employees stay with an organization once the employer has invested in their training and development. This incentive for retention worked for physical workers in the electric utility industry through the use of apprenticeships and a job classification system that rewarded the worker with increased pay as he or she developed more valuable skills and rose through the classification system. On the managerial side, there was a less formal structure for advancement than craft workers. For management employees, promotions, less so than seniority, acted as an incentive for employees to remain with the company after the organization had invested in their development. This is illustrated in a description of the typical promotion path for management employees described by a respondent.

For example, if you were an engineer, you started out as an engineer, maybe a field engineer. You came in, went through the training to get to a supervisor. If you were a supervisor – if you were fortunate enough – you became a manager. From a manager you then became a director. Cathy

This kind of career path resulted in the employee being more likely to stay as they moved up the ladder in the organization since it became increasingly difficult for them to secure a position elsewhere with equivalent pay and job status (Uchitelle, 2006).

A number of other factors led to increasing job stability and internalization of the labor market in general in all industry sectors. Uchitelle (2006) cites World Wars, increased unionization, the rise of personnel departments, company

funded pensions and healthcare as general trends that led to the rise in job stability in industrial America. She asserts these factors led to nearly 100 years of increasing job security for most Americans. Another factor that led to job stability was the fact that the country would not experience any significant challenges to their supremacy in manufacturing industry until the 1970's and 80's (Kletzer, 1998; Tomasko, 1987; Zuckerman, 1998). Also, as evidenced from the earlier discussion, after passage of the Public Utility Holding Company Act, there were internal and external influences at work in the electric utility industry that suggest that employees in it had reason to perceive an even greater sense of job stability and security than workers in other sectors.

The overall demand for electricity grew rapidly after World War II. From 1945 to 1970, the average growth in use was 8 percent per year, with residential use increasing nearly 14 percent (Energy Information Association, 2000). Interestingly, as demand increased, prices dropped precipitously, primarily as a result of efficiency improvements. Prices for residential electricity dropped between one and three percent during this period (Energy Information Association). This growing demand, coupled with technological improvements that drove down the price, also increased the need for a stable and highly specialized, loyal workforce. As long as the electric utility could meet the demand for its product, it was assured of gaining the resources necessary for survival. Uchitelle (2006) documents the effect foreign competition had in driving down the price of products, which led to layoffs and downsizing in much of the American manufacturing industry. One of the organizations she examined was

the Stanley Tools Company, which had to lay off workers and restructure their organization in order to compete against foreign competition. This story of an organization reacting to the effect of competition was repeated in many other sectors and industries. Miles and Snow (1978) refer to organizations in competitive markets that fail to perceive changes in their environments as *Reactors*. They suggest that these organizations seldom make adjustments of any kind until they are forced to by external environmental pressures. Many industries that were negatively affected by foreign competition in the 1970's and 1980's could be characterized as reactors. However, unlike these industries in the private sector that were subjected to the influence of the market and competitive pressures, the electric utility industry was insulated due to their monopoly status. This environment tended to reward organizations that kept costs low while maintaining reliability. Brennan, et al. (1996) asserts that these organizations were more likely to receive a fair rate of return from regulators than those that ran high costs and were less reliable. So, organizational survival in this closed, regulated environment was enhanced by having a reliable, loyal and committed workforce of trained and knowledgeable employees.

### Shocks to the System

Much of the period between 1935 and 1985 was characterized by a relative stable and environment in the industry and organizations within it functioning within a closed system with little influence from their environments.

However, there were several events that created disequilibrium and impacted the relative stability and equilibrium in the industry. Navarro (1985) refers to these events and circumstances as “shocks” to the electric utility industry. This period of time represents the earliest employment for the employees interviewed in this research. Several of the respondents began working at PEU in the 1960’s when these events were just beginning to affect the industry. The events identified by Navarro certainly had an impact on the entire industry. However, the extent of the disruption depended to some extent on how individual organizations within it responded to them. Some that reacted aggressively were more affected than others that took a more conservative approach. Based on its response to some of these influences, it appears as though PEU was in the latter group, which further enhanced its organizational stability and employment environment.

Navarro (1985) attributes the first shock to the system as resulting from the dramatic increase in government spending that occurred in the 1960’s. This was particularly detrimental to electric utilities because they are highly capital intensive (Hyman, 1988). Navarro claims that the high cost of capital borne by utilities became significantly greater during this period as a result of inflationary increases and expanding government deficits. Navarro attributes the second shock to growing concern over the environment, epitomized by the publishing of Rachel Carson’s classic book, *Silent Spring* (1962). That, as well as passage of the Clean Air Act in 1970, had a dramatic impact on all industry, but it particularly affected electric utilities because of their heavy reliance on fossil fuels, and particularly coal and oil (Energy Information Association, 2000). As regulators

and the public began to pay more attention to pollutants entering the atmosphere, utilities began to feel the impact of environmental controls in the generation of electricity. The next two shocks identified by Navarro were related to, and largely caused by, the industry's reaction to increased environmental concerns. In addition, unlike the first two shocks, they drove up production costs to the point that for the first time in thirty years, the country experienced an overall decrease in electricity consumption (Energy Information Association, 2000). However, it appears that the impact of these last two shocks to individual organizations was tempered somewhat by how they reacted to them. History suggests that those that took a more conservative approach did not experience the same level of turbulence as those that acted more aggressively. As we'll see later, the evidence suggests that PEU did take a conservative approach, which insulated it a great deal from these shocks that affected many other companies in the electric utility industry and contributed to the stability and equilibrium in the company.

The third shock impacted the industry in the mid 1970's after many utilities had converted a number of their polluting coal-fired plants to oil in order to meet clean air requirements (Navarro, 1985). Unfortunately, within a few years this proved to be a mistake when the Arab Oil Embargo in 1973-1974 resulted in a four-fold increase in the price of oil (Hyman, 1988). As regulated entities, companies that had heavily invested in these conversions, eventually were able to recover these costs. However, though regulators allowed utilities to dramatically increase rates to accommodate their higher fuel prices, this reduced



demand for the product. After nearly thirty years of increased consumption with an accompanying decrease in costs, the industry experienced its first reduction in the sale of electricity in 1974 (Hyman). Utilities that had converted significant portions of their generation from coal to oil would have been impacted by this event to a greater extent than those that did not.

The fourth shock also dramatically affected utility costs, and did so to a far greater extent, though like the third, the impact it had on specific utilities depended to a large extent on specific actions taken by the individual companies. The birth of the nuclear energy occurred when the first nuclear generating plant went online in 1958 in Shippingport, PA (IEEE Virtual Museum, 2007). By the early 1970's, many electric utilities had begun investing heavily in nuclear generation. Hyman (1988) notes that nuclear energy seemed to be the answer to the industry's fuel problem since it was cleaner than coal and at least initially, was less expensive than oil. The industry reacted accordingly, and by 1970, one percent of the nation's generating capacity was nuclear. This growth continued, with 131 new nuclear units commissioned between 1971 and 1974 (Hyman). While the growth of nuclear power had already begun to slow dramatically after the mid-1970's as a result of increasing regulation and construction costs, another significant event served as the death knell for nuclear power. After the famous accident at Three Mile Island Power Plant in 1979, with its potential for a catastrophic meltdown, no additional reactors were ordered anywhere in the country (Energy Information Association, 2000). Remarkably this hiatus in nuclear generation construction continued until April 10, 2008, when

Westinghouse Corporation announced plans to build the first nuclear reactor in the country in nearly 30 years (Olson, 2008).

Following these four shocks to the relative equilibrium of the industry, the early 1980's were marked by virtually no growth in electric generation in the United States (Energy Information Association, 2000). The year 1982 marked the first time in nearly 40 years in which there was an absolute decline in generation, and for utilities that had invested heavily in oil and nuclear, this period represented one of contraction rather than growth (Navarro, 1985). The recession of the 1980's and the decline in heavy industries such as steel also dramatically affected the need for generation (Energy Information Association). However, there is evidence that these factors, and particularly the decline in heavy industry, did not equally affect all utilities across the board. As already noted, utilities that had invested to a lesser extent in oil and nuclear power were not affected as significantly during this period as those that did. Also, utilities with less of their industrial customer base comprised of the industries that saw contractions during this period would be expected to have incurred less impact.

### PEU – An Even Surer Thing in a Changing World

Most employees at PEU recognized that even in a very stable industry, the company was characteristically more conservative and resistant to change than many other electric utilities. Management there was known for paying very close attention to budgets and keeping their costs low. They were not innovative

and tended to continue the same practices they had for most of their existence. This nature, as well as several other factors in their history, resulted in PEU being impacted to a lesser degree and remaining relatively stable during the so-called shocks to the electric utility industry. The company was one of the utilities that did not convert a significant amount of their generation to oil and stayed entirely out of the nuclear generation business. In fact, during a period of time when many organizations were commissioning new nuclear plants, it began a period of rapid construction of new, more efficient, less polluting coal-fired power plants and long distance transmission lines that could be used to supply power to other utilities that eventually needed additional generation capacity (Internal Company Publication, 2001). This decision to build new coal-fired plants at a time when many utilities were investing heavily in nuclear to meet air pollution standards might seem odd and counter to the conventional wisdom of the day. However, it turned out to be very prescient given the eventual collapse of the nuclear generation industry.

Efficiency in power generation is measured by a factor called heat rate. Phillipson and Willis (1999) define heat rate as the number of British Thermal Units (BTU), a measure of heat energy, required to produce one kilowatt hour (KWH) of electricity. For generating units it is akin to the fuel economy rating, in miles per gallon, of an automobile. Older, less efficient coal fired power plants had very high heat rates. Nuclear plants, once they are built, have a very low heat rate and are less costly to generate electricity (Phillipson & Willis). The newer coal-fired power plants that PEU built beginning in the late 1960's, called

super critical units, typically had a much higher heat rate than older ones and were also less polluting (Energy Information Association, 2000). From 1967 to 1979, the company built 11 of these new high efficiency units. In addition to providing a stable financial situation, this rapid commissioning of new plants also resulted in numerous construction and operating jobs (Van Atta, 1991). Putting this into perspective and in the context of stability in the organization, this construction and growth at PEU occurred during the same period of time in which many other utilities in the industry were contracting employment due to strategic errors made in their fuel choices for generation.

Another factor that worked in PEU's favor when other utilities were experiencing financial difficulties and undergoing contractions in employment was the extent to which its customer base was comprised of the industries that experienced dramatic decline during the 1980's. PEU had industrial customers, however, they did not constitute a significant portion of its load. A neighboring utility, in contrast, had an extensive portion of their generation devoted to the steel industry. As the steel industry faced contraction in the 1980's, this utility faced significant reductions in their customer base (DQE Website, 2007). Leana and Feldman (1992) profiled the plight of steelworkers who worked at steel plants in this neighboring company's territory. They noted that in 1978, there were six steel mills employing 42,000 workers. However, by 1986, all but two of the plants had closed and 35,000 jobs had been lost. This kind of dramatic loss of industrial production significantly affected the companies providing it. Electric utilities that were heavily dependent on it for their income underwent change and

reductions in their workforces more so than those that had a more balanced customer base.

Despite the turbulence introduced by these so-called shocks to the system, (Navarro, 1985) the effect of regulation, monopoly status and a generally predictable need for its product led to remarkable organizational stability. This organizational stability and stasis also resulted in strong employment relationships between employers like the PEU and its employees. Also, this period of growth and stability in the electric utility industry occurred in parallel with increasing job security in all employment sectors in the United States (Cappelli, 1999). The insulation of the industry and its employees from normal market influences and competitive pressures that other non-regulated sectors experienced would be expected to result in even greater job security in organizations like PEU. This stability and lack of change was very prevalent in interviews with employees who had worked at PEU. When I asked respondents to describe the culture in the organization they frequently cited the fact that very little change occurred until the reorganization in the 1990's.

Of course, they never did it (changed in areas like benefits) until they had to do it. I was always told, "Until we're forced to do it, we're not changing." So to me, until by law, they had to make some changes, they weren't going to give us anything. The attitude of the people who I worked with was the company is not going to make any big mistakes, but it's not going to make any big advancements either." Patty

Gersick (1991) posits that organizations that have been insulated from their environments develop deep structure. Scott (2003), notes that a characteristic of organizations that are in closed systems is that they tend to

develop rational structures and bureaucracies. PEU was known for its attention to detail and following procedures, a characteristic to which several respondents alluded. When asked what was important at PEU prior to the reorganization, Frank said, "Follow procedure, it was an authoritarian type of thing." Todd, who was with the organization for a number of years prior to the reorganization and remained with it for several years afterward, cited management's aversion to risk in describing the organizational culture.

They (management) didn't surprise you. You weren't going to get any wild decisions or anything like that from them. But they were going to go about the business of making and distributing electricity. That's what they did. They maybe weren't the biggest risk takers in the world, but there was no advantage to taking risks either. Todd

Todd correctly observed that the environment in which organizations in the electric utility industry operated within didn't provide incentives for taking risks or engaging in innovation. In a regulated environment there was little benefit in implementing a cost-saving measure because the commission would likely recommend a rate cut, since the company's operating costs were lower. Also, enhancements to service, while viewed favorably by commissions and customers alike, weren't going to bring in additional revenue or attract significant numbers of customers either because the company's market was limited by monopoly. As a further disincentive, if the organization did try some innovation that didn't prove successful and cost them money, they would have a difficult time recouping the costs through their existing rates. These factors acted as disincentives for innovation and incentives for tentativeness and moving very slowly before taking

action. Many of the respondents in this interview agreed with this characterization and suggested that PEU was even more conservative than industry standards. Sam worked in a job at PEU in which he interacted on a regular basis with other electric utilities in the state. When I asked him to compare the company with other electric utilities he noted a distinct difference.

PEU was very conservative. I used to go to (national organization meetings) and be amazed at some of the things other companies were doing. Don't get me wrong, I didn't think what most of them were doing was right. But we were definitely behind the things most of them were doing. Look at the things that (two other local companies) did. Some of it was probably money. It seemed like they always had more money even though they were going to the same commission as we were. I think they just knew how to get money better than we did. But most of the time it worked out alright because half of what they did didn't work anyway. Management at PEU wouldn't try anything unless they were sure it would work.

It was even worse. (When you compare PEU to companies in other industries). Companies outside the industry were way ahead of the electric utility industry, and PEU was way behind the rest of the electric utility industry. Sam

Leavitt (2004) used the metaphors of an elephant and a fox to describe organizations that have significant hierarchies and structure (the elephant) versus those that are leaner and more flexible (the fox). Cappelli (1997) notes that organizations that are highly internalized, as was the electric utility industry, tend to be more hierarchical and structured than those that are more dependent on, and exposed to, their external environment. As an extreme he cites a company that had 14 different levels within the organization. PEU was not quite that hierarchical, though some areas of the company had as many as 10 levels before the reorganization. A position at the bottom, such as a clerk, reported to a

first level supervisor, who in turn reported to a section supervisor and then to a division manager. The manager then reported to a department director, who reported to an executive director, a vice president, a senior vice president, the president, and then finally the company CEO. This hierarchy and the overall culture at PEU led to a rigid, bureaucratized structure that functioned very much like the elephant to which Leavitt referred. In fact, when I asked Todd to compare the company to other electric utilities he had experience with, he also used the metaphor of an elephant to describe the organization.

Someone once told me, he described the company as a big old elephant ambling down the path. It might veer off the path a little bit but not very far and not very fast. So if it wasn't the right way to go, it could get back on track. I always thought of it like it's probably a ferry or maybe a boat, it would be another large boat that it's not going to veer down here in this direction and get too far off the path, the right path. It can go back there. But it also can't make quick moves when necessary perhaps and miss opportunities.

If you looked around during this time you could see where money could be saved if working on something a little bit differently. But I don't think there was a lot of incentive to do that back then. It might be hard to implement change in those times, harder to implement change. I guess that's where the collective personalities come into the picture, that we just don't jump at things. Todd

The statement "we just don't jump at things" describes how many employees viewed PEU's approach to change and innovation prior to the reorganization. This aversion to innovation was very evident in the area of information technology. Frank worked in this field at a time when it was going through dramatic innovation and change in the early 1980's. At the time of the interview he was still working in the technology field, though it was for a



contractor providing technology services to PEU. When I asked him to describe the organization compared to other companies he was familiar with he said,

(The company) was very conservative. The field of IT (information technology) is very cutting edge so it was really evident that (PEU) was very much behind the rest of the IT world in my opinion. I used to attend meetings in Pittsburgh where I interacted with other IT people and that reinforced my opinion that (PEU) was very behind in this area. I felt that IT wasn't the only area where this was the case. I believed that the company was very conservative and somewhat backward in a lot of other areas as well. Frank

Perhaps because he worked in such an innovative field and observed firsthand what other companies were doing, Frank saw humor in some of the actions he observed the company take in technology.

I thought that they tried to be like the progressive companies out there but they really weren't very good at it. It was kind of humorous sometimes to see them doing things because they seemed like they were trying to be progressive but weren't very good at it. Frank

This view, that PEU was not adept at innovation or acting engaging in progressive practices was repeated by several other respondents and reflected the view of many employees there. This resistance to engage in significant change, even in response to influences that affected many other companies to make unwise decisions, was a characteristic of the company. It also served PEU well in the regulated environment it operated within. Adaptation theorists Hannan and Freeman (1977) claim that organizations that are most successful in responding to external environmental influences are those that can buffer the change and make smooth adjustments that cause minimal disruption to the

original organizational structure. This describes PEU and its approach to responding to influences from its environment very well.

### Employment Opportunity at PEU

However, this resistance to change and tendency to fall behind more progressive companies also had more insidious results. One was in the area of equal employment opportunity. A number of respondents perceived that PEU was behind much of the rest of the working world in its treatment of women, as well as presumably other minority populations, though that was not a focus of this research. Several of the women in the organization noted the disparate treatment they and other women experienced while working there. This treatment took a particularly blatant form for many women who began employment prior to and immediately after employment discrimination laws passed in the mid-1960's. The Civil Rights Act of 1964 prohibited discrimination on the basis of race, color, national origin, religion and gender (Jasper, 2008). This act, also referred to as Title VII, made it illegal for employers to use any of these factors in any employment decision. However, several of the respondents suggested that opportunities, even following passage of Title VII, were still very limited for women. I asked Lori, who was a clerk in the company, to describe what she perceived the experience of women working at PEU was like.

I thought the company was very behind when it came to its treatment of women. You hardly saw any women in high positions. I guess some of that was just the way things were for women, but I still thought it was worse there than it was in a lot of other places.

There were a few here and there but it was like they were a token or something. You definitely knew your place there. Lori

Patty was another woman who noted the disparate opportunities women had in the organization. When I asked her if there was anything in the old organization (prior to reorganization) she didn't like, she noted that the way women were treated was most frustrating to her.

Well, certainly it was the way women were treated. They weren't nasty to us, but again, I think our company was certainly male-oriented. The men, when they started without an education, they could start in any field they were interested in. The women started in the mail room. Patty

This frustration with being "pigeon-holed" into certain jobs or areas appeared to be a norm at PEU for some time after gender discrimination had been prohibited by statute. Nearly all women working there, with the exception of the few individuals at the time who had degrees or specific experience in particular fields, started out in the mailroom or steno pool. From there, they were assigned to individual offices when there was vacancy for a clerical or secretarial position. As Patty noted, men had better opportunities when they were hired at PEU, even when they were similarly situated. Men didn't start in the mailroom, but instead were hired directly into a specific area of the company, either in a physical job like a line worker or mechanic, or in an office job such as an analyst or technician. Particularly before and in the several decades after anti-discrimination statutes were passed, working women were often confined to working in female-oriented jobs, such as clerks and secretaries.

I recall a conversation I had while working at PEU that was very enlightening to me and also revealed the extent to which this occurred for women in the organization. I was asked to facilitate a committee at one of PEU's field locations. The committee's charge was primarily dealing with selecting promotional awards and planning social events for the facility where they worked. When we had our first meeting, I noted that all of the members of the committee were women. I told them it was curious that no men were appointed by the local management to the committee and asked them if they knew why that was the case. One of them, a bright, young, articulate, and very capable woman who was a secretary there said in very matter of fact manner, "There are pink jobs and blue jobs here. This is a pink job" (Personal conversation). Reskin and Bielby (2005) similarly noted this insidious labeling of the labor market. They observed that many occupations are typically labeled as being "woman's work" and "men's work." Though these terms are less colorful than "pink jobs" and "blue jobs," the implications are the same. Management viewed certain jobs and work assignments, such as membership on this committee, as being unimportant and appropriately assigned to women, whereas the important work was reserved for men. All of the women laughed along with her after this comment. However, it was apparent to me that, despite their laughter, all of them had experienced this diminished view of their importance and recognized the limited opportunities they had at PEU on a regular occurrence, and it was very demeaning to them.

Joan was another respondent who noted the general lack of opportunity for women and her perception of the way they were treated at PEU. Joan was a

secretary with the company who had access to and was involved with very sensitive information for most of her career. She described an encounter she had with an executive that she believed demonstrated to her how her value to the organization was perceived, despite the implicit responsibility Joan had in her position.

Yeah, women just – they were secretaries. This was it. That was all. There was nothing. As a matter of fact, whenever – we hired an appraisal analyst and that was probably in the 70's and 80's and they were always college graduates. When they would leave, I would – they didn't hire someone immediately - so I would do the test profiles and I learned all of this. Before (her boss at the time) retired, that was 1976, I asked if I take evening courses, could I have this job? And he wanted me to go to school and all of that. (The director of her department) was in at the time and he said, "absolutely not." I said I can do the work and I'd like to learn more about this. Right then and there he took me out of that job and into (another department). He did not want me. It was still a matter of women – they didn't want women in the job. That was alright by me. Joan

Even though she was doing the work of the appraisal analyst in between new hires for the position and offered to go to night school to get an education, it was made very clear to her that that was not an option. Her suggestion that she was actually reassigned for considering such as thing is particularly insidious. Joan was able to resign herself to her permanent status in the organization, however, because she remained as a secretary for another 20 years before losing her job during the reorganization. When I asked Patty, who had noted the relative ease that men ascended in the organization, how she felt about the opportunities she had, she observed that it was what she expected it to be. Even though she had

earned a degree and moved beyond the clerical field, as she looked back on her career, she wondered if she shouldn't have had other opportunities.

I had hoped to end with a little higher position than what I had, although I had thought I had moved up faster than what I did. I was happy with my last job. I think if I had stayed there and had more time. If I were younger, I should say. If I had been younger by the time that I had gotten to this position, maybe I would have had more opportunities. But it took so long to go from a mail-room clerk to a specialist. Patty

Like the women on the committee, Patty maintained a sense of humor about her situation. She observed the disparate treatment she received in terms of advancement, noting men that she perceived were less capable than her that were promoted to supervisors.

Well, I was 60; where was I going to go then? [laughs] It was a slow process. I felt that I should have moved up faster. I saw people being promoted, and I thought I was a better employee. I thought, "I worked with that fella. I know that he couldn't know what I know." [laughs] Yet he would get promoted to supervisor. I thought, "I worked with him. He wasn't even a good worker there. How could he get promoted?" And yet we overlooked everybody. But it wasn't just me, other people too, but it was mostly women. Patty

Gender discrimination like this, while unfair, illegal, and limiting women's opportunities, did not impact career choices in the manner that another form of discrimination did. An aspect of employment discrimination against a particular subset of gender that was most blatant at companies like PEU during a period of time was that based on pregnancy. As originally written, the Civil Rights Act of 1964 prohibited employers from using it as a factor in employment decisions (Kelly & Dobbin, 1999). However, a related issue that was not addressed in the original act and for which discrimination continued for some time after its

passage, was the condition of pregnancy. The Equal Employment Opportunity Commission (EEOC) determined in 1972 that pregnancy should be considered under the umbrella of gender though this position was not codified into law for another six years when the Pregnancy Discrimination Act of 1978 amended Title VII (Kelly & Dobbin). Most of the women hired at PEU prior to this period of time faced certain job loss if they had children. Several of the respondents interviewed in this research had been directly affected by this practice. This aspect of disparate treatment of women and the affect it had on their careers at the PEU is explored in Chapter 7 in the context of the manner in which it affected how they perceived their psychological contract for employment in the organization.

While men generally had better opportunities and faced less discrimination than women, some respondents also expressed the view that advancement and promotion in the organization was not simply based on ability and potential. While this type of complaint is likely to be heard in any company, it could be expected to be more prevalent in an electric utility like PEU. Given the nature of its environment that insulated it from competition and profit-making motives, one would expect that factors other than performance might enter into promotional opportunities. Pete spoke about this when asked if there was anything that frustrated him about the culture and norms at PEU prior to the reorganization.

If I had to say the one thing that I really didn't like, because I didn't play the game, was "the good old boys club." If you played golf and belonged to the local club and did all the political stuff you'd get somewhere in the company. If you didn't, well, you probably wouldn't go very far. Pete

This view that there was a “good old boys club” for promotions suggested that opportunities at PEU were limited for anyone that wasn’t a member. A related issue that several respondents said limited opportunity at PEU was the norm that employees had to be educated in the field of engineering in order to be promoted and advance up the ranks in the company. This was not unusual in that a characteristic in modern employment was a focus on specific skills and training in fields such as engineering, business administration, or finance (Cappelli, 1992). However, what was unique about PEU was the emphasis placed on this particular profession, even in areas where it was not specifically needed. Operation and maintenance functions in the electric industry required extensive knowledge and training in mechanical and electrical engineering. As the organization placed emphasis on individuals having this specialized training, a greater number of employees were hired with engineering degrees and went on to gain experience in the operations of the company. However, several respondents noted that individuals with engineering degrees were prevalent in all aspects of the company, not just operations and maintenance, and dominated most of the senior management positions. Some, like Sam, thought that too much emphasis was placed on having this specialized training and that opportunities for employees like him who did not have the degree, were limited. Sam had worked in the public sector as a teacher before going back to school and getting an advanced degree in another field unrelated to teaching. One of the reasons he left the teaching profession was due to what he perceived to be a limited opportunity for advancement. When he worked in education, teachers in



public schools were not well paid, and Sam was looking to go to work somewhere where he believed his skills and abilities would be recognized and rewarded. He began working at PEU when he was in his early 30's. When I spoke to Sam he had recently taken an early retirement from the organization after working there for nearly 25 years. While generally positive about his experiences for much of his career at PEU, when I asked him if there was anything about working at PEU that frustrated him, he said, "Advancement. You had to be an engineer to get promoted. If you weren't an engineer you couldn't do anything." This strong emphasis on engineering and the extent to which it limited opportunities at PEU was echoed by several respondents, including Todd, who said,

The engineers ran everything. It didn't seem like it mattered what it was, I think even (the personnel director) was an engineer, wasn't he? It was like an engineer knew how to do everything, purchasing, accounting, whatever, but no one else knew how to do engineering. I was okay with that but I know it frustrated a lot of other people. Todd

Cathy and Jeff also both alluded to the focus on having a background in engineering at PEU, describing what they saw as the typical career path for senior management and executives in the organization.

You started out as an engineer, maybe a field engineer. You came in, went through the training to get to a supervisor. If you were a supervisor – if you fortunate enough – you became a manager. From a manager, you became a director. Cathy

If you kept your nose clean, if you generally were an engineer – engineers were favored over just about anybody else – if you were an engineer, you were either Pitt or Penn State, you had to be that, that was very recognized – you were going to succeed. Jeff

These views that promotional opportunities were limited, certainly for gender, but overall as well, had implications for the psychological contract that developed between employees and PEU. This contract is explored to a greater extent in Chapter 3, and considers perceived inputs and sacrifices employees made in return for the promise of job security and stability. This theme regarding limited opportunity at PEU will be revisited in the context of how employees viewed it as something they gave up in return for employment security.

### Bureaucracy, Structure and Conformity

Several respondents were critical of the structure, bureaucracy and emphasis on conformity that was characteristic of the company, though this was not a prevalent view. Lori was one of the exceptions to the generally broad acceptance that respondents had for the bureaucracy and rigid structure they perceived in the organization. Unlike some of the other employees interviewed, and for that matter, all of the women, Lori had work experience with several other employers prior to coming to work at PEU. She was employed at a grocery store for a year after high school and then worked at a large steel mill for several years before she began working at PEU. When I asked Lori if there was anything about the company that frustrated her, she noted the dissatisfaction she had with what she perceived as a very rigid structure and undue emphasis on following procedures.

I was frustrated with the structure and rules. It didn't make any difference what you were doing, there was a form you had to use, a procedure you had to follow, you needed to do it a certain way. My boss was always nitpicking at me for not doing that. I think it was more important to him that you followed the rules than get something done. The people that followed the rules were the ones that got ahead. It didn't matter whether they accomplished anything or not. That's just the way it was. Lori

This emphasis on conformity and "following the rules" was evidenced in another practice that was commonplace at PEU. Few employees below the rank of manager, and virtually no one outside of supervision, wrote and signed their own memos. It was very common for employees to prepare memos and reports, which in some cases were very long, detailed and containing information known only to the author, and then hand them over to a superior for their signature. Very often the memo would be returned to the employee to make revisions and edits before it was signed by the their supervisor. When I asked Steve to describe the culture at PEU, he observed that it was characterized by a very restrictive work environment and close supervision. When asked for an example of this, he cited this practice as an example of the restrictive nature of working there.

You couldn't even sign your own memos (prior to reorganization). So they were very carefully written and every word analyzed so that the exact right sentence was sent out to people. And I don't think he (his manager) was protecting himself, I think he did it out of pride in being deliberate. Steve

Steve was a highly trained engineer with a great deal of experience in his field when he worked for this manager. However, despite that, because of the strong

emphasis on conformity and standardization, he was required to write the memo and then hand it off to someone else for the review and signature. This deliberate structure way of doing things was characteristic of the way things were done at PEU. Employees who worked there learned to do things the way they had always been done and to conform to what their supervisors wanted. They wrote memos in the manner their bosses wanted them done, which tended to be the way they had always been written in the past. There was no incentive or reward for doing anything different, even something as relatively insignificant as writing a memo. Scott also specifically mentioned this issue as an example of the degree of control exercised at PEU. Interestingly, in his case, he was a level above first line supervisor at the time.

You couldn't do anything without your boss approving it, signing off on it and everything. Even when I was a (superintendent) I had to have my boss sign almost all my memos that were leaving the plant. Scott

Few others interviewed expressed much frustration with the rules, structure and conformity that characterized PEU prior to reorganization. In fact, many of the respondents were comfortable with it, noting that it gave the culture a sense of consistency and stability which attracted them to the organization in the first place and kept them there once employed. All of the respondents were asked if they ever considered leaving PEU to go work elsewhere. All but four said they never considered leaving the company. Of the four that did, none gave it much serious consideration and only one had actually looked elsewhere and considered other offers for employment. The reason most often cited by these individuals for leaving was the perceived lack of opportunities for advancement.

Frank represented this view, briefly considered leaving to work elsewhere early in his career. However, he stated that when he considered the job stability and job security he felt he had at PEU he changed his mind.

I considered leaving for a very brief period when I was frustrated with the lack of opportunity I thought I had there. I thought about leaving then. But then I thought about my family and what could happen if I lost my job and I decided to stay at the company. I was afraid to lose the stability and security (PEU) provided. Frank

This stability in employment and the overall closed environment in the industry had existed since the 1935 and passage of the Public Utility Holding Company Act. However, changes were about to occur that would bring about the most dramatic transformations the industry had experienced in over 70 years. The next section will provide a brief review of the impact that deregulation and competition brought to the industry, specifically focusing on the effect these changes had on organizational stability and employment security for the employees working in it.

### The Changing World Comes to PEU

The beginning of significant change in the electric utility industry that would eventually affect PEU actually occurred in the late 1970's, though its true impact wouldn't be felt for over two decades. Passage of the Public Utilities Regulatory Policies Act (PURPA) in 1978 had little impact on most employees yet it set the stage for changes in the way the industry operated for over 40 years. It brought about the conditions that would eventually lead to calls for

deregulation and the introduction of competition to the industry nearly 20 years later (Brennan et al., 1996). PURPA didn't have an immediate dramatic effect on companies like PEU and most employees probably knew little about it at the time. However, it led the way for significant changes in the way electricity was bought and sold that would bring about a rapid transformation of the industry, and dramatic change in companies like PEU.

Part of the National Energy Act of 1978, PURPA was the first significant legislation to restructure the industry since the Public Utilities Holding Company Act (PUCHA) in 1935. Its primary effect was to permit states to implement certain measures that allowed non-utilities to generate electricity for sale (Brennan, et al., 2002). Prior to PURPA, only those utilities that were granted exclusive jurisdiction could generate and sell electricity to customers. Non-utilities could generate electricity for their own use but by law, were not permitted to sell it. This acted as a de facto barrier to competition for companies like PEU since there was no incentive for an entity to generate any more electricity than they could use for their own purposes (Brennan, et al.). Hangar (1996) attributes the provisions of the act that allowed other entities to generate and sell electricity as the first step in the process of moving away from the vertically integrated structure of the industry that had characterized the stability of the industry. However, this unbundling of the processes of providing electricity did not begin in earnest until 1992 with passage of the Energy Policy Act (Energy Information Association, 2000). Therefore the impact on specific organizations and the

employees working in them was not apparent for some time after passage of the act.

PURPA did not lead to significant change in the industry because sections of the PUCHA still practically limited competition from other generators. Enacted to deal with the proliferation of massive holding companies in the 1930's, PUHCA put significant limits on the amount of generation that could be sold across state lines, essentially bringing electric regulation under specific state oversight (Hyman, 1988). However, the Energy Policy Act of 1992 created a category of generators called "exempt wholesale generators" (Energy Information Association, 2000, p. 8) who were exempt from the provisions of the PUHCA. This effectively eliminated the barrier that had prevented both utilities and companies outside the industry from entering into a competitive market for the supply of power. It also accelerated the move to deregulation by creating incentives for companies to enter the generating business and for vertically integrated utilities to unbundle, or separate, their generating function into an unregulated business that could compete to supply electricity (Energy Information Association). Passage of the Energy Policy Act also led numerous states to begin to reform their laws to reduce regulation to some extent and introduce varying degrees of competition to the industry. California was the first state to deregulate its energy market in the mid-1990's (Cicchetti, Dubin, & Long, 2004). Several other states, introduced deregulation legislation shortly afterward and by 1999 more than a dozen states had sought legislation to introduce retail competition to the industry (Trebing, 2004).

This effort to bring competition to an industry that had been strictly regulated for over 60 years had a profound effect on companies like PEU that had operated for virtually their entire existence in a regulated system insulated from the market and the effects of competition. This insulation, as well as the incentives for large, complex, vertically integrated organizations, led to the kind of conformity, structure, and inertial resistance to change that came to characterize the industry. It also led to the development of strong cultures, values and norms and employment relationships that were based on perceptions for job security and job stability like those at PEU. A brief review of the process of deregulation that affected PEU will provide overall context to the changes management there took in response to this influence in their external environment.

Pennsylvania was one of the first states to enter the fray of competition in the electric utility industry. Within a year of passage of the EPA, the Pennsylvania Public Utility Commission had convened stakeholders to begin discussing restructuring the industry and introducing competition for generation at the retail customer level (Rohrbach, 1999). Just three years later, in December, 1996, the legislature passed House Bill 1509, the Electricity Generation Customer Choice and Competition Act (Energy Information Institute, 2007). This legislation brought about profound changes to the industry and companies within it like PEU.

One of the central assumptions in this research is that being in a regulated environment that was insulated from competitive market forces led to the stability and equilibrium that characterized the electric utility industry. This is essential to



understanding how and why the culture at companies like PEU developed as they did. However, Blau (1964) argues that theories based on assumptions of equilibrium must also consider that forces sustaining equilibrium on one level constitute forces of disequilibrium on other levels. This was evident in what transpired in Pennsylvania and eventually led to disequilibrium of the electric utility industry in the state. Rohrbach (1999) cited four factors that led to restructuring in the state. The first factor was the large disparity in rates among the 11 investor owned utilities in the state. In a regulated environment like the electric utility industry in Pennsylvania, each was provided monopoly for service over an area, insulated from competition, and guaranteed a certain rate of return on their investment. This created a general equilibrium within the companies and the industry. However, this equilibrium within the industry was sustained by a disequilibrium in pricing between the organizations comprising it that was particularly true in the state of Pennsylvania. Prior to retail competition, consumers found a wide spread between the lowest cost utility in the state, which was PEU, and the highest (Hangar, 1996). Hangar observed that this significant disparity developed recently, within the last 20 years. As illustration, Table 1 (Hangar, 1996) shows the electricity rates for the seven large investor owned utilities, (designated as Utility 1-6 and PEU) in the state in 1970 and 1990. As evidenced from the table, the difference between the lowest cost producer, Utility 1, and the highest, Utility 6, was relatively small in 1970. The highest rate was 2.54 cents per kilowatt-hour, which was only 25 percent greater than the lowest rate of 2.07. However, by 1990 this spread had increased to over 100 percent

between the lowest cost utility in the state, PEU and the highest, which was still Utility 6. Complicating things further, Utility 5 bordered PEU. Therefore, customers in their territory need only look across the street at a neighbor's PEU bill to see that they were paying more than twice as much for the same electricity in their home as was their neighbor.

Table 1.  
*Average Residential Price of Electricity in Cents  
Per Kilowatt-hour (cents/ kWh) 1970 and 1990*

Utility	1970	1990
Electric Utility 7	2.54	12.58
Electric Utility 6	2.51	12.20
Electric Utility 5	2.39	9.96
Electric Utility 4	2.30	8.01
Electric Utility 3	2.28	7.86
PEU	2.15	5.04
Electric Utility 1	2.07	7.92
PA Average	2.32	9.08

It also should be noted that, during a period of time when external influences from the Arab Oil Embargo, increased environmental concerns, and the collapse of the nuclear energy business dramatically affected the costs and rates of other utilities, the rates for PEU's customers remained relatively stable, or least more so than in comparison to other companies in the state. In that 20 year period, PEU's rates increased from 2.15 to 5.04 cents/ kWh, or 134 percent, whereas the rates for Utility 7 increased nearly 400 percent, from 2.54 to 12.58 cents/ kWh, and rates overall in the state grew nearly 300 percent, going from 2.32 to 9.08 cents/ kWh. This disequilibrium in costs to the customer acted as an incentive to institute mechanisms to bring about competitive forces for price

equilibrium. Also, while in the year 1996, consumers were paying less overall than the national average, the state still ranked 11<sup>th</sup> highest among the 50 states and the District of Columbia (Changing Structure, 2000).

The second factor that Rohrbach cites as an impetus for deregulation, not only in Pennsylvania, but in other states as well, was that the actual output cost of generation, what he refers to as the “all-in” cost, had fallen precipitously. (p. 27) According to Rohrbach, after considering the total cost of generation, some expensive units, such as nuclear generating plants, were operating at a cost of 8 cents/kWH while a new natural gas-fired unit could be installed and operating fairly quickly with a total cost of 3 cents/kWH. He argued that requiring customers to remain with the monopoly’s generation choices in this situation did not make economic sense. A third factor leading to deregulation was the argument that a market-based approach to generation could work effectively (Rohrbach). Provision of electricity had long been viewed as a natural monopoly and through much of its history this had applied to all aspects of the industry (Hyman, 1988; Navarro, 1985; Cichetti, Dubin & Long, 2004). It certainly made sense in the earlier days of the industry, when companies vertically integrated their generation, transmission and distribution operations and built facilities primarily to service their customers. However, as the country’s electrical grid has become interconnected and generation from all parts of the country flows into it (Brennan, et al., 2002), it mattered less where the electricity entered the grid than it did where and to whom it leaves. According to Rohrbach, the last factor leading to deregulation was that the generation rate captive customers were

paying was significantly higher than those that they could secure at a competitive price, which he estimated was as much as two billion dollars. This factor was especially true for energy-intensive industrial customers, many of whom spend 20 percent of their production costs on electricity and some as much as 70 percent (Hangar, 1996).

Implementation of retail choice in Pennsylvania involved a phased-in approach. The law called for customers to choose their electric generation in three phases, with one-third eligible in January, 1998, another third eligible in January, 1999 and the last third eligible in January, 2000 (Changing Structure, 2000). The first step was to require investor owned utilities to submit proposals for implementing choice plans for customers within their territory (Brennan, et al., 2002). While there was some latitude in how customer choice was to be implemented, the customer choice law included several guidelines:

- The size of each investor owned utility's (IOU) pilot program should be roughly equivalent to 5 percent of the IOU's peak load for each customer class, and the pilot program is to last for at least one year.
- Technical and operational guidelines for electricity suppliers were to be specified.
- Utility tariffs shall contain an unbundling of generation from jurisdictional transmission and distribution
- Utilities should offer distribution service and any surplus generation to affiliates on the same terms and at the same prices that they offer these services to non-affiliates.
- Methods for recovering stranded costs could be included.
- Utilities were required to address how they would promote customer education, safety, and reliability. (Brennan, et al., 2002, p. 42)

As is the case with most states that have restructured their electricity industry, customers who chose to switch to another electricity supplier continued to receive their electricity from the local utility company, called the provider of last

resort, which remained regulated (Brennan, et al., 2002). Utilities that entered the competitive market for generation were required to separate, or “unbundle” their unregulated generation operations from the regulated entity within the company to ensure that they did not give unfair advantage to them (Brennan, et al.).

A concern cited by opponents of deregulation and restructuring of the electric utility industry is that reliability and service will be impacted (Brennan et al., 1996). Pennsylvania’s law required that companies address reliability and service issues in their plans and the Pennsylvania Public Utility Commission was charged with reporting on these issues on an annual basis following implementation of the law. Reliability issues are addressed in the Electric Service Reliability In Pennsylvania Report (Electric Service Reliability, 2006), and service data is reported in the Bureau of Consumer Services Customer Service Performance Report (Customer Service Report, 2006).

One of the most contentious issues in Pennsylvania’s deregulation program was the issue of stranded costs. Stranded costs are long-term investments utilities invested in generating facilities under the assumption of a fixed rate of return in a regulated environment (Philipson & Willis, 1999). In one of the restructuring cases before the PA PUC, the commission called stranded utility generation investments, “the difference in the value of the generating assets under regulation and in a competitive market over the life of the assets” (Rohrbach, 1999, p. 30). Brennan et al. (1996) suggest that is the most significant issue facing efforts to move from a regulated monopolistic

environment to a market-based approach. Federal policy regarding how stranded costs should be handled can be found in the Comprehensive Electricity Competition Plan, published by the Clinton Administration in 1999 (Changing Structure, 2000). It states,

[The plan] endorses the principle that utilities should be able to recover prudently incurred, legitimate, and verifiable retail stranded costs that cannot be reasonably mitigated (including assistance for displaced workers). States and non-regulated utilities would continue to determine stranded cost recovery under State laws (p. 53).

Brennan et al. (1996) identify several key issues in dealing with stranded costs, including obligations to utilities and customers, determining what customers should pay, how much they should pay and under what time frame. Under Pennsylvania's law, the PUC developed a Competitive Transition Charge (CTC) that each utility could charge its customers in order to recover their stranded costs (Brennan et al., 1996). The first plan approved was PECO Energy in May, 1998 and the last plan was approved five months later when the last company reached agreement with the PUC (Energy Information Administration, 2007).

To understand the effect these statutory changes had on employment and the internal culture of companies like PEU, it is necessary to revisit the effect of the vertically integrated structure that characterized the industry. One of the principal results of the introduction of competition was to encourage utilities to undo this vertical integration that had developed in most of the industry (Hangar, 1996). This vertical integration, undertaken to ensure a stable supply of generation and delivery system to provide it, now acted as an impediment to the

utilities' ability to compete. If they were to compete against other suppliers, they needed to "unbundle", or separate, their generation from the rest of the operations of the company in order to meet the requirements of an exempt wholesale generator (Energy Information Association, 2000). In his view of the industrial enterprise, Chandler (1962) identifies four phases that characterize the evolution of industrial organizations. The fourth evolutionary phase, which has particular application in this regard, is one in which an organization restructures and diversifies in order to better compete. This restructuring of organizations within this industry, including PEU, led to a dismantling of the structures and processes that had been in place for over fifty years and introduced the specter of competition to an industry that had been relatively insulated from it since nearly the turn of the century.

How did this change in the industry affect the employees in it? As organizations restructured and prepared to compete for the first time in over fifty years, how did employees perceive these changes? How did it affect the culture that had developed within organizations that had operated as closed systems for virtually their entire existence? In particular, how did the changes impact those employees that had spent much of their career in an insulated environment that encouraged rationality, functionality and stability? Based on the nature of this environment and the strong incentives for stable employment, it was expected that employees working in this industry and this company would have developed a strong belief that the organizational stability and job security they had always

experienced would continue for some time. When it did not, the organizational changes implemented at PEU had a very profound effect on them.

### Why is Organizational Change so Difficult?

This overview of the history and development of the electric utility industry demonstrates that there were incentives leading companies to develop into large, complex organizations characterized by their conformity, standardization, and tendency to develop structured, bureaucratic processes. The relative insulation they enjoyed from external influences such as economic downturns, competition and market pressures, led to a general state of equilibrium and inertial resistance to change at companies like PEU. This equilibrium made the changes implemented there, a significant reorganization and downsizing, very disruptive to the culture of the company and its workforce.

Organizational change can be viewed from a variety of different frameworks. Van De Ven and Poole (1985) researched nearly 1,000 articles on the topic and identified as many as 20 different theoretical perspectives. However, organizational researchers have generally characterized change as occurring in two fundamental ways: evolutionary and revolutionary (March, 1981; Gersick, 1991; Haveman, 1993; Romanelli & Tushman, 1991). March viewed change primarily from an evolutionary perspective as a continuous process which occurs over time and in small increments. Watzalick, Weakland, and Fisch (1974) refer to this as first order change. Continuous, evolutionary, first order



change takes place within a reasonably stable system and occurs as a result of gradual and incremental alterations in organizational structures, environments, norms and resources. Much of the history of the electric utility industry has been characterized by first order change as organizations within it made incremental changes while remaining relatively stable and retaining their existing form, structures and culture. Other researchers like Miller and Friesen (1984) viewed change primarily as a revolutionary process in which episodic events are interspersed between long periods of stability, inertia and relatively little change. Watzalick, et al. termed this transformational process, second order change. Second order change occurs rapidly, usually in response to internal or external influences, and results in dramatic, far-reaching transformations to organizational structures, environments, norms and resources (Gersick, 1991; Haveman, et al., 2001). This too characterizes the kinds of dramatic change we've seen occur in the industry during the three distinct periods of its existence (Energy Information Association, 2000).

However, many change theorists have combined these two perspectives, viewing changes in systems as occurring in two distinct, yet coexistent forms: evolutionary and revolutionary (Burke, 2000, Romanelli & Tushman, 1991). Gersick, (1991) and Haveman (1993) termed this confluence of change punctuated equilibrium. The theory of punctuated equilibrium was first applied to the study of the evolution of species. Gould and Eldridge (1977) used it to explain apparent gaps in the fossil records that heretofore suggested missing records in the evolutionary process. Prior to their hypothesis, other evolutionary

scientists believed that these leaps from one biological species to another dramatically different one were simply a result of other specimens in the evolutionary chain that had not be discovered. Gould and Eldridge posited that rather than merely being missing gaps in the evolution of the species, they could be explained by revolutionary changes in the organism brought about by some radical influence. They further proposed that this influence could either be external in nature or occur as a result of some biological switch that was triggered from within.

Since its application to biologic species, Gersick and others have expanded the theory of punctuated equilibrium to understanding the change process in individuals, groups and scientific fields as well as organizations. Applied to organizations, punctuated equilibrium conceptualizes these two frameworks as evolutionary change during periods of stability and equilibrium and revolutionary change during periods of disequilibrium (Haveman, 1993). Organizational change theorists using a punctuated equilibrium perspective posit that organizations that are insulated from disruptions are very stable and tend to make incremental, continuous changes over a period of time (Tushman & Anderson, 1986). Using open systems theory, Scott, (2003) describes organizations as systems open to their environments that change as a natural and spontaneous response to a linear sequence of developmental events. Institutional theorists such as Aldrich (1999) and Powell and DiMaggio (1983) characterize change as an externally driven process, focusing on how organizations respond and adapt to their environment to increase their legitimacy

and improve chances for survival. Meyer, Brooks and Goes (1990) further deconstructed the two perspectives into four constructs of change. They characterized first order change as occurring in one of two ways depending on the level of analysis. One perspective of change, adaptation, is viewed through a lens of change occurring within the individual organization. The other, evolution, is within the context of change occurring at the established industry level. Evolutionary change occurs at the level of established industries when they collectively evolve over time in response to their environments.

The 60 years following passage of the PUHCA in 1935 represented a long period of relatively stability during which the industry evolved along what Meyer, et al. refer to as first order, evolutionary change. As the electric utility industry as a whole encountered changes in its environment, from a regulatory influence as well as from some of the external shocks to the system identified by Navarro (1985), it responded in a gradual way that led to significant change. Adaptation is incremental, first order change that occurs within the organization.

Organizations that adapt to their environment make gradual changes in response to alterations in the environment, such as minor regulatory changes, statutory requirements, and competitive pressures. The changes that occurred within PEU for most of its existence could be characterized as adaptation. In the case of the electric utility industry, as regulatory commissions with oversight over it issued orders changing customer service requirements, billing changes, etc., the organization responded by making adaptations in its procedures and process to comply. Statutory laws in areas such as equal opportunity in employment,

safety, and environmental compliance also required the organization adapt to its environment. As we've seen, however, the need to adapt to competitive pressures was less of an influence for this organization as a result of its monopoly status.

Second order change is deconstructed according to the level of analysis as well. Metamorphosis is used to describe the dramatic transformation that takes within the organization, much like the reorganization that is the focus of this research. Organizations undergoing metamorphic changes are typified by stability and inertia until they are required to dramatically transform in response to internal or external influence. Dramatic change that takes place at the industry level is termed revolutionary (Meyer, et al., 1990). The impetus for change in this instance was the introduction of deregulation and competition in Pennsylvania, which revolutionized the industry.

The electric utility industry and this organization, particularly after passage of the PUCHA in 1935, was characterized by gradual, cumulative, incremental metamorphosis at the organizational level and evolution at the industry level. This led to the development of systems that worked well in a regulated environment. Hyman (1988) observed that the electric utility industry developed into large, complex internalized systems that were optimal in this environment that rewarded vertical integration and economies of scale. Scott (2003) suggests that organizations that function within a closed system, as regulated electric utilities did for much of their existence, tend to develop bureaucracies that ensure rationality, functionality, and conformity and suppress innovation. Gersick (1991)

contends, however, that large, well-established organizations, like those within the electric utility industry, tend to resist dramatic change due to the inertial form in the entity she called deep structure.

### Internal Constraints to Change

Hannan and Freeman (1977) identified four forms of internal inertia to change that help to explain the resistance to change in electric utilities like PEU. The first is due to the fact that the organization's investment in plant equipment and specialized personnel can be difficult to transfer to other tasks or functions. In pursuit of economies of scale and as a result of the natural monopoly view of the industry, organizations within it invested a great deal in infrastructure and facilities (Hyman, 1988; Navarro, 1985; Phillipson & Willis, 1999). Also, as Chandler (1962) and Cappelli (1992) have observed, the tendency for mature organizations to become more specialized and focused on their particular product or service was very evident in organizations within the electric utility industry. With a few exceptions, such as sharing space on utility poles, the facilities and personnel in which the electric utility invested were not readily able to provide products and services outside their purview. When opportunities outside the traditionally regulated avail themselves, these investments in people, equipment and processes can act as an internal barrier to making this kind of radical change. Even if an electric utility considered venturing into other markets, there was little incentive to do so, and in fact, regulations like PUCHA and

regulatory commissions erected significant barriers to discourage entry into other domains or providing different products and services.

The second barrier to organizational change identified by Hannan and Freeman (1977) is that decision makers can face internal constraints on the information they receive, which may constrain them from making significant change. Both Van de Ven and Poole (1995) and Scott (2003) cite the importance of evaluating and modifying goals based on feedback. However, Goleman, Boyatzis and McKee (2004) posit that leaders do not always obtain full information on activities in their organizations and the environmental constraints faced by subunits in the organization. Referred to as “CEO disease”, they describe it as a phenomenon in which there is an information vacuum around a leader as a result of their subordinates withholding critical and often unpleasant information (p. 93). Leavitt (2004) suggests that hierarchies in an organization can limit communication. One of the stated reasons for this reorganization was to reduce layers in their organization, which in some instances had as many as 10 positions between the lost level and the CEO. Given this level of structure, communication barriers may have provided a significant inertial resistance to change as posited by Hannan and Freeman. A third internal constraint has to do with the organization’s political structure. Hannan and Freeman note that radical change can disrupt the political equilibrium in an organization. Change resulting in a redistribution of resources across subunits can meet resistance, particularly if the need for change is not equally supported. Also, often the benefits of

restructuring are designed to benefit the organization as a whole and may be undertaken for long-term interests that may not be evident to subunits.

Van de Ven and Poole (1995) state that teleological theory posits an end state for an entity. During directed change efforts, it may be difficult for subunits in the organization to relate to this end state and successful change may involve short term pain for long term gain. If this pain is localized and not spread equally among subunits it can create inertial resistance to change. Also, when change efforts are not self-evident to all organizational members, they may not share in the urgency for change. Haveman et al. (2001) suggest that successful organizational leaders have to weather this resistance in order to institute radical change. This phenomena of an imbalance in was evident in the restructuring and reorganization that occurred in this organization and was alluded to by several respondents in the interviews. The deregulation that impacted the company only affected facilities in Pennsylvania and dealt with generation, with distribution of electricity and retail services remaining regulated. However, since most companies in the business had developed a vertical integration model (Brennan et al., 1996), many companies primarily directed change in the subunits within the organization that were involved in generation. If other areas in the organization do not share the urgency nor see the need, change efforts may meet resistance. One of the respondents alluded to this in describing the way employees reacted to the reorganization undertaken by the company.

They said it was because of competition. But we didn't understand that because that was just in Pennsylvania. There wasn't anything changing in WV as far as we knew. A lot of us wondered why the

company couldn't just change what they were doing in PA, but I guess that would have been hard to do so they probably had to do it everywhere. But I don't think a lot of what was done was necessary anywhere so I'm not sure why some things were changed. Scott

The last internal resistance identified by Hannan and Freeman (1977) is the organization's own history. In their view that organizations enact their own environments, Pfeffer and Salancik (1978) posit that planned organizational change is retrospective and organizational failure can result from them being trapped by the organization's own success. Many of the respondents described the company in very positive terms and believed it was very successful prior to reorganization.

This was a good company and this is always the way it has been and how it's always going to be. This was prior to all the changes. Jeff

The company really emphasized quality and doing the job right. Scott

They (top management) were pretty good. They didn't surprise you. You weren't going to get any wild decisions or anything like that from them. But they were going to go about the business of making and distributing electricity. That's what they did.

It's a very good company; I've always been proud. It was the best company around. Ken

This cultural resistance to change can be exacerbated where communication is lagging due to the constraints identified by Goleman, et al. (2002) and Gersick (1991). A rational view of organizational behavior is that they develop formalized structures to identify roles and govern behavior. In this



formalized structure, rigid rules and processes are intended to provide conformity and suppress innovation (Scott, 2003). Rational organizations, and the electric utility industry certainly exemplified these, develop processes and rules to conform to the most efficient way to perform and implement a task (Scott). This rational perspective was very much in evidence in the electric utility industry in general and in this organization in particular. The physical work, such as maintaining electric lines and equipment, reading meters, designing projects, as well as administrative work, such as accounting practices, customer service, and regulatory reporting, all lent themselves to the development of uniformity and a rigid structure. There was also similar uniformity and standardization at an industry population level as well. While there were differences in state regulatory requirements, geography and climate, in essence the process of generating electricity and delivering it to customers wasn't significantly different in Pennsylvania than it was far away California. Nearly all of the major utilities in the country belonged to the Edison Electric Institute (EEI), an organization that existed for the purposes of sharing technologies and processes, providing data on the industry and advocacy on behalf of its members (Edison Electric Institute, 2007). Within the state of Pennsylvania, all of the investor owned utilities were active participants in an industry association called the Pennsylvania Electric Association (PEA). Now called the Energy Association of Pennsylvania (EAP), like EEI, it had various committees and subcommittees with representatives from all of the companies. These committees were involved in different facets of the business and would meet regularly to discuss and share new technology, best

practices, and analyze new regulatory requirements affecting them (Energy Association of Pennsylvania, 2007). It's not surprising this occurred given the monopoly status afforded them and the stable environment in which they existed. As a result, over time a general formalization developed across the entire industry.

Two other factors led to this kind of institutionalized conformity. One was the effect of regulatory oversight across the industry (Hyman, 1988; Navarro, 1985). Though each state has their own regulatory body overseeing electric utility operations, since the products and services are relatively limited, a significant conformity developed between states and the regulated organizations within them. The other factor that contributed to this conformity is what DiMaggio and Powell (1983) refer to as institutional isomorphism. They note that there is considerable diversity among institutions during the initial stages of the organizational field's life cycle. As we've seen from a review of the history of the electric utility industry, it was characterized by considerable diversity among the organizations, their products and services. As organizations become more established and are structured in an actual field (such as via regulation), they begin to be characterized by increased homogeneity (DiMaggio & Powell). This institutional isomorphism served as a powerful restraint to change in the industry and within this organization. This formalization and standardization is part of the deep structure that Gersick (1991) asserts can make radical change difficult in an organization. Given the nature of the industry and this organization, inertial

pressure from history likely helped to create the environment that a number of respondents described as stable, and resistant to change.

### External Restraints to Change

Hannan and Freeman (1977) also identified three external factors that can act as a constraint to organizational change. First, legal and fiscal barriers can limit entry into and exit from markets. In the case of the electric utility industry this clearly served as a de facto wall to prevent utilities from entering new markets or exiting old ones. In exchange for granting monopoly status over a given geographical area, utilities are obligated to provide their product to everyone residing in that service area (Brennan, et al., 2002). They could not choose which customers to serve, nor could they acquire additional territory or customers from a neighboring utility without going through the regulatory process. A second issue Hannan and Freeman (1977) identified that can act as an inertial pressure to change is that organizations may lack information available externally. Prior to competition in the industry, there were relatively few disincentives for companies to share information on markets, technologies, and processes since they weren't in competition with each other. However, the introduction of deregulation raised barriers to sharing information as a result of the competitive pressures it introduced. Consequently, it limited the ability of companies to get information about what was successful in other organizations as they restructured, entered into new domains, and changed products and

services. As a result, it largely left organizations to experiment and make changes in a new and emerging field using their own resources and information.

In a related vein, given the relatively stable and secure operating environments they operated in for most of their existence, electric utilities were likely relatively ill-prepared for competitive markets. One of the principal functions of regulation is to provide an appropriate revenue that will allow the regulated entity to cover operating costs and earn an acceptable profit (Hyman, 1988). Brennan et al. (1996) refer to this as a fair rate of return. Moving from an environment based on a fair rate of return on investment to one in which competitive market forces determined profits requires a new culture and way of doing things which necessitated an influx of new information, technologies and processes. The extent to which the organization can acquire this information and use it to compete in a less regulated environment would like limit their ability to change. Finally, Hannan and Freeman observe that external legitimacy claims can also limit adaptation. Amburgey, Kelley, and Barnett (1993) note that change occurs less frequently among larger, more established organizations.

Public Electric Utility (PEU) was founded in 1916 and had operated within a regulated environment for nearly all of its existence. During the interviews, a number of the respondents commented on the reputation PEU had as a conservative, low cost provider that was committed to quality service. At one time the company logo stated, “(The PEU was) A Sure Thing in a Changing World”. This was a successful strategic orientation in a regulated environment that rewarded a sure thing and had disincentives for innovation and change that

created uncertainty. Sastry (1997) found that organizations whose strategic orientation was congruent with their environments had a high inertial resistance to change, and the more highly developed they are, the greater time it can take to adapt to fluctuations in their environments. The reputation and external legitimacy the PEU developed among all of the stakeholders in the organization, including its customers, suppliers, regulators, investors, and particularly its employees, provided a significant inertial pressure to change.

One of the internal constraints to change identified by Hannan and Freeman (1977) became particularly evident in researching change in this organization. They posit that organizations that invest in developing and retaining employees with specialized knowledge and skills are more stable and resistant to change. As we've observed, investment in employee capital was a general characteristic of most employment in the United States in the 20<sup>th</sup> century and was particularly evident in regulated monopolized industries such as telecommunications, airlines and energy (Cappelli, 1997). Rousseau (1995) notes that industries that require specialized skills and knowledge have an incentive to develop a strong internal employment relationship. The unique nature of the product and service in the electric utility industry required employees that had specialized knowledge and skills, which Rousseau believes provides an incentive to develop a strong internal employment relationship. The next chapter will explore how and why these factors led to the strong employment stability that developed within the industry.

### CHAPTER THREE PSYCHOLOGICAL CONTRACTS IN EMPLOYMENT

Findings from this research suggest that the nature of the employment relationship at PEU was very strong, developing over decades as a result of the environment the organization operated within and the reciprocal needs of, and benefits to, both the company and its employees. Researchers have found this kind of strong employment relationship to be a mainstay of employment in America, particularly among white collar occupations like those impacted at PEU, until the period of the 1980's and 1990's (Cappelli, 1997; Rousseau, 1995). However, data from interviews suggest that employees working at PEU maintained a very strong perception for this implicit agreement for employment that persisted well beyond expected given the frequency and prominence of organizational change, restructuring and downsizing going on around them at the time. This agreement for job security, called a psychological contract, held special significance for these employees, drawing many of them to work at PEU and then providing a strong incentive for them to remain there. When the company reorganized, restructured, and downsized, this psychological contract was violated, and had a dramatic effect on many of the employees working there.

In the early days of work, prior to industrialization, the relationship between the employer and the employed was characterized by weak, short term commitments (Cappelli, 1997). However, Cappelli observes that this relationship became untenable as the industrialized workplace became more complex and required a committed, stable workforce. In response, the need for a contract of sort developed in order to strengthen the employment relationship. Barnard

(1973) describes contracts as a mainstay in employment relations. In some environments this contract takes written form, either collectively or individually. In unionized workplaces, a collective bargaining agreement governs the employment relationship, wherein the two parties - the union representing employees, and the employer - agree to specific terms and conditions of employment. In other instances, individual employees and their employers may enter into agreements that dictate the employment relationship. However, whether written or not, all employment contracts contain gaps and some aspects of the employment relationship remain unstated (Guest,1998). Rousseau (1995) agrees, noting that it is impossible to identify all of the obligations each party in the employment relationship have to each other and to address them in a written contract. She asserts that in order to develop bonds that would commit each party to the other, an unwritten, subjective contract must be formed. This contract developed early on in the industrialized world to deal with the problems of the weak employment relationship described by Cappelli. In an early description, Argyris (1960) characterized this unwritten work agreement, or “psychological contract” that developed between foremen and workers, as follows:

Since the foremen realize that this system will tend to produce optimally under passive leadership, and since the employees agree, a relationship may be hypothesized to evolve between the employees and the foreman which might be called the “psychological work contract” (p. 97).

Researchers since Argyris (1960) have further conceptualized the psychological contract as a mutual obligation between employees and employers, suggesting a reciprocal agreement in which both parties form the contract. Schein (1965) viewed the psychological contract as one in which the individual develops a number of expectations they believe they are owed by the employer, and the employer likewise expects something in return from the employee. Cappelli (1997) expressed it as a mutual obligation between the two parties in which the employee gives loyalty and good job performance in return for the employer's investment in their development and providing job security. Rousseau and Robinson (1994) posit that the longer the two parties to the agreement remain in the relationship and interact in an exchange of contributions and returns, the greater the strength of the psychological contract. They note that this exchange is further strengthened as a result of employers offering benefits for long term employment as an incentive to encourage employee loyalty and commitment to the organization. As an employee's service and commitment to the company grows, they earn increases in service-related benefits such as pensions, sick pay, vacations, etc., that are an incentive to remain with the organization.

Other researchers focus on the subjective nature of the psychological contract (Coyle-Shapiro & Kessler, 2000; Harriot & Pemberton, 1995; Levinson, 1962; Rousseau, 1989). Rousseau asserts that parties conceptualize a psychological contract since they are not able to identify all of the possible outcomes of employment. Herriott and Pemberton characterize the



psychological contract as the perceptions both parties have toward the employment relationship. Levinson takes a similar view, stating that parties in employment may only be “dimly aware” of their relationship. (p. 21) Coyle-Shapiro and Kessler write that the psychological contract is perceptual and caution that, since it is unwritten and subjective, it may not necessarily be shared by the other party to the exchange. Rousseau (1999) advances this view a step further, focusing on the employee side only and defining the psychological contract as “an individual’s belief regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party” (p. 124). She posits that it is the employee alone who develops the belief in the psychological contract since it is a function of perception, and as inhuman entities, organizations are not capable of perceiving anything.

There were several factors and characteristics of employment at PEU that led to the development of this strong employment relationship and psychological contract between the organization and its employees. One was the close supervision and direct contact that supervision and other members of management had with their employees. Rousseau (1995) described this as one of the central features of employment for much of the 20<sup>th</sup> century. It was characterized by long term employment relationships with close physical proximity between the organization and the worker. Management at PEU was very close to the workforce, with the president of the company and all of the senior executives working in the same building, eating lunch in the cafeteria and interacting regularly with employees. Many of the respondents described

frequent and close interaction with their supervisors as well. Rousseau noted that the close supervision found in employment also led to strict administrative control and conformity to the bureaucratic structure that developed in organizations. This developed as a characteristic at PEU where respondents described the culture as very bureaucratic, rule-oriented, and closely supervised. Lori was one of them, noting that management at PEU was very bureaucratically oriented and very focused on rules and procedures. In describing the culture there she said, "It seemed like all anybody cared about is if you followed the rules and procedures. It didn't matter if they were important or not." Steve said, "It (the work environment) was so restricted, you didn't have the freedom to do what you wanted, that I didn't like that. The part I didn't like was that you didn't have much input into what was being done." Lori and Steve represented the view of employees at PEU who felt the organization exerted excessive control over the workforce. This control, close supervision, and bureaucratic environment helped contribute to the strong employment relationship that developed at PEU.

Another factor that encouraged a strong internal employment relationship at companies like PEU was the nature of the work itself. Employment in the electric utility industry required specific skills in providing an electric service that was unique from any other industry. It also entailed a thorough knowledge of complex rules set forth by regulatory commissions, both of which led to increased worker commitment. Cappelli (1997) notes that the need for specialized skills that are unique to an occupation and are not readily obtainable elsewhere leads to a strong employment relationship. Employers who require these skills have an

incentive to provide employee training, internalize and strengthen the employee relationship.

Cappelli could have been describing the electric utility industry since line workers and electricians require extensive formal and on the job training developing skills unique to the industry to perform their jobs. PEU had a very formal training program for these skilled positions in which employees attended a training school periodically and spent years developing skills on the job before reaching the top of their positions. Also, many of the supervisors and managers who direct these employees ascended through the ranks and needed the requisite knowledge and experience to effectively manage the workforce. The need for specialized skills and training was not limited to physical workers in the electric utility industry. Many professional positions required education in fields such as engineering or chemistry and also entailed an extensive period of time to learn the unique nature of the equipment and facilities used to generate and provide electricity.

Another factor that led to a need for a specialized workforce was the regulatory environment in which electric utilities functioned. Regulatory commissions typically set standards for service to ensure that companies who were afforded a monopoly status in an area would provide adequate service to their customers (Hyman, 1988). Federal and state codes also set standards and specifications for equipment installation and maintenance to ensure safety and reliability of the utility's facilities (National Electric Safety Code, 2007). In order to comply with these complex regulations, electric utilities needed personnel who

were well-versed and had sufficient experience in these specific requirements for service and equipment.

These factors acted as an incentive for employers like PEU to attract and train qualified employees and then encourage their retention in order to earn a return on the investment they had made in them. However, this employment relationship was reciprocal as well, with strong incentives for employees, both physical and non-physical, to remain with the organization. Physical craft employees in specialized industries have a strong tendency to retain employment since these focused skills and knowledge may not be easily transferrable to other occupations and industries (Cappelli, 1997). Line workers who have spent decades gaining experience and learning skills in complex work involving climbing poles and structures and performing maintenance and repairs on specific electrical equipment, would find these skills and knowledge less applicable to most other physical work.

There were strong incentive for retention among non-physical, white collar workers as well. Several respondents described the manner in which individuals were promoted at PEU, with long term middle management employees following a typical career path that rewarded longevity and service to the organization. However, this length of time in position has been found to act as an incentive for job retention because it tends to limit other opportunities. Kay (1974) claimed that one of the costs of advancement in management is that it tends to limit career options, with career inflexibility strongest for middle managers who have spent five to seven years in their position. She posits that this is because

narrowness and specialization of their fields becomes more apparent and less applicable to other fields. This inflexibility was even greater in specialized industries like the electric utility industry. A middle level manager who had spent a great deal of his career learning and following complex rules for providing electric service as set out by a state regulatory commission would have little opportunity to use that knowledge elsewhere. Also, in addition to the effect that this acquisition of specialized skills and narrowness of career opportunities has on employment, the nature of benefits that are tied to service, such as pensions, vacation, and sick time, also acts as an incentive for employee retention (Smithson & Lewis, 2000). Not surprisingly, given the nature of employment there, benefits at PEU were heavily weighted toward rewarding seniority, providing extensive vacation and sick time upon the attainment of high years of service. Given these benefits, employees at PEU had an increased cost of separation since they would have a difficult time matching them in another organization in which they had less service.

### Job Security and Job Stability

These factors served as incentives for employees and PEU to enter into a relationship that was characterized by job security and long term job stability. Though used interchangeably at times, it is important to understand the distinction between the two terms. Job stability is a measure of the duration of the job (Stewart, 2002) and has been characterized as the tendency for

employees and their employers to develop long term employment relationships (Aaronson & Sullivan, 1998). Employment at PEU was characterized by a high degree of job stability, with the majority of employees working their entire careers there. Job security on the other hand, is defined as a measure of the employee's ability to remain in the relationship as long as their performance is satisfactory (Aaronson & Sullivan). For example, industries such as retail or fast food may have relatively low job stability in that workers come and go on a regular basis. However, an employee may choose to continue working in their organization for a relatively long time and be successful in doing so.

While these are two distinct variables, there can be a correlation between job stability and job security. In organizations like PEU that have a high degree of both, job stability primarily depends on both the worker and employer choices to remain with the organization or not whereas job security is the sense the worker has that they can remain employed if they choose to do so. Valetta (1999) noted this, stating that the two are correlative and causative, positing that workers who had a reasonable expectation of not being dismissed based on the firm's previous behavior would develop a strong sense of job security. Smithson and Lewis (2000) viewed the terms in the alternative as job insecurity and job instability, reporting on generational perceptions of the two, and noting that younger workers have a weaker view of job security and stability. Sengenberger (1995) distinguished between three aspects of work security: job security, employer security and employment security. He described job security as the perception individuals have of the likelihood they will remain in their current jobs.

Employer security is characterized as the extent to which individuals believe that they will retain employment with their current employer, in a different job and/or work location. Finally, employment security is the individual's perception of employment in general, possibly with another employer (Sengenberger).

This deconstruction of work security suggests that individuals may have varying perceptions of each based on their own individual circumstances, those of their employer, and the employment environment. For example, a high performing individual with marketable skills who worked in a volatile and unpredictable sector may perceive that she has low job and employer security. This would be particularly true if they observed frequent turnover in their workplace. However, despite this view of very low security in their job with this employer, they may have a very strong perception of employment security given their ability to find similar employment elsewhere. On the other hand, a marginally performing employee without marketable skills might have a low perception of employment security or their ability to find work elsewhere if they were to lose their job. However, if they worked in a stable organization with a history of retaining employees, like PEU, the individual likely would develop a high level of job and/or employer security.

This combination of high employment and employer security appeared to be the perception held by many of the employees at PEU. Respondents expressed the perception that when they were employed, they were very confident that they would always have a job with PEU, even if their particular position was eliminated. In fact, being laid off or fired for something less than a

very serious infraction of the rules was virtually unheard of at PEU. This was evidenced by a number of respondents who talked about many marginally performing employees they knew that worked at the company. In a volatile environment that had to compete for resources, these employees likely would have had very low employment and employer security. However, employment at PEU was so stable that even marginal employees could feel very secure in their jobs there.

He (A subordinate) was lazier than hell and he had it so good. They (PEU) never let him go. He's been there all these years. That was hard. I couldn't see why, just because he's been there all these years that he can retire and still collect his check but he should've shown up. Paul

People would get fired for stealing. I saw that happen. Maybe they would base it off of something like basic insubordination. At that time, I'd say it was mainly something big like that, stealing or insubordination. If there was anything lesser, they tried to work through it. You still had a job. Cathy

Given this history of employment security, employees at PEU had very good reason to believe that they had little to worry about in terms of losing their jobs. The company had never laid off employees in the past, and both parties had very strong incentives to remain in the employment relationship. Also, given PEU's regulated environment and the industry's relative insulation from economic pressures, employees had little reason to believe that this employment stability would be disrupted from an external influence. Given these circumstances, employees developed what researchers have termed a psychological contract for employment (Argyris, 1960; Rousseau, 1995; Turnley & Feldman, 1999). The following section describes the development of this contract at PEU and why it



was perceived to be so strong. It also lays the groundwork for the significance that its perceived violation had on employees at PEU when the company underwent a reorganization and downsizing.

### You'll Never Get Rich But You'll Have a Job For Life

Employment in the 1980's and 1990's was associated with a rash of downsizings in corporate America (Cameron, Freeman, & Mishra, 1991; Ryan & Macky, 1998; Newman, 1988; Tomasko, 1987; Uchitelle, 2006). However, up until the reorganization, PEU had remained immune from this phenomenon. In the 80 year history of the company, employees at PEU had never experienced a general employee layoff. While employment stability overall was a characteristic of post World War II employment in the country and even greater in regulated industries (Cappelli, 1997), this was still a significant achievement. As evidenced by the history of the industry, while it was generally characterized by long term institutional stability, it did experience disruptions that had an impact on the organizations within it. The shocks identified by Navarro (1985), including increased costs of capital, growing concerns regarding the environment, the Arab oil embargo and the collapse of the nuclear energy industry, all had a dramatic effect on many organizations within the industry. Economic downturns and disruptions in industries that were major customers like steel and automobiles, also had an impact on the financial health of many electric utilities and the stability of their employees' jobs. However, for reasons cited earlier, PEU largely

weathered these shocks and was able to continue to provide a stable environment for employment. While employees lost their jobs on occasion, it was typically as a result of very bad performance or violation of a significant employment rule rather than the result of economic downturns, financial shortfalls or unneeded business functions. This strong job stability and history of secure employment in this industry and PEU led to employees developing very strong ties with their employer and a perception that that tie would continue.

While psychological contracts are typically constructed at the individual level, they can also develop through group norms and behaviors (Rousseau, 1995). Natural systems theorists view the development of informal structures and rules as a central characteristic of organizations (Scott, 2003). These social norms, communication networks, and working structures develop within the entity in order to maintain organizational equilibrium and stability, and in this instance, job stability. Normative contracts for employment are beliefs that form a psychological contract among groups (Rousseau) that can also become a part of an organization's culture (Nicholson & Johns, 1985). The psychological contract that developed at PEU went far beyond any one individual's perception of an implicit agreement with their employer. One of the themes explored in this research was the normative nature of the psychological contract employees at PEU perceived they had for secure employment. A central theme expressed throughout the interviews was the certainty of job security individuals had from the moment they were hired at PEU. Several respondents even noted how this need for job security extended beyond the company. They described how there

was a view within their communities that employment at PEU was a prized job because of the certainty of long term job stability and job security. Elaine alluded to this when she described how people in her community reacted when they learned she worked at PEU.

Unless you screwed up royally you usually had a job for a long time. People, when you would say you worked at the power company, people's eyebrows would go up and they would say, Oh! You work at (PEU), because people thought very highly of us.

A number of people remembered the day they were hired and observed how quickly they were indoctrinated into a group norm for job security at PEU. Bill recalled his first day on the job and described the common ritual of being escorted around the facility to meet all of the employees he would be working with.

One gentleman said "welcome aboard", he talked with a very distinct speech, he says, "you are not going to get rich, but you will make a good living". I will never forget that. They were right, you keep your nose clean and get your work done and you will do fine.  
Bill

Though this occurred over 40 years ago, Bill remembered it vividly and said that it set the tone for his career working there. Like Bill, I too recall my first day of work when a long term employee similarly told me, "You won't get rich working for the power company but you'll have a job for life". This theme, that the employee will make less money than working for other organizations, but will have a job for life, was repeated in some variation or another by many of the respondents. Frank alluded to it when he described his view of employment at PEU.

The power company was notorious for not paying well. They paid the bottom of the barrel. A lot of people didn't like that but I figured it was a tradeoff. You didn't make a lot of money but you knew that you had a job for life. Frank

### Tradeoffs For Your Job For Life

It should be noted that the norm for lifetime employment Frank and others described had a condition attached to it. While Frank said he could count on job security and an assurance that he could work there for as long as he chose, he also said there was a "tradeoff." He believed that, in return for that job security, he was making a sacrifice in pay and future opportunities. Several other respondents referenced this belief that, while they were fortunate to have a job for life, they were forfeiting something in return. Like Bill, Cathy noted the implicit message she heard when she started with the company was that while the compensation there was not on a par with other employers, she could rest assured that she would always have job security.

The biggest thing they said – and I know a lot of people who got jobs other places – is that they didn't pay you as well. It was utilities. But they treated you well. That was part of it at that point. Someone told me, "You won't make a lot of money, but you'll always have job." Cathy

While many researchers in the psychological contract have noted an element of reciprocity in the agreement, they have largely focused on the contributions each party makes to the other (Argyris, 1960; Cappelli, 1997; Schein, 1965; Smithson & Lewis, 2000). For example, the organization's contribution is their investment in the employee along with an implicit promise for

secure employment, while the employee commits to being loyal to the employer and rendering their requisite services. However, less research has focused on sacrifices like this that the employee makes in honoring the agreement. In addition to the generally held view of lower wages at PEU, some respondents directly experienced this tradeoff in material incentives for the expectation of greater job security. Jason and Scott both left higher paying jobs in what they believed were more volatile industries to come to work for less money at PEU. In each case they stated that the primary reason they did so was because of the promise of enhanced job security at PEU. Scott left a job at a local chemical plant to come to work for PEU. He was 24 years old at the time and had been working at a local unionized plant for several years after leaving the service. Scott was married with a family and was interested in job security and the assurance that he wouldn't be laid off or out of work on a regular basis. When the power company built a plant in the area, Scott considered going to work there despite the fact that he already had a very good job. When he learned the pay was considerably less than what he was making in his current job, he wasn't sure what to do, so he consulted his father for advice.

I was making really good money at the time. I think I was getting around \$10.00 an hour working at (the local chemical plant). And top rate there was \$16.00. And then when they were building the new power plant I talked to someone I knew that worked at (another PEU power plant) and he said he was sure I could get a job there. But he told me I'd never make the money I was at (the local chemical plant). I didn't know what to do because I liked the money. I asked my dad what he thought I should do and he said I should go to work at the power company. He said if you can get in at the power company you'll have a job for life.

The fact of the matter is I started out making 3 dollars an hour less at the power plant than at (the chemical plant). There was some people that thought I was crazy for doing that especially since there wasn't a union. But I didn't care. I wanted to know I wasn't going to have to worry about a job. Scott

One of the respondents provide an interesting perspective of how some employees at PEU wrestled with whether to leave the company for better pay or promotional opportunities or stay for the job security working there promised. After spending several years at a credit finance company, Jeff was hired at PEU. He said, "Here I am, I have a job, and I know that if I do my job, and I don't bother anybody, I'm here for life." After working there for a few years, however, he considered leaving to go to work at a local large manufacturing plant where he could have made more money. He chose not to leave PEU and his words provide an apt description of the kind of employee who was attracted to and remained working in a stable industry like regulated electric utilities and those who did not.

I wasn't making any money at all. I started out making \$350 a month, gross, in 1969. As I was going along, I was young, (when an automobile company) came in. People were working, it was employment and on and on. The stories were endless of how much money these guys were making. They're making good money down there. In these nice, clean working conditions. And people from (PEU) were quitting their jobs and going down.

I didn't leave the company to go to (the automobile company) because I'm one of these funny guys that thought "be sure you know what you're doing."

I think a utility is a very conservative place when it comes to paying. And I didn't see any time soon when I was going to be

making the big, big money. So I thought maybe I should go down there before I get any older but I decided against it. Maybe I didn't have the nerve, too. It takes some nerve to make those kinds of decisions. Jeff

As a footnote, the automobile company to which Jeff referred had moved into a facility that had been vacated by another large manufacturer a decade earlier. This company also eventually closed and all of the employees working there, including many those Jeff said left PEU for more money, were laid off. Some years later it was reopened again by another large manufacturer and it was one of the larger employers in the area when Jeff and I met. Ironically, and as an example of the inherent nature of job instability Jeff described, shortly after our interview this company announced they were shutting down the plant, laying off all of the 600 employees working there at the time (Bumstead, 2008, December 9). It was the third time in thirty years that everyone working at this facility lost their jobs.

Besides less pay, there were other perceived sacrifices that employees at PEU made in keeping their side of the bargain with the company. The electric utility industry is known for its emphasis on providing service to the customer. The commodity of electricity is widely viewed as essential and one that has a significant impact on modern living when disrupted. For this reason, when the power went out from unexpected plant shutdowns, the loss of lines and equipment due to storms, accidents or other causes, getting the service back on became the top priority. Particularly for employees working in the field offices or in functions in the general office that provided direct support to them, this often meant working long hours, sacrificing personal commitments and missing many

family activities in order to get the power restored. Members of management, particularly higher management, also made significant sacrifices to PEU during their careers. Like many other large corporations, moving up the career ladder at PEU required managers to experience various aspects of the company. As part of their development, these managers are often assigned to work in different parts of the company, requiring frequent moves from one geographic location to another (Cappelli, 1999; Uchitelle, 2006). This was particularly true at PEU, where promotions frequently required these employees, who were almost entirely men, to move their families from time to time as they were transferred within the company and progressing up the career ladder. In describing the “sacrifices” employees at PEU felt they had made to the company Todd said, “There was probably among older employees, there may have even been a sense of betrayal, that I helped build this company, that I had invested my life in this.” For many of the long term employees at PEU Todd described, working there was not just a “job.” It was obvious among several of the respondents interviewed in this research, who likely represented the view of many others, that they felt, like Todd, that they had indeed given more to PEU than a day’s work, and that in fact, they had invested a significant portion of their lives to the company.

Employees in the organization had very good reason to believe in the group norm for a reasonable expectation of lifetime employment as long as they did their jobs. When they described the job security and stability that existed in the organization prior to reorganization, many of the respondents noted the fact that there had never been a layoff in the company. Interestingly, the oldest



person interviewed began working there in the late 1950's and many of the respondents that told me this began working there in the 1960's, 70's and 80's. However, this claim was oft-repeated and had become a group consensus among employees at the company. Jeff noted that other than "for cause", such as stealing, striking a supervisor, etc., no one in the company had ever been laid off.

Yeah, there was never layoffs. Ever. There wasn't even one. It just didn't happen. There was a very, very occasional firing and whoever got fired, really did something bad. I can tell you that with all sense of certainty. Because those were the kinds of things that influenced me on why I stayed there. Jeff

Paul, who began working at the company in the 1960's after working for several small construction companies, said, "What I liked, and I didn't realize it at the time was, they never laid off at the electric company and they never go on strike." He also suggested that it (employment at PEU) implied a "job for life", saying "When I came to (the company) and I got through my probationary period, I thought I had it made." Paul "had it made" for most of his career and during the interview went on at length about his experiences with the company over a 40 year career. Unfortunately, however, he lost his job during the reorganization and was forced to take an unwanted and premature early retirement from the company.

Other respondents like Jeff suggested that the job stability in this organization was so great that very few people even lost their job for cause or poor performance. Patty had started with the company in the early 1960's and had worked in a number of different positions in the general office for well over

30 years. She had a very good sense of the culture in the organization and its norms for strong job stability, even when in her opinion, termination was probably justified.

In the company, up until reorganization, I could count on one hand how many people had been fired. And I knew two people who had been fired in 30-something years. And that was because those people were criminals. One fellow was actually convicted of a crime, so he was fired. He was in jail, so he could no longer work. [laughs] And another one, I think he was maybe an alcoholic. He would leave work and go downtown to drink.

These were drastic cases. They were overt cases. You'd have to have to stretch it pretty far to get fired from (the company). They may withhold salary increases or write you up during performance evaluations, but to get fired was very, very rare. Patty

Rousseau (1999) asserts that psychological contracts must be viewed unilaterally since organizations cannot perceive obligations under the contract. However, this position may reflect changes that occurred in the employment relationship at organizations like PEU less than earlier theorists' views that the contract was reciprocal. After all, original theorists like Argyris (1960) and Schein (1965) observed that there was an inherent benefit to the organization in fulfilling their side of the psychological contract and that it conceptualized it through the foreman's perceived obligation to his crew. While the organization itself is an inhuman entity, it is represented by these supervisors, managers and other individuals who are capable of perception and recognizing the benefits to the organization of providing a psychological contract for employment to their employees. Despite her assertion, Rousseau allows that while the organization cannot *perceive* [italics added] an obligation to the contract, it does provide the

*context* [italics added] for the creation of a psychological contract”, and that “individual managers can themselves perceive a psychological contract with employees and respond accordingly” (p. 126). Coyle-Shapiro and Kessler (2000) concurred, observing that as agents of the organization, managers “are in a position to convey promises or future commitments to employees” and “can hold psychological contracts regarding the mutual obligations between themselves and employees” (p. 907). This is a very important point to note. While PEU as an organization was not capable of perceiving a psychological contract with its employees, it could and did provide an environment that was characterized by stable employment, and was able to “perceive” a commitment for maintaining it vicariously through its members of management. From the employee’s point of view, it mattered little whether they perceived they had a psychological contract with their immediate supervisor, upper management or the firm itself.

### Is the Psychological Contract Dead or Did Someone Change the Rules?

However, contemporary research suggests that the psychological contract between the two parties in employment described by Argyris is dead (Hirsch (1987). Cappelli (1999) suggests that the old deal at work, with strong commitments by both employees and employers to each other, no longer exists. He refers to the new deal as one in which the parties engage in a weak employment relationship and the employee is responsible for their own future. Guest (1998) suggests that the traditional promise by the employer for a long

career in the organization in return for the employee working hard, being loyal and committed to the organization is no longer tenable. Kissler (1994) and Morrison (1994) attribute restructuring, downsizing, global competition, and the reliance on temporary workers as trends in the 1980's and 1990's that had a profound effect on the psychological contract, particularly regarding obligations by employer to the employee. Kletzer, (1998), Uchitelle, (2006) and others have amply documented the significant number of layoffs and downsizing of the American workforce that occurred during this period, suggesting that the mutuality of the psychological contract had changed.

If one accepts the view of earlier researchers that there was a mutuality of agreement in the psychological contract for employment (Argyris, 1960; Schein, 1965), as well as more recent research suggesting little or no reciprocity (Cappelli, 1992; Rousseau, 1989; Rousseau & Robinson; 1994), an important issue for consideration is what effect that change had on individuals who were a party to it. Employees working in a stable environment like the electric utility industry, and particularly those who began before the turbulence resulting from deregulation, developed a perception of a reciprocal agreement between them and their employer. Rousseau (1995) contends that an employee's perception of the psychological contract is based on what it was at the time they began employment. Of particular interest in this research is how sudden and dramatic departure from a stable and secure environment like that which characterized employment at PEU affected the employees working there. When this contract for employment security was violated, how did it affect these employees who had

developed such strong views about it as well as expectations that it would continue? Chapter Four will examine these issues in the context of the specific nature of the reorganization and downsizing at PEU, and the effect these phenomena, and how they were implemented, had on employees working there.

In its strictest terms a contract violation is defined as a failure to meet the terms of an agreement (Rousseau & Robinson, 1994). However, given the subjective and perceptual nature of the psychological contract, it is necessary to broaden the definition. Rousseau (1995) expanded it by stating that, [In terms of a psychological contract] “how people interpret the *circumstances* [italics added] of the failure determines whether they *experience* [italics added] a violation” (p. 112). The circumstances of the failure could be as routine as not getting a promotion or pay raise or dramatic an experience as being laid off from the job. Violations can take three forms (Rousseau). The simplest are inadvertent, the most common in employment and occurring as a result of a misunderstanding of the terms of the agreement. Violations of this nature are typically not significant due to the intentions that both parties have to fulfill their obligations of the contract. Disruptions are more serious and occur when something beyond the control of one of the parties prevents them from fulfilling their part of the agreement. An obvious example is a natural disaster such as a hurricane. Disruptions are also held to be less significant since, again, the assumption is that one of the parties or the other is not willingly reneging on their side of the agreement. Rousseau notes that if one of the parties cannot meet their obligation due to something that is completely out of their control, it should

ameliorate the perception the other party has regarding the violation. Economic downturns, foreign competition and regulatory change have often been cited as reasons for layoffs, (The New York Times, 1996; Cappelli, 1997 and 1999; Uchitelle, 2006) and, depending on the circumstances, could be considered disruptions. If the worker perceives that these external influences were beyond the control of the employer they may characterize the actions they take as legitimate disruptions. However, since the psychological contract is subjective (Coyle-Shapiro & Kessler, 2000; Harriot & Pemberton, 1995; Levinson, 1962; Rousseau, 1989), the way in which one of the parties perceives the nature of the disruption and how the other party responded to it can affect how they view the violation. If the individual believes that either the organization did not react properly or as quickly as it should have, they may blame it for the failure and consider it the most serious form of violation, a breach of contract. For example, in their study of job loss in the Pittsburgh steel industry, Leana and Feldman (1992) provide accounts of layoff victims who attributed their job loss to foreign competition but still blamed the organization for failing to invest in new technologies to effectively respond to the threat. The data from this research suggest that many of the employees at PEU held a similar view toward the organization's response to deregulation.

## Why the Change?

Examining how employees at PEU perceived the significant changes undertaken by the company and their consequences is essential to understanding whether they viewed them as an unavoidable disruption or a breach of contract. If deregulation was viewed as an external influence that forced the company to reorganize and lay off a significant portion of their workforce, employees could be expected to support PEU, which should tend to ameliorate their view of the violation. If, however, employees viewed change as unnecessary, or at the very least, an over-reaction to the external influence, they would be more likely to view the company in negative terms. One of the lines of inquiry in interviews was the issue of deregulation and how respondents viewed it. Since it was claimed by management to be the major impetus for change at PEU, it was of interest to hear how much respondents knew about it and the extent to which they attributed the actions taken by PEU to it. Interestingly, few respondents professed much knowledge about the issue or expressed strong feelings about it. This was somewhat surprising given the dramatic change that deregulation had on them and their jobs at PEU. This benign view was reflected in Jeff's comments when he said, "You never thought that anything would ever happen. We didn't know what an Enron was or deregulation, or any of those terms. They didn't mean anything to us."

Rather than viewing the reorganization and downsizing at PEU as a disruption in response to the influence of deregulation, the prevailing view of

respondents was that the company overreached and overreacted to it, constituting an intentional violation of the implicit contract they had for employment. This most serious violation of the psychological contract, called a *breach of contract* [italics added] occurs when one party intentionally reneges on their part of the contract (Rousseau, 1995). It is characterized by the party being capable of fulfilling it but choosing not to do so. Layoffs that are taken for reasons other than organizational survival can be interpreted by employees as the organization reneging on the psychological contract they could have met. Many of the employees interviewed in this study doubted the necessity of the reorganization and downsizing that took place PEU and were suspicious of its motives. Most of them felt that the company was very solid and on good financial footing up until that point. Pete spoke proudly of PEU and its rankings in key indices such as rates and reliability of service prior to the reorganization and downsizing.

PEU was one of the best companies around. We had the lowest rates in the state and we were always right near the top in service, things like reliability, time of outages and so on and so forth. I don't know why they had to change everything when we were one of the best utilities out there. We sure weren't after that (the reorganization), that's for sure. Pete

This view was not unusual among respondents who doubted that many of the procedures and processes at PEU required any change. A common theme for employees who remained with PEU long enough after reorganization to experience the differences was that many of the actions taken by the company were not for the better. Sam was one of the respondents who went through the



reorganization and stayed with the company for a number of years. Since his job exposed him to many other groups within the company, he had a very good perspective of the organization both before and after the changes. Even though this had occurred nearly 12 years earlier, and Sam had left several years prior to the interview, he still became visibly angry when he talked about what happened to the company.

I thought that the people they put in jobs after the reorganization set the company back for 10 years. They all acted like they knew what they were doing and everything was great.

Communication was terrible. Everything was done behind the door. The worst thing is that management pretended like it wasn't that way and that things were actually worse before. The company was constantly changing. It was very chaotic, especially since it was so stable before. Sam

Frank shared a very poignant experience that indicated that the company had changed, and in his opinion, not for the better. He described an executive who was obsessed with buying golf balls and who was angry that the PEU purchasing department wasn't getting them quickly enough. To him it spoke volumes about how the priorities of leaders like this at PEU had changed following the reorganization, caring more about golf balls than long-term employees losing their jobs.

The guy really threw a fit when he wasn't getting the golf balls soon enough and made a big deal about it. And all of this was going on the same time that people were getting OJQ'd (losing their jobs). It amazed me that management like this didn't care about their employees who were going through this agony. That wasn't the way they used to do things. They cared about employees and doing the best thing for the company. That told me right there that things had changed, and not for the better.

It got really frustrating because it seemed like the management of the company didn't care about the things that they used to. Loyalty, attention to detail and following procedures went out the window with the reorganization. Frank

Sam and Frank reflected the view of a number of respondents, and most likely many employees, that the actions taken by the organization were actually done for reasons that went beyond organizational survival or even to better prepare them for operating in a competitive environment. Some recalled discussions at the time about concerns that the company would be a target of a takeover if it did not increase its stock value. This was not an altogether unlikely scenario since mergers and acquisitions were very prevalent in the industry at the time (Changing Structure, 2000). However, other than this risk, survival of the organization was likely not an issue given the essential nature of the commodity of electricity and the manner in which providers had been given monopolies in providing service. Rick was a director at PEU who was in a very good position to view the overall health of the company, the influence of deregulation, and the need for change. He believed that the reorganization and downsizing was done less for performance or operating reasons, but rather it was done for financial purposes. Like several other respondents, he noted PEU's success in a regulated environment and opined that it probably could have competed in a deregulated one without significant alterations. Todd agreed, observing that in his opinion, competing for resources should not have required significant changes in the way the company did business.

The part that I guess was a frustration to me is that it didn't take rocket science to figure that out. Why take something that is working so very well and make such a radical change in it in the speculation that it might be required. There was nothing anywhere that said competition is going to require this. Other people speculating came up with that and that was wild speculation. How competitive can it be for people to choose their electric providers? How competitive can that field possibly get? Does it require taking the risk that we took in order to do that? I'm just this dummy in the field's perspective. What are we doing? Todd

Rick and Todd reflected the view of a number of others that, while deregulation was the stated reason for change, there was a belief that investors and expectations from Wall Street actually drove most of them, particularly in regards to restructuring the organization and downsizing its workforce. According to Rick, the explicit message the company's leaders heard from investors was "that the stock price needed to increase and it was going to take some actions by the company to show Wall Street that they were going to do that."

This view that the reorganization and downsizing undertaken by PEU was done for reasons other than survival but instead to improve its financial health has support in the literature. Researchers noted a fundamental shift in the manner and reasons behind layoffs in the mid 1990's. Prior to that, most layoffs in the country were instituted as temporary measures taken for survival purposes, such as during recessionary periods in the early 1980's or when many American manufacturers faced the emerging threat of stiff foreign competition (Cappelli, 1997; The New York Times, 1996; Uchitelle, 2006). Unlike these, many instances of downsizing occurring in the 1990's were different in that they were being undertaken during times of prosperity and in organizations that were

already performing well (Leana & Feldman, 1992; Reynolds, 2000; Ryan & Macky, 1998).

There is also support in the literature for the perception many respondents had that the changes at PEU discussed in Chapter Four were unnecessary and even deleterious. De Meuse, Vanderheiden and Bergmann (1994) found that many firms that engaged in reductions in force to improve performance actually had poorer financial results and lower employee morale following the layoffs. Cameron, Freeman, and Mishra, (1991) noted a loss of productivity after many layoffs, even when organizations implement processes intended to improve productivity. This view was reflected by respondents who recalled a great deal of confusion and what they perceived as a lack of productivity after the reorganization.

I think the (process change) teams I was involved with, I found that the people were almost as confused as I was. I just found that they didn't accomplish as much as maybe the company thought they were going to accomplish. I didn't see any great accomplishments from a lot of these process teams that I was on.

I thought a lot of it (the change process) was such a waste of time, and it went nowhere. I don't know what they ever accomplished. I don't know if they ever accomplished very much.  
Sharon

### Everything Old is Bad, Everything New is Good

The process teams Sharon mentioned were part of a business process reengineering effort instituted by PEU as part of the reorganization. Popularized by Hammer and Champy (1994) in the early to mid 1990's, business process

reengineering was used by a number of companies to bring about radical change within their organizations. They defined reengineering as “The fundamental rethinking and *radical redesign* of business *processes* to bring about *dramatic* improvements in performance.” (p. 3) An implicit message in business process reengineering and what some respondents viewed as an explicit one in its implementation at PEU, is that all existing processes have to be reviewed and redesigned. This view that the existing ways of doing things were wrong and must be changed was particularly disruptive in an organization like PEU that was characterized by its stability and resistance to change. Frank noted this when he described the culture at PEU following the reorganization and implementation of reengineering.

They threw out everything we used to do and acted like none of the old ways of doing business were any good. This company was very successful and very good at what they were doing but in the time after the reorganization none of that mattered. Everything old was bad, everything new was good, whether it really was or not.  
Frank

When Frank said “they” threw everything out, he was referring to individuals who were part of a “Core Process Team” that was created to drive the reorganization and restructuring process. Creating these teams to lead change is one of the recommended first steps in the reengineering process. At PEU, these core team members wielded a great deal of influence, and several respondents alluded to them, individually, and the team collectively, as driving much of the process of change, including downsizing and layoffs, and not for the better. Pete spoke for

a number of others who blamed this team for the changes that took place at PEU.

I remember when they announced who was on the core team, isn't that what it was called? These were supposed to be the people who were going to save the company. Right. All they did was screw everything up. And some of 'em came out of nowhere. Remember (one of the core team members)? He was a civil engineer for Christ's sake, and now he's in charge of half the company? It seemed like the old management just stepped back and left (the CEO) put all these people in charge. That's when things really went downhill. They didn't care anymore. Pete

Several other respondents were very critical of the reengineering process, claiming it reduced performance rather than enhancing it. Patty noted her frustration with what she perceived to be a failure to accomplish much of anything after PEU implemented this reengineering to improve performance.

That's what I thought. I found a lot of the programs they were trying to institute – the reengineering – it took years and years and years, and they still didn't have a system. I thought a lot of it was such a waste of time, and it went nowhere. I don't know what they ever accomplished. I don't know if they ever accomplished very much.

But when we were working on systems after the reorganization, they kept leaving people go. They would leave computer programmers go, and we'd have to start all over again. And they were outsourcing. It was just a nightmare. I thought it was.

We were trying to get a new system in and we never got it in. It was just spinning wheels. We worked on it and worked on it and worked on it, but it never came to be. So I was frustrated. Patty

Another theme among respondents was that management at PEU, which had been characterized by its stability, structure and emphasis on following rules and procedures, was not suited to making the kind of dramatic transformational change that they did. Earlier in the interview Todd had used the metaphor of an

elephant to describe the company prior to reorganization. Later, when we discussed changes PEU implemented, he suggested that management tried to make the company into something it was not.

Someone would describe it as country boys went to the city and got faced. And looking at it this way, and it kind of goes back to the marketing things we got in to, it seemed like when the profit became the motive of our existence, we lost all sense of who we were and really what happens to people when they do that. Todd

### Not Everything New Was Bad After All

Another way of doing business that many respondents noted dramatically changed following the reorganization was the decreased importance assigned to long term service and experience on the job in promotion and advancement decisions. This perceived change was particularly significant given the emphasis PEU placed on it prior to the reorganization. Several respondents noted that company and position seniority was the primary factor in determining promotions and advancement in the past. Paul had worked both at the general office and in field locations for much of his career and described how employees advanced in the organization.

Well what I think did go on at PEU, I can't recall anyone who moved up through the chain of command or up to the position real quick because what would happen is, as the progression went, they would be working in a position and no one was retiring ahead of them. They were stuck until someone retired and then they would move up through the progression. Paul

Larry also noted this practice at the plant where he worked, describing the blue collar worker equivalent of starting out in the mailroom.

You used to work your way up. You started in the labor gang and then go into maintenance or operations. You had to do your time there but if management saw you had potential, after awhile you got promoted to boss. Larry

While this view of the old norm for advancement at PEU was widely viewed as positive and leading to stability and predictability, it was not universally praised. Jason was one of the respondents who had a different perspective about the fairness of opportunities for advancement before and after the reorganization. I was particularly interested in his view since he was one of the relatively few respondents who fared better, at least professionally and financially, after the reorganization. The fact that there were few individuals in this category was not altogether unpredictable given the significant decrease in management positions and promotional opportunities following the reorganization at PEU. Jason was appointed to a managerial rank in the company, which was a relatively influential position at PEU, particularly after the elimination of a significant number of them during the reorganization. He was still with PEU at the time of the interview and out of concern for his job, declined to be recorded or sign an informed consent form. We talked about opportunities for advancement in the old organization versus the new one following the reorganization and downsizing. I was particularly interested in his perception because I thought he was a very bright, thoughtful, and capable person. He did not have a college degree, having attended school for several year but never completing it, and I wondered if he felt that limited him in terms of promotion and advancement



opportunities. Jason observed that prior to the reorganization, the only way someone got promoted was if they had a degree or had worked in a job for a very, very long time. He cited examples of people he knew who were very good employees and who he thought would have made good managers but could not get promoted because of the lack of a college degree. There were exceptions when employees had a great deal of experience, but even in these instances, he said there was a ceiling against them advancing very far. Jason thought this was unfair, particularly to someone like him who had other experience before coming to work at PEU and would have less seniority. Pete fit the characterization described by Jason. He was in a managerial position in one of the field locations before and after the reorganization of PEU, though his new position was lower in the hierarchy. He described the typical promotion for someone like him who didn't have a college degree.

There was definitely a way you got promoted in the company. You didn't see too many young guys in top jobs and there was a reason for that. You had to work your way up. You had to know the work, the stations, the circuits, the service requirements and so on. I was OK with that because that's just the way it was. You knew that if you did your job and stayed long enough you were gonna get promoted. Pete

Perhaps the group of employees that benefitted most from the change in promotion decisions was women. Several respondents noted the difficulties they faced in advancing within PEU prior to the reorganization. Patty captured this sentiment when she described the frustration she felt with her promotional opportunities.

But as they talk about the glass ceiling. It was still there. I could never get up to that position or level. But they tried. It seemed as though they tried to accept us in that position and tried to make it equal. Money-wise, it took an awful long time. Now, maybe the women who came out of college and started in their engineering or accounting positions were better off. But they just never bumped me up quickly. It still took a long, long time. Patty

Patty observed a change in this regard at PEU following the reorganization.

While it was still not totally equal in her opinion, there appeared to be better opportunities for women and more of them were promoted to higher levels than in the past.

After a while, they started to promote women into some nice positions. They did. I think they were doing pretty well after the reorganization. I think they tried to do a decent job. I did hear, however, that there some whom I knew were very good women who felt that they should have had a better position, maybe made better money. They had degrees, Master's and so on. They never had the opportunity to go beyond. I had just heard all of that. And I knew some of them were very, very talented people. But overall, they seemed to at least promote them after the reorganization. Patty

Not all of the respondents had a positive view of this change, however. In the past when there was so much emphasis on experience and seniority, there was an expectation that supervisions and managers were qualified. A common refrain among several respondents was that many individuals who were elevated to higher positions after the reorganization were not qualified and attributed many of the problems experienced after the reorganization to this.

After '96 though that all changed. All of the sudden they were promoting people that didn't know their jobs. They thought that as long as you were a good manager you could manage anything. I know that because I heard (a director at the time) say it. He said something like "it didn't matter if you never set a pole, the

manager isn't setting the pole. His crew is." Well, it sure as hell helps to know how to set a pole so your crew sets it right and doesn't take all day to do it, doesn't it? Pete

Well they started hiring people at higher positions without coming up through the ranks so you got somebody that came into the plant, they're qualified, don't get me wrong, they scored good on the tests, they can do all the math, but when it came to knowing the plant, it was touch and go. They (management) got themselves into a few troubles.

So you're (PEU) bringing in qualified people, but they turned them loose and we had some close calls out there because they eliminated the training aspect of working the plant. Larry

I thought that the people they put in their jobs after the reorganization set the company back for 10 years. Sam

### Get Ready For Change

Another important aspect of how individuals perceived violations of the psychological contract for employment is the nature of the process and how well employees were prepared for it. Nearly all of the respondents in the interviews expressed a very strong expectation for job security and stability in the organization. Many had, at least in their minds, sacrificed something of extrinsic value on their part to gain it. They noted the company's long history of secure employment and how it affected them when that implicit contract was violated. One of the factors that appeared to affect how employees perceived the change in the employment contract was the abruptness with which changes in the organization were implemented. One of the areas of interest in this research was the extent to which employees were aware of the changes that were to take

place, and how well prepared they were for them. When employees have been prepared for change and provided justification for it, it can ameliorate their perception of the fairness of the process and outcomes (Leana & Feldman, 1992). Organizational change research has documented the importance of preparing employees for significant transformations (Beer, 2003; Burke, 2000; Fernandez & Rainey; 2006; Kotter & Cohen, 2002). The dramatic change in the culture and employment relationship at PEU represented a significant departure from the past. A transition period in which employees were notified of the impending changes and prepared for their significance likely would have ameliorated the disruption it had on them. However, in this instance, employees at PEU had very little advance notice that change was imminent or a full understanding of the scope and significance it would have on them and the culture there. A director of the company observed that senior leadership, at least at his level, learned of these changes less than a year in advance. He noted that even at that, the notice was not particularly informative or specific, coming only as a statement from a vice president in the company that within a year, many of the executives like him in the room would no longer be with the company. This individual and group norm for long term job stability and job security that had developed over the 80 year history of the company, was about to be disrupted by the actions management at PEU took in response to the coming deregulation of the industry in the state.

## CHAPTER FOUR WORKPLACE JUSTICE

In response to the deregulation and competition that was pending in the industry, PEU began a reorganization and restructuring effort that dramatically affected the company, its culture and employees. In a newsletter to employees dated January 27, 1995, the company announced a redesign project that was intended to improve their competitive position (Internal Document, 1995, January). There was no mention of potential layoffs in this initial newsletter. Several other communications were issued in the coming months informing employees of changes that would take place in the company. However, it wasn't until the June 23, 1995 newsletter that the issue of potential reductions in the workforce was mentioned. Under the heading "Population of the New Organization", it stated "If the Core Team's recommendations are accepted, PEU's staffing requirements would decrease substantially" (Internal Document, June, 1995), though there was no mention of specific numbers. A month and a half later, August 4, 1995, the ninth and final issue of the newsletter announced that the redesign process would result in a reduction of nearly 30 percent of 580 positions in the corporate office during the first phase of the process (Internal Document, August, 1995). A little over four months later, on December 4, 1995, employees learned whether they had a job at the PEU or would be laid off. This rapid change, with individuals learning they did not have a job less than six months after the first hint that any layoffs could occur, came as a dramatic shock to employees who had worked at a company that had never had a layoff in its

history and who had little reason to think it would ever happen there. For employees to find out that their jobs were gone so quickly when they had spent much, if not all, of their working lives at the organization, was very difficult. Given the culture and environment that had led to job stability, security and inertia, the abrupt manner in which PEU implemented these changes had a dramatic effect on the culture of the organization and the relationship employees had with it. It also changed the view employees had of management at the company, which heretofore had been characterized by many as being very employee-focused, caring, and family-oriented.

#### **BAM! All of the Sudden a Lot of People Get Laid Off**

The process that was implemented in this instance, a significant reorganization of the company with employee layoffs, the first in the company's history, can be characterized as deep organizational change (Burke, 2000). Changing this deep structure in the organization, particularly that which developed over 80 years of regulation, can be very difficult (Gersick, 1991). When this kind of deep organizational change is implemented, it is critical to inform and prepare stakeholders, providing them with a justification and need for it, as well as a sense of urgency to do it (Burke; Fernandez & Rainey, 2006; Kotter & Cohen, 2002). The data suggest that PEU did not adequately prepare and inform employees of the need for change or the significance of the disruption they were about to experience, particularly given the insular nature of the

environment. While difficult to assign specific time frames to this preparation process, in this instance, there was less than 12 months between the initial discussion of a potential reorganization and the eventual layoffs. In addition to time and preparation for change, credible explanations have also been found to be a very important factor in improving employee perceptions of unfavorable workplace actions (Rousseau, 1995). Brockner, DeWitt, Grover, and Reed (1990) also found that the adequacy of an explanation is an important factor in moderating employees' perception of fairness, noting that even when the news is negative, people are more willing to accept it if the explanation was deemed as adequate.

The data from this inquiry show that the actions taken by PEU did not meet these precepts for implementing significant organizational change, which increased employee perceptions that PEU violated their psychological contract for employment. Many employees doubted the need for change, believing, rightly or wrongly, that the company was successful in a regulated environment and would continue to be so in an unregulated one. There also was a view that the reorganization and downsizing had less to do with operating performance and survival than it did for improved financial performance and increasing the stock price. This appears to be an area that affected employees' perceptions of the outcomes of the reorganization, because there was little explanation for the change and they were provided little advance notice. Elaine noted that there was little notice or explanation to employees, and expressed surprise, that particularly as a supervisor, she was ill-prepared for what was coming.

I was a supervisor at that time so you'd think I would have known ahead of time about what was going to happen. But we didn't. Everything was going along the same way it always was, well the company did tell us that the deregulation was happening in Pennsylvania and that that was going to change some things but other than that we didn't hear much. It was like keep doing everything you always were and then BAM, all of the sudden a lot of people get laid off. The first time it ever happened, too. Elaine

Joan was a notable exception to the general view of most other respondents regarding the sudden nature of the reorganization and layoffs and the relative lack of notice and preparation for change employees were provided. This could be explained by the fact that she worked in a department at PEU that was closely involved in the process and that would be dealing with employee issues when the changes occurred. Several times during the interview Joan alluded to this insider view she had and that there were things going on that other employees likely didn't know.

We were kept very well informed. I think the very first meeting we had with the (Company) Human Resources Department and I remember (the director) explaining what was going to happen. I think that was the beginning of 1995, that's whenever, that was the year before all this started to happen. I knew things were going on, that something was brewing. Joan

In addition to the rapidity of the process and general lack of information and preparation, the resistance to change by individuals in the organization and the relative comfort they had with the existing culture made change difficult. Burke (2000) states that deep organizational change, and in particular that affecting the culture, can be very difficult. He posits that the culture develops



over a long period of time and norms and values influence the perception of that culture. Lewin (1947) recommends implementing change as a process, conceptualizing it as taking place in three phases. The first step in Lewin's prescription for change is to unfreeze the structure, culture and norms in the organization so that new processes can be implemented. Gersick (1991) noted that this can be deep and adverse to change and suggested that organizations like PEU that had been in relative equilibrium for some time are particularly resistant to it. Kets de Vries and Balzs (1999) suggest that individuals tend to hang on to the status quo, even when it is illogical, making putting the process of change into motion difficult. Their prescription for organizational change starts with leadership spreading discontent with the current situation. Calling it the "crystallization of discontent" they posit that it is the strongest inducement for change. Beer (2003) concurs, noting that readiness for change begins with creating an eagerness for something better. If, as Kets de Vries and Balzs and Beer propose, organizational change leaders need to dissuade stakeholders of a positive view of the organizational status quo, one of the challenges before them is how to do that when employees, by and large, are satisfied with the current environment in the organization. Very few of the respondents interviewed expressed any significant dissatisfaction with their jobs or the company prior to the reorganization and the few that did were still very content working there. Given this culture of a perceived high level of satisfaction with the status quo, instituting change in a rapid fashion was very difficult and disruptive to the employees involved in it.

## The Culture at PEU

One of the recurring themes heard in the interviews was the strength of the culture at PEU and the positive way it was viewed by many employees. Jones (2007) defines organizational culture as “The set of shared values and norms that control organizational members’ interactions with each other and with suppliers, customers, and other people outside the organization” (p. 177). Deal & Kennedy (1982) define culture simply as the way things are done in the organization and say that it is characterized by the ways norms and values are communicated. There are differing views in the literature on the meaning of cultural norms and values and while they are often used interchangeably, there is a distinction. Scott (2003) associated them as part of the normative structure of an organization. He defines values as “the criteria employed in selecting the goals and behavior” and norms as “the generalized rules governing behavior that specify, in particular, appropriate means for pursuing goals” (p. 19). Sathe (1983) notes that while values and norms both have what he calls “ought’s” associated with them (i.e., what one ought to do), norms are more calculated and explicit (p. 7). They represent standards for behavior and conduct between stakeholders in the organization. Sathe suggests that rules like being on time, handling disagreements in a polite manner and dressing conservatively are examples of cultural norms. Values on the other hand, represent guiding principles and standards to which organizational members strive, such as being a low-cost provider or providing quality service.

Expressions of strong organizational values and norms at PEU were prevalent in the data. It was apparent that many of the respondents had a very strong sense of what they perceived they “ought” to do as an employee as well as values that they believed guided the organization. The most prevalent and powerful norm found in the data was loyalty and commitment to the organization. This isn’t surprising given the job stability and security that characterized employment there. One way that employees could demonstrate their loyalty and commitment to PEU was to attend work regularly, so not surprisingly there was a great deal of emphasis put on employee attendance. My experience was that this norm was very prevalent at PEU and it wasn’t unusual for employees to work their entire careers with only a handful, and in some cases, no days, missed from work. Ken was one of those employees. I began each interview by asking the respondent to briefly describe for me their career at PEU, when they started, what jobs they held, and so on. Within minutes of beginning the interview, he said,

Not to toot my own horn, but I never missed a day’s work; that was 29 years. I’m only saying that to show you that I was lucky to be healthy. I had some discomfort and etcetera, but the job to me – my way of life – is that you hired me to do a job, so I’m going to do it. There were days I didn’t feel good. Plus the company paid me well and treated me well. So why wouldn’t I reciprocate and be a good employee? Ken

Ken was one of the casualties of the reorganization, losing his job after working 29 years without missing a day’s work. This view of the importance of attendance was repeated by a number of the respondents. When I asked Todd what attributes he thought PEU valued in their employees, he laughed and said

“using your vacation instead of sick time.” Elaine worked at PEU for over 40 years and noted how important attendance was there, saying, “Some people at PEU had perfect attendance.” She contrasted that with a business where she went to work after losing her job during the reorganization. “When I went to (another company) every year, it was a big joke, ‘we have to take Elaine out to lunch’ because I didn’t have any sick days.” When I asked her if she thought that was a carryover from her experiences at PEU, she observed that she thought it was, though it was also just the way she was natured. Lori was one of the few employees who expressed any significant dissatisfaction with the culture in PEU generally, and specifically regarding the company’s emphasis on employee attendance. When I asked her what traits she perceived to be of value in the organization, she observed that attendance was very important, and something for which she had been criticized about on numerous occasions.

The company wanted someone who was reliable and showed up for work on time. They didn’t want someone that took too many sick days off. They were pretty staunch about that. It was especially bad when I worked for (a manager in the company). He worked his whole life and never missed a day’s work. I think he had something like 40 years without a sick day! So when I missed a few days a year it was a big deal. And he wasn’t the only one. There were a lot of people that never missed any work. They came to work sick a lot but they wouldn’t take that day.

Probably my biggest problem was attendance. I was getting called on the carpet all of the time for missing too much work because I was sick or had to take care of my kids. Attendance was really important and they used to really get on my back about taking time off from work. That was probably the worst thing. Lori

## The Culture – All in the Family

In addition to loyalty and commitment, another prevailing theme regarding the culture at PEU was that it was family-oriented and that most people got along very well. Feld (1981) identified the workplace as one facet of an individual's environment around which they organize their social relations and network. Feld also posits that the strength of the social relationship correlates with the extent to which the foci are compatible. He suggests that family relationships are typically more compatible, therefore, family ties are stronger than those developed in the workplace. This suggests that in workplaces like the one at PEU, which employees characterized as family-oriented, could be expected to have stronger ties than those that are not. Of interest in this research was extent to which the family and work, were bridged in this organizational environment. Cameron and Quinn (1999) view culture as the prevailing ideology in an organization that provides identity to individuals and implicit guidelines for relationships and how to get along. Nearly all of the respondents described the culture in the organization prior to reorganization as very family-oriented.

It was like a family. Everyone got along with each other and it was a nice place to work.

The people were really friendly to each other and it was like a family.

Everyone I knew thought you were lucky if you worked for the power company.

I felt better about the electric utility – first of all, there's an ego thing going on too because PEU was a good company to be working for.

The culture and environment at the company prior to reorganization was very family-oriented. People had good relationships with each other.

Another theme regarding the culture at PEU was the pride that employees felt working there, noting it provided them an identity and made them who they were. This was particularly true for those who began working at PEU early in their adult lives and remained there for the rest of their careers.

It was the greatest (Working for PEU). My entire career until about the last year or so, my family, they were so proud because I was working for PEU. It was who we were.

You didn't make a lot of money back then, but it was a good place to work. It was something to be very proud of at that time.

I was proud of working for the company. I was very satisfied. Oh yeah I was proud, even still today.

Oh, I was very proud. I loved the company. I was very proud of it.

I felt good about where I worked. I didn't mind telling people that I worked for PEU. I had a lot of pride with that company.

Some of these statements were voiced by employees who lost their jobs and who expressed very negative views of the process and the company itself following the reorganization. Despite this, they still expressed a great deal of pride in having worked there. Scott (2003) cites a form of alienation identified by Marx that can explain how some of these respondents felt about the changes that took place at PEU and how it affected their feelings of pride in the organization. Workers can experience alienation if they feel they do not have a

connection with the product or process of their labor. When I asked him what he liked about the company prior to the reorganization, Scott said,

I always felt good that I wasn't just making some chemical or tires or something but we were generating the power that keeps people's lights on. People in the community liked the power company then too so you didn't have any problem telling people you worked there. Scott

When I asked him later how things changed after the reorganization, Scott talked about how employee's attitudes in the company and their pride in what they were doing changed. His response suggested that the changes in the company affected how he viewed his job and the value of what he was now doing.

It was still important to keep the units on and it seemed like there was a lot of money to go around for some things. But you felt like it was all about the money. Before you felt like you were doing a good thing for the community, for your neighbors. But after the reorganization, it was different. If it wasn't good for business you just wouldn't do it. I didn't like that. Scott

Cameron and Quinn (1999) observe that organizational culture also gives stability to the social system that individuals experience in the organization. A weak culture would be characterized by a loose and unstable social system. Alternatively, organizations with strong cultures would be expected to have a stable and tightly connected social system. This was evident in the way many of the respondents characterized the social network at PEU.

Well, when I started there everyone would take breaks together and go to the cafeteria for coffee. It was nice because you would catch up with everyone and what they did the night before and everything. Everybody ate lunch together too and then we had things like company picnics and the ladies get together so it was just nice. Tanya

We had the men's club and the women's club. We had a lot of activities that kept us as a close-knit group Patty

Most of my friends were with PEU and that was, whatever you, it was the social thing, the social circle. Joan

Ya' know what, it was fun. The girls used to go out once every couple months, we almost got thrown out of (a local restaurant) that time. Remember, we go out, but seriously, we'd plan a night and you know, all of us weren't the best of friends, but we worked together and you just let it go. Remember how we'd get together occasionally, we'd have Christmas parties and of course you had safety and social committees. Susan

Smircich (1983) and Meek (1988) posit that culture can be viewed as something an organization *has* [italics added] or as something an organization *is* [italics added]. The former characterizes the culture in the organization as a variable whereas the latter provides a metaphor for the organization. Meek suggests that organizational scholars should view culture what the organization is rather than something it has. His rationale for avoiding thinking about culture as a variable that can be measured, modified or manipulated, is that it suggests that an organizational culture can be imported into the organization and/or easily changed. Meeks notes that instead, it emerges from the interaction of its members and states that the "interpretation of organizational culture must be deeply embedded in the contextual richness of the total social life of organizational members" (p. 463). This view of the culture of the organization as a metaphor for what it is and that changing or importing a new culture into it is very difficult was prevalent in the data. Works like *family*, *friendly*, *caring* and *wholesome* were frequently used to describe the culture at PEU.



I would say it's family-oriented, which is really hard to say because it's not a mom and pop store; you had 2,000 employees. Ken  
It was always a nice place to work. The people were really friendly to each other and it was like a family. Tanya

It was family-oriented and they promoted wholesomeness. Jeff

It was a very family oriented, friendly-family oriented, friendly place to work. It always was. That was the key. Joan  
It was a very good place to work. Like a family. Management cared about their employees. Sam

Back then it was family. You knew everybody, well we knew everybody because most people started through the mailroom. You spent more time with them then you did your family. Elaine

One of the attributes that can be used to describe the culture of an organization is its strength (Peters & Waterman, 1982; Scott, 2003). References to the culture at PEU was a frequent pattern in the data with many respondents describing it as being very strong. Scott describes strong cultures as:

Belief systems that define a general mission sustaining commitment to something larger than self, provide guidelines so that participants can choose appropriate activities, and create sources of meaning and identification so that participants not only know what they are expected to do for the good of the organization but also want to do it. (p. 319)

Peters and Waterman contend that people working in organizations with strong cultures either conform to the rules and norms in them or they leave. This suggests a relationship between the strength of the organizational culture and the extent of job security in it. Aaronson and Sullivan (1998) characterize job security as the ability of the worker to make a choice to remain in the

organization or not. Employees who could not, or chose not, to conform to the rules and norms at PEU would likely have left it. Frank alluded to this in part when he described the kind of individual that was valued in the company and whom he thought was a good fit within the culture at PEU.

I thought that the company really valued employees who were loyal, followed the rules, didn't miss work and didn't make a lot of mistakes. Back then they really wanted loyal employees and I think that's why the people tended to stay there for a long time. They were loyal to the company. For the most part that's the way most of the employees I knew there were anyhow.

I thought that there were people who didn't fit in well in this kind of environment. But they didn't fit in that environment. They got frustrated and either left or were just very disgruntled all the time. Frank

Lori might have been one of the employees to whom Frank alluded. She worked for the company for over 15 years before losing her job in the reorganization. Even though she was a long term employee at PEU, one got the sense from talking to her that she never really conformed, nor was altogether satisfied with the culture there. When I asked Lori if she thought she was a good fit with the organization and its culture, she said she was not.

I don't think so. There was just always something . . . I always felt a little out of sync with the company. Maybe some of it was because I didn't live in (the same town as the general office where she worked). I lived closer to Pittsburgh and the culture's different there. You know what I mean? A faster pace and things are little looser. Lori

When I asked what she meant by "looser," Lori said that she didn't think there were as many rules and procedures that had to be followed in other organizations and that few companies were as "tight" with their money as PEU.

This change in the culture at PEU had a dramatic effect on employees in the organization. Had it occurred incrementally over a long period of time, employees likely could have adapted to it more readily. Or, as Peters and Waterman (1992) contend, employees who chose not to adapt to it would have left the organization. On the other hand, if change was instituted quickly and in response to a clear and imminent threat from the environment, it could have provided employees at PEU with a way to attribute blame or causation to something outside their control. However, the perspective of respondents interviewed suggested that the general view of employees at that time was that many of the changes implemented, including downsizing and job layoffs, were done too quickly, were not necessary, and were not taken in response to an imminent threat to the survival of the organization. The next section will examine how employees reacted to this change and in particular, how they perceived the outcomes and processes used to institute the first job layoff in the history of the company.

### Things Are Going to Get More Competitive

The changes at PEU were purportedly in response to pending deregulation in the state. A common refrain during the interviews was that PEU was a good, solid company that performed very well in its environment. As we've seen, the reorganization and downsizing was implemented very rapidly with little preparation and advance communication to employees at PEU. Given these

circumstances, a common view among employees was that the actions taken were either unnecessary or an overreaction to deregulation, increasing the negative reaction many respondents had to the reorganization and downsizing. In a memo to all employees four months before the initial layoffs, the CEO of the company described why action by the company was necessary. He said, "Simply put, things are going to get more competitive. This isn't a prediction, it's a fact." When he said, "things are going to get more competitive," and that it "isn't a prediction," he was admitting that this threat was not imminent but rather was in the future. Later in the memo he said something about PEU that was echoed by a number of the respondents. In describing the company and how it was position for competition, the CEO said:

We are a competitive company. We enter the new competitive marketplace from a position of strength. We have a strong record of efficiency and reliability, environmental leadership, and customer satisfaction. *Compared with others in our industry, our costs and rates are low.* (Emphasis mine) (Internal Company Document)

If this reorganization and downsizing had been instituted because the company was failing, or was poorly situated to compete in the marketplace, the job losses and other changes might have been more readily accepted by employees. Certain factors, such as the context of the circumstances that led to the event and the extent to which individuals can externalize blame, have been found to moderate the effects of layoffs and job loss. Newman (1988) observed that laid off employees who see their result attributed to arbitrary fate may

perceive it differently as opposed to when it is an intentional action. Even though the results may be the same, the individual generally accepts the outcome when they believe it was not due to performance issues on their part. Brockner, Greenberg, Brockner, Bortz, Davy and Carter (1986) similarly found that layoffs administered randomly were perceived differently by survivors than those based on merit. Survivors who perceive positive inequity and believe they received a disproportionately favorable outcome also feel more guilty than when layoffs are administered on a random basis.

The unemployed frequently internalize blame for losing their jobs, even when the job loss was clearly outside their control (Newman, 1988). Leana and Feldman (1992) found that a dimension that affects how people react to job loss in terms of blame is causality. If they can externalize the cause they are better able to make sense out of it than when they internalize it and blame themselves. If the individual is part of an overall general layoff they can externalize responsibility by blaming the system, competitors, or other factors such as the organization's performance. Certain personality traits can also affect how the individual perceives responsibility for the job action. Individuals with high levels of self-esteem are able to deal more favorably with the adversity of a job layoff, while those with lower self-esteem can become discouraged and develop feelings of apathy (Leana & Feldman). Newman suggested, however, that these feelings of apathy may be mitigated by the degree to which the worker accepts responsibility for the action. If they blame themselves they are less likely to be apathetic about their plight.

Given these theories, in this instance, individuals who lost their jobs or incurred significant disruption in their current job status at PEU could blame their fate on the overall influence of deregulation or even the organization's failure to respond properly to it. Externalizing the blame in this way could help to ameliorate the loss and allow them to associate a cause for their predicament that was outside their control. Also, if layoffs were determined using a method such as seniority, individuals losing their jobs and survivors alike could attribute their outcome to fate, based on their own circumstances or category. Newman (1988) calls this categorical fate, referring to "situations in which an individual's misfortune is attributed to his or her membership in a group (or social category) that is as a whole, subject to victimization" (p. 65). As examples, she cites membership in a union or being in a group that has been historically discriminated against, such as gender, race, or age. When individuals can categorize what happened to them they can deflect blame from any deficiency on their part and assign it to a factor over which they believe they have no control. Even in that regard, if employees targeted for layoff had been selected using specific criteria based on prior performance, at the very least they could have internalized the blame on their prior actions rather than personal traits or competencies. However, a process used by PEU to select individuals as part of the redesign effort have made it very difficult for individuals to externalize or categorize blame. To the contrary, this process internalized the cause of the individual's fate in a personal way that was particularly disruptive and impacted

many employees. The next section will explore the “objective” process used by PEU to determine who would stay and who would go.

### Nothing Objective About the Objective Judgment Quotient

As part of the restructuring process, PEU leadership announced that the new organization would require employees who had “competencies” in certain predetermined areas. Less than a month and a half before the layoffs were to occur, the company reported that the re-staffing process would include a rating tool called an “Objective Judgment Quotient” (OJQ) that would be used to measure each employee's competencies in the following seven areas:

- Gets the Job Done/Initiative
- Good Decision Making
- Business Savvy
- Problem Solving – Ability
- Communicates Leaving No Doubt
- Works Well With Others/Teamwork
- Leadership

(Internal Document, 1995, September 15).

The method for administering the OJQ will be briefly described. Prior to conducting the OJQ ratings, a group of management and peer raters were identified for every employee. These were intended to be individuals who knew the employee well enough to satisfactorily rate them based on the predetermined competencies. During the rating process, each employee in the affected unit was to be evaluated by a group of management raters and a group of peer

ratars. Each person was asked to select from a list of all employees, peers who they believed could rate them satisfactorily in the competencies. Manager raters were selected by the company. Employees were told that every effort would be made to select raters from those they had identified as being capable of rating them.

The actual ratings process used could be characterized as a comparative, forced ranking system, which is a combination of several common methods used to evaluate employees. Noe, Hollenbeck, Gerhart and Wright (2006) describe a comparative rating system as one in which the rater uses employees as the standard, comparing two or more to one another. A forced ranking system is one in which the evaluator ranks a group of employees in order from the top to the lowest performer (Noe, et al). The combination of the two, a comparative forced ranking system, required the evaluator to rank individuals above or below other employees in the comparison group. In the OJQ process, the rater was given a number of different iterations of groups comprised of three employees at a time in which they were asked to rank one of the employees first among the three, one of them last, and the third in the middle of the two. This ranking was supposed to be based on the evaluator's perception of the strength of each individual's abilities in one of the seven competencies. This process was repeated with a variety of different combinations of three employee groups using statements related to the seven competencies. From these multiple and varied comparisons, an evaluation in the form of an OJQ score was determined for each employee.



These scores were provided to all employees shortly after the ratings process and suggested by management guides for self-improvement, however, the overwhelming sentiment by respondents was that the primary purpose of the OJQ was to select employees to remain in the organization and those to be laid off. Rick, a senior manager who was directly involved in the selection process, provided a personal perspective of why the OJQ process was selected and how the OJQ score was used to determine which employees would lose their jobs and which would not. According to him, the OJQ was selected by PEU for two purposes. One was to provide an objective measure of the competencies that PEU management had determined were essential to staffing the new organization. He felt that some of these competencies were not emphasized or valued as much in the old way of doing business in the company so a new process that was separate from the previous employee performance measurement system was required. However, he also noted that another critical reason it was utilized was because it was purportedly less likely to result in successful lawsuits against the company. As evidence Rick described his experience in the selection process. A short time after the OJQ rating process was completed, all of the newly appointed directors at PEU met in a room for what Rick called "selection day". He recounted how each of the directors were provided a list of all employees at PEU and their OJQ scores. They were there to select employees to work for them within each of their respective organizations. Rick said that they were given explicit instructions by their leadership that only employees who had an OJQ score above a predetermined

level could be selected for the new organization. He also related that a representative from PEU's Human Resources group was there at all times to ensure that this policy was strictly followed. Rick noted that exceptions were allowed in only the most extreme circumstances, such as when there were no other qualified individuals available for a job. According to this executive, the message from the company to the "selectors" was very clear. The integrity of the OJQ system had to be maintained and under no circumstances could an individual with a lower score be selected over someone else with a higher score.

It was instructive to hear this perspective because so many of the respondents interviewed had very different perceptions of the process. Many of them characterized the process and its outcomes as unfair, subjective, biased, and preordained. This method used to evaluate and select employees as part of the organizational change brought out very passionate feelings from many of the people interviewed. Though the reorganization had occurred over 12 years ago, many of them still had very strong and vivid memories of the process and said they had never experienced anything quite like it throughout the history of the company.

I remember it well [OJQ Day]. It was like a battlefield in the building that day. There were casualties everywhere. People just wandering around the halls like they were in a daze. Frank

It just resonates with me so vividly, I can remember that day. It was really something. I can remember there were a lot of people crying. I'm not embellishing this. Jeff

We've observed the effect that the overall change in the psychological contract and the perceived promise of long term job security and stability had on

employees at PEU. For many this violation represented a change in the implicit contract they perceived they had with the organization. It occurred when employees who perceived they had a “job for life” were suddenly laid off with little notice, preparation, or justification that it was really necessary. Survivors of the process at PEU were affected as well, when they were suddenly exposed to uncertain employment that was subject to termination as they had never experienced before.

However, these employees perceived a violation in their psychological contract based on factors other than simply the outcomes received, or whether or not they had a job. In addition to the fairness of the outcomes received, also referred to as distributive justice, perceptions of violations can also be affected by the process or procedure used in determining them, called procedural justice (Cropanzano & Ambrose, 2001). A third type of violation that was evident in the data and that affected the individual’s perception of psychological contract violation, is interactional justice. Sometimes called interrelational justice, interactional justice relates to the nature of the interactions that take place between individuals in the administration of actions in the workplace (Anderson, 1996; Brockner, Wiesenfeld, & Martin, 1995). A common theme among respondents was that all three of these principles of workplace justice were violated by the OJQ process and other aspects of the reorganization at PEU.

The degree to which employees perceived outcomes from the reorganization were fairly distributed can impact their view regarding violations of the contract. Distributive justice refers to the fairness of the resulting outcomes of

a process (Cropanzano, Prehar, & Chen, 2002). Cropanzano, et al. suggest that it was the first type of justice to identified. Distributive justice violations occur when there is a weak correlation between the evaluation method used and the fairness of the outcome distributed. If individuals believe that other factors are involved in a selection process, for example, that an individual is hired or fired on something other than the merits, they are more likely to perceive that a distributive justice violation occurred. The data from this research are mixed with regards to the correlation between the OJQ process and the fairness in outcomes distributed. Some respondents viewed it as being very disparate in outcomes, suggesting that many good employees lost their jobs while poor performers remained with PEU following the reorganization. However, others claimed that the process did identify poor performers and remove them from the organization. When PEU engaged in downsizing, the extent to which employees perceived the outcomes being based on prior individual performance or not had an effect on their perception of its fairness. Some respondents felt strongly that there was not a correlation between performance and outcomes in the process. Scott and Ken captured the prevailing sentiment of those who believed that outcomes were predetermined and not based on OJQ "scores."

I think most people figured the company was going to get rid of who they wanted to no matter what so the OJQ was just to cover for them. Scott

A director told me, "This is the chart. These are the positions we have. We pick the people we want." So how accurate can the system be? It wasn't bad that they did it once; they even did it a second time! Ken

However, views regarding the effectiveness of the OJQ in terms of identifying poor performers varied widely. There was not universal agreement among respondents that the process was patently unfair or without a correlation between performance and the distribution of outcomes. A number of respondents felt that the process did identify individuals at PEU who had a history of poor performance. Jeff spoke for several others when he expressed the opinion that the OJQ identified what he called “deadwood” people in the company.

Well, my perception, I didn’t like seeing anybody lose their job but I do remember seeing a whole list of people who were let go and they were deadwood kind of people. They were just people that were always there and you really don’t know how many contributed, or they were troublemakers for whatever reason. Jeff

The presence of “deadwood” that Jeff described at PEU was due to the fact that the company had an historical tendency for a very high tolerance for poor performers. This developed as the result of the regulated environment insulating PEU from competitive market forces that would otherwise make this kind of employment relationship costly to the employer. Several respondents like Scott alluded to this when describing the nature of employment there.

There were bad employees in the company. There are probably lots of them everywhere. But at PEU they just never got rid of them. So when they got serious about it (after the reorganization) it hit people hard. Scott

If Scott’s view is correct that PEU “never got rid of bad employees,” there would have been a number of them there at the time of the reorganization and any evaluation device, even one with flaws would have likely identified some of them. However, there was a common view among many employees that the

process was both effective and unfair at the same time. If employees had been chosen by coin flip, it would be very probable that some employees who were widely viewed as “deadwood”, to use Jeff’s term, would be selected for layoffs. Such a process could be viewed by some as effective, yet unfair and would not necessarily lead observers to conclude that the outcomes were derived fairly. Sam spoke for several other respondents who decried the process and the way it was implemented while noting that most of the outcomes were merited.

It was bullshit but for the most part it worked. There were a lot of people that got caught up in it. They didn’t do anything any differently than they ever did but they lost their jobs. There were people that lost their jobs that deserved it. But they should have lost their jobs a long time ago. Sam

In addition to characterizing the relative accuracy in the OJQ process identifying poor performers, Sam’s comments regarding employees who he believed should have lost their jobs a long time earlier also reiterated the insular nature of employment characteristic at PEU.

### Outcomes – The Good, The Bad, and it Depends

One of the challenges in understanding the meaning individuals assigned to distributive fairness in the reorganization and layoffs at PEU was the fact that depending on the individual’s circumstances, there were differing views on what constituted a fair outcome. Cropanzano and Ambrose (2001) note that all resource allocations are not of an economic variety. Various non-economic outcomes, which they refer to as “socio-emotional consequences” can also

influence an individual's perceptions of distributive fairness. (p. 122) This was evident in the data by the number of respondents who did not experience negative economic outcomes, and actually improved their financial condition, while still feeling violated, emotionally and socially, by the outcome they received.

If the loss of a job or demotion was viewed as a negative outcome and retaining one's current position was viewed as a positive outcome, analysis of the data and their meaning in regards to violations would be straightforward. And in fact, for most people in the organization, having a position in PEU after the reorganization was a positive outcome. Respondents generally had a favorable view of working at the company, at least prior to reorganization, and spoke for many employees who wanted to remain with the organization. Cathy was one of the respondents who desperately hoped to have a job following the reorganization. She described what it was like worrying that she would lose her job and the relief she felt when she learned she had not.

I was scared to death I was going to lose my job. They showed us the organization chart that showed my job wasn't there anymore. So I'm thinking I'm probably gone. I mean, here I was, forty-eight years old, never worked anywhere else in my life. What am I going to do? Who's going to hire me? All that was going through my mind. I didn't even hear anything they said to me until I heard "you will be working in (another department)." I was so relieved. Cathy

Tanya was in a similarly situation as Cathy. Though she was married, she too was in her forties and had never worked anywhere else in her life. She was also desperately hoping for a position in the organization and certainly would have preferred that outcome.

It really scared me. I never worked anywhere else and I didn't think I could find a job as good if I lost my job there. Like I said, I thought I could always have a job there. Until I retired. I told my husband about it and we were worried about what we would do if that happened, especially because of the benefits. He didn't have any and so he was on mine. It was a big worry too because he had diabetes and that costs a lot of money. Tanya

However, job loss during the downsizing was not viewed universally as a negative outcome. To the contrary, some respondents who lost their jobs during the reorganization described it as a positive outcome since it qualified them for a separation package, and in some cases, early retirement. Employees like Cathy, who was single and desperately needed a job, were elated to learn they would remain in the organization. Cathy was in a room with several other people who received the same information, though everyone didn't share her reaction to this news. She described the way another woman in the room reacted to the news that she had a position at PEU.

The older lady (in the room) went ballistic. She didn't want a job. She wanted that OJQ back. They were just sitting there looking. The three young people (who were in the room with them) were probably happy that they still had jobs. I think I was numb. Cathy

Several individuals described people they knew like this woman who were at retirement age and wanted to lose their job at PEU in order to qualify for the separation package. However, receiving the separation package was not just desirable for individuals qualifying for early retirement. Depending on their circumstances some younger employees at PEU hoped to receive the package as well. Susan was one of them. When I interviewed her she related to me that she had an ill mother who required a great deal of her attention at the time of the



reorganization. When Susan was told she had a job in the company that required she relocate it was viewed as an unfavorable outcome. A far more desirable outcome for her would have been to be laid off so she would be eligible for the separation package, which she referred to as a “buyout”.

I wanted the buyout. I did, because of my mother. She wasn't well and I had to stay with her. I couldn't just pick up and leave. I said if I don't have a local job, please don't offer me a job at all. That's what I wanted. Susan

Finally, given the number of positions eliminated in the organization, there were a number of individuals who experienced demotions as an outcome from the process. Some of them, like Sam and Frank, viewed this as a positive outcome.

I was glad [I wasn't a supervisor anymore because] I wasn't especially happy with the way the company changed. It wasn't a good time to be a supervisor. There were far less of them and they didn't seem to have the time to be good supervisors. Sam

My job was eliminated and I went from a supervisor to a regular employee. My salary was frozen for quite some time until my rate caught up with where I was. Actually I was glad to not be boss anymore. I had a lot of challenging issues before with supervision so I was probably relieved to be out of that. Also, it was really bad to be a supervisor in the new organization so I didn't have any problem with it. Frank

Scott, on the other hand, represented mixed views of his demotion from a supervisory position.

It did seem sometimes like people that got knocked down like me got looked down on, you know what I mean? It's like well you were one of the supervisors that did things the old way and the old way was wrong. Even though we know now that the old ways weren't that bad. Scott

Earlier in the interview Scott had characterized his move downward from a supervisor to a subordinate as a positive outcome, for similar reasons as Frank and Sam expressed. Like them, he said he was relieved that they were out of supervision since, as Sam said, "it wasn't a good time to be a supervisor." However, when Scott referred to his outcome as he "got knocked down", it left the impression that he found being demoted to be demeaning for him and it appeared to affect him to a greater extent than he claimed. Perhaps other respondents who were demoted shared this view despite assertions to the contrary. This kind of complexity in how employees perceived their particular situation makes characterizing outcomes as good or bad difficult.

Individual stories like this were not unusual since mid-level managerial and supervisory positions were a common casualty in the 1990's as corporations restructured and flattened their organizations (Hammer & Campy, 1994; Belmiro, Gardiner, Simmons, & Rentes, 2000). However, these occupations weren't the only ones affected during the reorganization at PEU. Since these managers and supervisors often had dedicated clerical support, a number of secretarial and clerical positions were also eliminated in the process. As a result, in addition to layoffs, many employees, both management and non-management, found themselves demoted when their positions were eliminated at PEU. While some claimed to regard their demotions as a positive outcome, most employees experiencing a downgrade would be expected to perceive it in negative terms. Cathy represented this view when she was demoted from the position of a secretary to an administrative assistant.

Secretaries were very influential positions. You had to be privy to a lot of very confidential information. That was kind of the hardest part. That's what makes me think, and they won't admit this, they never would – but the reason I lost the position was because another person needed the job. The title was administrative assistant, which was the title that everyone had. But there was a lot more responsibility on it than what the other aides had. They continued to give me things to do or access to things that others didn't have, but they didn't increase my salary. Cathy

Cathy expressed anger about being asked to do work that she believed was beyond her job description and pay scale, and claimed this was a significant factor in how she viewed her downgrade. She also related to me later that her pay remained frozen for a number of years afterward so it had a monetary impact on her as well. However, her comment about secretaries being influential and having trust vested in people like her was telling. It suggested that she saw intrinsic value in the position and viewed being an administrative assistant as less prestigious. With the elimination of numerous layers of management during the reorganization, a number of long term employees experienced demotions. Todd noted this when he talked about positions that were eliminated in the restructuring.

Really what it looked like to me and some of the things I heard was that a lot of people were going to lose their jobs, especially management jobs. That the foreman and superintendent, both level of managements would be wiped out. I actually remember a couple of the people who had been operating superintendents and now they are managers, which could be seen as a demotion. Todd

Todd could have been describing Pete when he spoke of people he knew. Pete was a superintendent who experienced this downgrade in title, status, and

salary following the reorganization. He noted how his change in job title affected both his perceived status and finances, particularly in retirement.

Well I went from a superintendent to a managers. That might sound like a promotion but it really wasn't. They eliminated all of the superintendents and the ones that had jobs, a lot of them were made managers. The pay wasn't the same and the work was a lot harder. Before that I had foremen working for me. Now I was basically a foreman with a lot more responsibility but not a lot more pay. It definitely affected my retirement too. Pete

Like Cathy, when Pete characterized what it was like for him, he emphasized the financial impact rather than the change in status, yet it was clear he viewed it as a demotion and considered the former to be downgraded.

Not unexpectedly, several of the respondents who lost their jobs were very upset about it and described how the layoff negatively impacted them. This was particularly difficult for individuals who could not take advantage of the early retirement options offered by the company. Tanya was like most of the women interviewed, spending her entire career at the company only to lose her job during the reorganization. When I asked her what it was like for her, she described the difficulties she faced when she lost her job.

I was in the staffing pool but I didn't get a job. I went to the office at (The staffing center set up by PEU) for three months and they had job training and places we could go to get a job but I didn't get one in the company. After that I left the company and didn't have a job for awhile. I got a good bit of money from the package they had and I could get unemployment compensation so that didn't matter at first.

#### **But did it matter after awhile?**

Yeah, because I applied a lot of places but couldn't get a job as a secretary. My brother-in-law has a little construction business and

he paid me to do some of the work in his office but it wasn't full time. I did that for awhile and then got a job in a grocery store. I work at a checkout counter. It's not as good a job as I had at PEU but I've been there ever since. Tanya

Lori and Ken also lost their jobs and were typical of many others who had worked for the company for a very long time. Like Tanya, they were too young to take advantage of the early retirement package. Several respondents alluded to this package, observing that there were many employees who actively lobbied for a low evaluation in their OJQ in order to get laid off.

I knew people that asked other people to rate them lower on purpose because they wanted to get a package. Frank  
The one guy I knew wanted me to rate him, and he wanted me to rate him badly so he could get out. I wouldn't lie for anybody. Bill  
Yes, there were some people, and they got their friends to rate them badly. They rated the people on how they wanted rated.  
Cathy

This again points out the validity of assigning meaning to outcomes during a downsizing like this as merely being laid off or surviving. Another aspect of the perception of outcomes of the reorganization and downsizing was how it changed the meaning and process of exit from PEU, either through retirement or resignation. This change is explored in the next section.

### The Changing Meaning of Retirement and Exit From PEU

One of the cultural norms very apparent at PEU which was not surprising given its job stability and long-term job security, was the manner in which employees left service through retirement or resignations. During the

reorganization and subsequent downsizing, this process for leaving service, and the customs and rituals that they entailed in the past, changed dramatically.

Prior to this, individuals retiring from PEU, and in many circumstances, simple resignations, were treated to elaborate parties and receptions. These festivities were planned well in advance and held during work hours at company facilities.

In many instances, employees from around the company would gather throughout the afternoon to honor their retiring co-worker. These celebrations were particularly large at the general office, where employees would wait in long lines outside the reception area to bid the retiree farewell.

When people retired prior to that (the reorganization), they were mostly people who were retirement age and worked in the company a long time; everybody knew them. It was party time for everyone. Everyone went to go and wish them well. You got to say your goodbyes. Cathy

Cathy worked her entire adult life in the general office at PEU. She stayed with the company for six years after the reorganization before retiring so she had a very good perspective of the culture, particularly in the general office. She lamented how the change in this important ritual affected the culture of the company.

Nobody had time for parties anymore; that was a thing of the past. Afterwards, even when people wanted it, it wasn't the same. Half the people didn't have time to show up and say goodbye. Half the people were always out. The other ones were too busy. Or there were new people who just didn't know these people. You had people transferred from (other parts of the company). They didn't know the (general office) people that well, the older people. They weren't going to go say goodbye them. You didn't have the same atmosphere. They lost a lot of that.

But when you grew up the way we did. Like I said, starting out at 18 years old – you just got accustomed to that. That was part of the work atmosphere. You lost that. I think those are some of the things – not that you go to work to have a party – but sometimes you have to have that little bit of interaction. That way, everything is not just work and you're still be able to communicate with people. I think that was all lost once the company reorganized. Cathy

Like Cathy, Joan was a secretary in the general office with a very strong appreciation for the ritual of retirement celebrations. As secretaries, they were typically tasked with planning and facilitating these dinners for retiring employees in their areas. Joan proudly described the last party she planned, which she claimed was the last one at PEU.

Oh yeah. The last retirement party they had was (for her supervisor). When we had it at (a local establishment) and all those people came and (her new supervisor) was upset about that. He said I spent too much time on that. I said, "I didn't spend any company time on this. I did this after hours." He said, "Well you sent the bulletin out, you did this". . . I said, "so what!" Then, I said "that's the party, we're not going to have anything in the office." After that, there were no parties like that anymore. Never. They said there was nothing. Joan

This change in the ritual of retirements and exit from the company can be viewed as a violation in the psychological contract employees perceived they had with PEU. Rousseau (1995) characterizes these contracts as "constructions," noting they can be an image or idea created by interpreting what the promise or commitment means (p. 19). Employees at PEU developed constructions of their contract with the company to include these and other kinds of recognitions for longevity and service. When they are denied, the employee can perceive the employer violated their part of the contract, even for benefits that some could

view as minimal, like retirement parties. Joan, who planned the last retirement party at PEU for her boss, clearly felt cheated out of this ritual when she retired. Like many others, she expected that, for her commitment and loyalty to PEU, she would be rewarded with a proper celebration upon her retirement.

I did, I thought I would leave with my normal retirement at the age 55, you know, with the retirement party. No problems you know, I'd say, "This is when I'm leaving". But it's just the way it happens. Who would have ever thought. Joan

One of the respondents interviewed was in a unique situation regarding retirement. Unlike some other employees who were able to leave service during the reorganization with an early retirement, Elaine was too young at the time to qualify for the package. When her position at PEU was eliminated she was only six months away from the age need to qualify for early retirement. She described how difficult this was for her, since unlike many of her friends who were eligible to retire, if Elaine left the company under these circumstances, it would be treated as a normal resignation. She recalled that she was one of only two people at PEU who were in this situation. Elaine was thankful that PEU made special provisions in this instance to allow her to remain with the company until she was eligible for retirement. However, this itself was a difficult choice for her to make because by doing so, she lost the very lucrative separation package that was available to employees who accepted it upon being laid off. However, she felt that was a better option for her than leaving service without the long-term benefits she would gain from retiring.

My situation was unique, there was only two of us in the company through the downsizing. I was 54 ½ when they started doing the



downsizing. In 6 months I would have been 55 and could retire. So what they did for me and (the other person) is they kept us for 6 months until we reached 55 and then we retired with a normal retirement package. Mine was a reduced pension, so 3 percent for each year. So 21 percent reduced. I was getting no Social Security, but I did get unemployment. I guess I was grateful that they were keeping me until I could retire because I don't know what I would have done. Elaine

Had Elaine been only six months older at the time, her future would have been far better, and perhaps she would not have had to work for another 12 years after "retiring." However, there were a number of employees who qualified for this very lucrative retirement package yet still left the company with a sense of betrayal and violation despite their good financial fortune. Paul lost his job in the reorganization and was able to retire early with the package. However, he indicated that he was not ready to retire at that time and struggled with it for some time after losing his job. At the time of the interview he had been retired for 12 years. He was very active and seemed to be content with retirement by then, though it was obvious that it happened long before he was ready for it and he did not leave under the circumstances he expected. Paul talked frequently during the interview by about his strong work ethic and described his frustration with other employees who he didn't think were as committed to PEU as he. He characterized himself as a hard worker who was very committed to the company.

One of the thoughts I had maintained the whole way through my career is, "the hell with what you think about being promoted or being a positive thinker toward the company. Just because you're negative, I don't have to be negative." I never cared what other people thought about me. As long as I was gonna take their paycheck, I was going to do the best job I could for them. Paul

When Paul described his fate in the downsizing he asked rhetorically, “What the hell did I do wrong”? He believed that he had worked hard and done everything the company expected of him. Like Joan, he had not envisioned that after being a loyal, committed employee and spending virtually his entire working life there, his career would end this way. Even though he left PEU with a very lucrative separation package he felt cheated and violated by the process. Scott, Lori and Fred described several other people they knew, who like Paul, represented this dichotomy in the perception of the outcomes received.

He (a friend) had worked for the company for a long time and he was a (member of middle management) so he had a pretty good job. Like I said, he got a pretty good package and everything so he was OK that way but I think it bothered him that after that many years there the company told him he wasn’t a good employee. I told him he shouldn’t look at it that way but it didn’t help. There were some other employees that took it that way too. Scott

Well there were some people that were pretty happy and others that weren’t. I know some people that got packages were pretty happy about it and went around telling everybody about it. I think some of them felt bad for me because they knew where I was going. I had a good friend of mine who got a retirement package but he really wasn’t ready to retire. And besides he took it bad like he was a bad employee because they let him go. Lori

There was one man in the transmission distribution department and he was a sales representative, customer service and he got eliminated and he was 56 at the time. There were no more positions they consolidated. He was very disgruntled, unhappy that he was forced into retirement. Fred

These differing views in how individuals characterized the same outcomes, with some actively campaigning to be rated low in order to leave the company, and others feeling a sense of betrayal or violation from the process, suggests that

individual circumstances, perceptions and interests have as much to do with the way employees viewed the results as did the actual outcome. It also suggests that the extent to which employees felt they had some control over the process and that a low evaluation was their choice ameliorated their view of the outcome.

In addition to viewing workplace actions from the procedural perspective, i.e., the correlation between the procedure and the outcome, Cropanzano and Ambrose (2001) state that principles of equality, need, and equity can also affect perceptions of fairness in the allocation of resources. In the alternative, a negative action such as being laid off or demoted could also be allocated based on each of the principles as well (Gilliland, 1993). Individuals affected by adverse actions like these can make judgments of how those outcomes were determined according to these rules of distributive justice. There was some element of equity, equality and need evident in the determination of the outcomes from the downsizing at PEU.

### Distributive Justice – The Rule of Equality

Distributional justice dispensed according to the rule of equality is characterized by the perception that all members share equally in rewards and/or adverse actions. Cropanzano and Ambrose (2001) posit that individuals will accept the consequences of an employment action if they perceive that they are shared equally. Several of the respondents felt that this was not the case but rather that job layoffs, transfers and demotions fell harder on some individuals

than others. Paul observed that some employees believed layoffs were targeted at older employees, or at least those who had five years or more in their jobs.

I never thought in my life that I'd be included in those cut, but when they started saying well sometime prior to that anybody that's been in their job 5 years or more is gone. If I would have taken a sideways move, I would have been there after the cut, I believe. Every one of that first 1200 people had held their job title for at least 5 years. I don't think you could find that in a report since they destroyed all the paperwork so there is no way to prove it. I had a list of people cut and I went over it and I could not find anybody who had been at their job less than 5 years. Paul

While there was no evidence presented for Paul's claim that only employees who had been in their positions for five years or more lost their jobs, it is understandable that employees like him would perceive that to be the case. The job cuts fell predominantly on middle management and their clerical support staff. Given the patterns of promotions that were observed at PEU, it is likely that employees with greater than five years of in a position would be disparately impacted. It should be noted, however, that Paul suggested that had he made a lateral move into another position, he thought he would have kept his job. This perception, that the company was targeting individuals who had spent a considerable amount of time in a position, fit neatly into the previously noted perceptions by respondents that the reengineering aspect of the reorganization focused on ridding the company of existing ways of doing business and the people in the jobs doing them. Another common perception was that there was inequality in outcome distribution based on gender as well, with several of the respondents noting they believed that job loss, demotions and unfavorable assignments fell heaviest on women in the organization. Once again, with the

elimination of a number of clerical positions staffed by women, this was not surprising nor inconsistent with what many employees observed. Joan and Cathy suggested that secretaries and clerical employees, who were almost exclusively women, were unequally targeted in the process.

It was devastating to them. These were executive's secretaries – I don't have a job, I'm gone, why? I felt so badly for these women.  
Joan

The rumors were if you were in a group of three or four, you were out of a job. It was certainly secretaries. They said, "If you were in a group of secretaries, forget it." You would lose your job, because secretaries were losing their jobs since they didn't have enough positions to go around. Cathy

While these views suggested that this disparate impact was due primarily to the elimination of a number of positions dominated by women, some respondents also expressed the view that the process itself was not gender-neutral. Lori was a clerk and Elaine was a supervisor at the time of the reorganization. Both lost their jobs and stated they thought the process was unfair to women.

I thought it was especially unfair to women. If you were a woman you weren't going to get rated very well, especially against men.  
Lori

While Lori expressed this view, for employees in her clerical classification, it most likely did not have much impact with regards to gender since the OJQ compared employees in similar classifications and her occupation was comprised nearly entirely of women. As a supervisor, however, Elaine was in a different situation, and her claims of gender discrimination had greater merit. As noted earlier, PEU

had a very hierarchical, multi-leveled organizational structure. In terms of the title of supervisor, there were two distinct levels of supervision. If the word “supervisor” appeared after the department name without a comma, for example, “Payroll Supervisor”, it was considered a lower position than if it appeared afterward, with a comma separating the department name, as in “Supervisor, Payroll”. Elaine’s title was the former and she led a department in which the supervisor’s position typically did not require a college degree. Elaine believed that she and other women, who she claimed were predominantly “comma-less” supervisors, were at a disadvantage in the ratings process. Because it grouped all supervisory personnel together, she felt that a woman like her was not fairly compared to other individuals in her category.

I didn’t see and other people didn’t see how we could be rated against other people, in positions that were in no way were related to each other. I think advertising was one. (With whom she thought she was compared). I was supervising (her department). People in advertising were college graduates. Elaine

Women in supervision at PEU were in the minority at this time so even if Elaine’s claims were correct, it would have impacted few individuals. However, her story is compelling and speaks volumes about the discriminatory nature of employment at PEU for all women, and particularly for the handful of them like her who had managed to reach these low rungs of the career ladder.

As we have observed, having a job after the reorganization was not necessarily construed as a positive outcome for many employees. One significant factor that had an effect on that perception was when employees were offered a position at PEU that required physical relocation. This outcome also

was noted by several respondents as not being distributed equally, with many employees in the same aforementioned groups being disparately affected. Scott worked in a field location job title that was eliminated throughout the company so many individuals in his position either lost their jobs or were reassigned. In his case, he was reassigned to another field location that was too far away from his home to commute on a daily basis. Given his age and circumstances at the time, he could not afford to leave the company and chose not to relocate his family. Instead he lived away from home during the week for several years, returning home only on weekends.

**What was that like for you?**

It wasn't easy let me tell you. People like me were really in a bad spot, I thought. I was too young to retire but was too old to leave too. I knew people that got the package that were OK with it, hell some were tickled pink, especially if they were old enough to retire. Especially without the package there was no way I could leave then. Where were you gonna go and get a job like I had when you're in your fifties? Besides, my wife had good job in (the area) so I couldn't afford to move. So, I stayed in an apartment all week and during outages and then came home on weekends. I was glad they didn't cut my pay because I know they could have but still the finances got a little harder because everything else was going up and having to keep two places to live and everything. Scott

Scott's story could have been repeated by many other men in his age group who found that they did not have good options other than to accept the position offered to them at PEU. However, while difficult for him, as Scott observed, he was making a very good salary and could make an economic decision about what to do. For many of the women in the organization that faced a similar situation, i.e., to accept a position they were offered in a faraway location or

leave the company, it was much more difficult and they had fewer options available to them. Cathy thought that this issue of relocation to keep one's job fell disparately on women. Discussing what happened to some of her friends in the process, she said,

There were several who ended up relocated. They didn't end up with the job where they thought it would be. They were put in another place, another office, or another area of the company. Some were sent to the customer service center (which was located several hours away in a neighboring state) and it made it difficult for some of the secretarial or clerical people to travel to these different areas versus someone else for the positions. Cathy

Susan was one of the women directly impacted by the situation Cathy described. She was in a similar circumstance as Scott in that she was assigned a position in the company and therefore not eligible for the separation package. However, if she accepted the position, she would have to relocate her family or face a very difficult commute. However, unlike Scott, her options were far more limited. For one thing, her salary represented a second income in her household and the salary in her new position as a customer service representative would have been approximately half of what Scott made. Susan also had responsibilities for children and parents in the area, so either moving to a far off work location or commuting on a weekly basis was not an option she felt she could exercise.

I remember being – well I was totally stressed anyway. My mother had Alzheimer's, I had two young children, my mother in law had cancer – so all of this was very much on my mind and I certainly knew that if we had moved to West Virginia – we were hearing rumors – well my husband who then had a job, and my kids didn't want to move, so here I am the only child taking care of my mother and my mother in law and everything else.



Given these circumstances, Susan felt she had no other options but to resign from her job at the company. Though she was the only person interviewed who faced this dilemma, it was a common occurrence at the time and a number of other respondents described friends who found themselves in similar situations. Like Susan, there were many women who were not laid off and given a separation package, but instead, were offered a position at a new customer service center that was located several hours away from the general office where they worked. At the time, many employees suggested that this was simply a way for PEU to avoid paying separation packages to these women since this benefit was only offered to individuals who were not assigned positions in the new organization. While there is no evidence to support this claim, it certainly worked to PEU's benefit to assign employees to positions they were not likely to accept. However, regardless of the intent of the action, women like Susan found themselves in a very difficult predicament. Some of them had worked most, if not all, of their adult lives, at PEU, attaining a level of salary and benefits that would be difficult to replace in another clerical position. Also, given the traditional roles of the wife and mother in society (Leana & Feldman, 1992), many women like Susan did not have the option that many men did to leave the home for a week at a time. Elaine, who was not married, commented on the perceived disparate impact that relocation had for women at PEU, whether they were married or not.

It was harder for women to find something. Even if you are not married. It is even harder if you are married and would have to commute to (a distant customer service center where a number of female employees were assigned jobs). Some people had apartments there that they stayed in during the week. Elaine

As we have seen, there were legitimate reasons for this perceived unequal allocation of resources by both age and gender, though given the prevalence of discrimination in employment, it was not surprising that respondents suspected that there were illegitimate factors considered as well. When PEU reduced the number of clerical positions, it certainly had a disproportionate impact on women working in them. Also, since the reorganization flattened the organization, it eliminated many middle level management positions that tended to be staffed by more senior employees. While prohibited by law, (Age Discrimination in Employment Act of 1967) discrimination against workers over the age of 40 is still prevalent and is frequently alleged during large scale layoffs (Posthuma & Campion, 2008). Given the perceived unfairness and potential for bias in the OJQ process, it is very possible that prohibited characteristics such as gender, age, race or color were factors in the selection process. However, many respondents believed that the OJQ was primarily used by PEU to immunize it from liability in these areas.

#### Distributive Justice – The Rule of Need

Distributive justice based on need occurs when the most needy derive the most compensation (Cropanzano & Ambrose, 2001). One would not expect this aspect of distributive justice to be significant in a workplace, where individuals are likely to perceive that outcomes should be distributed equitably, or at least equally among recipients. No themes were observed suggesting that employees

perceived that the outcomes should have been allocated based on need. However, as noted, a number of respondents observed that prior to the reorganization, the company often “took care” of employees who might otherwise have been terminated in a more open environment with fewer incentives for strong job stability. As Cathy put it, “Back then, they didn’t get rid of people just because they caused a little trouble; they tried to work through it.” Her comment reflected a view that PEU cared for “needy” employees in the past, and even made allowances for it.

However, not all respondents shared this tolerance for poor performers or that resources should have been allocated based on need. Though Ken lost his job in the reorganization after working there for over 29 years, he proudly stated during our interview that he had never missed a day’s work. When asked to describe what he did not like about the organization, this employee who eventually lost his job and was characterized as a “non-performer” in the process, expressed the negative view he always held of employees at the PEU who he did not think were as committed as he was.

The only thing that bothered me was that the employees I perceived as bad employees, who the union stuck up for, and these are harsh words to say and I even said this to the union, were that they didn’t get discharged right away.

One thing that always bugged me was that they always had meetings about not being late. I always asked, “Why do you have me here? I’m never late. You’re wasting my time. And one more thing, if you know who is late, why don’t you tell them?” Ken

Ken had very good reason to be sensitive about this issue of performance because of an experience he had after he was laid off. An article about the

reorganization and job layoffs that appeared in the local newspaper contained a quote from the CEO of PEU in which he referred to employees who lost their jobs as “underperformers.” Ken took particular umbrage with the quote and how it characterized people like him so he wrote a letter to the editor of the newspaper.

(The CEO) mentioned that he got rid of the “non-performers.” I wrote a letter to the editor which they published. I said that was wrong; these people are not non-performers. I know the people; they were good workers. Ken

Ken eventually became a bit of a hero among employees at PEU for his courage in standing up to what he perceived to be a fraudulent process. He said that people he knew stopped him in the street afterwards to thank him for writing this letter. Ken’s letter to the editor was also mentioned in several other interviews. Despite the fact that it had been published nearly 12 years earlier, several respondents said it was something that needed to be said and that they were glad Ken said it. One respondent still had a copy of the newspaper in which it was published and brought it out to show me during our interview.

### Distributive Justice – The Rule of Equity

The rule of equity in distributing outcomes relates to the degree to which allocation of resources correlates with the individual’s contributions or inputs (Cropanzano, et al., 2002). Distributive justice allocated in an equitable manner provides recipients with rewards based on the inputs or contributions of the individual. This presumes an objective measurement, however many contributions, particularly in the nature of much of the white and pink collar work

at PEU, could be difficult to quantify. In addition, the nature of the OJQ process, which involved co-workers rating fellow employees on the basis of individual competencies, made it even more difficult to quantify contributions objectively. Since past performance and contributions made to the organization were only tangentially related to the competencies they were being rated on, employees could have made significant contributions to the company and still received low ratings on the OJQ. Given the nature of this process, the equity rule for organizational justice was the most prevalent form of outcome violation found in the data.

When individuals believe that rewards, such as compensation, promotion, job retention, or in the opposite, pay cuts, demotions and layoffs, are distributed equitably and based on objective performance measures, they are less likely to perceive a violation of outcome fairness. Brockner, et al. (1986) relate distributive justice to the principles used by decision makers to allocate scarce resources. They suggest that organizations have it in their self-interest to allocate outcomes equitably since they have nothing to gain from doing so in a non-rational, biased manner. Cropanzano and Ambrose (2001) posit that in a business organization distribution of resources is typically driven by equity theory, in that resources are divided in an equitable, though not necessarily equal manner. Of course, employees can perceive equity and equality in different terms. Since contract violations are subjective (Rousseau, 1995), particularly when viewed from the employees perspective, individuals may perceive inequity in actions the organization considered equitable. More than any other rule of

distributional fairness, it is most dependent on process and correlated to the fairness of the procedures used to determine the allocation of resources (Cropanzano & Ambrose). Given that, the perceptions of respondents about the fairness of the OJQ process had a great deal to do with their view of the equity of the outcomes, or in other words, “it’s not what you do, it’s how you do it.” The next section will examine the issues of procedural and interactional fairness and the impact principles of organizational justice had on employees’ overall view of the reorganization and downsizing at PEU.

### It’s Not What You Do, It’s How You Do It

The previous section examined perceptions that individuals developed with regards to distributive justice in terms of equity, equality, and need in determining the outcomes of the reorganization and downsizing that occurred at PEU. There were elements of each noted in the data and respondents had strong feelings about how they perceived the resources, or jobs, in the organization were distributed. However, in addition to how outcomes are allocated, two other aspects of workplace justice, procedural and interactive fairness, had a dramatic effect in how individuals perceived violations and both were very prevalent in the interviews.

Unlike distributive justice, the outcomes of which can often be measured in objective terms, procedural justice is more subjective. In terms of its implication to the psychological contract, Rousseau (1995) posits that individuals

will react more favorably to a violation in outcomes if they perceive that the process used to arrive at the decision was fair. Some research has even found that people are more interested in the fairness of the process than they are with the outcomes (Lind & Tyler, 1988). Lind and Tyler differentiate between objective procedural justice, which is characterized by its adherence to normative standards, statutes, and rules for conduct, and subjective procedural justice, which is concerned with whether or not the disputants and neutral observers believe that the procedures used were fair. Objective procedural justice can take the form of employment statutes, such as those prohibiting discrimination, mandating unemployment and requiring prior notifications of job layoffs (Fallick, 1996). In some cases, individual or collective bargaining agreements can also explicitly state procedures that will be followed in layoffs and provide an objective framework by which to view procedural justice (Farber & Saks, 1980).

Since the researcher did not have access to confidential company documents and records that could specifically describe how the process was implemented, this inquiry did not attempt to address the objective issues of workplace justice. Rather, given the perceptual nature of the psychological contract, the focus here is on the subjective nature of how individuals perceived the fairness of the process. While viewing violations from an objective perspective is valid and indeed necessary in a legal setting (Guest, 1998), this research was undertaken primarily to examine the way they were perceived by individuals involved in the reorganization and downsizing PEU as well as how it affected them.

## Procedural Justice and the OJQ

Violations of procedural justice surfaced as a recurring theme when respondents were asked about both the process used to rate individuals, as well as the manner in which it was carried out. Procedural justice refers to the fairness of the decision-making process used to undertake an action.

Cropanzano and Ambrose (2001) describe it in objective terms as the fairness of the methods used to allocate resources. Leventhal (1980) identified six objective parameters that define just procedures: consistency, bias suppression, accuracy, correctability, voice (i.e., it represents all concerns), and ethicality. Considering these parameters in the context of this research suggests that employees at PEU perceived serious issues with the methods used in implementing the downsizing process.

According to the rule of consistency, procedural fairness is affected by the extent to which individuals perceive that actions are taken consistently across persons and over time (Leventhal, 1980). If they perceive that there is a misallocation of resources across similar persons, based on factors such as gender or occupation, they can perceive violations in consistency. Similarly, actions taken over different periods of time that conflict with each other can be perceived as violations of this same principle. When employees perceived that there was bias involved in how individuals were rated during the OJQ process and selected for layoffs, it affected their views of fairness. A recurring pattern



among a number of respondents was that they believed the process used was subjective, biased, and unfair. According to Noe, et al. (2006), employee performance measurement systems can be biased in several ways. One bias occurs when the tools used by the employer are contaminated by data that does not correlate with individual performance. The ideal evaluation tool correlates perfectly with good employee performance without any influence from other factors unrelated to successful completion of the job. For example, if an employee is rated well because they have a nice personality, when the factor does not necessarily relate or lead to good job performance, the result can be biased. Many of the respondents commented about the biased nature of the process despite the company's claims that the process was objective.

**Was the OJQ process fair?**

Absolutely not! Everyone figured they knew who they wanted to get rid of or move around and they just needed something to do it with. Jeff

I found it very unfair. And I found it a popularity contest. It was whom you liked best. Patty

Challenges to the accuracy of the OJQ process was also a prevalent pattern in the data. Konovsky (2000) claims that fairness and accuracy are the two goals most critical to the selection process in employment. Noe, et al., (2006) have associated accuracy in the selection process with validity. Selection processes are deemed to be valid when they select individuals who perform the job at the level of the employer's expectations. While Konovsky suggests that the emphasis historically has been on accuracy in selection rather than fairness, Cropanzano and Konovsky (1995) note employees often do not perceive the two

in the same manner. Called the “justice dilemma”, it refers to situations in which employees do not perceive accuracy and fairness in the same manner. As an example, many employees perceive unstructured interviews as a fairer method of selection than structured interviews whereas the data suggest structured interviews are more valid methods for selection (Cropanzano & Konovsky). In the process used at PEU, many employees perceived the OJQ tool as being both unfair and invalid. Several questioned the validity of the process given the fact that the evaluation was not done by their supervisors who were more likely to be familiar with their prior performance than anyone else and who had evaluated them in the past. Also, several respondents questioned both the accuracy and equity in comparing disparate occupations to each other, such as clerical workers to engineers, or supervisors to directors. In addition to being contaminated, the accuracy of performance evaluation systems can also be affected by the extent to which they measure all aspects of an employee’s performance (Noe, et al.). This suggests that evaluation processes like the one used at PEU are deficient when they do not include valid information reflecting on all aspects of the employee’s performance.

As observed, one of the key deficiencies in the OJQ process, particularly as it related to the validity of the measure, was the fact that it did not include specific objective information about the employee’s previous work performance. Instead, the score was based on ratings provided by peers and management personnel, most of whom the employee had selected from within the organization. With the exception of the supervisor, these raters did not have

access to the employee's personnel file, and in many instances, any direct knowledge of key performance indices such as attendance records, prior performance evaluations, significant contributions made to the company, disciplinary actions, or other historical information that reflected their past performance. Patty alluded to this in explaining why many of the scores in the department where she worked were low. She observed that her group did not interact with many other groups at PEU and recounted how her supervisor attributed the overall lower scores in the department to the fact that their work was not well known among other employees.

I recall my boss calling us into a conference room after this, all of this. He said that our OJQ results as a whole were not good. He said but the reason they were not good, because we don't have to interact with a lot of the people in the company. We interacted more with the commissions. He said that a lot of people don't know our worth. He said he was pretty upset with the OJQ process because it was not fairly depicting our employees. And we were all raised in our department, I know. Our bosses liked us. We were told that we were the cream of the crop; we were really good employees. We were in there because we could handle these positions so well. We were made to believe that we were really exceptional employees. Then we got these OJQs that didn't prove that to be so. Patty

Given the nature of the process, there were likely many other employees who had received good performance evaluations throughout their tenure, yet still found themselves on the low end of an OJQ score. Tanya was one of several respondents representing them. She had nearly 30 years of service with the company at the time of the reorganization, as a result of working there since she graduated from high school. Tanya had ample reason to believe her

performance throughout her career had been satisfactory since she had always received good performance evaluations from her supervisor and had served as a secretary for the same manager for over 16 years.

I didn't feel too good about it. (Being evaluated by raters) I didn't work with a lot of other people in the company. Mostly I did work for the people in our office. I guess the other thing that worried me a little bit is there were a lot of new supervisors and managers in (her department) at that time and I didn't know how much they knew about me. And since (her supervisor for 16 years) retired about a year before that and (her new supervisor) was my boss now I didn't know if he would rate me or not.

I always got good performance evaluations from my supervisor and I think I was doing a good job. It didn't seem fair that none of that mattered anymore and now people that I didn't know very well would be rating me. A lot of other people felt that way. It seemed like the company just knew who they wanted and who they didn't and it didn't really matter what they did. Tanya

It is important to note Tanya's comment that "the company knew who they wanted and who they didn't", which was a common refrain among several respondents. She didn't attribute her fate to the objective rating she received from peers. Instead, this 30 year veteran who had good reason to believe she was a model employee, or at least the employee that PEU wanted her to be, and who had always received good performance evaluations for her work, felt the company did not "want her" anymore. This spoke volumes about the nature of the psychological contract Tanya though she had with PEU. Employees like her gave the company their loyalty, trust, and commitment so they would be "wanted." When the rules changed, using a perceived unfair process to evaluate them and determine that they were no longer "wanted," it represented a violation of this perceived contract.

In addition to general bias associated with the process, another concern with employee ratings systems is individual rater biases. This is cited as a particularly common problem with evaluations performed by an individual supervisor (Noe et al). It is very likely that PEU avoided using the employee's current supervisor or other individuals working closely with them in order to protect themselves from charges of historical bias affecting the selection process. In their communications to employees at the time, the company made it clear that the OJQ was not based on past performance, a point to which Joan alluded when asked about it.

Of course they said it didn't reflect on your past performance, this is going to be a NEW company and you don't have the competency to work in the new company. What competency did I need? I didn't understand it. I learned how to use the computer, something we didn't have... we had typewriters then electric typewriters, and then word processors. We had to learn the computers, and we learned, we had training programs all along. Training for everything. So why didn't they think I could be trained for something? I just got a letter. That was it. Of course it went by that OJQ. It was very unfair.  
Joan

Like so many other women at PEU, Joan had spent her entire adult life there, and believed that she had demonstrated the competencies necessary to perform well in a business environment that transitioned from manual typewriters to personal computers. However, in her 40<sup>th</sup> year at PEU, she was told that she was not "competent" to work in the reorganized company. She represented the view of many employees who questioned the validity of such a process.

Another aspect of the OJQ process that violated principles of fairness is that it gave employees no opportunity for challenge. Each employee was simply

given the result in the form of a chart showing their score in six different competencies ( Appendix F). They were not provided the names of their raters or any opportunity to question or rebut the score. This was a significant violation of the tenet of correctability in workplace justice, which is characterized by the extent to which errors in the procedure can be challenged, and when they are found, changed so the employee is made whole (Leventhal, 1980). Avenues for addressing objective errors in workplace justice include the legal system, grievance systems in a collective bargaining environment or other dispute resolution systems like mediation and arbitration (Elkouri, Elkouri, & Ruben, 2003). Interestingly and not surprisingly, no union employees represented by a collective bargaining agreement were included in the OJQ process. These employees had grievance administration procedures available to them that could be exercised to correct perceived unfair outcomes. However, the management and non-union employees who did participate in the OJQ did not have this option. The only option available for these employees to seek redress or correct their evaluation was through the legal system. While several respondents who were in legally protected groups, for example women or individuals over the age of 40, considered taking legal actions against PEU, none had and few knew of anyone else in the company who successfully sued.

Voice, or representativeness, has also been found to act as a very strong influence in how employees perceive procedural fairness (Daly & Geyer, 1994). The lack of voice, or the ability to have input into the process, was evident in the data regarding the OJQ. Konovsky (2000) states that when employees are

included in the process and have an opportunity for voice they tend to have higher perceptions of fairness. Lind, Kanfer, and Earley (1990) suggested that even when employees have no control over the decision making process, if they believe they had voice in it they are more likely to perceive it to be fair. The OJQ process included employees in the sense that they had the opportunity to select their raters, though as previously noted, there was no assurance that they would be rated by the people they chose. However, Hunton, Hall, and Price (1998) found that an increase in voice did not necessarily lead to corresponding increases in perceptions of fairness unless the individuals had an expectation that their input would be considered in the decision outcome. In this instance, other than selecting raters, employees had no material input into the process. Also, voice is related to correctability, and as noted, employees had no opportunity to voice concerns about their outcome or seek redress for them.

Research has shown that employee participation in the process used to evaluate their performance is associated with positive perceptions (Cederblom, 1982; Cawley, Keeping & Levy, 1998, Cropanzano, Rupp, Mohler, & Schminke, 2001). Cederblom contends that it consistently results in positive perceptions, even when the employee disagrees with the outcome. Given that employees had some involvement in the process, at least to the extent of having input in selecting some of their raters, this should have somewhat ameliorated their views of fairness. However, research has also shown that employees react more strongly to “value-expressive participation,” which Cawley et al. describe as “participation for the sake of being heard,” more so than “instrumental

participation,” which is defined as “participation for the purpose of influencing the end result” (p. 615). The data suggest that employees felt that their participation had little influence on the end result. To the extent that they did, the fact that they were given no opportunity for value expressive participation seemed to increase their perception of the overall unfairness of the process. In fact, for many, their first real opportunity for self-expression may have been the interviews they participated in during this research 12 years later.

Another aspect of the process which affected the respondents' views of fairness was the fact that employees had no choice but to rate each other. Wyvern, a consultant that currently offers the OJQ tool as one of its consulting tools, promotes this feature, describing it as “simulating a ‘conference’ of people without the expense of gathering the individuals together” (Wyvern, Inc. Website, 2009). However, respondents did not characterize this aspect of employee participation as adding to the fairness of the process. In fact, a number of respondents suggested, probably correctly, that the peer raters were used primarily to insulate the company from legal challenges.

I think because they didn't want to make that decision on who was fired and who was not fired. They just didn't want to have to make the call. And I think probably that they thought for legal reasons that they would get sued if they made wrong decisions. And they were not capable of making the right decisions. Or maybe they were capable, but they worried they would get sued. And they probably would have been. Cathy

Rick, who was a director at PEU, stressed the importance that the company placed on ensuring that the integrity of the OJQ ratings was not violated during the selection process. Though there was no explicit expression of



liability by the company, Rick observed that the implicit message was that it was being used to reduce staff with minimal liability and that if it was not strictly followed, PEU could be liable for discrimination. This view of limited liability is supported by a business consultant in their claim that “[the] OJQ is a defensible measurement system that reduces the potential for bias or discrimination” (Wyvern Inc. Website, 2009). In fact, prior to its use at PEU in 1995, the OJQ had been the subject of several age discrimination lawsuits in which it had been held to be non-discriminatory in similar employment settings (Bethea v. Levi Strauss & Co, 1987; Tolan v. Levi Strauss & Co., 1987). Rick’s perception was shared by most employees at PEU, and several respondents addressed this issue of lawsuits directly.

**Why do you think the company used the OJQ?**

I think because they didn’t want to make that decision on who was fired and who was not fired. They just didn’t want to have to make the call. And I think probably that they thought for legal reasons that they would get sued if they made wrong decisions. And they were not capable of making the right decisions. [laughs] Or maybe they were capable, but they worried they would get sued. And they probably would have been. Patty

I thought about suing, not for money but as revenge in terms of age. You want to retaliate a little bit when your hurt, but I decided not. The lawyer said that a class action lawsuit wouldn’t work because how the company did things is right. But it’s business, so that doesn’t bother me. So, I might have got a check that way. I don’t know. So much happened right then that I can’t remember. I didn’t really pay attention. They must have sent it to everyone over 55 not to sue. Ken

The ADEA, I had to sign a paper and I got a month’s salary for that. So I wouldn’t sue the company. It was explained, I think we had a letter that explained what it was. So I thought I’ll take what I can get. Joan

During the interview Joan provided me with a copy of the paper she described. The paper she signed was a waiver form wherein she agreed that, in return for acceptance of the separation package, she would provide the company blanket immunity against any legal challenge. Specifically it stated,

By my signature below, I hereby agree to waive and release the Company from any claim, lawsuit or cause of action related to or arising from my employment with the Company or my voluntary separation there from including, but not limited to, any discrimination claim under Title VII of the Civil Rights Act of 1964; the Age Discrimination in Employment Act of 1967, (ADEA); Worker Adjustment Re-Training Notification Act (WARN); under a state or local anti-discrimination statute, under common law, or under any legal theory whatsoever (Personal Record).

The phrase, “under any legal theory whatsoever” is interesting given the specificity of language used in the waiver, but it served notice to employees that by signing the waiver, they were relinquishing any right to sue the company. As further evidence of consummation of this agreement, the description on the pay voucher Joan showed me simply stated, “ADEA,” which was an acronym for the Age Discrimination in Employment Act. This blatant act suggests that the choice of this process by PEU was driven to some degree out of an interest in avoiding litigation as much as it was to ensure it was staffed with “competent” employees in the reorganized company.

In addition to the factors already identified affecting employee perceptions of fairness, many respondents found another aspect of the OJQ evaluation

process to be both unfair and very stressful. Nearly all employees at PEU participated as “raters” in the OJQ process. The forced comparative evaluation approach used in the OJQ process to determine the outcome for their co-workers was described by many respondents as very demeaning. Several respondents described the anxiety they felt in being “forced” to rate co-workers, many of whom were friends, higher or lower than each other.

These people I was given to rate, I thought they were all good workers. I felt good about all the ones working for the company, at least the ones I had to rate. It was just a matter of putting somebody high above another person. So here's a perfectly good employee losing his job because I was forced to do this? I found it very unfair. Patty

I didn't like being forced to rate someone higher or lower. It just didn't seem right since some people weren't necessarily higher or lower than someone else. It seemed artificial. Frank

The biggest thing with having the forced rating, and what made it seem difficult to accept for me, was that sometimes the difference between people was so small that you could not perceive the difference. I worked with these people, but not real close, at least for some of them. And I'm supposed to tell you one guy's better than another? Todd

Todd noted that one of the difficulties he experienced in evaluating individuals using the OJQ was that information available to the rater was limited. Conceivably, an employee could have received good evaluations over the years based on supervisor's reviews of their performance and yet received a low score on the OJQ. Of all the respondents, Joan appeared to have suffered the most anxiety over her role in the ratings process. She became visibly upset when she described the experience and what it was like to rate several of her friends.

So I don't know how that happened (how they picked people to rate), but as it came out mine, I had two friends who were long time employees, and two who weren't. When I started answering these questions – they were trick questions. I rated four people. It wasn't fair because the two older employees, they were my friends – lifelong friends, but I never worked with them. So I didn't know their work ethics, how do I know what they did in their jobs? The two younger women, yeah, I did work with both of them. I really could not truthfully answer the questions. Because I did not know what their working ethic was. But I had to answer them. And they got tougher as you went along. It was almost like these psychologists or psychiatrists write these tests to trick you and that's what it was like. I didn't like that at all. I was so frustrated when I was finished. Joan

Though this interview took place over 12 years after her experience, Joan still shared guilt about her perceived complicity in what happened to one of her friends. This is but one example of the pervasive and long term effects the experience of the OJQ had on the raters and rated alike.

**Did you ever talk to the people you rated?**

Yeah, they knew. Of course the two younger ones, they kept their job which I knew was going to happen. The other two lost their jobs. The one was my age or a little older and she was happy about it, but the other one was not quite ready to retire and she was a little upset. We talk when we see each other but she let it be known that I did nothing to her. But I still I felt badly about that. I didn't mean to do it. Joan

Since raters were not identified to the employee, individuals like Joan could carry this guilt with them for some time, wondering whether they were complicit in others' job loss. These perceptions of unfairness would have likely been even greater for survivors of the downsizing, who still had jobs in the organization. Brockner et al. (1986) termed this survivor guilt, contending that survivors can develop positive inequity if they believe that they could have just as easily suffered the same fate as their co-workers. This phenomena can occur even in

the most benign methods of employee selection, so it was likely accentuated given the nature of the OJQ. Many respondents who participated in the OJQ process felt violated and suffered an emotional reaction from it, whether they survived the process or not. This survivor guilt was particularly prevalent since survivors could perceive that they played a role in the fate of their fellow co-workers.

### Informational Justice and the OJQ

So far, the focus on procedural fairness has been on the issue of the extent to which it led to an equitable distribution of outcomes. The data regarding this aspect of workplace justice suggest that tenets of both outcome and procedural fairness were violated by the OJQ process. Despite claims to the contrary by management at PEU, the early universal experience of respondents was that the process was biased, subjective, and violated basic principles of workplace justice. However, the data also indicate that the methods used to inform employees of their outcomes violated employees' perceptions of fairness as much or more so than the outcomes determined or the procedures used to determine them. Noe, et al. (2006) define interactional justice as the interpersonal nature of how outcomes are implemented. Greenberg (1990) describes it as the interpersonal characteristics of the formal policies and procedures used to make the decision. Cropanzano and Ambrose (2001) related it to informational justice, which is the manner in which information is provided to

employees. They state that informational justice can affect employee perceptions of the degree to which an interactional violation has occurred. Some research has suggested that perceptions of the fairness of informational justice can be influenced by the specificity of the explanation (Shapiro, Buttner, & Barry, 1994). The information provided to employees after the OJQ process was very vague, with the employee merely receiving their score on a bar graph depicting their ratings in the six competencies (Appendix F). The information did not reference their current and/or previous performance nor did it provide guidance to them in how they could or should use it to improve future performance. In terms of informational justice, employees perceived a violation due to the impersonal, non-specific manner in which these results were provided to them.

Given that virtually their entire career at the company was reduced to a few bars on a graph, one would have expected many of the respondents to have recalled their score and possibly have a copy of it. Surprisingly, none retained a copy of their score, despite the fact that several of them had kept substantial files and records from their employment experience. All of the respondents were asked if they recalled their scores or how they felt about them when they received them. None remembered them, other generally recalling that their score was above or below average. Feelings were generally mixed regarding this issue, though surprisingly, no one expressed a particularly strong reaction regarding it. Several respondents did note that they felt that the OJQ score didn't have much to do with their performance or provide any direction on what they should do with it going forward.

**How did you react? Do you remember the score?**

It was very low. Everyone of my scores was well below average.

**How did you feel about that?**

I didn't care. At that point I figured, well I'm not going to have a job here so why should I care about it. Lori

**Do you recall the day you received your OJQ score?**

Yes I did. I remember thinking that it didn't seem fair.

**How did you react? Do you remember the score?**

I don't remember the score. I thought it was all just to get rid of people and I figured the score really didn't matter much to me since I had a job. Frank

**Do you still have the score?**

No I threw it away a long time ago. It didn't mean anything to me.

**So it didn't bother you that you were below average in some of them?**

Oh maybe at first. But I had a lot of other issues going on in my life at the time and I didn't think it made any difference. It did make you wonder if it really meant anything or not. I think the company said we should work on improving in those areas but that was about it. Most of us didn't think that it really mattered that much. I think most people figured the company was going to get rid of who they wanted to no matter what so the OJQ was just to cover for them. Scott

I don't remember mine that well. I don't think it was that bad. I think it was just okay. I vividly remember that meeting, because we were all pretty disenfranchised, thinking "Now what does that mean?." Patty

No I don't. (Remember the score) I don't so I guess that tells me that it was acceptable. But it wasn't the highest, it wasn't the lowest. Todd

Yes, mine were okay, because I picked my friends. I was rated well enough, I thought. I lost my position. It made me think, "My rating

was pretty good; why did I lose my position?” Based on my rating, I wouldn’t have thought I would have. Even though the department changed that I was in, there was still a position at that level. Then why wasn’t I put there? Then after I saw how it was filtered down and why I lost it, I asked myself “Then what did my score mean?”  
Cathy

These generally benign views regarding the OJQ can be explained by the fact that respondents by and large did not characterize them as important or representing their competence or abilities. They also confirm that most of the respondents did not view the process, outcomes or information provided to them as being fair, equitable or useful. Though no one used as colorful language to describe the process as Sam, his succinct description of the OJQ captured the sentiment of many when he said, “It was bullshit.” Perhaps no other words could better convey the general overall view of the process any more effectively than that.

#### Delivering the News – Good Rooms, Bad Rooms and Thick Envelopes

Konovsky and Brockner (1993) posit that the way people are treated throughout the process can affect their perception of fairness as much as the outcome and procedure used to determine their fate. One aspect in which interactional and informational justice and respondents’ perceptions of their violations came into play in a powerful way was when and how employees were informed of their outcomes in the downsizing. Different methods were used to inform employees in the two phases. Both had a dramatic effect on employees



and represented a significant departure from the values and norms that had characterized the culture at PEU prior to that.

On a predetermined day during the first wave of layoffs, which many of the respondents referred to as “OJQ Day,” each employee was called and told to report to a conference room where they would be told, in small groups, whether they had a position in the new organization or not. If they did, they were also told where they would be working and what the position entailed. Employees were not intermingled or called randomly to rooms. Instead, they were segregated into groups consisting of those who had jobs in the organization and those who did not. One of the respondents compared this act of being sent to one room or the other to learn your fate as like choosing between execution or survival. In each room, employees were notified of their outcome by selected members of management, though it should be noted that there was no direct employment relationship in terms of supervisors and their subordinates in the meetings. Employees who were not selected for positions were told they would be placed in a staffing pool, where they had three months in which to find a position in PEU. If they had not been placed in a position in the organization after three months, they were to be separated from service. In the second round, at a predetermined time, employees were simply provided an envelope that gave them the news of whether they had a job or not, and if so, where it would be.

These processes brought some of the most emotional reactions from respondents, with many having very vivid memories of these two days in their lives. Shapiro, et al. (1994) contend that perceptions of fairness in informational

justice are enhanced when the information is communicated verbally rather than in writing. If true, respondents who were provided the information verbally would have regarded the process as inherently more fair than those simply receiving a written notification. However, I didn't note a significant difference among respondents regarding one method or the other being perceived as being more fair than the other. If anything, contradicting Shapiro, et al., the first process, in which employees received their notification verbally, was viewed as more violative than the second.

Several respondents went through both methods and described each as being very traumatic. However, the first method, which consisted of calling individuals to a room to learn of their fate appeared to be particular dreadful. Even though this phenomenon occurred over 12 years ago, many of the respondents described in vivid detail what it was like to come to work that day knowing that they would find out whether they had a job or not, and if so, where it would be. For employees like this who had had such strong expectations for secure employment, this was one of the most stressful days of their lives. Respondents described what it was like to sit at their desks, awaiting a phone call that would determine their future. Some, like Lori, got their call early in the morning.

I got a call about 9 in the morning. That was earlier than a lot of other people heard. When I got the call I was told to report to a conference room over in the A wing. I remember going there and I was the first one in the room besides the two management people in there. One was (a director in the company) and I didn't know the other person, somebody from HR. Three more people ended up coming in after me. When they came in the room they all had sick

looks on their faces and I figured out pretty quickly that I probably didn't have a job because I knew a couple of them and figured they didn't either. They (the management people) started talking about what the company was doing and why and I remember thinking, "why don't they just tell us we don't have a job and get it over with."

I just felt bad. I felt like I was a bad employee and I was embarrassed to be in that position with so many other people. I didn't cry but just started feeling kind of angry. The worst part about it was you sit there the rest of the day and hear everybody else getting their news. I don't know which was worse. They did let us leave after awhile though. Lori

With over 600 employees to be notified and a limited number of rooms and management people to staff them, the notification process took approximately half a day. Employees like Cathy had a very different experience than what Lori described. Unlike her, she waited for four hours to get her summons to a room. Her description of what that was like for her was very compelling and it provides a sense of just how traumatic the experience was for people like her.

This started at 8 'o clock in the morning. The first two from our office that went lost their jobs. From 8 'o clock in the morning until noon, they kept calling people. You just sat there, waiting for your phone to ring for them to call you.

**What was that like for you?**

Well believe me, you are on pins and needles – just the fact of calling you and not knowing. As each person went out, someone would come back and say, "Okay, I have a job." A couple more lost their jobs. They kind of told us that we were safe. We were just going along with the rest of them.

**Suddenly, though, you are finding out that people are losing their jobs.**

I was the last person in my office to go. By then, you know that you don't have much time left.

**What time did you get called?**

It was noon. I remember when I went down that it was to the personnel conference room. People had started to go out for lunch by then. Cathy

Many respondents described the environment at PEU that day as very discomfoting, with employees wandering the halls, returning to their offices crying, upset and distraught. Bill used very strong terms in describing his memory of the experience

I never saw so many upset people, especially the women. It was like a murder around there. I was upset because they never gave us the true story from the beginning, they up and lied to us. Bill

Bill's assertion that the company lied to him and other employees was also alluded to in Cathy's description of the process. They both asserted that they were given assurances that most people would not be affected by the reorganization, particularly employees in the part of the company where they worked. Paul was another employee that worked in this department. Unlike them, however, he did not have an opportunity to experience it a second time. He described what it was like for him when he was called to a room. Paul thought that a "good employee" like him had nothing to fear. However, as soon as he entered the room, he immediately recognized that was not the case.

I was in the first group. I was standing out there waiting and (a member of PEU management) opens the door and says they are waiting in there. They wondered where I was. I saw (an employee he knew) from accounting and another guy and I knew I was out of here. They were both hall monitors. I knew as soon as I seen them that I wasn't going to be kept. I wondered to myself, "What the hell did I do wrong?" Paul

Paul's characterization of several of the people in the room as "hall monitors" was a term that would have been readily understood by many of the employees who worked at PEU prior to the reorganization. Hall monitors were considered employees who were frequently observed walking around the halls in the general office with no apparent pressing work to do. That an employee like Paul, who right or wrong, perceived himself to be a committed, dedicated and productive worker, found himself in the same predicament as employees he characterized as lazy, uncommitted and nonproductive, speaks volumes about the perceived unfairness of the process.

Paul was not the only respondent who described having an initial reaction that he lost his job when he entered the room and saw the others with him he would share his fate. Patty had the same feeling when she was called to a room and observed who she was with. In her case, however, she was wrong because all of the employees in it were offered positions at PEU. Patty was very distraught by the process. Interestingly, she had cautioned me at the beginning of the interview that she had a very poor memory and did not think she would be able to recall much. However, to the contrary, she recalled a great deal about her experience at PEU and had a particularly vivid recollection of OJQ day." Her account was more detailed and descriptive than any of the respondents so a lengthier quote follows.

So I was sleepless. I was worried constantly. And the day of the OJQ – which in my opinion was a joke. It was a big farce. It was a total personality quiz. I was sitting at my desk, waiting to be called to find if I had a job. We had heard rumors by then about people who had gone to these conferences rooms and told whether they had jobs or not. I didn't get called until around noon. By then,

people were coming back crying or relieved. The rumors were if you were in a group of three or four, you were out of a job. It was certainly secretaries. They said, "If you were in a group of secretaries, forget it." You would lose your job, because secretaries were losing their jobs since they didn't have enough positions to go around. That was because they were reorganizing. I believe it was small groups because they couldn't handle a large amount of people losing their jobs. I was called down to the conference room on the ground floor at a certain time. Of course, I couldn't wait, so I went downstairs immediately, waiting by the door crazy with fear. The first person who comes up is a man who I've never seen before in my life. He was not dressed in a suit and tie. I thought, "I know he's going to lose his job." He was somebody I had never seen in my life. He's not someone I worked with. First, a secretary came; then a second secretary came. I knew I was out of a job. There were only three or four of us. There was a man I had never seen before and a couple of secretaries. Those were the rumors. Those were all of the bad signs. And two people came in to talk to us. Of course, I heard nothing. They started off with this "As you know, this is what we're doing..." kind of thing. I had no idea what they were saying. I was totally out of it. The only thing I heard at the dissertation they were going through was the very end. "And we're very happy to say that you can keep your job." Well, by that time, I was completely out of it. I lost it. I was shaken so badly. I kept thinking, "Did they tell me that I had a job?"

Patty

Patty's characterization of her reaction when she entered the room and determined she was in a "bad" room based on the other occupants, was a common refrain among respondents who went through the first phase of downsizing. The emotions employees like her felt as they waited for a phone call to report to a room, then entered it to learn of their fate, was very traumatic for employees who experienced it, as well as the other employees at PEU who observed what transpired.

Perhaps management at PEU perceived this as well because in the second phase of layoffs, the company dramatically changed the process in which employees were notified whether they had a job or not. Rather than reporting to rooms throughout the day to learn of their fate, at a predetermined hour, envelopes were issued to all employees informing them of whether they had a position or not. Several respondents suggested that this was done because the experience in the first phase was negative.

There were a lot of flaws –determined to be flaws – in the first way the downsizing was conducted. The way people were treated, people's feelings and how they – it all was done in such a way that everybody sort of took a back step and said, wait a minute, if we're ever going to do this again, we have to change some things. The second downsizing, which I participated in, carried forth those changes. Jeff

Later on, I know (the director of personnel) said that we'll never do that again. Never. The Director of Personnel said we'll never do that again. That was a mistake, I heard it from his own mouth. He said that. It wasn't the way to go. Joan

While on the surface, this appears to be a less traumatic method, most of the respondents still characterized this process as a very distressing experience for them and the other employees that went through it at PEU. Interestingly, instead of using the metaphor of "good rooms" and "bad rooms" to describe the process, in the second phase, one's fate was characterized as being good or bad based on whether they received a "thick envelope" or a "thin one." Joan and Elaine both alluded to this when they described what it was like for them to learn of their fate.

**How did you find out if you had a job or not? How did that happen?  
In other words, how did you find out if you were losing your job?**

I received a letter, precisely at 1 o'clock, June 21st, (the Personnel Director) walked down and put an envelope on everybody's desk. Everybody got notified at the same time. 1 o'clock, this was it. And rumor had it that if the envelope, if it was a thick envelope it means you lost your job. Otherwise, you'd have a little sheet of paper saying you had a job at the company. Joan

**Tell me about the process of finding out whether or not you have a job. How did that work?**

Well that came down on the day, everyone got an envelope and it said whether or not you had a job. I know that (a friend) was given hers previously because she came down and gave them to us, and she knew by the thickness whether or not it was a job offer. If it was a thick envelope then there were a bunch of papers on where to go for training and stuff like that and placement, but if it was thin you knew you were keeping your job. Mine was thick. Elaine

As background and to provide deeper meaning to her experience, Elaine was named as the first supervisor in her department in the history of the company and she had worked in that position for over 25 years. Elaine and another respondent, Patty, both participated in an action that was instrumental in bringing some measure of gender equality to PEU. In order to keep electricity flowing during a union strike, PEU would staff their generating plants with non-personnel working elsewhere in the company. Many of these individuals came from the general office. This was financially lucrative for the fortunate employees given the assignment since they would work many hours and receive a great deal of overtime. Up until the mid 1970's, this opportunity was only offered to male employees at PEU. However, during a strike at the company in the early 1970's, Patty and Elaine challenged this male-only club and were successful in getting women the opportunity to work in the power plants, both for strike



purposes during this labor stoppage, and then eventually in regularly staffed positions. Both respondents downplayed their roles in this, focusing instead on the fact that they were single mothers at the time and needed the money. However, it clearly was a very difficult experience for them and the women who followed them. When I asked Elaine about it she described what it was like for her and another woman, who happened to be Patty, one of the other respondents in this research.

Patty and me went to (the director of personnel) and asked why are only men at the power station, why can't women, they could certainly take care of the office stuff. This was in 1974. It was the year of the strike and the big snow storm. He told us to go home and get our posts, so we did. Patty cried the whole way there because (her supervisor) that had told her before that men needed more money for their families and was very nasty to her, he practically called her a prostitute. He was saying that the only reason we were going to work was to get married. That was really when I walked. We met him at his house, and he drove us through the picket line, and they had heard we were coming, and it was very big. They heard it and their wives heard it, we had a petition for people to sign.

This kind of segregation was common at PEU up until that time. Many respondents described how there were men's and women's clubs and picnics. Also as noted earlier, gender occupation segregation was very prevalent, with most women working in gender associated jobs and men working in higher paying career-oriented work. While many of these barriers were beginning to break down in society, the actions of women like Elaine and Patty undoubtedly helped to remove them at PEU and open the door for many other women who followed them. However, despite this, Elaine's and Patty's plight at the company came down to what conference room they were sent to or a fraction of an inch thickness in an envelope they received.

These processes used to notify employees of their fate in the organization were viewed as extreme violations of interactional and informational fairness, particularly considering the historical long-term stability of the workforce at PEU. For employees like Paul, Joan, and Elaine, who had each spent 40 years or more at the company, to learn whether they had a job based on what room they were called, or the thickness of the envelope they were handed, was demeaning, humiliating, and they felt, no way to end their careers there. When Sam said, “I just picked up an envelope. It was very impersonal. It was like no one cared,” he was observing the indifference and lack of management involvement that had been so characteristic of PEU prior to that.

Both of these processes and the overall reorganization at PEU had a dramatic effect on all employees and changed the culture of the company forever. Frank captured the sentiment of many when he described “OJQ Day,” saying “I remember it well. It was like a battlefield in the building that day. There were casualties everywhere. People just wandering around the halls like they were in a daze.” Similar stories were told by many of the respondents, reflecting the dramatic departure this day represented to them in terms of how the culture and environment they had grown to expect at PEU had changed.

### If it's Not Broke, Break it and Make it Better Who is to Blame?

One of the issues explored during interviews was the nature of the management at PEU before during and after the reorganization and downsizing.

Many respondents used terms like “caring”, “involved”, and “family” to describe management and the general overall of leadership at PEU was positive. Cathy described management this way prior to the reorganization, noting how they treated someone like the “mail girl” when they saw them.

The management people treated you more like family. They didn’t treat you like a number; you were part of the family. There were some differences between levels of management, but even the higher levels didn’t treat you as a lesser person because you were the mail girl. If you were walking down the hall to deliver the mail and one of the management passed you, directors, even the President, they said, “Hello” to you. They didn’t ignore you because you were the mail girl. That’s just the way they treated their people. Cathy

There was some criticism noted, but even then, it was primarily directed at the emphasis management and supervisors placed on conformity, structure and formality. This positive view changed, however, during the reorganization process. The overwhelming theme heard from respondents was that management changed along with the culture and the overall view was that the change was not positive. While this inquiry was not intended to assign blame with the actions of management or any member of it at PEU, there was one individual who was most frequently cited as being behind the changes that occurred there. Not surprisingly, the head of the company was most often mentioned as the individual who brought on many of the changes, including the “OJQ”, that were overwhelmingly rejected by many of the respondents. Interestingly, the CEO was, like many others working there, a long-term employee with the company. He followed the typical career path for executives working at PEU, beginning as an engineer after college graduation and then

rising through the ranks of the company, before eventually being appointed as its CEO. A recurring criticism regarding his actions was the dramatic change he brought to PEU. One of those actions was to employ outside consultants to assist the company in the reorganization effort. This was particularly unusual given the closed environment at PEU that led to the very strong internal employment relationship described in Chapters 2 and 3. Several respondents like Todd alluded to this inclusion of “outsiders” who did not know the business, and how uncharacteristic this was for this organization.

The people that maybe making the calls and recommendations. I remember the (consultant) that came. I can remember thinking how in the world can they know a thing about what’s happening out here. (I remember when the consultant) first came in gathering information it seemed to me that it was people who did not understand, they understood business perhaps, but maybe didn’t understand operations and the nuts and bolts behind (what we do) that started this chain in motion. Todd

Other than the CEO, the only other entities that attracted negative criticism and blame for what happened at PEU were the consultants Todd alluded to and a “Core Process Team” that was appointed as part of the business process reengineering (BPR) described in Chapter Three. A number of the respondents suggested that as a result of the BPR effort, there was an emphasis on changing everything in the company. Sharon alluded to this in the interview.

After the layoff they brought everybody into meetings, I think it was quarterly. We’d all meet at the (a local center) because you couldn’t hold everyone in the biggest conference room we had. They were changing a lot so I think they wanted to make sure everyone knew what was going. Especially since the OJQ was so bad.

**Do you remember anything from the meetings? What was management telling you?**

I do remember somebody from (the consultant hired by the company) saying that we should forget the saying “if it isn’t broke, don’t fix it.” I think he was trying to say that we were going to be changing a lot of the things we were used to doing.  
Sharon

I was in the same part of the company as Sharon at that time and in all likelihood, attended the same meetings as her. However, in my recollection, the consultant she quoted actually went beyond this common phrase to which she referred. Rather than saying, “if it isn’t broke, don’t fix it,” I remember him saying, “if it is not broke, break it and make it better.” This was so memorable because at the time it made a significant impression on me and many other employees there. It suggested to us that the reliable company all employees had known, that was “a sure thing in a changing world,” had changed dramatically, to the point that even processes, procedures and methods that had worked in the past and were not “broken,” should be changed. This thought that everything old was bad, and anything new was good was observed by a number of respondents. Perhaps this idea, more so than any particular individual employee, member of management, or even the CEO, is to blame for the significant disruption and consequences from the phenomena of change that occurred at PEU.

## CHAPTER FIVE

### EFFECTS OF JOB LOSS, DEMOTION AND RELOCATION

Given the views of many of the respondents regarding the importance of their careers and the strength of the psychological contract for employment, one of the assumptions of this inquiry was that the reorganization and downsizing would have had a long term dramatic impact on laid off employees and survivors. Several researchers have written about the subjective experience of job loss and the effect it can have on the individuals. A special report in the New York Times (1996) chronicled the lives of white, blue, and pink collar workers and how the loss of their jobs affected them. Newman (1988) focused on the issues of downward mobility for the “lost tribe”, which she described as being comprised of individuals who “once had secure jobs, comfortable homes and reason to believe that their children would be better off than they were” (p. 7). In the various workers she profiled, Newman explored how layoffs affected the individuals and their families. Persistent themes identified included embarrassment, shame, self-criticism, blame, anger, a sense of injustice, and dismay. The reorganization at PEU took place during the same period of time Newman examined and impacted similarly situated white and pink collar workers. Some of the themes Newman found were evident in the data from respondents who went through the reorganization at PEU, and particularly those who lost their jobs. After leaving the company Elaine was hired at a nearby large corporation some time later, but said that she would not tell anyone there the nature of how she lost her job at PEU out of embarrassment over what happened to her.

Right, that's right (That she lost her job because of her OJQ rating). That is not something I would say to someone outside of PEU. At (her new employer) I would tell them I was caught up in the downsizing. That was more understandable then (to say) I was let go. Elaine

This view Elaine had of the circumstances of her leaving the company was particularly troubling for her because she had spent her entire adult life there and had described for me earlier how much it was a part of her life. As noted earlier, Elaine was one of a very few number of females in managerial positions at PEU prior to the reorganization. Even then, most female supervisors were found in clerical areas such as the mailroom and steno pool. After 11 years with PEU, she was promoted to a supervisor in a support group in the company, supervising men and women. She held this position for over 26 years before losing her job. When I asked her what it felt like to be appointed to such an influential position at a time when many women were not afforded that opportunity she described feeling very good about her position at PEU.

Yeah, (it was very significant for a woman to be appointed a supervisor) because (the supervisors of the mailroom and steno pool) were the only two women that had been supervisors for a long time. (Another woman in the company) was promoted to a supervisor in Purchasing. (At that time) it was only a small handful of women supervisors. In fact there were men who wanted the position that I got. (A man) in Advertising wanted my job. Then they sent me to schools, the American Management Association, in Pittsburgh and New York. They were always training. Elaine

Despite these achievements, Elaine spent her second career shrouding what happened to her, telling co-workers that she was "caught in the downsizing" rather than that she was told she was "not competent" to work there anymore.

Fred was another respondent who characterized his job loss as resulting from something other than his evaluation on the OJQ. When he told me how and under what circumstances he left PEU, he described it as a voluntary choice he made to retire.

That was when I told (my supervisor) that I wanted to retire in January when I would be 58. I wanted to hang up my work. It was Thanksgiving day and I missed my Thanksgiving dinner with my family and that was when I said this is it. I'm out of here. So I went in that Monday morning and I told him, "Hey I want to retire." He said, "Stick around, things are going to get better now that we got the hard part done." I said, "No, I don't think so." He mentioned to me if you stick around you can have my job, I'm about to move on. I told him I didn't want his job. I had had enough. He said, "Hang on, we are having the reorganization, and it should be in place by January or February." Things went pretty well with the new start up and both units were running, everything was going pretty smoothly. Around January 1<sup>st</sup> they started the reorganization, instead of calling it downsizing. I went through all of the things to apply for retirement. We went through some kind of personnel evaluation, where everyone evaluated everyone else. I decided that I would take the offer to retire. Fred

I knew from my experience at PEU that Fred had been through the OJQ evaluation process and was not offered a position in the organization. His name appeared on a company document listing employees who were not placed in the company following the OJQ. Despite that, Fred described his situation to me as one in which he was planning to retire until his supervisor asked him to stay on in the new organization. Describing it as, "We went through some kind of personnel evaluation", and saying that he decided to, "take the offer to retire", portrayed the decision as being his, rather than because he was rated low. It's not surprising that this career employee, who had worked his way up in the company to a mid-



level manager, would prefer to characterize that he went out on his own, rather than because of a process that determined he purportedly no longer had competencies the company valued. Uchitelle (2006) noted that even under the best of circumstances, people losing their jobs tend to blame themselves. Referring to it as “chipping away at human capital” (p. 180), she described it as the sense in an individually-focused layoff that the employee must have done something wrong since the same thing did not happen to others. This phrase, “individually-focused layoff” was very much what happened at PEU, but with a twist. Uchitelle suggest that it is one in which the individual can point to performance issues in the past as the reason for their demise. However, as we have seen, the process used to determine layoffs at PEU was not based on past performance, but rather on an OJQ score derived from peer ratings of the employee’s individual competencies. This very personal characterization of competence as measured by fellow employees made it particularly difficult for sense-making and rationalization of the individual’s outcome. When Paul asked, “What the hell did I do wrong?” after learning he was being laid off, he could have been speaking for many others at PEU who questioned what they had done to lead them to this fate, when up to that point, they had reason to believe they were performing well, or at least up to the company’s expectations

## Insiders and Outsiders – What Happened to the Family?

Another effect on both individuals and the culture that resulted from the reorganization and downsizing effort was how quickly and dramatically the close-knit, family-oriented environment changed at PEU. Several respondents described how some individuals at the company went from being “insiders” to “outsiders” after the reorganization. The culture that so many respondents described as family-oriented, friendly, and tolerant changed on “OJQ Day,” leaving many employees who were informed they did not have jobs isolated and removed from everyone else. What was particularly dramatic about this is how quickly it happened in an organization that so many respondents described as very close-knit and family-oriented. The nature of the process used to inform employees may have contributed to and hastened this sense of isolation among the laid off employees. When random or arbitrary methods are used to administer layoffs, employees tend to feel less responsible and internalize blame for their outcomes (Brockner, et al. 1986). Given the nature of the OJQ process, employees who lost their jobs because they had low competency ratings could have been expected to feel isolated from other employees who were chosen presumably for better competencies. Joan described what it was like for her to go from being a member of PEU family to an outsider.

I think I went through those emotions prior to that because the week before I cleaned out my desk. I was prepared for that because I saw it coming. I didn't want to work there anymore. I did not. I did not want to work there anymore. I didn't like what I saw, I didn't like a lot of the people. They turned into monsters, it was amazing! We were friends. Oh they were, I said, (an employee

she knew), for one, very nice guy, I saw him in the hallway and he wouldn't even speak to me. He was another one, the President of the company, oh my goodness, I thought 'I knew you when I hired you'. Joan

Joan's comment, "I knew you when I hired you," was particularly telling.

Though she never progressed beyond the level of secretary, because of the department where she worked and the nature of her job responsibilities, she viewed her role as "hiring" people, some of whom eventually became presidents of the company. I asked her why people like the president were treating employees like her in this way. She said, "They didn't know what to do. They didn't know what to do with me. They didn't know how to treat people, not only me". Patty also described the dramatic way in which winners and losers became separated in the reorganization. She was very upset by the experience of "OJQ Day," and even though she received positive news that she had a position in PEU, like many employees, she chose to leave the office for the day. Patty had heard that many PEU employees were gathering at a local restaurant so she decided to join them. However, she quickly discovered that the gathering was not for employees like her.

Instead of going home, I was so nervous of this thing. I had heard that people were going down to the (local restaurant) at the time. So I went down to the (restaurant). That was a big mistake. A lot of the people from (the general office) who were down there had lost their jobs. They had assumed when I walked in there that I had lost my job. For me to say that I had kept my job was very humiliating for them and also for me. I really felt terrible. That was a big mistake. I shouldn't have went to where people had lost their jobs. They were in shock. I was just a nervous wreck and haven't calmed down yet, but they were in shock. Patty

This experience was very difficult for Patty and her observation that she did not belong with the laid off-employees was very telling. It suggested that she perceived that the people who were leaving the organization were different than the ones like her who were staying. Ken was one of the employees laid off during the reorganization who felt very strongly about the experience. He had sent a letter to the editor of the local newspaper strongly protesting the CEO's characterization of people like him as "underperformers" at PEU. During the interview, Ken related an experience after being laid off that indicated to him, like Joan, that he was no longer a member of the PEU family. Ken worked in a position at PEU in which he was entrusted with the possession of very valuable equipment. He had some of this equipment at his home on "OJQ Day" and needed to return it to the company the following day. He described for me what that was like for him to come to work one day as a trusted employee of the company and to return the next viewed in an entirely different way.

It was sad, because you had to put your belongings in a box and leave. You didn't have to do it that day, but I did. I had so much stuff that I had to take.

I had some equipment that belonged to the company so I took it back. What bothered me is that they wouldn't let me in. That hurt. I thought, "Here's your equipment." They wouldn't let me in because my card wouldn't work. The guard wouldn't let me in. I told the guard, "You know me. Here I am setting the equipment right here." Now they could inventory and say that I stole it; instead I brought it back. I'm doing them a favor. There's no a way to prove whether the equipment is yours or not. The tags aren't on it. That's the only discomfort I had. But I understand his (the guard's) principle. With computers, you could do a lot of damage, not with (this equipment), though. I found out about the letter, returned the equipment, and I haven't been back since. Ken

To put his experience in context, in addition to having control of valuable equipment, earlier in the interview Ken had described with great pride to me how much independence he had in his job at PEU and how much trust the organization put in him. He told me he had a good deal of latitude in scheduling his work and determining what needed done and how to do it.

That's right. I was totally free. You couldn't use supervision because nobody knew how long the job would take. You could pad the job. You could go to (perform your job) but the President may be busy, even if the set up is for eleven 'o clock. So you had to make a decision. You may talk to the secretary and say that "I'll be right back," or you could wait depending on the importance of that meeting.

So you have to trust the (position) completely, and that's all. And he has to use his judgment (e.g., if something's going to be one hour, it's not worth going somewhere and coming back). I had complete autonomy. But with my dedication, that it can be inferred that this guy is not a goof-off or an idiot; he's been here 29 years without missing a day. Now I'm not saying he's perfect, but evidently there's something in his character that he's a good employee. You wouldn't come 29 years if you weren't. I don't care who you are. Ken

### Dealing With Job Loss and Demotion

Newman (1988) noted that one of the ways that individuals explain job loss is to internalize the reasons. She observed, however, that these explanations are not always directed at inadequacies on the individual's part. Referring to the phenomenon as "manly flaws," (p. 72) Newman asserts that some individuals will blame their demise on personal attributes such as that they were too aggressive, principled, or rational. This sort of rationalization can help

the person deal with job loss by reassigning blame for their plight to some characteristic which was not consistent with the expectations of the employer. None of the respondents described this specific kind of assignment of blame as it was conceptualized by Newman. However, several did suggest that there were certain kinds of employee performance that were valued at PEU that did not comport with their own behavior. Sam expressed this view when I asked him to describe the kind of employee characteristics that were valued and rewarded by the company. He responded, "Someone that could kiss the right ass." This was echoed by Paul to describe his view of what it required to get promoted.

I often felt that I'm not going to kiss any division manager's ass to get a job. It's not that I wouldn't change, it's just that I wouldn't want to be seen one way when I'm actually another way. I was always trying to be better but I wasn't going to sugarcoat something or kiss up. Paul

Ken noted the same thing, saying, "I gave courtesy to top management, but I did not kiss their rear to be blunt." This notion that "ass-kissing" was disdainful and that failure to do so led to job loss and demotion for some could be characterized as the kind of "manly flaws" observed Newman. Sam also suggested that conformity was required at PEU, and if one did not conform to the rigid rules and procedures, it affected their performance. He noted that management at PEU, "didn't want anyone that would make waves or get outside the box." Sam went on to describe an innovative idea he claimed would have saved the company a considerable amount of money had it been implemented. He was angry when it was not adopted, attributing it to the conservative approach that he perceived was characteristic of management at PEU. Employees like Sam who felt that staying "inside the box" and "not making

waves,” were emphasized by PEU could attribute their fate to “manly flaws” like being innovative or thinking outside the box. However, there were few respondents who characterized themselves as being “out of synch” with company norms. Lori was one of them, citing her failure to conform with what she perceived to be an undue emphasis on following rules and avoiding minor mistakes.

There was always a big deal about making mistakes. People used to really get on my case if I made little mistakes here and there on reports and things. Especially (one of her immediate supervisors). He was really particular and was always picking on little mistakes I would make. I could do the whole monthly report and have one little mistake on it and that’s all he’d look at. Lori

**Was there anything that you didn’t like about the organization before the reorganization? Was there anything that frustrated you about it?**

The rules. It seemed like all anybody cared about is if you followed the rules and procedures. It didn’t matter if they were important or not. Lori

Lori lost her job during the OJQ and said she was not surprised at the outcome because she did not think she fit in very well at PEU. Fred was another respondent who shared experiences he had with the company that suggested he did not think he fit in. During the interview he asked me to turn off the recorder at one point so he could describe an instance in his career when he disobeyed a superior’s orders to do what he thought was the “right” thing. He suggested that he was nearly fired for it and that the episode probably affected his future with the company. After that Fred said that he did not have the same commitment to PEU and intimated that many other people like him who bucked the system lost their jobs during the reorganization. There is no objective evidence or patterns in the interviews to support this claim. However, it does suggest that individuals

like Fred and Sam could attribute their fate in the OJQ to “manly flaws” such as “thinking outside the box” and “bucking the system,” particularly when the pre-reorganization culture and environment at PEU did not encourage these kinds of behaviors.

### The Effects of Job Loss on Laid Off Employees and Survivors

Uchitelle (2006) suggests that layoffs can be psychologically destructive because regardless of the self-esteem of the individual or support structure of family and friends, it is seen as a failure. She notes that the individual who lost their job may be hesitant to start anything again: a job, a relationship, or anything else new. This reaction to job loss was not apparent among any of the respondents. However, Rubin (1994) found that some employees who lose their jobs behave in an entirely opposite way. In her examination of individual job loss, she encountered several people who plunged into a continuous procession of projects in order to stay busy, a pattern Newman (1988) noted among laid off workers as well. She observed that some victims of job loss reported that they felt that every moment they spent doing nothing was wasted, even when their lives were full of idle time. Several of the respondents who retired early from PEU during the reorganization seem to epitomize this need to stay very busy in retirement, though it was not universal. Louise and Paul both described engaging in a great deal of volunteer work for their church and other charitable organizations. Earlier in the interviews, both observed that they were not ready



to retire at the time, which Louise suggested was the primary reason she plunged into doing so much volunteer work.

I feel that way – many times – that I could not believe that there was no transition even. That day that you got your letter, that finished it. There wasn't even a transition downhill. It was like you walked out of the door and you never walked back in.

(You're working for the) Company and then next, you're not going to work and everything. I threw myself into volunteer work. And I worked harder with that volunteer work. That's why I was organizing and everything and I did Meals on Wheels, I did Pregnancy crisis, you name it. (Her church) loved me. I did extra luncheon's, hospitality for awhile. I threw myself into the volunteer work but there are still times I sit here and think I would love to have a job. Because I like that idea, and it's not the money, it has absolutely nothing to do with money. It's just like it would keep me busy because sometimes I get tired. I think it was too fast. Cruel, a little bit cruel when you think about it. It was just, no compassion whatsoever. You're working and working, fast paced, and you have all these responsibilities and next day you don't have anything.  
Louise

Konovsky and Brockner (1993) identified a number of physiological outcomes associated with job loss, including sleep and eating disorders, lack of energy, and cardiovascular dysfunction. Leana and Feldman (1992) found laid off workers experienced increased depression, loneliness and isolation. They also suggested that physiological disorders may be related to detrimental coping strategies taken after job loss such as drinking, smoking, and changes in sleeping and eating patterns. Deitch, et al., (1991) reported that women and men generally shared physiological responses to job loss, though men were more likely than women to increase alcohol consumption. The employees interviewed in this research, by and large, did not seem to reflect the kind of

emotional trauma and long term effects from the process that these researchers described. Several talked about difficulties they had after leaving PEU, but other than one individual, none of the employees interviewed, even those who lost their jobs or were demoted during the reorganization, described having any long term personal consequences from the experience. Paul noted that he did initially, observing that he felt a great deal of doubt about his abilities for some time after losing his job. However, during the interview, he said that he was much more confident in himself now and claimed that he actually has higher self-esteem than he did when he was working at PEU.

In preparation for this research, I compiled a list of agencies that could provide counseling services in the event that any of the respondents were in need of support following their interview. There was only one instance in which I felt that it was necessary to make that referral. Susan left PEU following the reorganization and admitted that she was still traumatized by the experience and suffering ill effects from it. When I first contacted her about participation in this research, she was hesitant to do so because the process had been so traumatic for her. During the interview Susan talked repeatedly about the difficulty she was having both financially and emotionally, and she attributed many of her problems to what had happened to her over 12 years ago. Of all the respondents, she was the only one that appeared to suffer some of these consequences typically associated with job loss.

Many researchers have documented the effect that job loss and downward mobility can have on workers' families (Leana & Feldman, 1992;

Newman, 1988; Rubin, 1994; Uchitelle, 2006). Leana and Feldman suggested that spouses feel many of the same emotions as the unemployed, though they believe they are moderated in terms of intensity and immediacy. However, if the spouse blames the worker for their predicament, or at least partially blames them, they may harbor strong feelings toward the unemployed (New York Times, 1996; Rubin). Members of the household may also dramatically change their behavior in response to employment changes such as job loss. The wife of one of the laid off workers profiled in *Downsizing of America* (New York Times, 1996) became a hoarder, stocking up on soap and paper products out of fear the family would run out and not be able to afford to buy them. Children can be particularly affected when a parent is the victim of job loss or downward mobility. In addition to the action likely affecting the family's financial status, the child can see their role model fail, which can affect their self-esteem and the belief that they cannot be successful themselves (Attewell, 1999; Konovsky & Brockner, 1993; Uchitelle). The family's normalcy can also be affected by a member being at home a great deal more and involved in aspects of the household in which they had not been before (Leana & Feldman; Newman). There is anecdotal evidence that households of the unemployed experience more conflict between the father and children (Leana & Feldman) and sadly, job loss is considered to be one of the more prevalent precipitators of child abuse (Justice & Justice, 1976). There is also reason to believe that survivors share some of the same psychological and physiological outcomes of their laid-off coworkers, particularly when job security is threatened. Larson, Wilson and Beley (1994) reported a negative

correlation between job insecurity and family functioning, citing an increase in family problems when a member of the family feels insecure in their job. This suggests that a lessening in the degree of job stability and job security in the employment relationship at PEU would have had an effect on the personal lives of the employees who remained employed with it.

Again, few respondents interviewed in this research described any of these kinds of disruptions to their families that other researchers have found. Susan, one of the few who seemed to have experienced the most difficulty in adjusting, still did not suggest that there were any family or marital difficulties associated with losing her job. She was, however, one of several respondents who described having financial concerns that affected the family. Tanya's husband had diabetes and the family was relying on her job for healthcare benefits. This, as well as their lowered financial status following her job loss was challenging for her and her family, though at the time of the interview she was working again, albeit at lower wages, and they had healthcare benefits again. However, I sensed that Tanya's personal situation might have been more difficult for her than she allowed. In part due to her personality and demeanor, Tanya appeared to be less open and forthcoming in the interview than most of the other respondents. A prolonged and engaged interview with respondents, as Newman (1988), Rubin (1994), and Uchitelle (2006) did, could provide a more in depth understanding of their experience and reveal some of the consequences they noted in their research. Lori also had some difficulty finding work after losing her

job. As a single mom with two teenage children, the experience was challenging for her and she said it made her appreciate the current job she had all the more.

Sure my life would probably be different if I hadn't lost my job at PEU. It took me awhile to get back to making the kind of money I was at the power company. Funny thing is everybody always complained about how much they paid there too.

I probably took the job for granted. I didn't think I had anything to worry about. Not anymore. Lori

Several other respondents' standard of living lessened following the layoffs but none expressed it as causing a problem for them or their families. In several instances, after some adjustment, the job loss actually ended up being characterized as a positive experience for several of the respondents. Jeff took an early retirement from PEU and worked part-time for a relative. He described leaving PEU as being initially difficult for him. However, by the time I interviewed him Jeff said he was very content with his life. When he let me in his home he said he was cleaning the kitchen and joked that his wife was the main bread winner in the family now and his role was "Mister Mom." Scott was in a similar situation when we talked. After several difficult years of commuting to work on a weekly basis, he also had retired early and was staying at home. I asked him how he was adjusting to retirement.

Good. I still do some odd work here and there and with my pension and now that I get Social Security it's pretty good. My wife is still working too so I'm kind of the housewife but I don't mind that. We can travel a lot and get to see our grandchildren so it's going pretty good. Scott

Experiences like these were not unusual, and a number of respondents described other employees they knew who had adjusted well to life after the OJQ. There are several possible explanations for this finding. One is that most of the employees at PEU came from what could be characterized as relatively “good” socioeconomic backgrounds. Research has suggested that factors such as income, education and occupation can ameliorate the effect of actions such as job loss, demotions or other disruptions (McLeod & Kessler, 1998). Given the incentives for employment at PEU, including its job stability, relatively good wages, and the need for many skilled and educated employees, the laid off and survivors alike could be characterized as enjoying advantageous socioeconomic backgrounds. Another factor that could have moderated the impact of job loss was that laid off employees received financial assistance and job placement services that respondents characterized as quite good. The passage of time, in this case, over 12 years since the specific phenomena researched, also likely affected the reactions from respondents. In addition to possibly reducing perceptions of the severity of the event, it also provided time for a number of respondents to transition and adjust to their new circumstances. Finally, generalizing the effects of the phenomena on laid off employees and survivors is difficult for several factors. Selection bias could have led to the sample population being comprised primarily of individuals who were not as adversely affected as other employees. Individuals who were severely impacted by a layoff may not have been willing to participate. Also, the strategy of contacting, at least initially, employees who were known to the researcher, and then using snowball

or chain sampling to identify additional respondents, may have resulted in a bias toward selecting individuals who were less affected by the phenomena. Finally, the sample population was quite small in comparison to the significant number of employees impacted by the reorganization and downsizing at PEU. It is entirely likely that there are disconfirming cases that were not available to the researcher during this inquiry. This finding, that employees did not appear to experience significant emotional, financial and social negative consequences from job loss, contradicts the findings from research of other downsizings. (Leana & Feldman, 1992; Newman, 1988; Uchitelle, 2006). This contradiction suggests the need for additional research in this area to determine whether it was significant or not, and if so, the extent to which these or other factors resulted in a different experience from job loss.

### Surviving the Downsizing – The Experience of Survivors

Numerous researchers have documented the specific effect that downsizing and layoffs can have on survivors (Brockner, et al., 1986; Konovsky, 2000; Mishra, & Spreitzer, 1998). This can be particularly profound when survivors perceive that principles of distributive, procedural and interactional workplace justice have been violated in the process (Novelli, Kirkman, & Shapiro, 1995; Beer, Eisenstat, & Spector, 1990; Folger & Skarlicki, 1999). Given that all the employees at PEU went through the same process, including those who lost their jobs as well as those who remained, survivors experienced many of the

same emotions and perceptions of distributive and outcome fairness as did their laid off peers. Cappelli (1999) identifies several reactions employees can take when they perceive the psychological contract has been violated and they or their co-workers have been unfairly treated. They may try to establish a fair exchange by withholding their work. This happens explicitly in the form of strikes or work slowdowns by organized employees, but can also be done implicitly through a lack of commitment and reduced effort by individuals (Fay & Luhrmann, 2004). Survivors at PEU who felt that the process was unfair and that resources were not distributed equitably, could have reduced their commitment and withheld their services to some degree. Comments from respondents remaining at PEU were somewhat mixed in this regard, with some describing an overall reduced commitment on their part and that of other employees, while others observed increased commitment, or at least an additional workload. Sam and Pete reflected the views of the former.

People didn't care anymore, at least not like they used to. I know I didn't. I used to come in early and stay late. After all that happened I figured the hell with it. I'd come and go just like everybody else. Sam

I gotta admit I wasn't as dedicated as I used to be. You know me, I still gave PEU more than their money's worth. It's just that there was no point in killing yourself. It used to be you felt like it was appreciated, you know? If you worked a weekend or stayed late at night to get a job done that was looked on like you were a dedicated employee. They took care of you. Not anymore. Pete

However, not all surviving employees can withhold their work without consequences. Cappelli (1999) notes that, in many cases when the employee is committed to the organization due to the extent of their embeddedness (for



reasons such as seniority, pay, or promotions), they cannot get full exchange by quitting or risking job loss due to performance issues. He posits that this can thereby increase their perception of injustice because they cannot get adequate redress for their violations. This view, that surviving employees had to increase their work effort out of fear of losing their jobs, represented that of several respondents who, by the nature of their tenure, age, and service at PEU, did not have the ability to quit or reduce their workload or commitment.

So it became a more than an eight hour a day job. I know that most of my department didn't go home. They were there on holidays and weekends. It was fast-paced, and a very different working atmosphere than what we had before. It was difficult, because it was just constant work there. It was fast-paced. There was less free time. I'm talking about after 5 o'clock. I brought home work on weekends. I wasn't use to that. I had a life. I no longer did after that. Patty

This view suggests that, while there may have been a lower commitment on the part of employees to voluntarily provide their services in response to perceived violations of workplace justice, other factors intervened. As a result of the downsizing, there were fewer employees to carry out the workload. Also, individual concerns for job security, particularly for those who were vulnerable as a result of their individual circumstances, were not positioned to withhold their services or reduce their commitment to PEU. Frank summed up the attitude of many survivors at PEU who began with the company under very different circumstances than they had following the reorganization.

I felt relieved because I needed the job. I had a wife and two young kids at the time and the last thing I wanted to do was to have to leave to go somewhere else. At my age, I was fifty at the time, it was a bad time to be going out looking for a job. So I was relieved but I was also sad because I

knew the company had changed like it had never changed before. I knew that my stable secure job in a nice family-oriented atmosphere had changed and it would never be the same again. Frank

The resignation in Frank's voice speaks volumes about the experience for him and other survivors at PEU, whose job for life in a stable environment changed forever. This was particularly true for employees like him, who due to their personal circumstances, age, family responsibilities, and service with PEU, felt they had very few good options available to them following the reorganization and downsizing at PEU other than to survive and adapt to the "changing world."

## CHAPTER SIX

### YOUR JOB OR YOUR LIFE - THE EXPERIENCE OF WOMEN AT PEU

Qualitative inquiry is emergent in nature. As such, the qualitative researcher should remain open to unanticipated findings that emerge from the data (Patton, 2002). While conducting the interviews to explore the experience of all employees at PEU, it became apparent that many of the issues that were predicted, as well as those generally raised by all respondents, held particular significance for women working there. This section is not intended to review repeat an examination of the data and their application to the psychological contract, the importance of culture or the effect that the change phenomena had on employees. Rather, it is intended to reconsider them from the particular perspective of women and raise questions that can and should be examined in further inquiry in this area of research.

One of the themes that became apparent in the interviews and subsequent analysis of the data was the particular importance that many of the women at PEU attached to their jobs with the company. Given the stable environment and long term job security that was characteristic of this industry and company, one would expect that many of the respondents, regardless of gender, would share this view of the employment relationship there. In fact, nearly all of the respondents interviewed described a perception they had of a psychological contract with PEU for lifetime employment. A number of researchers have noted the importance of career for men and particularly for men working in white collar occupations ( Kletzer, 1998; Newman, 1988;

Tomasko, 1987; Uchitelle, 2006). Cappelli (1992) notes that the implicit contract these workers had with their employers remained strong up until the wave of downsizings occurring in the decades of the 1980's and 1990's. Perhaps best epitomized in large organizations like IBM, the typical career path for the professional white collar male worker, who Whyte (1956) called the organization man, began with the company after graduating from college. As they developed more time and responsibilities with the organization, they began moving up the ladder. Each promotion brought with it more responsibilities and increased commitment to the organization. Several have documented the sacrifices these professionals and executives made in their careers (Cappelli; Newman). Spending 60-80 hours a week at the office, bringing work home, and making frequent transfers and work relocations as they moved up the ladder was common for these career men (Cappelli; Newman; Uchitelle). These sacrifices were all made due to the importance these men attached to their careers and the company where they hoped to spend their entire lives.

### The Importance of Career For Women at PEU

There has been a great deal of research in the experiences of women in white collar, professional and executive positions (Bierema, 1998; Lyness & Thompson, 2000; Ryan & Haslam, 2005; Tharenou, 1999; Wootton, 1997). This focus has primarily been to compare the differential experience of women compared with men in similar occupations, documenting the inequities and

discrimination they often face in pursuing careers in these professions. However, less research has focused on the importance that women working in predominantly female occupied jobs place on their careers. Kanter (1977) described the experience of clerical workers and secretaries at a fictional company called Indsco. She noted that these jobs at Indsco were exclusively performed by women and suggested the kind of a patriarchal relationship with the corporation and their male managers that was also characteristic at PEU. She described several stereotypes of secretaries in the corporation. One is the younger, unmarried woman, who Kanter implies viewed her career as a prelude to marriage and raising children. Upon finding a spouse, sometimes in the corporation, she would marry, become pregnant, and leave Indsco to raise a family. Another type of secretary Kanter describes is an older, matronly woman. She has been with the corporation for a long time, spending much of it working for the same manager. The woman is typically unmarried and totally devoted to her superior, often doing routine personal tasks such as paying his bills, arranging for his dry cleaning and performing other duties unrelated to work. Their entry in the corporation is the same. Both would have typically started working there immediately upon graduation from high school or a business preparatory school. Kanter posits that these positions were highly coveted in a large corporation like Indsco so they were able to recruit the best and the brightest young women. They would begin in the mailroom or steno pool, and after working a short time there, be assigned to a beginning level clerical or secretarial position in the corporation. Within a few years, depending on their

individual abilities and circumstances, they might be promoted to higher, more influential secretarial positions in the company.

At some point, however, both of these stereotypical women may have faced a choice between their careers and personal lives. If they married and had children they most likely would have had to quit working. Prior to pregnancy discrimination laws, it was a common practice in many companies to require pregnant workers to leave their jobs (Kelly & Dobbin, 1999). In some instances these women might be hired back, but if they were, they typically would begin at the bottom again, perhaps never working their way back up to the position they had once held. How much importance did these women attach to their careers in the corporation? Did they implicitly trade off developing personal relationships and forego marriage and having a family in order to not sacrifice their highly coveted job in the corporation?

These issues and potential sacrifices women made were not addressed in Kanter's Indsco (1977). However, the data in this inquiry suggest that they should, however, be considered in the context of the experience of women at PEU. Interviews with several of the female respondents, particularly women who began working there prior to civil rights laws passed in the 1960's (Title VII, The Civil Rights Act of 1964) and pregnancy discrimination laws in the late 1970's, (Pregnancy Discrimination Act of 1978) suggest that this could have been a factor in how women viewed their careers with the company. PEU was not unlike the corporation Kanter described. They would recruit the best and brightest young women from the high schools in the area. With the exception of two

respondents, all of the women began with the company immediately upon high school graduation. Several respondents like Patty described how this was viewed as a coveted opportunity to be among the chosen few in their high school classes to be hired at PEU.

(I was hired) right out of high school, which I told you at that time, was quite an honor for someone like to get a job at PEU, because it was a secure place to work. It was a family-oriented place to work. They had decent benefits for our area. You didn't make a lot of money back then, but it was a good place to work. It was something to be very proud of at that time. Patty

Recruiters from PEU visited local schools in the area during students' senior year to test and interview girls. They would offer positions to the best among them before they graduated. For these young girls this represented an opportunity to begin working immediately for a reputable and secure company in the area. Several of the respondents also suggested they felt they had few other options upon graduating from high school. Elaine echoed this sentiment, noting that as a woman, her opportunities were rather limited, particularly coming from a working class background.

Right, you could be a teacher, a nurse, or work at an office. That was about it. The only ones that really were teachers, were somebody whose family were all college graduates. I had a friend who went on to teaching and both of her parents had graduated college and her father was a school official. So she went to college, because they instilled it in her. Regular people it was not their priority. I grew up thinking, you want to be a secretary, do you want to go to college, I wanted to be a teacher, but there was no money, and there were no scholarships for women. Everything was for the male. You guys got it all. Elaine

Elaine smiled wryly at me when she said “you guys got it all.” This woman had spent her entire career at PEU, two-thirds of it as a supervisor, and was observing that “guys like me” had it all. She had worked with many men throughout her career at PEU that she surely believed had advanced to where they were in large part because of the better options they had when they began their careers. Cathy also expressed the view that the expectation for women like her was to get a job when they graduated from high school. Like Elaine, she noted that few women attended college at the time.

There was back then, because all women didn’t go to college back then. College wasn’t the thing that you pushed all of your women into. Nowadays, it’s just assumed that when you graduate, you go to college. Back then, it wasn’t that way. Not even all of the boys who were graduating were going to college. Back then – especially the girls – they just didn’t think you needed to go to college. You just went out and got a job. So that’s what we did.

**So there were a lot of people like you at PEU?**

Yeah, you just started working there. And places like that just hired you for those positions. You didn’t need a college degree. Cathy

Another typical option available to women after high school at this time was to attend business preparatory school (Kanter,1977). Joan said she considered doing that in order to improve her chances of getting a good secretarial position. However, when she was offered a position at PEU upon graduation, she noted that it was a great opportunity for her and she decided to forego going to school and take the position instead.

I started in 1955, right out of high school, I wanted to go to business school and the company came to the high school where I was a senior and interviewed me.



When I was offered a salary, I was very interested in that, I was starting out at \$210 a month. The clerk normally started at \$195 and I thought I'm not going to business school. This is making money, I need money. Joan

Later in the interview Joan described how she considered going to college after a time but felt that she could not do that because of this initial career decision.

### Resign When You Begin to Show

Interestingly, the women these respondents represented did not suggest an option the life that was typical for many women during this period: to marry, have children and stay at home as a homemaker. Given the fact that all of them worked at the company for a considerable period of time, between 15 and over 40 years, it is possible that at that time in their lives they did not view this as an option they could take. Or, perhaps after beginning work at PEU, they never really considered this option. Several of the respondents did marry and began raising a family while working at PEU. For those women hired in the late 1970's and 1980's, this was an entirely different experience from those who were hired before then. However, for women who began working at PEU during the 1960's and earlier, having a child meant resigning from the company, in some cases immediately, and in other instances when they began to "show."

Patty was one of the first women I interviewed who had married and had children during this period of time. Each interview typically began by asking the respondent to review their work history at the company. Gubrium and Holstein (2002) suggest asking easy, open-ended questions at the beginning of the

interview. I found that asking this question allowed the respondents to begin the interview by providing an easy response that put them at ease. It also provided me with a background of when and where they worked and what positions they held. When I asked Patty to tell me her work history with PEU, she described in a very matter of fact way what happened to her when she became pregnant.

So I worked there from 1960 to 1964 in just clerical positions. I moved up in clerical positions, but they were still just clerical. I left there because I was married and pregnant at the time. At that time, women were not permitted to work if they were pregnant. So I could stay until I started to "show." Once that happened, I had to resign.

**Was that unusual to be forced to resign? Do you know if women you knew in other companies had the same experience?**

Yes, I think it was typical of this area. Early on in the 60s, I think the only company that was stricter was (another local company). There, you weren't even allowed to married. People hid their marriages from the company. People secretly married. But we still knew that there was something not kosher about not being able to keep a position and be married and pregnant. Even at the time, it didn't feel right to any of us. Patty

I had not anticipated this response or the significance that this potential interruption in her career had on women like Patty at PEU. It was very telling and said a great deal about the nature of employment women had there. After hearing Patty describe this experience, I began probing the issue with other respondents who were in similar circumstances. I was interested in understanding what the experience was like for women like her who, upon getting this highly sought after position, had to resign from it if they chose to pursue having a family. Louise was hired in 1956, several years earlier than Patty, and she shared a similar experience. Louise worked in one of PEU's field

locations. After high school, she attended business school and then worked for several years at an insurance agency. Jobs at a company like PEU were coveted in her area, so when she learned about an opportunity at one of the company's district offices, she applied for it. Louise described several hurdles she faced with getting hired at PEU at the time. She observed that being of Italian descent and not residing in the town that the district office was located in were both strikes against her getting hired.

I was disappointed because the girl in personnel told me that they hire only (the town in which the office was located) girls first. I just went on my way and I applied for this job with PEU and was told by the Mayor of (her hometown), "don't even try Louise because they have never hired an Italian". Louise

Louise's description of hiring practices in the 1950's provides an enlightening perspective of the pervasive discrimination that was commonplace at the time. However, despite living in the wrong town and being Italian, Louise was successful in getting hired at PEU and she worked there for five years. Like Patty, however, when she became pregnant she was asked to leave.

I worked almost 5 years in the district office. Then I left because when you were pregnant, you were not allowed to work. In fact, at one point, the minute you told them you were pregnant, you made arrangements to quit. You were not allowed to wear maternity clothes or any of that. That was a big no-no. They allowed me to stay until I wore maternity clothes then they laid me off. They did not terminate me. They laid me off.

**So you didn't leave the company with a temporary leave so that you could come back and get rehired. They actually laid you off...?**

Right, because you didn't work when you had children. At that time, they didn't want you if you had children. To be quite honest with you, that's when it started to change. Louise

Remarkably, this policy of firing women when they became pregnant was an improvement over what had been prior practice. Louise related that not long before the period of time when she was hired, the policy at PEU was to avoid hiring married women at all, and when a female employee married, the company would ask them to resign from their jobs.

Prior to this, if you were married, I'm 72.5, when you were married, you were normally asked to leave. You were not allowed to work when you married. And even if you remember the old aluminum company, Alcoa Aluminum company, loads of girls around here worked there and unless your husband was in the service, you were released whenever you got married. Fortunately, for me, they were beginning to change that. So when I did get married, I was allowed to stay. But when I got pregnant, then, no, I was asked – I wasn't asked, I just knew (that I had to resign).  
Louise

Obviously, since they were with PEU during the reorganization, these women returned to work after having children. However, this interruption in their careers was not without consequences. When they were rehired, and there was no guarantee that would happen, they began at the bottom again, sacrificing pay and benefits in the process.

When I resigned, I lost all of my seniority of the four years that I had that. After that, I was gone maybe two and half years – I think – and decided I needed to return to work. My husband and I separated, and I needed a job. So I went back in 1966 or 1967. I had to start all over again in the mail room. I may have been in the mailroom, but it was only for a month or so. Because I was a woman with no education, I had to start at the bottom again. I started in the mail room went back into (a PEU department), where I had worked before, and started to pick up from there. Patty

Fortunately for Patty, she was eventually able to regain these years of service, though it was not until near the end of her career with the company. When I

asked her how that happened, she said that when she considered the money she would lose in her pension, she raised the issue with management at PEU. Patty suggested that the only reason the company gave her these years of service which she was entitled was because she threatened to sue them. She did not think this was a general practice, and as far as she knew, it was not extended to other female employees in the same situation. This practice of hiring young women and then firing them if they had children could have been a factor in how women perceived the value of their jobs at PEU, the importance they attached to their careers, and the consequences if they chose to have a family outside the company.

#### Its More Than a Job – Social Networks at PEU

These women at PEU, and perhaps many others like them in the workplace, have largely been ignored in the literature on gender and careers. Numerous research has documented the extent to which occupations have been segregated by gender (Bender, Donohue, & Heywood, 2005; Kanter, 1977; Lyness & Thompson, 1997; Reskin & Bielby, 2005; Wootton, 1997). Reskin and Bielby note that this concentration in men's and women's jobs can affect their attachment to the labor force, behavior at work and assumptions about their careers. Given this segregation, they suggest that female and male workers get mixed signals about their career future. Women were more likely to work in lower level positions with little chance of advancement and place less emphasis

on careers (Reskin & Bielby). Kanter suggests that, as a result of this placement in the company, they typically have lower job and career commitment, preferring to focus instead on social aspects of work. Lyness and Thompson identified family commitments as an impediment to career advancement for women. They observe that it can lead to career interruptions, a lack of mobility and a greater concern among females than males that work interferes with family life.

However, much of the research in occupational segregation, gender imbalances, and career aspirations in the workforce has focused on women's challenges in "breaking the glass ceiling" and moving into heretofore male dominated higher management and executive positions (Bierema, 1998; Lyness & Thompson, 1997; Ryan & Haslam, 2005; Tharenou, 1999; Wootton, 1997). There has been much less research in the experiences of single, older women working relatively low level, female-dominated occupations, who for whatever reason, never married nor had children, instead devoting their lives to their careers. Women in these circumstances at PEU knew that making that choice could potentially end their career at the company. Nearly all of the respondents described what an honor it was for a woman to be hired there and how fortunate they felt to work for PEU. Also, within a very short time, for many, these jobs provided a place where many of their friends worked and that was a significant part of their social network. Given the strong attachment to PEU and the importance of working there, this could have been a powerful determinant in the development of a strong psychological contract for long term employment at the company for these women. Several of the respondents spent their entire adult

lives working at PEU, never marrying or having children. They described the importance working at the company had for them and how much of their social life was built around the workplace there.

Joan was one of the women who appeared to have surrounded much of her life around relationships she had developed at PEU. This was evidenced by Joan's response when I asked her how her friends outside PEU's social network described the culture where they worked. Interestingly, she said she really could not answer the question because she did not have many friends elsewhere and that it (PEU) was her "social thing, or social circle." Other female respondents described activities like meeting for lunch with their friends, joining women's clubs at work and spending much of their social time with other employees there. The women interviewed in this research did not appear to be unusual or atypical of many others who worked at PEU. I recall from personal experience working there that the company had a significant number of older, unmarried women working in predominantly clerical positions. Also, several of the respondents described a number of friends and members of their social networks who shared a similar experience at PEU. This phenomena of the single woman devoting her life to a relatively low level clerical career has not been the focus of most of the literature on gender and employment and appears to represent an opportunity for new research to add to the body of knowledge in this area.

Several other themes generally explored earlier in this discussion should be examined in the specific context of gender. Patterns identified among all of the respondents included the strength of the psychological contract for secure

employment, the stable nature of work, and the family-oriented atmosphere at PEU. These themes were particularly prevalent among the female respondents interviewed. Research has shown that women report comparable levels of job satisfaction as men despite the fact that they predominantly work in occupations in which they consistently experience fewer rewards, poorer working conditions, less autonomy, and less authority (Bender, Donohue, & Heywood, 2005; Buchanan, 2005). Bender, et al. and Buchanan note that this positive view of the job is paradoxical since research consistently demonstrates women are paid less than men. One explanation for this paradox is that some research has shown that women tend to place less importance on monetary rewards (Buchanan, Kanter, 1977; Clark, 1997). Clark reported that employees who cite earnings as the most important factor at work tend to report lower job satisfaction. If women are significantly less likely to cite remuneration as the most important factor in job satisfaction, they are more likely to place a greater importance on social relations at work than men. Given these findings and that many of the respondents, both male and female, perceived that PEU paid less than other similar employers, it was not unexpected that women working there seemed to place a great deal more importance on factors such as job security and social relations at work and less on remuneration. One of the recurring themes from the data was the significant number of times respondents used the word “family” to describe the culture at PEU, as this brief sample suggests.

It was a family-oriented place to work.

It was always a family-oriented company. We had a lot of fun together.



The people were really friendly to each other and it was like a family.

It was like a family. Everyone got along with each other and it was a nice place to work.

It was a very family oriented, friendly-family oriented, friendly place to work. It always was.

It was – again – very family-oriented, “family” with quotes. We had the men’s club and the women’s club.

The management people treated you more like family.

They didn’t treat you like a number; you were part of the family.

Back then it was family. You knew everybody, well we knew everybody because most people started through the mailroom.

It was a rough time because after being there for 38 years, it was family. You spent more time with them then you did your family.

I think they lost that family-type treatment of people and groups when they reorganized the company; it was no longer there.

You didn’t have the same family-oriented atmosphere. They lost a lot of that.

It’s worth noting that female respondents used the word “family” to characterize the culture at PEU more times than men, despite the fact that nearly twice as many men were interviewed as women. This suggests that for many of the women working there, the workplace meant more than just a job, particularly since their career opportunities were far more limited than men.

The nature of work and the groups women belonged to at PEU also likely contributed to their overall job satisfaction and the value they placed on their jobs there. The composition of the group in which the employee works has been determined to be a factor that contributes to job satisfaction. Fields and Blum (1997) reported that women working in predominantly female groups express

higher job satisfaction than men in working in predominantly male groups. As we have seen, the typical career for women working at PEU entailed beginning in the mailroom or steno pool upon graduation. At an age when they were beginning to develop adult friendships and relationships, working in these predominantly female groups could have contributed to the positive perception they had for work there. The presence of several factors could be expected to result in a very strong bond in the employment relationship these women had with PEU. One was the promise of a good job immediately upon graduation at a firm noted for its job security, and stable, family-oriented environment. Once hired, these young women would eventually develop a social network of friends and activities. This acted as a powerful influence for developing a commitment to their jobs and careers at the company. This view contradicts some research that suggests that women place less importance on their work than men do. Rubin (1994) posited that identity for women is less tied to the job than it is for men. She asserts that, whereas men are connected and defined by their work, women tend to be more multi-faceted, with work only being one part of their identity. In their examination of gender differences in response to job loss, Deitch, et al. (1991) observed that women tend to react differently to job loss than men. They found that some women express ambivalence about job loss because it relieves them from the double burden of work and maintaining the household. Kanter (1977) claimed that many women are not committed to their careers because they work in dead-end white collar jobs. Since they have little opportunity for advancement, they tend to focus more on social relations, in and out of work,

than they do on their careers. This view that women are not likely to commit themselves to a career, particularly when that career is in a lower level clerical job, may be challenged considering the circumstances found at PEU. A potential area to expand for new research is the extent to which women in these positions like many of those at PEU, put their career above family concerns, particularly at a time in our history when discrimination against them was so prevalent.

## CHAPTER SEVEN

### SUMMARY AND CONCLUSIONS

This research was undertaken to examine the experience of employees working in a very stable, regulated industry that underwent significant organizational change and disruption. While specific research questions guided this inquiry, by its nature, qualitative research is less about drawing conclusions or asserting heretofore unknown findings than it is understanding the socially constructed realities formed by the participants and the researcher (Mertens, 2005). Patton (2002) suggests that concluding qualitative research can be an unnecessary and inappropriate burden that should be focused more on looking to the future and less in concluding the past. I will do both in this conclusion, which represents the closing of one door but opening a number of others that can be examined using a different lens. As a participant in the research phenomena, I had my own reality and had developed perceptions about my experience and relationship with this company, what the experience was like, and how it affected me personally. Embarking on this research provided the opportunity to discuss these views with other individuals who went through this phenomena, developing their own perceptions of the experience. To state definitive conclusions from the data would assume that there is one outcome from the experience of multiple individuals and that it can be reported objectively by a dispassionate, removed observer. Given that there were 23 different views, some consistent and others not, and that these respondents represented a relatively small percentage of the individuals who were affected by the reorganization and downsizing at the PEU, there is no singular objective view that can be reported with a degree of

probability that one might find from a post-positivist perspective. Also, the issues that were the focus of this inquiry, including organizational culture, the nature of job stability, job security, a psychological contract for employment and workplace justice, are very subjective in nature.

The subjectivity of this inquiry, as well as its framing of the issues in the context of the individuals' perceptions, required the researcher to "construct" knowledge in order to understand the collective experience of not only the respondents, but many of the other employees affected by this phenomena for whom they spoke. Issues concerning credibility in this inquiry and measures taken to enhance it were addressed in the methods section of Chapter One. Credibility in qualitative inquiry is characterized by the extent to which respondents' perceptions of social constructs corresponds with how the researchers reports them (Mertens, 2005). Measures taken to ensure credibility included triangulation of sources and theories, member checks, peer debriefing, the use disconfirming cases, and an informal audit trail.

Several limitations and potential biases should be considered when examining the findings reported in this research. Mertens (2005) notes that bias can be apparent in all data collection efforts, regardless of the paradigm used. Some have criticized the kind of nonprobability-based sampling that is characteristic of qualitative inquiry, claiming that sampling bias may occur (Henry, 1990). However, Guba and Lincoln (1989) contend that the objective of qualitative inquiry is not to generalize results to a larger population, therefore, sampling strategies should be concerned with gaining maximum variation rather

than random selection. The insider, or emic perspective of the researcher has been made explicit and noted as a potential bias, both in data collection and data analysis. Another potential limitation in sampling and data collection that has been noted is the purposeful and snowball sampling strategy used to select respondents. Given that a number of the respondents contacted for this inquiry were known to the researcher and additional individuals were identified through snowball or chain measures, this strategy could have limited variation in sampling. Another factor that could have biased sampling and should be noted is the effect of the interviewer and interview interaction. Kvale (2006) noted that qualitative research interviews are characterized by their asymmetrical power. He contends that by their very nature, the researcher is in a position to hold power over the respondent. Though I was not in any direct position of authority or have any power over any of the individuals, it should be noted that some responses may have been affected by this asymmetrical power relationship. This may have been exacerbated in interviews with women. Grønnerød (2004) observed that there can be gender and heterosexual tension in the interaction between interviewer and interviewee. It is possible that respondents' answers were affected by this tension. This gender effect could have occurred with male respondents as well, with males characterizing their circumstances and reactions differently. Some research has suggested that male respondents are more comfortable revealing personal information with female interviewers than with men (Williams & Heikes, 1993; Rubin, 1994).

While the concluding chapter represents a finality of this research and a summary of its findings, as Patton (2002) suggests, it also will look to the future to identify opportunities for further exploration and examination raised by this initial inquiry. Given the emergent nature of the data and findings, they reveal several critical areas which can be explored for deeper meaning and theoretical application in the following sections.

### The Nature of Employment in the Electric Utility Industry

One of the central assumptions guiding this inquiry was that the very nature of the electric utility industry shaped the environment, culture and employment relationship that developed in companies like PEU. A significant portion of this research dealt with exploring the development of the industry in the context of how regulation and insulation from outside influences led to the significant stability and equilibrium that characterized it. This was necessary to provide the foundation for understanding the nature of employment at PEU and the effect that major changes to that relationship had on employees there. This review of the history and development of the industry, particularly in the context of the effect it had on the nature of employment, has demonstrated that it resulted in an environment for organizations in the industry that was highly insulated from many of the external influences that affected employment in other industrial sectors. This environment encouraged the development of internal structures and formalization to operate optimally in it (Scott, 2003). With little

incentive for innovation or significant adaptation, companies like PEU developed into rational, highly structured, bureaucratic organizations that were highly resistant to change. While this was a general characteristic of regulated industries (Haveman, et al., 2001), and specifically organizations in the electric utility industry, this research determined that there were several factors that led to PEU becoming even more stable, structured and resistant to change than other similarly situated electric utilities.

A number of actions PEU took during a pivotal time in the history of the industry contrasted with those taken by many other utilities at the time. They reflected the generally conservative nature of PEU at the time as well as tended to result in even greater stability and equilibrium for the company in the future. When the disruptions of the Arab Oil Embargo, the environmental movement and the collapse of nuclear energy generation shocked the electric utility industry and affected many companies in it (Navarro, 1985), PEU remained relatively immune from these influences. Also, during a period of time when other utilities were investing heavily in oil and nuclear energy to comply with increased environmental regulations such as the Clean Air Act of 1970 (Energy Information Association, 2000), PEU largely avoided these fuel sources. They did not build any nuclear energy and changed few of their plants from coal to oil. Utilities that reacted in this way were impacted significantly when these fuel sources became very costly as a result of the Arab Oil Embargo and the accident at Three Mile Island in the late 1970's (Energy Information Association). Another factor that led to the company's long term stability and protection from external influences was



their investment in highly efficient, clean, coal-fired generating plants. These plants came on line at the precise time when many other utilities were building nuclear energy facilities in addition to relying on older coal and oil-fired generating plants. This decision to invest in modern coal-fired generation instead of relying on oil and nuclear energy provided the company with a reliable source of generation that was less polluting than many older coal-fired plants and enabled PEU to avoid the kinds of disruptions that affected many other companies like them. Finally, the downturn in American manufacturing during the decades of the 1970's and 1980's had a significant impact on many electric utilities whose customer base was heavily comprised of these industries. Companies like PEU that did not have as great a commitment to these industries were disrupted to a lesser degree from this influence, which increased their stability, equilibrium, and inertial resistance to change. These factors have been shown to have led to the development of a culture there that was even more stable and resistant to change than other utilities like them.

Since this examination of the institution of the electric utility industry was intended primarily to lay the groundwork for understanding the nature of employment at PEU, it was concerned more with what happened in the industry than why it happened. Given that objective, in terms of findings, it provided the necessary foundation to answer the research questions for which it was intended. However, an examination of its history revealed that the nature and development of the electric utility industry did not proceed according to assumptions made at the outset of the inquiry. The initial view of the researcher

was that this state of the industry resulted from an evolutionary process, developing naturally through incremental, continuous change. These assumptions were supported by the evolution of the industry for the last 60 to 70 years. From passage of the PUCHAct in 1935 until the mid 1990's, the electric utility industry experienced relatively little change and was generally characterized by its slow, incremental adaptations to its environment. However, his research has shown that actions taken early on in its history had a significant impact in the way the industry developed and that several key players had a great deal more influence in directing its eventual state than expected. As Granovetter and McGuire (1998) observed, the industry did not develop into the large, vertically integrated, uniform and regulated form that it did, not from a slow, natural evolutionary process, but instead resulted from the actions of powerful individuals very early in its history. He noted that an alternative to this structure would have been a diverse, heterogeneous industry that was characterized by small form, innovation, adaptability, and competition. Had the institution of the electric utility industry environment developed along a model that was more associated with other manufacturing and service industries, aspects of the business that shaped it and made it very unlike them likely would have developed far differently as well. An examination of the history of the industry from the perspective of *why it happened* and how it might have developed differently, particularly in employment, is an area that could provide opportunities for additional inquiry.

In a related vein, while this research argues that the electric utility industry developed in a unique way that led to organizational stability, structure, and a strong culture that emphasized job security, it does not, and should not presuppose that many of these characteristics were and continue to be central to employment in other places at other times. Numerous researchers have noted the job security and stability that was prevalent in many companies up until the mid 1980's and 1990's (Cappelli, 1999; Newman, 1988; Uchitelle, 2006). The relative equilibrium that developed within the closed regulated environment of the electric utility industry was not altogether different from the equilibrium and stability that characterized such industries and sectors as steel, automotive manufacturing, and computer technology, or the companies within them, such as U. S. Steel, General Motors, or IBM. While not regulated to the degree of the electric utility industry, these and other organizations functioned within a relatively stable and secure environment for much of the 20<sup>th</sup> century. The issues of job stability, job security, perceptions of violations of the psychological contract and tenets of workplace justice can be viewed to a large extent in the context of other similarly situated organizations and industries, regardless of the extent of their regulation.

### Job Stability and Job Security

The stability that characterized the industry and to an even greater degree, PEU, had a dramatic effect on the organizational culture, the processes,

and key to this research, the nature of the relationship between the company and its employees. During a period of time when the internalization of employment was increasing in all sectors of employment in the country (Cappelli, 1997), numerous factors led to an even stronger employment relationship in the electric utility industry. In addition to the aforementioned environmental influences, there were strong internal incentives that acted to increase bonds between workers and companies in the industry. Companies like PEU needed a committed, stable workforce with highly specialized skills and knowledge. These employees developed a reciprocal expectation for stable and secure work. This led to the development of a psychological contract for employment that was based on a reciprocal agreement between employees and employers for job stability and job security.

This stability and equilibrium that had developed within the industry and at PEU over decades was punctuated by the introduction of deregulation in the mid-1990's. Companies like PEU, which had made incremental, continuous change to adapt their regulated environment, suddenly were exposed to the most dramatic disruption in the 80 year existence of the company. This influence and the disruptive effect it had on deregulated industries has been well documented (Haveman, et al., 2001; Gersick, 1991; Romanelli & Tushman, 1991). However, less research has examined this influence on the electric utility industry, in part due to the recentness of its passage. From the perspective of employees interviewed for this research it had a profound effect on PEU's culture, management, leadership, and the employment relationship they had with the

company. One would expect that given the impact this disruption had on employees there, respondents would have had stronger feelings about the policy of deregulation and its value. However, even though it was a line of inquiry in the interviews, there were few strong opinions about the policy in general or blame assigned to it for any of its consequences. When it was discussed at any length during interviews, it was done so in the context of how management at PEU responded to deregulation rather than the policy itself. This can be attributed to the fact that many of the respondents worked in lower to mid level positions in the company that did not interact with policy-makers in this area. Given their perspective in the organization, they would be more likely to associate with the company's actions and less so than the overall policy and implications of deregulation. A dataset of high level executives would likely reveal a different view of the policy of deregulation and the impact it had on companies like PEU. A potential area for further research in this area would be to interview individuals who had more direct linkages with deregulation, including utility executives, regulators and policy-makers, in order to understand their perception of the impact of deregulation. This endeavor would be more meaningful now given this initial inquiry into the perspectives of individual employees who were affected by it.

An examination of the history and development of this industry has been shown to have led to a closed environment that was insulated from influences that affected other private sector industries. As a regulated industry with a monopoly for service and guaranteed rates for its service, companies like PEU

were not driven by concerns for profits, differentiation in their product or service or the need for innovation to meet changing markets. That, along with the tendency towards a generally increased strength of the employment relationship among all industries, led to the development of the very strong psychological contract this research found between employees and PEU. This view of employment stability was anticipated given the nature of the industry. However, one of the findings of this inquiry is that it was unusually strong given the prevalence of downsizing and corporate restructuring in America taking place in the country during the 1980's and 1990's. This finding, that employees at PEU appeared to be so unprepared for this event or unaware that their employment could be exposed to the same disruptions as other industries, was unexpected. The perception voiced by respondents for a "job for life" was very prevalent among respondents and appeared to be universally accepted by employees there, despite clear indications otherwise.

### Violations of the Psychological Contract

Rousseau (1989) claims that the psychological contract must be viewed as a unilateral agreement since it is perceptual in nature and companies are not capable of subjective perceptions. Viewed from a theoretical perspective, this may be true, however, this research found that the norm for long-term employment that developed at PEU was much stronger than suggested by earlier research and was much more characteristic of a reciprocal agreement than

suggested by Rousseau. The employees who were attracted to working and staying with a company like PEU there shared common characteristics. These employees were typically very loyal and committed to their employer. Once employed they tended to stay at the company and based on the views of the respondents in this research, had surprisingly few grievances with PEU or its management. Work attendance was one way that loyalty and commitment to PEU was evidenced and “good” employees did not miss a great deal of work there. One of the respondents never missed a day of work in 29 years and others described many employees they knew who met or exceeded that record. These employees were very compliant in following the company’s rules and procedures and conforming to their expectations. The environment at PEU attracted these kinds of employees and once there, tended to reward these characteristics and acted as an incentive for them to conform to them.

However, this was not simply a perception on employees’ part with no basis for an expectation of reciprocity on the part of the employer. The view of employment at PEU as a “job for life” was not simply a perception that had no basis in reality. The fact that the company had never experienced a layoff, even in difficult periods of time, provided an historical rationale and justification for this view. Supervisors and managers also reinforced this view when employees were hired and the company’s very slogan communicated to employees that PEU was a “sure thing in a changing world,” giving them very good reason to conclude that that also applied to their jobs there as well. As this research has demonstrated, PEU had very powerful incentives for providing strong employment security and

encouraged it through its extensive training and education to its workforce and extending material benefits and promotions based on longevity and service. Up until deregulation, this reciprocal arrangement provided mutual benefit to both parties and was reinforced on a regular basis.

Much of the research on the psychological contract and the obligations each party makes towards it has focused on employee contributions such as loyalty, commitment and productive work, and employer inputs such as investments in compensation, training, development, and secure employment. However, findings from this research suggests that this contract at PEU had a negative element to it as well. When employees described their expectation for long-term employment at PEU, the words “job for life” were frequently preceded by the words “you’ll never get rich”. This phrase suggested that the group norm for employment there was viewed as a quid pro quo of sorts. Employees working at PEU believed that in addition to loyalty, commitment and service, they were giving the company something of value in return for that promised job security. In monetary terms, this meant that they believed that they could have reaped higher earnings and had greater advancement and promotions working somewhere else where job security was lessened. Several respondents left higher paying jobs for employment there and others expressed the view that they considered leaving for better opportunities but chose to stay in return for the security working at PEU provided them. This view, that in fulfilling the contract, the employee gave the employer their services at less cost, and the employer gained benefit from it, led to the development of an even stronger psychological



contract for employment at PEU. This finding has not been developed significantly in literature on employment security and the psychological contract. A potential area for further research in this area would be to examine the importance both parties in the contract attach to this employee “input” to the relationship, particularly in employment environments that are characteristic of this kind of reciprocal agreement.

### Women and Careers

A subset of this examination of the views employees had regarding the psychological contract for employment at PEU was the implication that some women assigned particular significance to their careers there. This expectation for career employment at PEU was a common theme among respondents. This research demonstrated there were strong incentives for it and that both parties had obligations under it. It has also shown that employees perceived part of their agreement to entail some sacrifice on their part in terms of material rewards. However, data from this research strongly suggest that in many instances, women at PEU may have sacrificed to an even greater extent, and in less material ways, than men did in fulfilling their psychological contract for employment there. Several of the women interviewed devoted their lives to their careers at PEU. These women, who were representative of many more there, began working at the company during a time when they faced very real choices between their personal lives and a career at PEU. Respondents described the

pride they felt when they were hired to work there. Recruited as the best and brightest girls in their high schools, these women started work there immediately upon graduation and the company and the workplace soon became an important fixture in the lives of many of them. Their work not only provided them with material compensation and benefits, but also was the source for most of their friends and non-work social activities. They would begin in the mailroom but soon thereafter be placed in a clerical position in an office in the company and know that with time, many of them would eventually become a secretary and work in that position for the rest of their careers. However, all of that changed if they chose to marry and have children. Prior to laws prohibiting gender discrimination, and specifically pregnancy discrimination, women at PEU who became pregnant were asked to leave service, with no promise of return. This practice was not uncommon in other industries, however, given the insulated environment and the non-progressive nature of employment respondents described there, this practice appeared to more prevalent and existed longer at PEU than in many other workplaces at the time.

This finding was particularly important in the context of this research. When the psychological contract for employment was broken during PEU's reorganization and downsizing, it made the violations all the more significant for these women. For those who had dedicated their lives to PEU and made it such a part of them, losing their jobs in this dramatic and unfair way was particularly traumatic. This finding, that women in clerical positions at PEU potentially placed great importance on their careers and may have developed an even greater

psychological contract for employment than previously expected, has not been adequately explored in the literature. Much of the focus on gender and careers has been directed to the experience of women achieving parity with men in professional and executive level positions or on the effect that taking time off for family concerns and child-rearing has had on their opportunities for promotion and advancement in them (Bierema, 1998; Lyness & Thompson, 2000; Ryan & Haslam, 2005; Tharenou, 1999; Wootton, 1997). While these issues are very important and certainly did and still do warrant scholarly examination, much less research has focused on this generation of women who entered the workforce at a time when blatant discrimination resulted in these decisions not only impacting their pay and promotion, but potentially ending their careers. An area for inquiry that has emerged from this research and one that should be explored greater is the particular experience of many women in these circumstances who may have sacrificed so much of their lives to their careers. These women, particularly those who remained unmarried and childless, likely developed a very different view of the meaning of work, and experienced the phenomena of a change in the psychological contract in a manner unique to them. Potential theoretical constructs to guide additional research include perceptions of victimization versus status, reference group theory to understand with whom women at PEU associated themselves, issues of gender segregation at work, and the importance of social ties. An inquiry of the phenomena of organizational change directly focused on gender issues such as these would be useful and contribute to the field.

## Violations of Workplace Justice

One of the most dramatic findings from this research was the manner and the extent to which employee perceptions of workplace justice were violated by the method used by PEU in reducing the workforce. Respondents described a culture prior to the reorganization that was characterized by its friendliness, family-orientation, and caring management. While there were more insidious tones of conformity, subordination and control implied as well, they were the exception and, by and large, were expressed as minor complaints rather than significant criticisms of the organization. As oft-noted, even in difficult economic periods, PEU never laid off employees and many respondents described a work environment that was if anything, overly tolerant of poor performance and adverse to firing for anything short of extreme violations of workplace rules. However, in a matter of months, this culture changed dramatically, and PEU laid off over 10 percent of its workforce, using a process that violated common norms of fairness in the distribution of outcomes, the processes used to determine them, and the unprecedented way employees were treated.

Given the culture at PEU and its long history for stability, predictability, and resistance to change, organizational change theory suggests that implementing dramatic transformational change would be difficult and very disruptive on employees and the organizational culture. Change in organizations that are in equilibrium, as PEU and other regulated electric utilities were for most of their existence, is characterized by its continuous, incremental nature (Gersick,

1991). When a respondent characterized PEU using the metaphor of an elephant rambling along a path, it was an apt description of the organization's culture and behavior. Like the elephant, it could make minor adjustments and adaptations to its environment, though it was not adept at moving quickly or in another direction in a significant way. This served the company well for most of its history, such as when it began the program of building a fleet of efficient new coal-fired generating plants at a period of time when other more responsive, innovative companies converted many plants to oil and invested heavily in nuclear generation. However, findings from this research suggest that when the "elephant" reacted, it was ill-prepared and at least in the view of most respondents, was not suited for life off the beaten path.

The overwhelming view of respondents in this research was that most of what transpired at PEU during this phenomenon was unnecessary, non-productive and largely ruined an already successful company. Many characterized PEU as quite successful, and by a number of objective measures, including its rates, records of service, and stock performance, they were probably correct. There was no attempt in this research to determine whether change was necessary or if the actions instituted by the company better positioned them to compete in the coming unregulated environment. However, findings from it suggest that when PEU reorganized and laid off employees, the culture, the employees and the company leadership were not adequately prepared for such significant change and it had a dramatic effect on them. Successful transformations, even in less stable environments, require preparation for and

effective communication about the need for change (Burke, 2000). This research found that both of these were notably absent during the transformational change PEU implemented during their reorganization and downsizing.

Leadership did not provide any information regarding the reorganization to employees until 12 months prior to its implementation and even then it was not substantive or specific. As a recipient of the newsletters and reports that were issued at that time, they could be characterized as vague and containing “consultant-speak” language that did little to prepare employees for change or provide ample justification for it. Also, providing employees with less than four months notice that many of them would lose their jobs was quite abrupt, particularly for a company that had never experienced a layoff. The negative effect of this rapid, unexpected, and perceived unjustified change in a culture that was noted for its stability and equilibrium was evident in the data. Given these findings, leaders in similarly situated organizations should consider the potential consequences of sudden and dramatic change efforts like these. While this sort of “shock and awe” may get employees’ attention and increase the energy for change, this research has demonstrated that it can also have significant negative effects on employee attitudes, morale, and productivity.

Perhaps none of the findings from this research are more compelling than the dramatic nature of the process PEU used for downsizing the organization and the effect it had on employees there. The psychological contract for employment at PEU was violated when employees perceived that the company reneged on its implicit promise to employees to provide stable and secure employment there in

return for their loyalty and commitment. However, research has shown that psychological contract violations like this can be ameliorated when employers adhere to principles of work place justice for distributive, procedural and interactional fairness (Cropanzano & Ambrose, 2001; Rousseau, 1989; 1995; Rousseau & Robinson, 1994) This research found that employees perceived that each of these principles was violated dramatically. The Objective Judgment Quotient (OJQ) process and the way it was implemented violated norms for workplace justice and had a dramatic effect on nearly all employees, regardless of their outcomes. It was demeaning and widely viewed as non-objective, unfair and uncharacteristic of long-held norms and values for evaluating employees in the company. The perception of respondents was that outcomes of the process were not distributed fairly, a view that was also supported by the evidence. Individuals selected many of their raters and “gaming” of the system was commonplace. Individuals who wanted to leave the company and receive a separation package asked friends to rate them low. Other employees who wanted to keep their jobs did the opposite, asking friends to rate them high so they would not lose their jobs. However, there was no guarantee that an employee would get all of the raters they chose, so some individuals had more “friends” rating them than others. The OJQ was far from objective and many respondents characterized it as a “witch hunt”, a “popularity contest”, or simply a legal way to get rid of “deadwood” in the company. A number of respondents believed it did work to identify many poor performers in the organization, though it was notable that everyone who said that had not lost their job in the

downsizing. Many employees found the experience of rating coworkers to be very unpleasant, particularly given the manner in which they were forced to rate individuals above or below one another. Remarkably, this employee evaluation instrument is still available and marketed by business consultants (Wyvern Inc. Website, 2009). Whether legal or not, or it provides some measure of immunity to organizations, leaders considering using it or other similar approaches should consider the impact they can have on laid off employees and survivors alike.

Noe, et al., (2006) caution that performance evaluation systems that compare one employee to another can be discriminatory, particularly when subjective parameters such as traits or characteristics are used. They could have been describing the OJQ used at PEU since it compared one employee to another based on general “competencies” rather than anything specific or measurable and raters were not given specific training in the meaning of these parameters. A number of respondents noted this and believed that it was discriminatory to several groups of employees, some protected by statute and others not. It was characterized as discriminating against older workers as well as younger employees and a number of respondents believed that it was also discriminatory to women. There were few minorities such as African Americans, Hispanics or others working at PEU at the time, but for the relatively few that were, it would defy logic to believe that this system, which was based on the subjective view of employees, was not discriminatory or did not have a disparate impact on them as a member of an underrepresented group at the company.



One of the conclusions drawn from the data that was unexpected is that outcomes from the process are not easily grouped or characterized as “good” and “bad” or “fair” and “unfair.” Measuring the outcomes of downsizings like these in some quantifiable manner would have been difficult given the different meanings participants assigned to the outcomes. In some cases, employees who were eligible to retire were not assigned jobs in the organization and were very satisfied with the result, in some cases even campaigning for it. In other instances, an employee in identical employment circumstances lost their job and viewed it as a very negative outcome, in many cases even when their financial situation was relatively similar. Contradictions like this were common, suggesting that researchers examining perceptions of fairness in workplace outcomes like these should consider how individuals assign meaning to them based on their outcomes based on their circumstances and the impact it has on them.

Principles of workplace justice were violated in a very significant way in the process used to notify employees of their fate. While there is arguably no ideal method of informing employees they are to be fired, those used by PEU, particularly in the first phase of layoffs, were far removed from the cultural norms of the company and had a very dramatic impact on employees involved in the process. The strong employee loyalty and trust that was a prevalent theme in interviews had developed over a considerable period of time at PEU. Research has demonstrated that this loyalty and trust can be related to the perceived fairness of past instances of organizational justice (Konovsky & Pugh, 1994; Greenberg, 1990). This trust was violated on “OJQ Day” when employees

waited for a phone call summoning them to a room where they and other employees like them would learn of their fate in the company. While waiting, they observed many of their co-workers and friends returning to their desks after getting news of their fate. In a company that had been characterized by the closeness and direct involvement of management, employees received this information, not from their immediate supervisor, but from some unknown member of management they may have had little contact with in the past. In a company that was noted for its family-oriented environment and close relationships, employees were sent to “good rooms” for survivors who had “good competencies” and were picked to remain with the company and “bad rooms” for people with “bad competencies” who were to be laid off. For the laid off and survivor alike, this process was a traumatic experience.

The second phase of the downsizing was notably improved in several ways, suggesting that management at PEU recognized the terrible nature of the process used in the first phase. Instead of dribbling the notification throughout the day, each employee received their notification at precisely the same time. Also, rather than a room determining their fate, the thickness of the envelope characterized the employee as either “good” or “bad”. Instead of hearing the news from a stranger along with a group of co-workers in the room, the employee was handed an envelope by a superior and left to open it by themselves, already aware of what it would say by the thickness of the packet.

Was one method better than the other? Was there a better method of identifying who to keep and who to release in the organization? Is there any

recommended method to implement significant employee layoffs for the first time in an organization that had never experienced one in its 80 year history?

Perhaps the answer to these questions lies in actions PEU took several years after the phenomena examined in this researched. Faced with the need to reduce their workforce and shed employees in 2002, PEU reorganized again, eliminating a number of positions in the company in the process. However, unlike the reorganization and downsizing that occurred in 1996, this time management did not use the OJQ to evaluate employees. They did not lay off employees, force them to retire, or choose resignation instead of an undesirable work assignment in a faraway location. They did not submit employees to the grueling and demeaning experience of reporting to rooms or receiving envelopes to inform them of their ages. Instead, the company communicated to employees what they believed the future of the organization would be and then offered early retirement to eligible employees. Eligible employees who wanted to leave the organization could choose to do so if that was their best option. Some of the respondents participating in this research left the company under these circumstances. Cathy was one of them. When she described how she left PEU in 2002, it was clearly different than what she had experienced six years earlier.

When I turned on my computer, the first thing I saw was that “easy out” package. If you wanted to take that package, it was available to you. You have six weeks to make that decision. It told you what you were offered. It was offered to nonunion people across the board.

That made it harder, because I wasn’t planning to retire. [laughs] Now, what do you do. . . I didn’t even have to think about it. . . You’re either going to go or stay. That was your decision. So I look back and in my own mind, I told myself, “Whatever decision you make, you live with it.

You don't look back because you can't say 'I shouldn't have done it.' And I've never done it. Cathy

Unlike many of their co-workers years earlier, employees like Cathy were able to leave the company on their own terms, with some dignity and self-respect.

Though the company had changed dramatically since many of them had begun working there, at least they knew that it was their choice which door to open or what size envelope they would receive.

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## Appendix A

### Informed Consent Form

This research is being conducted to understand the experience of individuals who worked in an organization in the electric utility industry that underwent restructuring and downsizing. The information will be used to understand how the changes impacted employees that left the organization and those that remained.

You are invited to participate in this study. If you agree, your participation will consist of participating in an approximately 1 to 2 hour interview consisting of questions related to your experience in this organization. With your permission the interview will be recorded using a recorded device. You also have the right to decline to be recorded, in which case notes will be taken by the researcher.

Substantially more people will be invited to participate in this study than necessary so your participation is voluntary. You are free to decide not to participate in this study or to withdraw at any time. If you choose to participate, you may withdraw at any time by informing the principal investigator. Upon your request to withdraw, all information pertaining to you will be destroyed. If you choose to participate, all information will be held in strict confidence and your identity will not be shared or disclosed to anyone. Pseudonyms will be used to obscure your identity and if direct quotes are used any identifying information will be removed. You will be provided the opportunity to review coded responses to ensure that your identity has been protected. The information obtained in this study may be published in scientific journals or presented at scientific meetings but your identity will be kept strictly confidential.

If you are willing to participate in this study, please sign the statement below and return this form to the researcher conducting the interview in the attached self-addressed stamped envelope.

Researcher: Mr. Michael T. Korn, Doctoral Student, Department of Sociology, 102 McElhaney Hall,  
Indiana University of Pennsylvania, Indiana, PA 15705.

Dissertation Chair: Melanie Hildebrandt, Assistant Professor, Department of Sociology, 112F McElhaney  
Indiana University of Pennsylvania, Indiana, PA 15705

This project has been approved by the Indiana University of Pennsylvania Institutional Review Board for the Protection of Human Subjects (Phone: 724-357-7730).

I have read and understand the information on the form and I consent to volunteer to be a subject in this study. I understand that my responses are completely confidential and that I have the right to withdraw at any time. I have received an unsigned copy of this informed Consent Form to keep in my possession.

_____ Name	_____ Signature	_____ Date
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Phone where you can be reached: \_\_\_\_\_ Best day/time to reach you: \_\_\_\_\_

I certify that I have explained to the above individual the nature and purpose, the potential benefits and possible risks associated with participating in this research study, have answered any questions that have been raised, and have verified the above signature.

_____ Name	_____ Signature	_____ Date
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**Appendix B**  
**General Interview Questions**

1. What was your work history with the company?
2. How long were you with the company?
3. Did you work anywhere else in your career?
4. How old were you when you began working for the company?
5. What positions did you hold in the company?
6. Can you describe what it was like to work for the company before the changes that took place in the mid-1990's.
7. Was there anything in particular that attracted you to work for the company? Did you consider working anywhere else?
8. After you were there for a time did you consider leaving to work elsewhere? If not, what was it that made you want to stay there? Was there anything about the organization, the industry, and the culture that made you want to stay or were there other reasons?
9. Was there anything that you didn't like about the organization?
10. From your perspective, how would you describe what kind of employee and employee characteristics were rewarded and valued by the company before the restructuring and reorganization? In other words, what do you think the company expected from its employees?
11. Do you feel that your characteristics, competencies and personality were shaped by the culture of the company and the industry? In other words, did you become the kind of employee, with the kind of characteristics that you believed the company wanted?
12. Were you proud to work for the company? If so, can you describe for me how it felt to work for the organization?
13. How would you describe the company culture before reorganization in the 1990's?
14. Were you involved or did you interact with employees from other electricity utilities? If so, can you describe how and in what context?
15. How would you compare the company to other companies in the industry? Can you describe ways it was similar to or different from other utilities?
16. How would you compare the electricity utility industry to other industries and businesses? Can you describe ways it was similar to or different from other utilities?
17. How has the experience you went through affected you today? Has it changed you in any way?
18. What caused the circumstances led to this organizational change?

**Appendix C**  
**Laid Off Employee Interview Questions**

1. If you went into the staffing pool after the restructuring, can you describe what that was like? How did you feel about it?
2. If you were laid off, how long were you without work?
3. Can you describe how you felt about it? What was the experience like for you?
4. Were you able to find another job in the same occupation and/or industry?
5. Did you have to relocate, either as a reassignment within the organization or in order to find work outside the company? What was that like for you?
6. Were you able to utilize skills/abilities you developed in your old job in the new job?
7. Did you experience this change at a particular time when your personal or family expenses were rising? (New home, children going to college, etc.) What was that like for you?
8. Did you take advantage of any of the support services offered by the company? Which ones? What was that experience like?
9. How did the layoffs and restructuring affect your motivation?
10. Did the experience motivate you to do something different? Engage in something you had always wanted to do?
11. What words would you use to describe your feelings about the company after going through this experience?
12. Who would you characterize got more out of your employment with the company, you or them? Was it equal?
13. Would you describe yourself as a person who places more importance on job security or on a successful career?
14. Did you remain in contact with old friends/employee's with the company? How did the changes at the organization affect relationships you had with others?

**Appendix D**  
**Survivor Interview Questions**

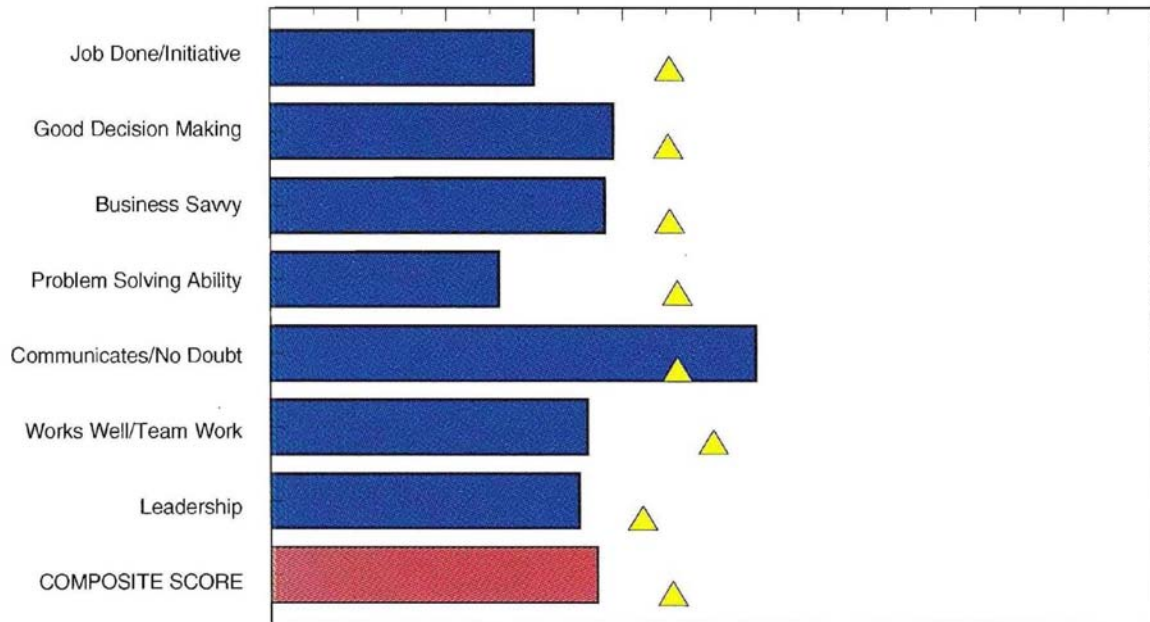
1. Did you enter the staffing pool after the restructuring? If so, can you describe what that was like? How did you feel about it? What job did you get after being in the pool?
2. What is your opinion of the efforts to introduce competition and partial deregulation to the industry?
3. How would you describe the company culture after reorganization?
4. If you remained with the company, did your salary or job title change? If so, how? Can you describe what that was like for you?
5. Did you have to relocate, either as a reassignment within the organization or in order to find work outside the company? What was that like for you?
6. Did you feel that your attributes and competencies were recognized as being of value in the reorganized company?
7. Were you proud to work for this company? Did that change at all after reorganization? How would you describe how you felt about the company after the changes?
8. Describe how you felt about the company after the reorganization efforts? Did the experience you and the relationship you had with the organization?
9. If you are still with the company, how would you compare it today to the company before and immediately after the reorganization and restructuring?
10. Were you involved in any process teams post-reorganization? Which ones? How would you describe what was going on in the company at that time?
11. How did you feel about the reengineering effort?

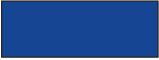
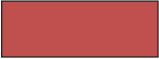

**Appendix E**  
**Selection Process Interview Questions**

1. Do you recall the day that everyone learned of their fate in the organization? What do you remember from it?
2. Can you describe how you learned whether you had a job or not? Do you remember who was in the room with you? Do you remember who led the meeting? How did experiencing it affect you?
3. Were you a rater in the OJQ process? How would you describe the experience of rating fellow employees? How did you feel about it? Can you describe any emotions you felt at the time?
4. Did you believe the OJQ process was fair?
5. Do you recall the day you received your OJQ score? How did you react? Do you remember the score? Do you still have the score?
6. Do you recall how other co-workers reacted?
7. How would you describe that day? Do you recall anyone else's reaction?
8. How did you feel after you were informed of your future job after the OJQ process?

## Appendix F

### OJQ Competency Report



-  - Employee Individual Competency Score
-  - Employee Composite Score All Competencies
-  - Average Score For All Employees

**Appendix G**  
**Respondents Demographic Matrix**

No.	Alias	Gender	Work Location	Job	Age		Yrs Svc		Status
					< 55	>55	< 15	>15	
1	Fred	M	Field	Supervisor	No	Yes	No	Yes	Laid Off
2	Joan	F	G/O	Clerical	No	Yes	No	Yes	Laid Off
3	Susan	F	Field	Clerical	Yes	No	Yes	No	Laid Off
4	Sharon	F	G/O	Professional	No	Yes	No	Yes	Same
5	Ken	M	G/O	Professional	No	Yes	No	Yes	Laid Off
6	Pete	M	Both	Supervisor	No	Yes	No	Yes	Demoted
7	Todd	M	Both	Supervisor	Yes	No	No	Yes	Same
8	Steve	M	Both	Professional	No	Yes	No	Yes	Same
9	Cathy	F	G/O	Clerical	Yes	No	No	Yes	Demoted
10	Jeff	M	G/O	Professional	No	Yes	No	Yes	Same
11	Jason	M	Both	Professional	Yes	No	Yes	No	Promoted
12	Patti	F	G/O	Professional	No	Yes	No	Yes	Same
13	Tanya	F	G/O	Clerical	No	Yes	No	Yes	Laid Off
14	Elaine	F	G/O	Supervisor	No	Yes	No	Yes	Laid Off
15	Louise	F	Field	Supervisor	No	Yes	No	Yes	Laid Off
16	Scott	M	Field	Supervisor	No	Yes	No	Yes	Demoted
17	Lori	F	G/O	Clerical	Yes	No	Yes	No	Laid Off
18	Larry	M	Field	Supervisor	No	Yes	No	No	Same
19	Bill	M	Both	Professional	No	Yes	No	Yes	Same
20	Frank	M	G/O	Supervisor	Yes	No	Yes	No	Demoted
21	Sam	M	G/O	Supervisor	No	Yes	Yes	No	Demoted
22	Paul	M	Both	Supervisor	No	Yes	No	Yes	Laid Off
23	Rick	M	Both	Executive	No	Yes	No	Yes	Promoted