Middle Management in an Era of Corporate Restructuring: A Case Study of Retailing[1]

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Abstract

This article reports on the impact of corporate restructuring on middle management at Australia's largest specialty retailer. The first section reviews existing literature on middle managers in the context of organisational change. This is followed by an overview of the particular characteristics of the retail industry and the implications of these for the place of middle managers. The report on the case study starts by outlining the main features of the change that took place at the company in question in the period from 1992 to 1995. This is followed by a review of middle management attitudes at one of the company's largest divisions. Questions focus in particular on the key issue of how managers rationalise their situation after their numbers and career paths have been undermined. The case study illustrates the critical impact of the managers' immediate peer environment as a factor affecting the ways in which this rationalisation occurs and the results that follow.

Interpretations of The New Middle Management Role

Traditionally, the middle management role arose in larger Australian companies and public-sector organisations in response to the demands of increased size, complexity and internal and external regulation. These trends required increased professionalisation, specialisation, centralisation and formalisation of strategy formulation and a cadre of staff to carry out policy and policy changes (Wright, 1995). However, the newly appointed managers commonly faced the challenge of dual dependency — situated between supervisors and senior management, they were accountable to senior management but were also often highly dependent upon supervisory management for the achievement of their goals. As a consequence they faced pressure from above and below. The middle management challenge involved getting the balance right between technical, administrative and managerial work, while coping with uncertainty, forging networks to get things done, and co-ordinating work with other departments. On top of all of these tasks, middle managers have traditionally sought to 'get ahead' for, as Torrington and Weightman (1987) argue, 'middle management is the career aspiration of virtually no-one' (p. 88).

The pressures placed on middle managers have greatly increased in the context of some trends in current management thinking which portray such managers as essentially little more than wasteful appendages appointed during a post-war era of corporate affluence, now to be expunged in the current climate of corporate slimming. Delayering has come to the foreground, involving the planned compression of managerial levels, and/or the wholesale removal of one or more layers of the organisational structure. The trend has been the subject of extensive analysis.[2]

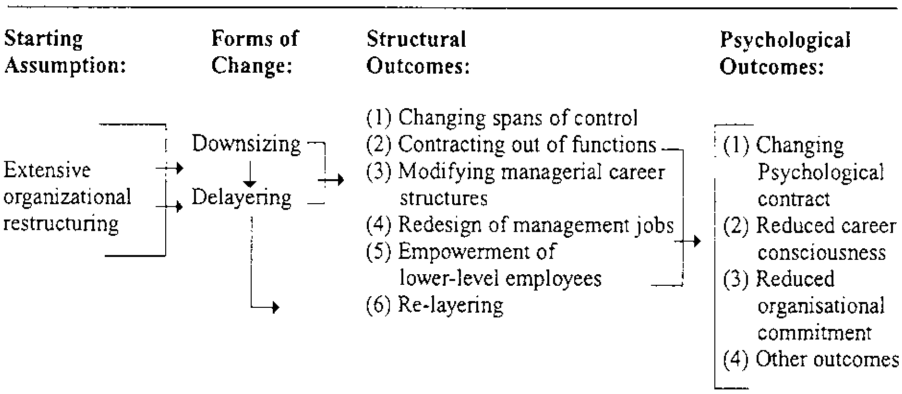
The international nature of this development is clear from discussions within the International Federation of Commercial, Clerical, Professional and Technical Employees (FIET), representing the industrial interests of white-collar unions from more than 100 countries with 11 million members. The Federation commented at its 1994 conference that:

> Professional and managerial staff find themselves in the front line of sweeping changes which are transforming the face of work. They are the victims of right-sizing, re-engineering and downsizing. The jargon comes from the glossy world of hi-tech, but the consequences in real life of these new buzz words means job cuts, increasing stress and growing insecurity. Traditional corporate hierarchies are being flattened and middle managers are feeling the squeeze. (*FIET Info* 10, 1994)

The *Japan Labor Bulletin* (1 May 1994) confirms that Japanese 'middle managers are the very victims of widespread restructuring', while Inkson points to a breakdown of careers amongst management staff in the United Kingdom and New Zealand since the early 1980s (Inkson, 1993). In the United States, the American Management Association found that 18.5 per cent of the lay-offs that had occurred between mid-1988 and mid-1993 were of middle managers, despite representing only five to eight per cent of the workforce (*HR Focus*, June 1994). Furthermore, as the number of managerial redundancies rose in the early 1990s, pay-outs fell (*HR Focus*, June 1995). These data are confirmed by Bureau of Labor Statistics figures which indicated that the displacement rate of American executive, managerial and administrative staff (with three or more years service in the same job) nearly doubled in the recession of 1991-92 when compared to that ten years earlier (4.7 per cent as against 2.5 per cent). In the later recession, the managerial displacement rate even approached that of blue-collar workers (5.2 per cent) (Gardner, 1995: 45). Australian data are somewhat less clear cut, with the number of managers and administrators growing each year from 1988 to 1991, but falling in 1992 and again in 1994 and 1995. The ratio of managerial staff to the total workforce employed fell from 11.06 per cent to 10.57 per cent between 1988 and 1995, but this was not a steady trend. Rather, the managerial ratio rose in the recessionary years and then dropped back sharply in the labour market upturn of 1994-95, as the number of management staff fell at the same time as total employment rose strongly (ABS Cat. No. 6101.0).

There are a variety of views as to the implications of these trends, and Dunford has categorised these as the 'pessimistic' and 'optimistic' interpretations. The former is based on the notion that managerial redundancies jeopardise if not breach the 'psychological contract' between managerial staff and their employers, this being 'the deeply embedded beliefs that employees have as to the reciprocal obligations involved in their employment relationship' (Dunford, 1994: 15).[3] Accustomed to secure employment, regular increases in pay and a clear differentiation from hourly-paid employees, the middle manager is no longer the 'Organization Man' in Whyte's classic 1956 description, but is now experiencing some of the harsh managerial techniques formerly used on blue- and lower white-collar staff. As a consequence, middle managers are not immune from the fear and uncertainty prevalent amongst the workforce at large in companies undertaking rationalisation. In Figure 1, Littler *et al* (1994) summarise the 'pessimistic' interpretation, with the psychological outcomes characteristic of what has become known as survivor syndrome.

Figure 1: Key variables presented in literature



Source: Littler *et al* (1994).

There is mounting evidence that middle managers who survive redundancies may also be the target of increased demands. Brandt (1994) points to continuing challenges to middle managers in the United States arising from increased customer demands, increased spans of control, 'empowered' frontline employees, improved communications technology leading to the need for faster decision-making, and greater workforce diversity. Newell and Dopson (1995: 1) argue that while many British middle managers are experiencing reduced employment status, 'it may also be that organisational goals such as increasing profit, organisational growth, even organisational survival, are more, not less, dependent upon the innovation, creativity and commitment of these same managers'. In the case of the Australian banking industry, a 1995 survey of 860 managers working for a large bank found two-thirds reporting 'very high' or 'fairly high' levels of work stress following a restructuring programme, double the rates of work stress reported to exist before the change (Littler and Bramble, 1995, unpublished data). The vast majority of managers concerned experienced growth of workloads and hours worked, together with increased responsibility and range of duties. Not surprisingly, nearly two-thirds reported increased job dissatisfaction.

Vonk's (1995) interviews with American middle managers also reveal widespread fear, increased workloads, frustration, a lack of job satisfaction and reduced career opportunities amongst survivors of corporate rationalisation. They did not seek to quit, however, many being locked into their current positions by company pension schemes or domestic responsibilities. Some saw little point in moving on because of a perception that the situation was grim for middle managers across industry. One manager recounted to Vonk:

> You might think that the grass is greener, but it's not. From a distance it's green, but when you get up close, it's as brown as shit ... That's what it is — brown shit on both sides of the hill. There's no point in moving anywhere (Vonk 1995: 9).

While there was little evidence of outright obstruction, surviving managers in Vonk's study were much less willing to 'put themselves out' for the company, refusing transfers or even promotions because of the greater workload that such moves would entail. Studies such as these help explain the often-observed phenomenon of middle managers being 'obstructive' towards programs of organisational change (Waldersee and Griffiths, 1996: 9) — from the point of view of the managers concerned, obstruction might well be the most logical response.

In contrast to the pessimistic view, some authors have preferred a more 'optimistic' interpretation of current trends (Dunford, 1994). Some rejoice in the undermining of internal labour markets, arguing that the way is now open for 'boundaryless careers' (Arthur, 1994; Waterman *et al*, 1994), or that middle managers should now be seeking to enhance their *employability* rather than their *status* within an existing company (Kanter, 1989). Other researchers who have interviewed large numbers of managers, such as Dopson *et al* (1992) and Heckscher (1995), argue that while work has become more demanding, the fresh challenges allow for more freedom to make a difference at work and a clarification of managerial roles.

More recent work by Dopson (Newell and Dopson, 1995), however, is less sanguine. Reviewing the literature on commitment, these authors use Meyer and Allen's (1984) typology of affective and continuance commitment as a way of shedding light on the issue. The former involves three elements: a strong belief in and acceptance of an organisation's goals and values, a willingness to exert considerable effort on its behalf, and a strong desire to maintain membership of the organisation (Newell and Dopson, 1995). Continuance commitment relates to the investment made by an individual in their present organisation over time and also to the lack of attractive alternatives to their existing job. These two forms of commitment might be interpreted as positive and negative; the presence of the former may contribute to high levels of employee effort; the presence of the latter to low levels of labour turnover. The picture is further complicated, Newell and Dopson (1995) argue, by the fact that affective commitment may exist at several levels which may conflict: employees may be committed not just or even mainly to their organisations, but also to their immediate work groups, their professions, the project at hand or, outside the organisation, to their families. Clearly strong affective commitment to family may negate the impact of strong affective commitment to organisation as regards willingness to work long hours.

Using this typology, Newell and Dopson (1995) survey the experience of middle managers at British Telecom since the mid-1980s. They suggest that these managers, faced with greater intensification of work and longer working hours, accompanied by a breakdown in formal career systems, have sharply reduced their affective commitment and much increased their continuance commitment. Although some managers did appear to enjoy the new opportunities for 'networking', many others experienced growing tension in their roles and looked back to 'the old days' with nostalgia.

While reflecting the bitterness that many of his subjects felt, Vonk (1995) was also intrigued to find that for the most part they expressed the view that they accepted the underlying need for, and advantages of, workforce reductions at their companies, as did Heckscher's managers from US manufacturing companies. As a result, the strain stopped short of breaking point. While the managers had some concern for the methods used, they supported the overall goals. They now saw downsizing as a way of life, something that was justified by company problems. Like Dopson and Newell (1995), Vonk (1995) also emphasises the multi-level nature of 'commitment'. His interviewees certainly saw themselves as less loyal to their organizations as an *entity*, but maintained their commitment to their own *work units* (p. 13). This commitment ensured that they continued to do the job at hand, even if it were much more onerous than hitherto.

The debate between the optimistic and pessimistic interpretations reinforces the contingent nature of survivor syndrome. Its incidence is moderated by a range of factors. According to Brockner (1992), the key is whether survivors perceive the process of layoffs to have been fair. This itself is the result of their assessment of whether:

- the practice of laying off staff is consistent with the corporate culture;
- ample notice was given;
- those laid off were treated with respect;
- a clear and adequate explanation was given for the layoffs;
- cutbacks were shared at higher management levels;
- the decision rule determining who was laid off was fair and fairly applied;
- assistance was provided to those laid off; and
- employees were involved in the layoff decision process.

A further intervening variable noted by Brockner *et al* (1992) is the level of commitment to the organisation prior to the layoffs: the higher it was, the sharper is the sense of betrayal. A final factor affecting the incidence of survivor syndrome is whether the survivors feel that their jobs have become more interesting as a result of the layoffs (Brockner and Wiesenfeld, 1993).

In practice, evidence from the only Australian analysis of the question to date tends to support the thrust of the 'pessimistic' interpretation. The survey of 653 Australian organisations carried out by Littler, Bramble and Dunford (henceforth referred to as the Organisational Restructuring Survey) in May 1995 found that Australian middle managers were likely to be experiencing severe discomfort in the circumstances of downsizing and delayering over the previous two years. The respondents, predominantly senior managers in the field of HRM, reported that delayering in their organisations in 1993-95 had led to increased workloads and job movements, reduced promotional opportunities for middle managers and, as a result, to increased job insecurity and job dissatisfaction and lower motivation, morale, and commitment to the organisation amongst those managers.

The overall problem with the existing literature in this field is that the rhetoric has advanced at a much faster rate than the evidence. The purpose of this article is to shed light on the experience of one group of Australian middle managers in the course of organisational restructuring by their employer. Using a case study in the retail industry, the research describes the restructuring process at the company concerned, the proposed role for middle managers in the restructured organisation and their treatment by senior executives, and also how the managers concerned responded. From the literature we might expect demands on middle management to have increased as their numbers declined, but for their reaction to the changes to be mediated by factors of the type raised by Newell and Dopson, Vonk and Brockner. Specifically, we might expect their reaction to be affected by their commitment to the organisation and their work group, the length of service with the company, the existence of realistic career options, their assessment of whether the restructuring process was fair, and whether their new jobs were potentially more interesting. Before considering these issues, however, it is important to establish the context of change by setting out some of the key structural features of the retail industry which have a bearing on these questions.

Management in The Retail Industry: An Overview of Key Issues

The retail industry is characterised by a series of structural characteristics which have a significant impact on HRM and managerial infrastructures and thus on the questions under consideration in this paper. Some of these characteristics are outlined in Table 1 which summarises some of the most important features of the retail industry.

A notable feature of the industry is the particular managerial challenge posed by the dispersion of work-sites.[4] The major chains are divided between the supermarkets or department stores, which have multiple establishments each employing large numbers of staff, and the specialty retailers which have multiple establishments, each employing

Table 1: Notable features of the retail industry

	CHARACTERISTIC
The Industry	• Highly segmented between the major chains (employing 40% of the workforce in about 4% of the companies) and several thousand small businesses (also employing about 40% of the industry workforce). The chains in turn are divided between general or department stores and supermarkets (usually large premises) and specialty retail chains (commonly small establishments). • A high ratio (25%) of employers or self-employed amongst those working in the industry. • Relative business stability in the chains (although highly seasonal); high business failure elsewhere. • Competition driven by price and convenience.
Management	• Low levels of managerial professionalism and a tradition of learning on the job. Recruitment of skilled staff commonly by poaching: little reliance on formal qualifications. • Relatively high participation by women in management compared to other industries (43% of managerial positions are female), but still under-representation — 15% of female full-time employees are managers, as compared to 28% of full-time male staff (1993 data). Further, most females are at store manager level rather than in executive ranks.
The Workforce	• High and increasing reliance on part-time and casual labour (especially in the chains) and consequently on teenagers and students. • High female participation (65% of all staff in large enterprises employing more than 1,000) (1993 data).
HRM/Industrial Relations	• High labour turnover. • Highly unionised (current or formerly) in some of the larger chains, the result of 'closed shop' arrangements and union dues check-off. Dominant single-industry union (Shop, Distributive and Allied Employees) (with minor representation by the Federated Clerks Union), but no record of industrial activism or strong workplace representation. Blue-collar staff in warehouses in a separate union (National Union of Workers) with stronger union traditions. Negligible union presence in smaller enterprises. • Until recently, an accommodative managerial attitude to unions in the chains, adversarial in small business. • Traditionally, industrial relations circumscribed by a highly-complex state-based award system. • Employer representation affected by divisions between the large and small companies over issues such as extended trading hours. • Adherence to awards in the chains; greater 'informality' in the small business sector. • Little evidence of sophisticated HRM practices, in form of childcare etc.

Sources: Carter (1986), annual survey returns to the Affirmative Action Agency from 111 retail enterprises, 1990-93 (unpub. data) only very few staff (each store thereby resembling the small business sector in some ways, although not in other important respects.) The complexity involved in managing multiple sites from a central node then places the issue of centralism versus decentralism at the centre of analysis in any study of the large company segment of the retail sector.

Centralised management and standardisation of procedures has many advantages for senior management in the retail industry. It allows head office to take advantage of economies of scale in purchasing, training, allocating staff across divisions and stores, and ensuring clear financial control over operations. Efficient use of information systems allows for clear transmission of corporate communications and corporate ethos. One well-established exemplar of extreme centralisation and standardisation is McDonalds whose management strategy ensures homogeneous uniforms, menus, greetings and service patter in all of its stores.

Decentralisation, by contrast, is driven by a recognition that policy centralisation, if accompanied by a centralisation of staff, can generate heavy overheads and wastage in large head offices, and also by the fact that initiatives for tailoring service to local conditions may be overlooked. In response to these factors, many major retail companies have in recent years slashed head office staff and devolved responsibilities to store managers or district or regional managers. In the case of Woolworth's, this strategy resulted in a major hollowing-out of the company's offices in the Sydney Central Business District and the letting-out of formerly occupied floor space. The advent of sophisticated microelectronic technology, and even more so the internet, which allows for instantaneous record-keeping across dispersed operations, enables companies to overcome some of the disadvantages of decentralisation.

Given that both strategies have inherent advantages and disadvantages, it might be anticipated that management practice in the retail industry would alternate in a cycle of centralisation and decentralisation. Key to both trends are store and regional/district managers. Such managers are the linchpin in head office attempts both to encourage local initiative while also achieving centralised control over financial and HRM outcomes. The situation in retail may be contrasted with that in a blue-collar manufacturing environment. In the latter, a key task for middle managers is one of ensuring the successful coordination of a multiplicity of tasks within a given building or cluster of buildings; in the former, it is that of managing links between disparate, multiple and small (in the case of specialty retailers) operations and head office. The multiplicity of sites, each requiring management, also explains the high ratio of managers to employees in the wholesale and retail sector. Data derived from survey responses by 111 retail companies (employing more than 100 staff) to the Affirmative Action Agency in 1993 indicate that the ratio of managers to employees (full-time) in this industry was second only to finance (another industry characterised by multiple and dispersed sites). In the case of males, the ratio was 26.2 per cent and of females 15.6 per cent (unpublished data).

The centrality of store and regional managers as a determinant of success in the retail industry means that heavy responsibilities fall on their shoulders. The expectations of them are high, and as such they tend to be the focus of management reform efforts in the industry, rather than customer service staff, who tend to come and go.

These assertions are borne out in the 1995 Organisational Restructuring Survey, which found that management structure was a key element of organisational change in 1993-95 amongst the 49 wholesale and retail companies which responded to the survey.[5] While the overall significance of staff cuts was similar in the wholesale and retail sector as elsewhere in the private sector (from whom there were 456 responses) (ie. in about 40 per cent of cases), a greater proportion of the former (52-53 per cent) cut both middle managers and the number of management levels than was the case in the private sector generally (42-43 per cent). Such cuts were linked into broader strategic changes within the industry. Of those who cut management levels, for example, 78.3 per cent of wholesale and retail enterprises reported 'new business strategies' as a major factor, as compared to 69.1 per cent in the private sector more generally. The impact of new technology in facilitating changing management structures in the retail industry is also clear from this survey: 21.7 per cent of respondents reported that it was a major factor behind delayering, compared to only 13.6 per cent in the private sector overall.

The survey also confirms the suggestion that structural efficiency is much more significant for the retail industry than elsewhere, and direct labour somewhat less significant, as a focus of corporate concern. Improvements in decision-making processes (37.5 per cent in wholesale and retail vs 30.4 per cent in the private sector generally) and internal communications (25.0 per cent vs 19.9 per cent) were more significant objectives of delayering in the wholesale and retail sector than in the private sector generally, while improving labour productivity (56.0 per cent vs 70.9 per cent) and improving labour flexibility (37.5 per cent vs 50.9 per cent), while obviously important, were not as significant as in the private sector more generally. The decision taken in April 1996 by senior management at the Myer-Grace Bros chain of department stores to cut 1,000 staff at the level of store manager and immediately below confirms the industry's interest in reorganising the middle management layer. Where previously each store had its own manager, the restructure meant that managers were now appointed to oversee the operations of three or four stores each (*Weekend Australian*, 6-7 April 1996; *Financial Review*, 23 April 1996).

How did these changes affect middle managers who survived the restructuring? Of those companies in the wholesale and retail sector which delayered between 1993 and 1995, 91.3 per cent of respondents to the Organisational Restructuring Survey reported that middle managers had increased duties and 43.5 per cent reported that managers had shifted jobs within their companies in the previous two years. In 61.2 per cent of cases, they experienced increased responsibility; in 59.2 per cent of cases increased spans of control; and in 79.6 per cent an increased workload. In line with the rest of the private sector, middle managers experienced a range of severe negative effects — much increased sense of job insecurity and fewer promotion opportunities, lower morale and motivation, increased job dissatisfaction and less commitment to their organisations.

The Organisational Restructuring Survey therefore confirms that the retail industry has been involved in the wave of organisational restructuring that has swept other Australian industries in the 1990s. A key focus of this restructuring has been management hierarchies. Finally, the changes that have resulted have led to a deterioration in the morale and commitment of middle management in the retail industry, just as they have in industry more generally.

Management And Organisational Restructuring at SalesInc

In 1994-96 the authors undertook a study of Australia's largest specialty retailer, SalesInc, in order to explore these issues in more depth.[6] The company was selected for study because of its large size, and because it was undertaking significant restructuring at the time of the research. SalesInc owns 470 stores across Australia, primarily in the Eastern states. Its core business is made up of three key segments, each with its own market niche: Cut-Price, at the budget end; mid-price Corbett's; and top-of-the-range Armstrong's. All stores are owned by the company, none are franchised, and all store managers are appointed from head office in Brisbane.

The information reported in this article is derived from two series of interviews with senior and middle managers at the company. We sought to interview a range of managerial staff, including head office and those in the field, line managers and staff specialists, and senior managers who planned strategy and middle managers who executed it. We focused on those who had been at the company for some time, and most of the 15 managers interviewed had been at the company for more than ten years, in some cases more than 30. Our interviewees included the company's CEO, the director of HRM, three of the five divisional general managers, a buying controller, a retail manager and, at the Cut-Price division, the focus of the study, in addition to the divisional general manager, the state manager and six district managers. Staff from Cut-Price were interviewed on two occasions, the first at head office in August 1994 and the second in their own homes, in person or by phone, in January 1996. All others were interviewed once at head office, in August 1994, except for the HRM manager who was interviewed a second time in November 1995. Company documentation relating to organisational restructuring was also referred to in writing up this research.

Overview of the Company

SalesInc has its origins in a merger in November 1988 of the family-owned Armstrong's, based in Queensland and founded in the 1940s (with approximately 400 stores at the time of merger), and Corbett's, based in Melbourne and founded in the 1860s (with approximately 200 stores). The latter was owned by the Corbett family until it was taken over by SalesInc, an American company, in 1969. SalesInc (US) is in turn owned by one of America's largest retail enterprises. The first chief executive of the merged company was Barry Corbett, who managed affairs until his retirement in early 1995.

In 1990, before the two rounds of major restructuring described below took place, SalesInc employed 3,627 staff, the vast majority of whom worked in the retail stores, with only 140 employed in an administrative capacity in the Brisbane HQ. As may be seen from Table 2, 42 per cent of staff were casual or part-time, this proportion having risen over the years with the advent of extended trading hours. Then as now, most stores employed only two or three full-time staff: the manager, assistant manager and, in the larger stores, a sales assistant. Staff turnover in the stores is very high, varying between 25 and 60 per cent per annum. Between 60 and 100 staff (depending on the season) are also employed in the company's warehouse in the suburbs of Brisbane.

Table 2: Employment at SalesInc, 1990-95

	1990	1991	1992	1993	1994	1995
Full-time staff	2087	1986	1870	1925	1793	1570
of which: managers	541	476	547	583	575	536
of which: executives	n/a	n/a	n/a	125	80	66
Part-time staff	31	30	60	95	110	190
Casual staff	1509	1452	1364	1490	1565	1696
Ratio of part-time and casual staff in total (%)	42.4	42.7	43.2	45.2	48.3	54.6
Total	3627	3468	3294	3510	3468	3456

Sources: 1990-93 figures: Affirmative Action Agency reports by the company. 1994 & 1995 figures: Company data.

The first step in reorganisation after the merger between Corbett's and Armstrong's was the rationalisation of company structure and the closure of approximately 100 stores. Four store divisions were closed and two amalgamated, leaving six main product lines, of which Armstrong's, Corbett's and Cut-Price were the most significant. As stores were closed, combined employment fell by nearly 5 per cent to 3,468 by 1991. The aim was to concentrate on core divisions and to reduce the proliferation of competing brand names. Other results were a single headquarters location, uniform common information systems, and an attempt at a standard SalesInc management style.

The management structure of SalesInc has several elements. All staff above the level of store manager are referred to as 'executives' who in 1993 numbered 125 staff, approximately four-fifths of whom had been at the company for more than four years. At head office, in addition to the divisional general managers, there is a group of specialist staff (numbering 40 or so prior to the most recent restructure, consisting of buyers, HRM staff specialists, corporate services managers, property services managers, a brand development manager, a financial planning executive, an accounting/information systems managers, an accounting administration manager, and logistics managers). There were also 20 merchandisers in place in 1993 who assisted the buyers.

The remaining group of managers are the district managers (numbering 50 in 1992, 35 in 1994 but only 22 by late 1995) who constitute the focus of this study. They are distributed across the six product lines and their job is to co-ordinate work in the field and to oversee the work of the store managers. On average, prior to the changes outlined below, district managers were responsible for about 12 stores. These managers are the key to the company's chain of command, connecting staff in the field, particularly store managers, with head office. They are responsible for communications up and down the line and are therefore critical to any program of workplace reform initiated by senior management. In this study we focussed on their perceptions of their changing work environment and their relationships with their subordinates and superiors.

The majority of managers from store level upwards are female (465 of the 583 management and administrative staff employed as at January 1993 were female), as are sales staff within the stores (1,232 of the total 1,446), but the majority of female managers are store managers, or in some cases district managers, with the senior administrative positions in head office held by males.

Restructuring Round 1, 1992-94

In the early 1990s the company underwent its first major reorganisation following the merger. This was driven in its first stages almost singlehandedly by Barry Corbett who underwent what his colleagues call a 'reawakening' under the influence of a management consultancy. Prompted by poor financial returns in the recession of 1990-92 (as may be tracked in Table 3), partly resulting from a price-war in the market, but also by internal problems arising out of the merger, Corbett's began to implement a programme of corporate reorientation involving a flattening of the structure, strong divisionalisation and decentralisation, and a shift from an emphasis on hierarchy and rules to 'staff empowerment' and a 'learning community', in line with dominant trends in managerialist discourse of the time. This formed the basis of the new SalesInc 'Vision' whose precepts were officially adopted throughout the company. The company also began to look outside its ranks for recruitment into managerial positions, thereby undermining a tradition of promotion from within.

Table 3: Business results at SalesInc, 1989-90 to 1994-95

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
Sales ($m)	238.3	243.4	258.8	281.9	283.4	291.4
Pre-tax operating profit (loss) ($m)	(7.06)	(1.43)	(9.13)	(3.66)	(26.09)	13.59
Return on total assets (%)	2.74	5.26	0.6	3.9	(9.2)	11.1

Source: Derived from company financial returns.

Divisionalisation and decentralisation involved a plan to devolve power from head office to store managers and to encourage local self-management at divisional, district and store level. This necessitated major change in the responsibilities and numbers of all managerial and specialist staff. First, specialist head office staff in the areas of stock auditing and training were made redundant and their responsibilities devolved to store and district managers. Second, the number of executives was cut from 125 to 80 in two waves of redundancies during the course of 1993, taking the number of district managers from 50 to 35. The result was to increase the span of control for those who remained, from 12 to 14 or 15 stores on average. More onerous, however, was the increased range of responsibilities, with a requirement that district managers now take on the training and auditing responsibilities hitherto performed by specialist staff at head office.

With a thinning of the management structure at SalesInc, and an increasing tendency for external recruitment to senior positions, the potential for district managers to pursue careers within the company was also reduced as a result of the restructuring. Prior to the restructuring, district managers at SalesInc had two possible routes of promotion from their present position. One was to become general manager of their division and thence up through line management; the other was to take a staff specialist job, such as merchandising, buying, auditing or training. The effect of the restructuring was to reduce the number of jobs in the latter category very sharply, thereby stymieing career progression. With the reduction in the number of district management positions, promotion prospects for store managers were likewise reduced.

Managerial Reaction

To gauge middle management reaction to this programme of what was basically work intensification, the researchers focused on managers at Cut-Price, with 75 stores. The reaction of Cut-Price managers to the first round of restructuring was mixed. Our interviews with both senior management and district managers themselves confirmed that there was widespread confusion about new job roles. This was accentuated by the failure of senior management to share information with employees before, during and after the restructure. According to senior management, chaos reigned as a result — the HRM manager commented after the event:

> We virtually went out there and said 'store managers, you can do anything you like', 'district managers, you can do almost anything you like provided it brings in the sales'. There were some people who jumped on that and were able to cope with that, but there were a lot of people, particularly at the store manager level, who were used to being directed, controlled to a degree, and they found it rather difficult to all of a sudden to have to make a lot of these decisions.

Barry Corbett claimed in retrospect that:

> I think we stuffed it up royally ... There's a fine line between 'empowerment' and 'abandonment' and I think that we didn't really come to terms with what that meant.

Among the consequences of the restructuring and the elimination of one-third of executive jobs was an increased sense of vulnerability and reduced job security amongst the district managers. This resulted in greater application and effort from those who remained. Senior management interpreted this as greater commitment. The survivors explained it as a greater sense of anxiety and apprehension about the future. Middle managers were aware that they had been targeted. One district manager recalled that:

> The middle managers would have had the most pain during this period. The lopping was primarily aimed at middle management; combining their roles and getting rid of 'excess middle management', as they saw it.

The process appeared random to many of the managers, and some suspected favouritism at work:

> I don't believe that the people at my level and below really understood why it was happening ... We saw it as 'Oh God, he's gone, I wonder why he went?'. There were some that we knew in our own minds were not performing, so you could understand why they were going, but some others you questioned as to why, because they weren't going to be replaced. Others were replaced and you thought 'Ah, jobs for the boys: got rid of him and brought him in' — that sort of feeling also started going through.

Although the managers interviewed all felt that the redundancies were necessary for company prosperity, this did not prevent them from expressing some sympathy for those affected. One recalled:

> My heart went out to the audit and training departments; you could see someone was a different shade of grey and you'd know someone had gone. It was really unsettling for us [at Cut-Price], but it was devastating for a lot of other people.

Another said: 'we understood why they were taking place, but *so many at the same time*?'.

Because of the abolition of separate training and audit functions and the reduction of HRM staff, the workload on the shoulders of district and store managers increased as managerial functions were devolved. Even if 'some managers let their work pile up', one of those interviewed took to arriving at work earlier in the morning 'to keep on top of the workload'. Nonetheless, few of the Cut-Price district managers regarded this as burdensome, one commenting: 'Whether or not this was the outcome required by SalesInc, it has certainly given the district managers a lot more challenge'. The key factor determining whether increased workload was regarded as a problem was not the absolute number of stores supervised (this fluctuated throughout the period) but their diversity: an original component of the restructuring was to make district managers responsible for several product lines rather than just one. This plan was quickly withdrawn, however, as the workload implications were perceived as excessive.

The reduction in promotion opportunities for store and district managers also aroused some concern, with a fear that there was now 'nowhere to go' for store managers. Senior management sought to overcome this by selling them a new concept of 'career'. Rather than the traditional notion of rising through the hierarchy with steadily increasing pay and other benefits, the company sought to 'multi-skill' managerial jobs and implemented other methods of rewarding promising performers. The latter involved cross-divisional transfers as a way of enhancing career development. Store managers, likewise were encouraged to see their role as having been substantially broadened and therefore sufficient reward in itself. This strategy did, however, encounter problems. Job rotation was not always welcomed, especially if the store to which a manager was being transferred was regarded as difficult or in a low sales area. Senior management regarded such postings as conducive to bringing out new skills in aspiring managers, but some of the managers directly affected, however, regarded them as a demotion.

In summary, the first round of organisational restructuring appears to have generated some grounds for dissatisfaction amongst district managers at SalesInc. Reduced in number, confronted with the need to learn a range of new tasks, faced by diminished career prospects and attempting to make sense of a restructuring strategy not fully mastered by those driving it, the soil was fertile for disenchantment to lead to alienation, and for the latter to foster an oppositional culture amongst the district managers.

However, what was noticeable in interviews with the district managers in August 1994 (after the first round of restructuring had been bedded down) was their continued commitment to their jobs and their division (even if not always to the organisation as a whole). Those managers who did not agree with the new system (and there were a few) left the organisation for work elsewhere. Those that remained did not exhibit the features characteristic of survivor syndrome — a total retreat from commitment, hostility to the new regime or envy for those who had left.

This can be attributed to a range of factors. First was the support by and loyalty towards their divisional manager, Ben Sullivan, an 'old-style' paternalist manager who protected their interests and the feeling that they were part of a close-knit team. Sullivan loomed large in the consciousness of the district managers interviewed and their continuing commitment to the Cut-Price team was a constant refrain. One commented:

> Cut-Price has a culture of its own: I think of myself working for Cut-Price rather than SalesInc: it's a little like 'us and them' with the other divisions.

Some said that if Sullivan left, they would follow him out too, while the sense of belonging to a team was paramount in how they reacted to the organisational restructuring:

> I guess it's what I know; the products and the Cut-Price team — the people that I work with. If some of us had gone it might have broken the whole thing up. If we lost some of the team you might have stepped back and looked at yourself and said: 'is this what I really want to do?'

Other factors also contributed to the relative lack of disenchantment amongst those interviewed. One significant factor was the increased responsibility that they now enjoyed and the opportunity that they now had to make a real difference at store level. The traditional role of store managers had simply been to sell products and to meet budget, but they were now responsible for bookwork, stock control, wages and time sheets, staffing, training and improving store layout. This required that district managers had to take on 'a support role, not a watchdog role'. This changed role made for a more enjoyable and productive relationship and was mirrored by changing relationships with their store managers. At the same time communications opened up with senior management in their turn: 'you could now go and talk to someone in head office and feel as though you were getting an honest answer'.

These positive attitudes were underwritten by (and perhaps also contributed to) successful financial performance by the Cut-Price division. Cut-Price consistently performed well in terms of sales, and its financial returns helped offset problems in the performance of other divisions. As a result of its success in the early 1990s the number of Cut-Price stores increased from 54 to 78. Consequently, district managers at Cut-Price, while understanding that their own immediate environment had changed irrevocably, and not always positively, understood that other divisions had fared worse.

A further factor explaining the continuing determination of Cut-Price managers to do their jobs enthusiastically was their own identification with the interests of the company and a general belief that what had occurred was inevitable. One commented:

> I do believe that the redundancies have been beneficial to the company. I'm not sure if they got to their outcomes in the most desired way. When you think about what they have achieved, it really wasn't a nice way to do it, but if you're going to lop heads and cut costs there is no gentle way.

A strong personal commitment to performing well as professional managers regardless of their personal feelings towards the changes was also apparent. One related:

> I think that there is not a huge commitment to middle management by the company. But this doesn't affect the way I feel about my job because I work hard to develop my people ... I like to achieve for me and for the people I work alongside. I like to reflect at the end of the day and say I've done my very best. I don't like to sell myself short. Whatever evolves will be the best for the company, but I'm not so loyal that the company is 'it'. It is also about me. I would still have to face up to myself at the end of the day.

The willingness of Cut-Price managers to see the changes as necessary was also enhanced by the general circumstances of corporate restructuring evident throughout Australian industry. Measures undertaken by senior management at SalesInc appeared to be validated by the fact that 'everyone' seemed to be doing the same things. The external reference points were varied. Some saw it in terms of their personal circle:

> My wife is also in retail, and they're going through a similar sort of thing. They are actually now going through what we've just come out of. A friend is a school teacher and they're going through similar things, with increased workload and more productivity.

Others looked at it nationally:

> You read the newspapers; you knew what was happening in other companies. They used the same sort of words on TV. Politicians were starting to use the same words, so you could see where it's all being driven.

While another took a global reference:

> It's happening everywhere all over the world The companies where people still want to put their finger on every little thing will eventually evaporate.

Some thought that their career potential, although now more limited, was not completely blocked. One manager saw his career developing through new opportunities as the company expanded into South Australia and Western Australia. Another mentioned the possibility of moving to another division within SalesInc where sales, and therefore managerial bonuses, were higher. Some, however, did not consider their commitment to the company as being critically dependent on their prospects for further career advance: they felt that they had already reached their peaks within the company. One commented: 'My challenge would be to go on perhaps to be divisional manager, but I know my capabilities, and I don't believe that I'll be able to get that far'.

One important factor affecting the attitudes of Cut-Price district managers was the state of the labour market. Reflecting on this, the HRM manager commented:

> We have had to manage expectations [of career advance], but with the recession, that hasn't been such a big problem. People think that they are doing well just keeping their jobs.

To summarise, district managers interviewed after the first round of restructuring felt that the changes, although responsible for increasing their own workloads and, perhaps, harming their chances of career advance, were necessary, had weeded out some non-performing managers, and had resulted in a work environment and company philosophy to which they were still committed. Key to their continuing commitment was their strong team loyalty and their respect for Sullivan as leader of that team.

Restructuring Round 2, 1995

In early 1995 the environment at SalesInc began to change again, this time under the impact of new management. After 35 years in the company, Barry Corbett retired in April 1995 and was replaced by an appointee from SalesInc (US), Jim Kennedy, who was the first senior manager at the company not from either Corbett's or Armstrong's. Kennedy was appointed with a clear brief to improve the company's financial results which had deteriorated sharply in the previous year (Table 3), partly due to a deterioration in the market position of Cut-Price, the company's traditional 'cash cow', but also sluggish retail sales, some poor buying decisions, and an ongoing price war with K-Mart and Woolworth's. The company's first round of restructuring had also led to several internal problems, chiefly in regard to the costs of decentralisation. The shift to a heavily decentralised divisional structure had led to disorganisation and duplication, and head office had lost significant control over operations. As a result of the empowerment of divisional managers, various conflicting procedures were adopted for performance management across the stores. These created immense problems for the HRM office and hindered staff transfer between divisions. The abolition of the training department had also led to the issue being neglected by most district managers, pressed as they were with other demands on their time and having received no training themselves in how to train staff. Even before Kennedy's appointment it was clear to the two key managers at Cut-Price that staff and stores had to be cut back at Cut-Price and a greater sense of discipline imposed within other divisions of the company.

Kennedy introduced for the first time a three-year plan for the company, with tight controls over procedures and financial outcomes. The basis of the change was re-centralisation and a shift back from divisional to functional organisation, albeit maintaining profit centres for each product line. The abolition of separate divisional structures saw the centralisation of a range of functional duties, such as buying, inventory, distribution and the general management of store operations (including marketing plans), which had been located in separate divisions. As a result, specialist general managers took control of buying or inventory for all product lines and a general stores manager responsible for all stores and all product lines was appointed. The general stores manager is assisted by three regional stores managers, each taking responsibility for Queensland, NSW or Southern region, who in turn each supervise the work of seven or eight district managers.

Personnel procedures were centralised across all divisions with the objective of generating a sense of 'SalesInc identity' and to encourage unity of purpose rather than rivalry between the different product lines. The HRM task has consequently been substantially simplified in the new structure: there are fewer general managers to report to, and job descriptions, remuneration and performance indicators have all been simplified. In order to take account of differing sizes of stores and their varying sales potential, each store has been allocated into one of three categories and store management in stores of the same type now face the same incentive programme.

The second round of restructuring led to further redundancies among staff. All executive positions were spilled and the 80 existing staff invited to apply for 59 positions. Twenty one executive positions were declared redundant and seven new positions were created. The number of district managers was cut from 35 to 22 and their spans of control increased from 14-16 stores to 20. The restructuring removed district management responsibility for store audits and stocktakes but retained their responsibility for training. The company also increased its employment of part-time and casual staff and reduced its core staff, with the result that the ratio of such staff increased from 48 to 55 per cent of the workforce (Table 2). A decision was also taken to move towards self-service in the budget stores, leading to fewer full-time staff in each store and greater reliance on casuals and part-timers.

Managerial Reaction

The abolition of divisions led to the breaking up of Cut-Price as a discrete unit within SalesInc and, as a consequence, to the destruction of the team spirit that had prevailed amongst Cut-Price managers. The effect of the change on the management team at Cut-Price was dramatic. Ben Sullivan brought forward his retirement by six months and left the company at the end of September 1995, and within a fortnight three of the remaining 15 management or head office staff at Cut-Price had quit the company and another seven were forced out. Whereas, as one put it, under the old system 'we didn't care how long or how hard we worked or how much we were put out, we just wanted to succeed', they now claimed 'we would have been disappointed not to have been retrenched'.

There were several reasons for the sudden collapse of the Cut-Price division. With the departure of Sullivan, the remaining Cut-Price district managers were likely to be brought under the SalesInc management structure and, what they had seen of it in practice in other divisions prior to the second restructure, they disliked. The contrast was pointed out by all interviewed: a strategy of 'management by fear' rather than management with respect and encouragement. The team was being destroyed and they did not feel comfortable about the prospect of working in the new structure. The second contributing factor was that the alternative positions being found for several of the Cut-Price district managers were regarded as poor substitutes: two faced transfers to auditing positions, essentially a paperwork role, while the state manager was offered a district management position. All three resigned rather than shift into these positions. Two district managers remained, one in his old role in North Queensland, the other as a store manager in Western Australia. Redundancy payouts were only forthcoming after strong pressure by Sullivan. Most Cut-Price managers (district managers as well as buyers and merchandisers) were offered no alternative positions and had no choice but to leave.

Given this situation, all those interviewed were pleased to have left Cut-Price. Each had stories of a collapse of morale in the Cut-Price stores and the harsh treatment of store managers by district managers formerly responsible for other divisions. Within four months of the second restructure, about 10 per cent of Cut-Price store managers had resigned, while there were anecdotal reports of a strong desire by others to quit the company for work elsewhere.

Most of the managers affected were shocked by the course of events. None of those affected contacted a union, although several consulted solicitors or accountants to check the terms of their redundancy arrangements. Three managers, none from Cut-Price, took the company to an industrial tribunal, claiming that the company was paying too little in its first offer package. The managers were successful in their case, forcing improvements in severance pay.

Summary and Conclusions

Several authors have written about the damage that 'worst practice' in organisational restructuring has on the organisation concerned (Cameron *et al*, 1993; Cascio, 1993). In this article, we have been more concerned with the implications of organisational restructuring on the attitudes and behaviour of middle managers themselves. This study indicates that, in one case in the Australian retail sector at least, middle managers have clearly been a target of organisational change and that this is generating a range of effects, from bewilderment to grim determination, insecurity and, at times, fatalism. SalesInc restructured its management hierarchy, with a swing first towards decentralisation and then back to re-centralisation, reflecting the suggestion made earlier that management practice in the retail industry is prone to oscillations between these two tendencies. Over the period under review, each managerial layer was thinned out and as a consequence managerial spans of control increased, career structures were modified and management jobs were redesigned. Exactly as hypothesised by the pessimistic interpretation depicted in Figure 1, this process generated serious turmoil within the ranks of SalesInc management.

The case study also tends to confirm some of the arguments of Newell and Dopson, Vonk and Brockner regarding factors which mediated the severity of survivor syndrome amongst middle managers at Cut-Price. These included the perception amongst the district managers of the viability of their division, of their likely employability elsewhere (both affecting continuance commitment), of the validity of their employers' rationale for change, and of the challenge of work in the new system. They also concerned relationships with their colleagues, their immediate manager and their sense of belonging to a team (all elements influencing affective commitment). As a result of district managers' favourable perceptions of these factors, the first round of restructuring did not lead to a strong sense of opposition or resentment in their ranks. In particular, affective commitment to their divisional management team was crucial in their assessment of their new environment and it continued to bind them to work at SalesInc. Like Vonk's subjects, managers at Cut-Price saw themselves as professionals who, although shaken by the first round of restructuring, continued to do their work as best they could and did not appear to entertain any notion of sabotage.

The distinct features of the second round of restructuring were that the Cut-Price team was eliminated and the process of empowerment of themselves and their store managers was halted. Consequently, the managers lost any remaining affective commitment to the organisation and all departed, many very bitter about their experience. In short, when the focus of their affective commitment was removed, their fear of the alternative and the long-term investment in the company as a whole (in other words, the source of their continued commitment), was not sufficient to hold them to the company, even if they were given any choice in the matter. Meyer and Allen's (1984) typology has therefore proved useful in understanding the changed sentiments in the ranks of middle management at Cut-Price.

Future research might consider what are the *long-term* implications of current waves of restructuring for middle managers. Historically, Australian managers have exhibited strongly individualistic traits founded upon an assessment that their interests may best be served by competition within their ranks. Traditional accounts have emphasised their conservatism, insularity, and pragmatism, resulting in their being firm defenders of managerial prerogatives (Byrt and Masters, 1974; England, 1975; Blandy *et al*, 1985). If the material basis for this conservatism is steadily being undermined with downsizing and delayering, what are the consequences for middle managers' continued willingness to act as a vital link in the chain of command between senior management and the workforce at large? There are many aspects of the managerial position which make a snapping of this chain improbable, but a continuation of past trends seems unlikely. Perhaps we may see growing collective and oppositional tendencies? Clearly, further systematic research is needed to establish the contours of the new managerial labour market and accompanying changes in sentiment and behaviours that are developing.

Notes

1. The authors would like to thank staff at SalesInc (both past and those still current) for co-operating in this research. Several staff read and made useful comments on earlier drafts of this article. Financial assistance towards this project was provided by The University of Queensland. Some background to changes in the retail industry, and in Woolworth's in particular, was provided in an interview with Mr Reg Clairs, CEO Woolworth's, August 1993. Responsibility for the article's contents, however, remains with the authors.
2. See Nicholson and West (1988); Goffee and Scase (1992); Peters (1992); Frohman and Johnson (1993); Vonk (1994); Keuning and Opheij (1994); Littler *et al* (1994); Krau (1995) for just some of the many works on this topic in the last decade. It is also important to note that concern for the reduction of middle management has a long history, appearing in Leavitt and Whistler's work in 1958, while Roomkin (1989) has pointed to increasing workloads, reduced career opportunities and greater levels of stress amongst middle managers reaching back to the 1970s. Australian research or commentary on the topic in the 1980s includes Miller and Longair (1985), *Business Review Weekly* (21 March 1986), Lansbury and Quince (1987) and Kramar's doctoral thesis (published in 1990).

3. For just a few of the key references on this topic, see the work of Brockner (Brockner, 1988, 1992; Brockner *et al.*, 1987), Rousseau (1990), Bennett (1991), Guterman (1991), Cameron *et al* (1993), Cascio (1993), Tomasko (1993), Morrison (1994), and Heckscher (1995). The concept has its origins in the work of Argyris (1960).
4. The importance of *co-ordination* in the management of dispersed sites as a key factor in the retail industry was brought to our attention by Craig Littler and was developed further in a discussion in November 1995 with Mr Simon Thorne, formerly of Pizza Hut and, at the time of writing, HRM manager for the Sportsgirl Sportscraft Group.
5. It was not possible to break this category down further to isolate simply the retail respondents.
6. At the company's request, the names of the organisation and interviewees have all been changed.

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