The Impact of Corporate Restructuring and Downsizing on the Managerial Careers of Minorities and Women: Lessons Learned from Nine Companies

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EXECUTIVE SUMMARY

THE IMPACT OF CORPORATE RESTRUCTURING AND DOWNSIZING ON THE MANAGERIAL CAREERS OF MINORITIES AND WOMEN: LESSONS LEARNED FROM NINE CORPORATIONS

Minorities and women were a rarity even in the lowest levels of management until the 1970s. Since then, as managers increased in number through the mid 1980s, so did women and minorities who went into management. On the other hand, corporate restructuring and downsizing since the mid 1980s has led many companies to decrease the numbers of their managers. What is not known is how downsizing and restructuring are affecting the managerial careers of minorities and women. The research reported here is illustrative of current developments in the managerial careers of women and minorities in the 1990s based on a survey of nine U.S. companies. Because the companies that took part in the study do not constitute a representative sample of U.S. companies, the results reported here do not document trends. Rather, the usefulness of the research reported here lies in its ability to provide illustrations of some of the conditions identified in the literature on recent business developments.

FINDINGS

■ In more than half of the companies in the survey, white women and to a somewhat lesser extent minorities have increased their representation both in absolute numbers and in proportion to white men between 1990 and 1994. This has been the case, especially in companies that have increased their managerial force while restructuring. Among companies that downsized, we found examples in which relatively more minorities and women were let go and examples where more white men were let go (both in terms of absolute numbers and proportionately). Therefore, it is not necessarily the case that whenever a company downsizes, proportionately more minority and female managers will lose their jobs.

■ The companies that were able to hold on to minority and female managers through a process of downsizing reported expending a lot of time and energy to attain that result. Companies in the survey reported that losing ground on their efforts to maintain a diverse managerial force is the most likely scenario unless the company takes active steps to maintain and/or increase the representation of minority and female managers.

■ A major finding of the survey is that there are still few minority and female managers in large U.S. companies. This is especially true at the top of the corporate hierarchy where two out of the nine companies we surveyed did not have <u>any</u> minority or female officers. In the other seven, rarely were more than 10% of the officers female and/or minority.

■ In absolute numbers, white male managers have absorbed the bulk of the layoffs and early retirements and other forms of job severance during downsizing, but not necessarily in proportion to their representation in all of management. In large part, this is because there are many more white men in management than any other group. Companies simply do not have very many minority or female managers they can let go that would make a sizable impact on the magnitude of their managerial force.

■ The general scarcity of minorities and women throughout management makes statistics on the rates of change in representation misleading. For example, a company that hires two additional

Hispanic/Latino managers can achieve a growth rate of 100% if it started out with only two. Similarly, a company in which two out of three African American male managers take early retirement experiences a 66.7 percent decline in this group. Moreover, the small numbers of minority and female managers make it difficult to detect growth and decline within gender and race/ethnicity groups over time, when comparisons are made looking at these groups' representation as a percentage of the total number of managers.

■ Data from all nine companies clearly show that minorities and women in management refers to minority men and white women. Minority women are scarce even in the lowest levels of management. Moreover, a two-category record keeping system, that is, (1) women and (2) minorities, obscures the virtual absence of minority women in the ranks of management.

■ Not only are there glass ceilings in managerial hierarchies beyond which few white women and minority men can be found, there are also glass walls that keep women and minority managers out of some functional divisions (e.g., manufacturing) and locked into others (e.g., human resources).

■ The shift to contingent workers does not appear to affect managers to any great extent, although it does impact professionals in non-managerial positions.

■ In some cases initial downsizing among both exempt and non-exempt employees can be followed by a further decline in the numbers of non-exempt employees (i.e., blue and pink collar workers who are compensated for overtime), whereas the numbers of exempt employees (i.e., professionals, technicians and managers who are not subject to overtime rules) slowly increases. In other words, managerial jobs lost to downsizing are not necessarily lost forever.

GENERAL RECOMMENDATIONS

■ Communicate a policy, publicly supported by the CEO of the company, that places a high value on retaining and increasing women and minority managers during downsizing and restructuring.

■ Monitor the personnel as downsizing or restructuring is taking place to make sure that women and minorities are not disproportionately reduced in the managerial workplace. Otherwise, the last to be hired can, indeed, be the first to be fired.

■ Communicate clearly the objectives and goals of the downsizing and restructuring and disseminate the plan widely throughout the company. This plan should include multiple opportunities for employees to inquire about buy-out packages, retirement benefits, and health care coverage.

■ Position the maintenance of a diverse managerial force as a bottom-line business decision because both global as well as the U.S. markets include employees, customers and vendors who represent gender, racial and ethnic diversity.

■ EEO reports must mandate separate reporting by gender and race so that minority women are separated from white women and minority men.

INTRODUCTION

While change is ubiquitous in modern economic activity, recent structural changes in the way business is conducted in the U.S. have brought about unprecedented changes, not just for the rank and file but also for management. The impact of corporate restructuring (the reorganization within companies) has often included a decrease in both the levels of management and numbers of managers.

The United States is now "one among equals" in the world market when compared with such countries as Germany, Japan, South Korea, Taiwan, Singapore, and Hong Kong. Flexibility in technologies requires flexible workers--highly skilled individuals and self-managed teams. Corporate responses to losing the once dominant position the U.S. economy held in world markets have been varied. They have included reduction in labor costs, reorganization of the workplace, and abandonment of entire product lines viewed to be unprofitable. Managerial flexibility has been an essential component of the response to the changing business environment.

Many companies have responded to the changing business environment by downsizing and merging horizontally to cut costs and to improve efficiency. In the literature[1] on the recent changes in the organization of work, the following are among the most frequently mentioned ways in which downsizing and restructuring have had an impact on management careers: 1. more external recruiting and the elimination of internal promotion ladders; 2.

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1 The survey of the literature on which this report is based is the review conducted by Lois B. Shaw, Dell P. Champlin, Heidi I. Hartmann and Robert M. Spalter-Roth of the Institute for Women's Policy Research for the U. S. Department of Labor, Glass Ceiling Commission entitled, *The Impact of the Glass Ceiling and Structural Change on Minorities and Women, 1994.*

elimination of layers of management, often middle management and staff positions; 3. hiring of temporary workers, independent contractors, or smaller businesses to perform some staff functions; 4. more performance pressure on managers left after downsizing or reorganization -- greater dedication, longer hours required; 5. more geographic mobility required of managers, often including experience abroad for multinationals and companies depending heavily on experts; 6. people skills more important than authoritarian management skills as a more participatory workplace becomes important; and 7. the shift of employment from manufacturing into services.

Women and minorities are relative newcomers to management (see Erkut 1990; Morrison & Von Glinow 1990). They were a rarity even in the lowest levels of management until the 1970s. Since then, as openings in management tracks expanded through the mid-1980s, so did the numbers of women and minorities who went into management. What is not known is whether the "last to be hired," that is, women and minority managers, have been the "first to be fired" during restructuring and downsizing. The focus of the research reported here is a preliminary investigation of in the managerial careers of women and minorities in the 1990s based on a study of nine U.S. companies to provide "snapshot" illustrations of some of the current developments.

Throughout this report we refer to the managerial careers of minority and female managers. This reference is shorthand for a diverse workforce that includes at least three distinct overarching groups--minority men, minority women, and white women--whose corporate careers are not necessarily parallel. Of course, the diversity within the three groups goes beyond gender and minority status. It includes, among other things, racial and ethnic distinctions within each gender. All the analyses we will report make the finer distinction between gender and race/ethnicity groups. In the narrative, however, we refer to minority and female managers to keep the language less cumbersome.

METHODS

The corporations that agreed to take part in the research represent a wide array of business activity and size, and are headquartered in different regions of the U.S. The range of business activity includes manufacturing, retailing, distribution, communications, electronics, and insurance. The largest company in our sample, in terms of number of employees, employed 120,000 people while the smallest employed 5,700 people (one of the companies in the sample, a distribution company, has 1.75 million independent representatives who are not employees). Thus, these nine companies were able to provide illustrations of some of the significant trends in managerial careers of women and minorities who work for large corporations.

We approached 12 companies to ask them to participate in the study. One company declined to be included because it had neither downsized nor substantially restructured since 1990; it had experienced growth. One declined because it was in the middle of a large scale transition and could not provide us with the data we requested in a timely fashion. The third company was not included in the sample because it did not keep its records on women's and minorities' managerial careers in a way that could be accessed easily to meet the data collection requirements of this study.

Because the sample of nine companies on which this report is based is by no means a random sample, nor is it statistically representative of the diversity in U.S. corporations, the results cannot be viewed as evidence of trends. On the other hand, the candor, with which these companies shared with us the impact of restructuring and downsizing on the management careers of women and minorities, can illuminate in greater detail and depth many of the trends documented in the experiences of other companies in the literature. In addition, our findings give snapshot illustrations of the current status of minority and female managers in large U.S. corporations.

The companies that took part in the study did so under conditions of anonymity which the researchers and the Glass Ceiling Commission supported as essential for candor in eliciting responses. Below are short descriptions of the nine corporations that omit identifying details.

Company # 1 is an international leader in the manufacture of computing and electronic measuring equipment. It produces more than 18,000 products and has approximately 96,000 employees worldwide. The company's products and services are used in industry, engineering, business, medicine, science, and education in over 100 countries. Research and manufacturing facilities operate in Europe, Asia, Canada, and Latin America.

Company # 2 which until recently was primarily a defense contractor, has diversified its product lines. More than 50,000 people are employed throughout the United States and abroad in technologies for automotive electronics, telecommunications and space, defense electronics and commercial markets. New markets include digital cellular communications systems and direct broadcast services.

Company # 3 an established insurance company that employs 20,000 people nationwide, has over 450 offices throughout the United States and Canada. It is one of the largest multi-line writers in the property/casualty field. Its subsidiary companies provide life insurance and financial services.

Company # 4 is a multinational growth company in the separations industry with a broad range of separations technologies and products. With 5,700 employees worldwide, it develops technologies and products for applications in pharmaceutical, biotechnological, microelectronic, environmental, life science research, food and beverage, and health care industries.

Company # 5, one of the world's leading providers of wireless communications, semi-conductor technology, and advanced electronics equipment and services, employs approximately 120,000 people worldwide. It is among the 40 largest industrial companies in the United States (based on total sales). Reported revenues were $17 billion in 1993.

Company # 6 is one division of a large multi-national retailer with 40% of total revenues generated outside the United States. With revenue figures reported in the $3.5 billion range worldwide, the division employs 30,000 people in North America, Europe, Asia and Australia.

Company # 7 has approximately 1.75 million independent representatives who distribute its products in over 110 countries on six continents. It has direct investment in 40 countries and approximately 1.3 million representatives are located outside the United States. Net income for 1993 was approximately $130 million with rapid expansion in Asian markets.

Company # 8 manufactures and markets worldwide products used in science, medicine, photography, and education. Revenues in 1993 were over $2 billion. Employing approximately 12,000 people, the company recently has expanded into digital imaging areas.

Company # 9 is a world leader in the manufacture of toiletries and cosmetics. Its manufacturing operations are conducted at 62 facilities in 28 countries and its products are distributed through wholesalers, retailers and agents in over 200 countries and territories. In 1993 the company reported 33,400 employees and a net income of $288 million.

The companies that agreed to participate in the survey were asked to designate a knowledgeable contact person. This individual was mailed a copy of the survey instrument (see Appendix A) to prepare the answers ahead of time for a telephone interview. The interviews were conducted by one of the three principal investigators.

The survey instrument was field-tested with human resource directors from three companies not in the sample. The field testing revealed that across, as well as within, industries there was little uniform terminology in the designation of management levels. For example, with respect to the terminology used to designate levels of management, Company #4, which had a relatively flat hierarchy, used the following terms 1) President, 2) Director, 3) Manager, and 4) Supervisor. In Company #6, which had more levels, the designations were 1) Vice President and General Manager, 2) Vice President and Division Manager, 3) Director, 4) Senior Middle Manager, 5) Manager, and 6) Supervisor. Moreover, not all companies had the same management levels in each of their divisions or functions. In Company #3 and #6 we encountered different numbers of levels of management in different functions, from a high of eight levels in claims to just two levels in the Loss Prevention function in company #3 and a high of 12 levels in International and a low of 6 levels in the manufacturing division of Company #6. The survey, then, had to pose in the broadest possible terms the questions regarding where minority and female managers are in the corporation.

FINDINGS

We started with 1990 as the baseline year to track change. However, 1990 proved to be an illusive baseline even though the period between 1990 and 1994 was, indeed, a time of rapid change. In some cases companies shared with us data compiled from several years back when they had started their first major downsizing or restructuring efforts. For any one company, it was not possible to pinpoint when it downsized, restructured its internal organization, or when it grew. For example, Company # 2 had experienced downsizing in 1989 and in 1990. Since then it had restructured its operations by merging several divisions and selling others. It was preparing to restructure and downsize again a month after our interview was completed. The structure of Company # 2 in 1994 had changed so much in four years that it could not provide us with comparable data for 1990 and 1994. "*All these data I am giving you are about to change*," was a refrain we heard frequently, not just from our contact person in Company # 2.

Table 1. Change in numbers of managers by gender and race/ethnicity 1990 through 1994 in different divisions of Company # 6.

Divisions		White	African American	Asian Pacific American	Hispanic/ Latino	Native American	TOTAL
Management	Male	2	*	*	*	*	2
	Female	*	*	*	*	*	
Retail	Male	31	0	-1	*	*	66
	Female	33	0	2	1	*	
Manufacturing	Male	-4	*	*	*	*	1
	Female	5	*	*	*	*	
Support	Male	-11	-1	2	*	*	-5
	Female	5	0	*	*	*	
International	Male	-1	*	*	*	*	-2
	Female	-1	*	*	*	*	

* There were no managers in this category in 1990 or in 1994, therefore, there is no change to report. On the other hand, 0 indicates that there had been managers in that position in 1990 who were no longer there in 1994.

Nor was it possible to clearly say this or that company represents one that is either downsizing or restructuring. A company may have downsized some divisions, increased the size of others, bought and/or sold businesses, and restructured all within one or two years. In Table 1 we present the net changes in the number of managers by gender and race/ethnicity in different divisions of Company # 6 from 1990 to 1994. This company grew its managerial workforce overall. The vast majority of this growth was the result of acquiring a new retail business. But it also downsized its administrative support division and its international division.

In other companies, too, downsizing was not necessarily across the board. In some cases, a few divisions, or functions, grew while others were downsizing. Moreover, companies that reduced the numbers of their overall managerial force did not do it just once. They downsized several times.

Another trend we observed was an initial and substantial downsizing in the company as a whole, in the numbers of both exempt and non-exempt employees--exempt employees include the ranks of managers and professionals and other white collar employees who are not subject to overtime rules, while non-exempt employees include blue collar and pink collar employees who are compensated for overtime. This was then followed by a further decline in the numbers of non-exempt employees, whereas the numbers of exempt employees showed a slow but steady increase. In Figure 1 this trend is illustrated by the changes in the number of employees in Company # 8. In this company downsizing was at its peak between 1986 and 1988. From 1989 on, the numbers of exempt employees started increasing while the numbers of non-exempt employees continued to decrease, albeit at a slower rate. In Figure 1 we also show that in Company # 8 the actual numbers of managers grew from 1,766 in 1990 to 2.097 in 1994. In other words, the managerial jobs lost to the initial downsizing were not lost forever.

[insert Figure 1 here}

1. Impact of downsizing and restructuring on minority and female managers

The story of what happens to female and minority managers when their company restructures or downsizes, or even when it grows, is a drama of small numbers. In all companies in the sample, the issue of small numbers of minority and female managers surfaced over and over again. Many companies were proud to report to us the dramatic progress they had made between 1990 and 1994 in the area of employing minority and female managers. Indeed, the progress we noted was remarkable. For example, in one company whose growth statistics are presented in Table 2, there had been a 111 percent increase in Hispanic male and 100 percent increase in Hispanic female managers between 1990 and 1994. This extraordinary rate of growth had been achieved at the same time that the company's total managerial force grew at the rate of 19 percent and white male managers grew at the rate of only 10 percent.

Table 2. Percentage growth of gender and race/ethnicity groups in 1994 relative to their numbers in 1990 in Company # 8

Managers	% Growth	1990	1994
White Male	10%	1,460	1,603
White Female	69%	156	264
African American Male	13%	75	85
African American Female	50%	14	21
Hispanic Male	111%	9	19
Hispanic Female	100%	1	2
South Indian Male	100%	1	2
Other Male	79%	42	75
Other Female	225%	8	26
Total	**19%**	**1,766**	**2,097**

The rates of growth for minorities and women in Company # 8, shown in Table 2, are so much higher than the comparable rate for white men that one might be tempted to conclude that white male managers are at the losing end of managerial growth in the 1990s. Such a conclusion would be unwarranted in light of the absolute numbers of minority and female managers and of white male managers in 1990 and 1994. For example, the 100 percent increase in Hispanic female managers was achieved by increasing their total number from 1 in 1990 to 2 in 1994! On the other hand, the seemingly small increase in white males (10 percent), means that the company hired 143 more white male managers between 1990 and 1994.

Table 3. Representation of gender and race/ethnicity groups relative to the total number of managers in Company # 8

Managers	1990	1994
White Male	82.7%	76.4%
White Female	8.8%	12.6%
African American Male	4.2%	4.1%
African American Female	0.8%	1.0%
Hispanic Male	0.5%	0.9%
Hispanic Female	0.1%	0.1%
South Indian Male	0.1%	0.1%
Other Male	2.4%	3.6%
Other Female	0.5%	1.2%
Total	1,766	2,097

In Table 3 we present data that place the growth of minority and female managers in the context of their representation in the total managerial force. Here, one can clearly see that the dramatic growth rates of the male and female Hispanic/Latino managers barely brought them up to one percent of the total managers in Company # 8. What did happen is that, while the overall managerial force grew, the numbers of white male managers grew at a slower rate than the other groups. This resulted in their representing a smaller proportion of the total managerial work force in 1994 than in 1990. In 1994 they comprised 76.4 percent of the total number of managers, compared with 82.7 percent in 1990. In other words, although there was progress for minority and female managers in Company # 8, white male managers continued to far outnumber any other group, though to a lesser extent than they used to.

What we conclude from this illustration is that while many companies are making heroic efforts to hire minority and female managers, the starting points--which is the legacy of past exclusions or lack of availability or both--are so low that any growth can look more substantial than it actually is. As can be seen in Table 2, one needs to juxtapose the growth rate with the growth in absolute numbers. In addition, as can be seen in Table 3, one also has to examine the changes in the representation of minority and women managers in the total managerial force. When all of the relevant information is taken into consideration, one can conclude that there was, indeed, substantial progress in hiring minority and female managers in Company #8, but that this progress has not necessarily significantly increased minority and female managers' representation in the overall managerial workforce.

a. Changes in levels of management

The general perception in business circles is that the trend is toward flatter managerial hierarchies. Indeed, three companies in the sample eliminated management levels to achieve a flatter and leaner managerial force (Companies #2, #3, and #5). For example, in Company # 2, two levels were entirely eliminated (supervisors who were not managing anyone were no longer part of management and some managers were reclassified as "professionals"). Our contact in Company # 2 reported that the representation of minority and female managers decreased as a result of the elimination of these two levels because women and minority managers tended to be concentrated at lower levels. Many of them were reclassified as professionals, which made it possible to maintain their original representation in the ranks of professionals through the downsizing, whereas their representation dropped in management ranks.

In Company # 3, which had different numbers of levels in different functions, the reduction in levels of management involved merging the top two levels into one function and eliminating the lowest level in another function. In Company # 5, the level second from the bottom, between manager and supervisor, was eliminated to bring the total number of levels down from seven to six.

There was one company in the sample, Company # 6, which increased its levels of management by adding a separate level for senior vice presidents.

The general perception of a trend toward flatter hierarchies is supported by the results of this study where we found three companies reducing and only one company increasing levels of management. However, it should be born in mind that the sample of nine companies is self-selected, they are not necessarily representative of large U.S. companies.

The more noteworthy observation is that when hierarchies are flattened by eliminating lower levels of management, the impact on women and minorities is greater than when upper levels are eliminated. This is because women and minorities are more likely to be found in the lower ranges of the corporate ladder.

b. Impact of downsizing

When a company downsizes, are the last to be hired the first to be fired? Not necessarily. We found examples where female and minority managers lost ground relative to their representation before downsizing and we found examples where female and minority managers gained in representation. Below we present information from Company # 1 and Company # 9 that illustrate these two different trends.

An example of maintaining proportions constant, which on closer inspection shows minorities and women losing ground. In Company # 1 downsizing amounted to eliminating a total of 1,072 managers between 1990 and 1993, an 11.7 percent drop. Figure 2 presents the changes in the gender and race/ethnicity representation for all management levels in this company. As can be seen from the flat lines across the chart, all gender and race/ethnicity groups appear to remain at the same level of representation, suggesting that no gender and race/ethnicity group lost ground relative to others.

[insert Figure 2 here]

Figure 2 is illustrative not only of Company # 1's efforts to maintain the proportion of minority and gender groups through the process of downsizing, but also of the invisibility of minority managers. In Figure 2, where the presence of minorities is depicted in the proportion that they exist in the company, one cannot distinguish the groups because they are all bunched together between zero and five percent. To be able to see them more clearly one needs to change the scale of the figure and magnify the range between zero and five percent, which we have done in Figure 3 -- it is as if one needs a magnifying glass to see what is happening to minority managers. When we examine the enlargement of the bottom portion of Figure 2 more closely in Figure 3, we are able to see that there has been a slight increase in the overall representation of Asian Pacific and Hispanic/Latino male managers while the representation of African American male managers has decreased slightly. In other words, the proportions of all minority groups have not stayed the same.

[insert Figure 3 here]

Being mindful of the problems associated with small numbers, we went on to examine the percent change for each gender and race/ethnicity group between 1990 and 1993, shown in Figure 4. Except for Hispanic/Latino male managers, who show a net increase, each group experienced a decline in its numbers relative to 1990. When examined in terms of a decline in their percent representation, we see that not all groups experienced similar losses. Some minority groups fared better than others. Both female and male African American managers experienced a greater decline in percent representation than any other group. For example. African American male managers experienced a loss of over 20 percent almost twice the percentage of decline in white male managers and about four times that of Asian Pacific American managers.

[insert Figure 4 here]

The reader may be wondering how two sets of figures (Figures 2 and 3) can suggest that Company # 1 made an effort to keep the gender and minority groups' representation more or less constant through the process of downsizing but another (Figure 4), based on the same data shows that there were differences in rates of retention among gender and race/ethnicity groups. Once again, we return to the drama of small numbers. The data in Figures 2 and 3 are based on the representation of gender and race/ethnicity groups relative to the total number of managers. The sheer numbers of white male managers dominate this group. For example, 6,102 out of the total 9,160 managers in Company # 1 in 1990 were white males but only 121 were African American males. The drop from 121 among African American male managers in 1990 to 96 in 1993 did not appreciably alter this subgroup's representation in the total number of managers. Similarly, changes in the numbers of minority managers from other racial and ethnic groups are too small to be detected in the larger pool of total number of managers. Figure 4, however, uses as its baseline the number of female and minority managers in 1990. When we go back to the example of African American male managers, the drop from 121 in 1990 to 96 is a very substantial decrease. The reason, then, that the same data can look different in different analyses is that the numbers of minority managers we are working with are too small to be detected in the larger pool of all managers.

We believe that Company # 1 made genuine efforts to maintain equity in layoffs across the board and paid attention to maintaining the proportions of minority and female managers constant through the process of downsizing. Had we not looked at the change rates and absolute numbers and also calculated representation (both in terms of the total number of managers and gender and race/ethnicity groups' initial size before downsizing), we would not have detected that female and male African American managers, and to a lesser extent, white female and Hispanic female managers, lost ground to downsizing.

An example of minority and female managers gaining ground. Company # 9 provides a different example of how a company can downsize. In this company, a decision was made to hold on to female and minority managers during the downsizing process, which resulted in releasing more white male managers, both in absolute numbers and proportionately. As a result, all gender and race/ethnicity groups, except white men, grew in representation, anywhere from less than 1 percent for Native American men and women to over 3 percent for white women. White men dropped their representation by over 5 percent. In Figure 5 we present information on the changes in the representation of gender and race/ethnicity groups in 1993 relative to their numbers in 1986 in Company # 9. The way this process worked out in Company # 9 is that what few minority and female managers it had, were retained. On the other hand, white male managers, who were many in number before downsizing, absorbed most of the layoffs.

[insert Figure 5 here]

The person we interviewed in Company #9 described the company's strategy as holistic, not focused on attaining numerical goals. Rather, the company has focused on transforming the work environment for all.

> Diversity is about improving the company's environment for everyone. A holistic perspective is used. The goal is to make the company an even better place to work by addressing all issues. The world will push all companies to change because of demographic changes. The company is in "change." "Change" is going to change you. Specific strategies [we used are]: heighten awareness; communicate data to employees; make recommendation to address data; improve communication by improving generic management skills; improve cross-race and gender communication; and understand it's a long term change effort, attitudes take a long time to change.

2. Minority and female managers' upward mobility

When the business supplement to *The Wall Street Journal* first described female managers' career development in large corporations in terms of hitting a glass ceiling (Hymowitz & Schellhardt 1986), a powerful visual image was created. One can see through a glass ceiling but cannot pass through to the other side. It implied that women had made their way up the managerial career ladder far enough to see the other side, that is, the top levels of the management hierarchy. However, once there, women faced what appeared to be insurmountable barriers to reaching the top levels. This notion of a glass barrier blocking women's upward mobility was expanded to describe the experience of minority managers, as well (see Erkut 1990, Morrison & Von Glinow 1990).

Yet another application of the imagery is the reference to glass walls, alluding to the occupational segregation found in many corporations where women and minority managers are more frequently employed in staff functions rather than in profit and loss centers. Mary Rowe (1990) has expanded the notion of glass ceilings blocking women and minorities' upward mobility by drawing attention to glass walls which keep women and minority managers out of certain occupations and functional divisions in a company. In our survey of nine companies we found examples of both glass ceilings and glass walls.

a. Glass ceilings

The top of the corporate hierarchy provides a particular illustration of the glass ceiling phenomenon because, in many cases, glass ceilings can cut off minority and female managers' upward mobility substantially below the officer level. We examined the gender and racial/ethnic composition of the very top of the managerial hierarchies we studied. This is the level at which names are reported in organizational charts. It is variously referred to as the officer level or the top management level, or the management committee. It includes the chief executive officer, president, executive vice presidents, and senior vice presidents. In 1994, two companies had neither white women nor minorities at this highest level; seven companies did. Three of the seven reporting women and minorities at the highest level of management acquired them in 1993 or 1994; they had no women or minorities at the top before 1993.

In Figure 6 we present data from Company # 5 to illustrate the glass ceiling at the top. In this company, there were neither women nor minority top managers, designated as Level 1 of the management levels. Moreover, Figure 6 shows there are few minority and female managers in the pipeline. Their largest concentration is in the lowest level of management, which, in the case of this company, is level 5. Considering how few minority and female managers have made it up to levels 2 and 3 and even level 4, it is not likely that the composition at the top will change substantially any time soon.

[insert Figure 6]

In Figure 7 we present data from Company # 1 that illustrate another version of the glass ceiling at the top, which is designated as level 1 in the figure. This time the glass ceiling applies only to women. We see minority men at the top of the corporate hierarchy alongside white men -- in the case of Company # 1, a Hispanic/Latino and an Asian Pacific American -- but no women.

[insert Figure 7 here]

Among the seven corporations reporting women and minorities at the top, rarely is their representation more than 10 percent. Typically it is one or two white women and one or two African American, Asian Pacific American, or Hispanic/Latino men. We only encountered one African American woman in the top managerial level of the companies in our survey. There were no Asian/Pacific American, Hispanic/Latino, or Native American women, nor any Native American men. Only in Company #2 did we encounter more than

10% non-white male managers at the top. The top of the hierarchy designated the CEO, Chairman and Vice President level included 67 individuals of which five were white women, one an African American woman, two African American men, and one Asian Pacific American man.

b. Glass walls

Data from Company # 3 on the representation of women and minority managers in different divisions of the company provide several examples of glass walls. In Figure 8 we present information on the representation of women and minorities across the management levels of the Personal Sales division of Company # 3. White men populate <u>all</u> management levels in this division. Minority and female managers have been almost completely walled off. There are few female or minority managers even in Level 3, which is the lowest level of management in this division.

[insert Figure 8 here]

Figure 9 is an illustration of both glass walls and glass ceilings in operation. The information presented here is from the Personal Underwriting division of Company # 3. The division is dominated by white men at all management levels. Minority managers have largely been walled off from this division. There also appears to be a glass ceiling between level 3 and level 2, beyond which <u>no</u> female or minority manager has progressed.

[insert figure 9 here]

Human resources has long been the most integrated division in many corporations. Indeed, we see that white women make up the majority of managers at all levels in this function in Company # 3. On the other hand, the fact that the majority of human resource managers are women does not mean that white men are walled off from this function (see Figure 10). To the contrary, white men make up close to 45 percent of the level 1 managers in this division. They are absent only from the lower levels of management. Perhaps there is a "glass floor" below which few white men can be found in largely female-dominated divisions.

[insert Figure 10 here]

Figure 11 provides yet another illustration of glass walls. This time the example is from the manufacturing division of Company # 6 from which minority men and women have been completely walled off. There are no minority managers in this division even though there are a few white women in middle and lower levels.

[insert Figure 11 here]

3. The absence of minority female managers

When companies sent us their data compiled for their own purposes, we noticed that several worked with only two classifications: minorities and women. Our data collection instrument requested information disaggregated by gender and race/ethnicity. When we examined the gender and race/ethnicity breakdowns we requested, it was clear that the majority of minorities were men and the majority of women were white. In other words, the way some companies keep their records makes the absence of minority women inconspicuous.

Among the nine companies we surveyed we found that in at least two (Company # 6 and # 9) there had been substantial gains made by white women between 1990 and 1994, more so than for minority women. Additionally, in Company # 1 where there was a drop in the numbers of almost all gender and race/ethnicity groups, proportionally more African American women were let go than white women (see Figure 4). All these conditions suggest that what happens to women in companies is not synonymous with what happens to minority women. The information depicted in Tables 1-3 and Figures 2-10 convincingly illustrate the scarcity of minority women in management, even at the lowest levels. The old notion that companies were promoting minority women to look good, because this improved their record for both minority and female recruitment--often referred to as getting a "two-fer" -- is not borne out by information from any of the nine companies (see also Betters-Reed & Moore 1991).

4. Use of temporary or contingent personnel in management

In the literature on the impact of downsizing and restructuring there are many references to shifting to a contingent workforce (see Carre 1992; Christensen 1989). We explored this question with respect to the use of consultants in management positions. Only one of the nine companies included in the survey reported using consultants or independent contractors for management positions. Company # 7, which is the one that occasionally uses consultants as managers, reported it did so when modifying its computer systems. The other eight companies reported using consultants in the ranks of professionals, but not as managers.

WHAT COMPANIES LEARNED ABOUT DOWNSIZING AND RESTRUCTURING

We asked each company to report what it learned from its experiences in downsizing and restructuring in terms of retaining white women, minority women and minority men. In many cases we were candidly told that the experiences had constituted "hard lessons." In general what was learned can be clustered into two categories, *"what happened to us?"* and *"what could we have done differently?"*

1. "The good ones leave and the others worry"

An often repeated *"what happened to us?"* story that made a lasting impression on the company representatives described the loss of good managerial people. Companies reported they lost valuable managers they wanted to keep. One company noted a trend in which white women managers, and to a lesser extent minority managers, left the company when downsizing was initiated. These were people who were not laid off. They were women and minorities who elected to leave the company for positions in other firms. Their leaving often represented the loss of years of expensive recruitment and hard work spent on training them. Often, their presence in the company had been the result of hard fought battles to create a diverse pool of managers. It was like turning the clock back.

The same company reported it learned a "very hard" lesson when it sadly watched minority managers it very much wanted to keep, leave the company. As downsizing progressed, many minority managers read the handwriting on the wall when they saw how the first phase of the downsizing was affecting the veteran employees. With fewer years of seniority and little likelihood of participating in any substantial company offered buy-out programs, they sought employment elsewhere.

Other companies indicated that there had not been enough attention paid to the psychological state of the employees who stayed with the firm. Often companies reported that there was great apprehension in the ranks of managers who came to be called the "survivors"--those who were not released in the first wave of downsizing. The survivors were anxious and distrustful. They questioned why they should "put out" or pick up extra work loads if additional downsizing were to occur, which often happened. Some of the survivors, managers the company wanted to keep, quit as rumors spread about other divisions of the company being targeted for elimination.

2. "Communicate like crazy and then some more"

In the "what could we have done to improve the process?" category, we were told by company representatives they now realize that, long before the implementation of downsizing, it is important to communicate the impending changes within the company as often as possible. They also realize that the objectives and reasons for downsizing also be communicated by company officials. Sharing as much as possible about plans to reduce staff and to close divisions is now viewed as key to lessening rumors that can lead to confusion and even panic. As one company's representative put it,

> Bring in outplacement firms immediately and have them on site. People are shaken, and anxiety is rampant, as well as the rumors about the condition of the company.

3. "Make it a prominent policy from the CEO"

Making sure that a policy, communicated from the CEO level, to maintain women and minorities in managerial positions during downsizing was viewed by all nine companies as a must. Company representatives confirmed that "*as EEO offices shrink and disappear in corporations and the big stick of government enforcement is no longer present,*" a policy--from the top--was required as managers recruited and retained women and minorities in management positions. Many company representatives we talked with went on to stress the need to couple the policy communicated by the CEO with accountability for retaining a diverse managerial force. They said that accountability needs to be a component of the policy, measured not by good faith effort, but by concrete results. In one company, the maintenance of a diverse management force is tied to upper level managers' bonuses; in another company, it is part of the general performance evaluation. One company that appeared very serious about maintaining its representation of gender and race/ethnicity groups after downsizing, recommended that openings in managerial positions be "set aside" and not filled until a suitable female or minority manager was recruited.

4. *"You need to monitor the downsizing process very carefully"*

It was repeated over and over that if a company does not closely monitor the process of downsizing, the last to be hired would inevitably become the first to be fired. Monitoring new hires and people of color is essential so that there is not a disproportionate number from those groups laid off. Company representatives reported during the interviews that when they identified which classes of people were excluded from downsizing they looked at the situation in a very different way.

During downsizing it may be necessary for some managers in the company--those who may not know the history of the company's efforts to establish a diverse workforce--to be reminded that women and minorities in leadership positions are good role models for employees, as well as good for business. Hence, it was recommended that company policies regarding a diverse managerial force be reiterated because they can be forgotten in the heat of number crunching during downsizing. When the confusion and anxiety surrounding downsizing mounts, even well-intentioned individuals can fail to remember that race, gender and age are key components to be taken into consideration when making decisions about reduction of employees.

5. Increased productivity during downsizing?

One company wanted us to know how it watched the bottom line during downsizing. It did this by studying itself. The company wanted to know what worked and reported that it identified and rewarded divisions that contributed to the retention of women and minorities. It examined how downsized departments with a diverse staff made profits. It paid close attention to how women and minorities "rise and thrive" in the company and investigated what rewards worked to encourage smart managers who are successful in creating new business while valuing diversity. It then used this experience to teach its managerial staff. This company reported that addressing its diversity issues in this manner turned out to be both educational and profitable.

6. Restructuring with women and minorities in mind

One company, reported that there had been a tendency to ignore the numbers and percentages of women and minorities as new white male managers were being hired during the growth phase of their restructuring. While managers chose new hires--those with whom they felt comfortable--to meet met the company's immediate goal to fill new managerial positions, there was little concern for demographics variables such as age, gender, ethnicity or race. This candid revelation was in direct contrast to another company that recognized the problematic image an all-white-male management team can communicate to other employees, customers, and vendors as the company grew into a multinational organization. This company had assessed the financial benefits a diverse managerial workforce can bring as it markets goods and services in cities, towns and communities with a broad cultural mix. It made good business sense for it to have a diverse management force.

One of the recommendations communicated by company representatives for attracting a diverse managerial workforce was using culturally diverse interview teams to interview management candidates. Such teams provide a greater probability that new hires will not all be white males.

7. *"When Hispanic, African American, and Asian managers are in the pipeline new markets emerge"*

Several companies recognize what the image of an all white male management team conveys to the employees of a company dependent on a multicultural and diverse consumer base. One question that was frequently asked was: how does the lack of diverse points of view affect the bottom line? This was best answered during the interview with a senior representative from Company # 7. Its managerial appointments were directly related to increased profits. As it added women managers, the decision makers listened, learned and developed new products to meet new markets. As the diversity of women managers increased, so did the product lines for new multicultural markets. Consequently, this company has successfully geared up for a global multicultural sales approach addressing the diverse needs of racial groups in more than 100 countries, worldwide. As the representative from this company put it,

> *If we want to sell to more than 100 countries in the world, we can start by selling to people from those countries that live right here in the United States. [That's why] we need them as managers, too, so they can help with our product lines and marketing.*

RECOMMENDATIONS

- Communicate a policy, supported by the CEO of the company, that places a high value on retaining and increasing women and minority managers during downsizing and restructuring.

  Create accountability with tie-ins and rewards to this policy by linking the bonuses or evaluations of upper-level managers to their performance in hiring and retaining women and minority managers.

  If there are not sufficiently large numbers of female and minority managers in the pipeline, consider recruiting from outside the company to fill upper level management positions.

  Create diverse teams to interview candidates for upper level management positions to make it more likely that female or minority candidates will be hired.

- Monitor the personnel as downsizing or restructuring is taking place to make sure that women and minorities are not disproportionately reduced in the managerial workforce. Otherwise, the last to be hired can, indeed, be the first to be fired.

  When choosing whom to lay off, place equal value on employees being female and/or minority as traditionally is placed on seniority.

  Keep records that separate out women and men within race/ethnicity groups so that the relative scarcity of minority women will not be obscured from scrutiny.

- Communicate clearly the objectives and goals of the downsizing and restructuring and disseminate the plan widely throughout the company. The plan should include multiple opportunities for employees to inquire about buy-out packages, retirement benefits, and health care coverage.

  Have outplacement services available for all levels of employees.

  Plan ways to counteract the post-downsizing anxiety that managers who "survive" the downsizing may feel. Because the word has gotten out that downsizing is rarely a one-time cure, many women and minority manager's which the company may want to hold on to, may seek other employment rather than wait for the next downsizing shock.

- Position the maintenance of a diverse managerial force as a bottom-line business decision because both global and the U.S. markets include employees, customers and vendors who represent gender,racial, and ethnic diversity.

  Reward managers who can increase, or at least maintain, the representation of minority and female managers during downsizing and restructuring.

  Provide additional rewards for managers who increase profitability while maintaining or increasing the representation of minority and female managers during downsizing and restructuring.

- A two-category reporting system of (1) women and (2) minorities obscures the virtual absence of minority women managers from plain view.

  Provide separate race/ethnicity by gender breakdowns in EEO reports so that minority women are reported separately from white women and minority men.

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