Hard Lessons from Hard Times: Reconsidering and Reorienting the “Managing Decline” Literature

Does the public administration research from the late 1970s and 1980s on managing decline contain useful lessons for today’s Great Recession? Do these studies serve our current research needs? Why has decline continued to be a major focus of research in generic management, but not in public administration? The answers to these questions give some clues as to a possible new, revitalized research agenda for our field. Whereas public administration often viewed organizational decline as a self-contained set of problems requiring remedial action, generic management and sociology research on decline tended to view the topic as part of organizational phases and life cycles, linking decline to growth, stability, and change. Viewing decline as part of the organizational life cycle encourages researchers to take a longer view of organizations and their management, and thus its orientation is more strategic than reactive. Three areas of decline studies are identified as relevant irrespective of sector: (1) implications of decline for human resources management, (2) effects of decline on organization structure and design, (3) the relation of strategy and decline.

In 1978, Public Administration Review published Charles Levine’s essay “Organization Decline and Cutback Management.” It was a banner article in a not-so-banner year. Looking back, 1978 was a harsh year, and in many respects a strange one. Some notably strange events occurred in 1978: U.S. Marines discovered Soviet agents in a tunnel that had been dug as means of breaking into the U.S. embassy; grave robbers stole the remains of Charlie Chaplin from his grave in Corsier-sur-Vevey, Switzerland; and, a portend, nursing home operator Juanita Broaddrick alleged she had been sexually assaulted by the state of Arkansas’s little-known attorney general, one Bill Clinton.

Other aspects of 1978, especially those related to the economy, were not so strange, just bad. Inflation and unemployment conspired to increase the “misery index.” With inflation at 11 percent in the second quarter of 1978 and unemployment at 7.05 percent (Bureau of Labor Statistics 2009) (compared to less than 3 percent and less than 5.5 percent, respectively, for most of the first decade of the 2000s), consumers did not know which economic threat to fear most. With the United States only recently emerging from the oil crisis of the mid-1970s, the dollar falling 37 percent against the Swiss franc, the price of gold at a record high, and U.S. productivity stagnating, economic decline was the topic of the day (Time 1978). The prime interest rate of 9.5 percent provided no solace to home buyers or investors.

It was in this social and economic milieu that Levine produced his article. We know in retrospect that Levine’s cutback management article became one of the most visible, cited, and widely used Public Administration Review papers published in the 1970s. It was the first of many similar papers published by Levine and his colleagues (e.g., Levine 1979, 1980; Levine, Rubin, and Wolohojian 1982). The Levine oeuvre received more attention than most in the cutback genre, partly because of quality of the work, but also because of the practicality and accessibility of the managerial prescriptions provided.

Levine was not the era’s only public administration scholar attending to issues of decline. A number of contributors to the public administration literature, myself included (e.g., Bozeman and Slusher 1979; Bozeman and Straussman 1982), were writing articles similar in focus and intent. Diverse terms were employed in these studies. Some used the term “retrenchment,” others “scarcity,” and still others “decline.” (In this essay, I use the term “decline” to refer to all of the management literature having as its common thread analysis of hard times or prescriptions for dealing with them). Whereas many studies examined the effects of decline on management or leadership (Behn 1980; Biller 1980), others focused on budgeting (Behn 1985; Glassberg 1978; Lewis 1988) and policy or program termination (Behn 1978; Brewer 1978; deLeon 1982).

When the U.S. economy pulled itself out of the doldrums and state and federal revenues began to grow, decline declined. Since the mid-1980s, the
public administration literature has seen only a handful of new contributions on decline. Now, in the throes of the “Great Recession,” is it time to revive studies of decline and cutback management? That is one of the questions I examine here. The very success of the literature from 30 years ago complicates the question. As Sanjay Pandey demonstrates in a companion article in this issue, many of the findings from this era seem quite relevant today. Has the topic been exhausted, or are there new challenges? If public administration scholars can (should) be induced to once again turn their creative energies to studies of decline, what research agenda and approaches seem to hold the most promise?

In determining the wisdom of an entirely new round of decline scholarship, it behooves us to ponder why the public administration decline literature, a theoretically rich and uniformly praised literature, vanished so quickly. Public administration scholarship on decline reached its zenith in the early 1980s. By contrast, scholars in other organization-related fields, especially sociology and management, continued their work on organizational decline and, indeed, have produced a steady stream of relevant work (Carmeli and Schaubroeck 2006; Fisher and White 2000; McKinley 1993; Weitzel and Jonsson 1989). Thus, the idea that public administration literature on decline vanished simply because of prosperity does not provide a fully satisfying answer to the question, “Where did it go?”

Another explanation for the post-1980s disappearance of public administration decline literature is that there were never very many researchers engaged in the topic—a small band of scholarly brothers and sisters simply moved on, and the work disappeared. Related, perhaps the decline field was so underpopulated that it did not generate progeny. There is some support for this explanation. Even a cursory examination of the literature on decline reveals that the public administration studies represent only a small fraction of the published work. The volume of work published in sociology and generic management far surpasses the public administration publications on decline.

Comprehensive reviews of the decline literature (see especially McKinley 1993) include both the generic management and the public administration literature, and a reading of such reviews underscores the relatively scant, at least in volume, contributions of public administration. Surely one important reason why other fields dominate decline studies is that generic management and organization scholars vastly outnumber public administration scholars. But the circle is a vicious one: the underrepresentation is attributable in part to public administration’s early abandonment of the topic.

Decline Research and Theory: Another Publicness Lens

My purposes require some literature boundary spanning. In his companion paper, Sanjay Pandey provides an excellent synopsis of the public administration cutback management literature and some interesting and original reflections on the meaning of that literature. He makes a convincing argument that publicness has important implications for the development and use of cutback management theory and application. To a large extent, I agree with Pandey’s arguments. They are compelling and evidence based. However, it is important to note that Pandey’s use of publicness equates, for the most part, with government ownership. While this is a common—perhaps the most common—understanding of publicness, another approach equates publicness with the extent to which organizations are endowed or constrained by political authority (Bozeman 1987). By this view, we can think of government, nonprofit, and even business organizations as public in degrees. Because I take this view of publicness, I come to somewhat different conclusions than Pandey. Our differences are at the margins. I cede Pandey’s major points; clearly, there are many aspects of public organizations that are quite distinctive. However, my concern with the public aspects of business organizations (and the market-based, private aspects of some government organizations) motivates me to give more attention to the “generic” literature on decline. In part, this is because those of us who are concerned with public administration can learn from this literature. In part, it is because public administration concerns should be viewed as more relevant to businesses seeking to manage decline and to the management researchers studying these organizations.

In the next section, I take up some of the arguments as to why the generic and business decline literature at least seems irrelevant to public administration concerns. It will come as no surprise when I suggest later that some of those irrelevancies are more apparent than real. In a later section, I briefly review some of the decline topics for which both the public administration and the more general management literatures seem to share affinity. The availability of an unusually large number of high-quality review-and-synthesis papers (e.g., Greenhalgh 1983; Mone, McKinley, and Barker 1998; Weitzel and Jonsson 1989; Whetten 1980) on the topic of organizational decline obviates the need for yet another comprehensive review of the generic and business literature (hereafter “generic literature”) on the topic. In this study, I focus on some of the more important studies, especially ones developed since the early 1980s, when public administration scholars began to turn away from decline and related topics.

The article concludes with my answer to the question of whether public administration scholars should undertake a renewal of the decline studies. Following the tradition set by Levine, and now Pandey, I pose this paradox: The generic decline literature is of great value to public administration even if it has limited value for public administration. (For sticklers, I acknowledge this is really more a riddle than a paradox.) The reader has perhaps already
solved this riddle? No matter. Its solution is provided in the concluding section of this paper.

The Irrelevance of the Generic Decline Literature

We can identify some important respects in which the generic and business literature on decline seem not to relate to public organizations. Pandey underscores many of these reasons, chiefly identifying the unique or distinctive aspects of public organizations. Many of these differences pertain to the nature and control of resources in the respective sectors.

With respect to public organization theory and application, some of the “limitations” of the generic literature relate to its most interesting elements and findings. For example, the generic literature often focuses on bankruptcies (D’Aveni 1989, 1990; Moulton, Thomas, and Pruett 1996)—a socially relevant and extremely important (though less so public organizations) form of decline. Hambrick and D’Aveni (1988) provide an especially interesting bankruptcy study, as they examined 57 large bankruptcies matched with 57 very similar companies that did not go bankrupt. They found that the bankrupt firms were more likely to have performance deficits and limited organizational slack resources (no surprise), but also were much more likely to have extreme and highly changeable strategic actions. The companies with more stable environments, even during a period of resource shrinkage, were much more like to survive.

Another interesting, and seemingly irrelevant, stream of private sector decline research focuses on a major culprit in decline: debt-based funding (Moulton, Thomas, and Pruett 1996; Wiseman and Bromiley 1996). For example, Moulton, Thomas, and Pruett (1996) found that corporations with debt-funded, forced-growth strategies had a much higher failure rate than a matched set of corporations with no such strategy; this finding held regardless of the overall industry growth rate. Many of the studies examining growth and debt strategies focus on behaviors and characteristics of corporate boards of directors, again an attribute that has no direct equivalent in public organizations (e.g., Boeker and Goodstein 1991). For example, Mueller and Barker (1997) found that “turnaround firms” were more likely to have chief executive officers who were also board chairmen and that they were likely to have greater external control of boards.

The foregoing examples show why some of the generic literature has limited relevance for public administration. Government agencies do not typically go out of business because they are performing less efficiently than competitors, because their debt load is unmanageable, or because their plan to emerge from bankruptcy proves inadequate. Regarding the decline literature, one inference we can draw is that those private sector studies emphasizing market and financing strategies typically have limited relevance for public administration. Likewise, studies focusing on shareholders (Murrer, Pandian, and Thomas 2007), asset costs and depreciation (Morrow, Johnson, and Busenitz 2004), and stock and corporate boards (Mueller and Barker 1997) seem to have limited relevance. Even studies focusing on technological innovation seem to have limited relevance. While technology is vital in the public sector, the failure to adapt to a technological “dominant design” (Anderson and Tushman 2001) or to innovate in a timely manner may lead to unfortunate consequences, but not directly to decline and organizational death.

The Relevance of the Generic Decline Literature

If we compare sectors, assuredly there are different driving forces at work, especially with respect to the nature and control of resources, but once the manager is in the position of managing decline, it is the fact of limited resources that is paramount, not the cause of the limited resources. Many years ago, I wrote a book about “publicness,” and chose for its title All Organizations Are Public (Bozeman 1987). While the title has confused many and the term “publicness” has subsequently been employed in diverse and sometimes even contradictory ways, the basic point of the book is, I think, clear enough: that all modern, complex organizations, regardless of sector, are affected by both political and economic authority, though they often differ greatly in the mix of these two bases of authority. This is a view articulated earlier by Dahl and Lindblom (1953) and Wamsley and Zald (1973) and much later by others (e.g., Moulton 2009; Pesch 2008; Spicker 2009).

The generic literature, even when it steadfastly ignores publicness, cannot help but have relevance to public administration. Researchers who study decline look at organizations that are infused, to greater or less degrees, with publicness. Even if the researchers do not themselves single out public implications of their work, the fact that the organizations they study are both endowed with and constrained by political authority renders their work relevant to the enterprise of public administration. We public administration scholars ignore this work at our peril. We do not wish to make the same mistake that the generic researchers make again and again: assuming that the ownership or legal status of the organization trumps all other aspects.

Three Relevant Dimensions of Generic Decline Literature

With respect to the generic decline literature, one can make a broad case or a narrow one for its relevance to public administration. The broad case is that even those studies, such as the ones mentioned earlier—the ones focusing on bankruptcy, debt financing, shareholder value, and organizational death—are in some respects relevant. The broad case is a bit harder to make, but it is getting easier all the time (Boyne 2006). For example, as governments at all levels, even those prohibited from running deficits, face a mounting debt load and illegal deficits, the role of debt seems not so different among the sectors (McNichol and Johnson 2009). Likewise, when counties make bad investment decisions that lead to bankruptcy, the shelter of government ownership seems less distinctive (Halstead, Hegde, and Klein 2004). At least one study (MacManus 2008) shows that as financial distress increases, government financial managers tend to adopt strategies that are more and more like those employed in the private sector.

For present purposes, we need not make the broad case about the relevance of the generic decline literature. Let us focus on the narrow case, the one that assumes that government organizations’ resource basis and legal status render some aspects of decline unique to the public sector. The narrow case says, “let us consider those features of decline not directly related to legal status.”

In examining the generic decline literature, and the post-1980s public administration decline literature, three categories of decline-related research and theory stand out: human costs of decline, organizational structure and decline, and strategy and decline. Each of these topics has
direct relevance to public administration, and each has received much more attention in the generic literature than in the small post-1980s public administration decline literature.

**Human costs of decline.** While we know that public and private sector employment have many differences, it is nonetheless the case that employees facing organizational decline and retrenchment have shared concerns, regardless of sector (Feldt and Andersen 1982). As organizations decline, it is to be expected that morale and work habits will be affected and that incentive structures will change (Cameron 1994). A sizeable literature, much of it by Brockner and colleagues (e.g., Brockner 1988; Brockner, Davy, and Carter 1985; Brockner et al. 1992; Brockner et al. 1987), emphasizes that when the layoffs begin, no one emerges unscathed.

Chadwick, Hunter, and Walston’s (2004) study of human resources in recently downsized hospitals shows that one of the best predictors of recovery and performance after layoffs have been implemented is a consideration for employees’ morale and welfare during the period of layoffs. Another study (De Vries and Balazs 1997), based on interviews with employees in public and private organizations, examined the psychological effects of employees working in downsized, declining organizations; it shows that employees commonly enter a “mourning period” if they believe that the organization has broken a tacit social contract (see also Kelman 2006). De Vries and Balazs’s (1997) study suggests that effective vertical and horizontal communication about the downsizing, its scope, and its effects tends to reduce the burnout and mental health problems of employees. Cameron and colleagues (1987a, 1987b) note that employees’ scapegoating of upper management is a likely outcome of poorly managed decline and that such scapegoating can undercut attempts to reverse decline.

**Organizational structure and decline.** One set of decline studies that is quite common to the generic management literature has been largely ignored in the public administration literature: the effects of decline on organizations’ structures and designs (e.g., Hall 1984; Koberg 1987). One interesting question is whether administrative intensity (the ratio of administrative employees of production or services delivery employees) rises or falls during periods of decline. McKinley (1987) studied manufacturing firms, but the issue is as relevant to education or social services. McKinley found that the long-standing organizational research finding showing a relationship between organizations’ internal complexity and their administrative intensity is not so predictable in cases of organization decline.

Others have studied the relationship of control-oriented, hierarchical structures (so-called mechanistic organizational structures) to decline. Do declining organizations become more mechanistic? According to Barker and Mone’s (1998) study based on interviews with chief executive officers of 29 struggling U.S. firms, organizations facing financial crises decline tended to shift to more mechanistic structure and these structures restricted firms’ ability to change strategic orientations to effectively respond to decline.

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**Strategy and decline.** The generic literature on strategy and decline is perhaps the most instructive for public administration. While the objectives of business strategy (e.g., growth, profit, shareholder value) differ significantly from those of the public sector, as do many of the determinants of strategic outcomes (e.g., production efficiency, debt and equity management), the idea of linking strategy and decline is a valuable one. In the public administration literature, studies focus on strategy, but in most cases, the emphasis is on strategies for dealing with decline rather than the implications of decline for broad perspective, long-term strategic management of organizations. A few public administration studies (e.g., Boyne 2004; Nutt 2007) link decline to long-term strategy, but not many do.

In the generic literature, decline is more often viewed as one of many, interrelated environmental states requiring strategic management (D’Aveni 1989; Huff, Huff, and Thomas 1992; Morrow et al. 2007; Robbins and Pearce 1992). In some of the generic literature, the focus is on strategic prerequisites for the long term, not just decline but also revitalization. Some studies focus on managing the jolts occurring in a shift from stable environments to more multifaceted, opportunity-laden environments (Castrogiovanni 1991). Similarly, there is more of a tendency in the generic literature (e.g., Barker and Duhaime 1997) to distinguish between declines in which the organization is culpable (i.e., performance deficits) and declines in which the environment is causing all ships to sink at the same time, but not at the same rate. The generic literature focusing on decline, strategy, and performance has a kin literature focusing on growth, strategy, and performance (e.g., Boeker 1997).

In short, the generic decline literature is not entirely about decline; more often, decline is viewed as part of a long-term evolution of organization environments and the strategies developed to adapt to and manage those environments throughout the organizational life cycle. Studies of organizational death are quite common in the generic literature (e.g., Barron, West, and Hannan 1994; Brüderl and Schüssler 1990; Cefis and Marsili 2005; Sutton 1983, 1987).

Perhaps one reason for the generic literature’s greater focus on organizational life cycles is that the organizations they study tend to have “natural” life cycles. Generally, government agencies do not go out of business—well, not exactly. The best known study of public sector organizations’ death and dying is Herbert Kaufman’s (1976) *Are Government Organizations Immortal?* Kaufman’s answer, while nuanced, is essentially yes. While a few government organizations were abolished during the Harry Truman and Franklin D. Roosevelt administrations, chiefly holdovers from the New Deal and the National Recovery Act, none was abolished from 1957 to 1973, though dozens of new ones were created.

Anyone needing more recent historical evidence about the difficulty of completely eliminating a government agency need only hearken back to 1994, the 103rd Congress, and the Newt Gingrich–led Contract with America. While the “Contract” appears to have helped Republicans gain more seats in the 104th Congress, its effort to eliminate government agencies met with limited success. Though
it had the Departments of Education, Commerce, Housing, and Urban Development and Energy on its organizational death list, when the dust cleared, only one agency was eliminated: the Office of Technology Assessment. That office had fewer than 200 employees and, notably, was not an executive agency but an arm of the U.S. Congress. The chief result of the government eradication effort of the 104th Congress was for the Congress to eliminate its own staff.

Conclusion: The Case for Redirecting the Public Administration Decline Literature

In the introduction I posed a riddle: The generic decline literature has great value for public administration even if it has limited value for public administration. Readers steeped in public administration scholarly history will certainly have figured out this one. As Dwight Waldo noted on more than one occasion (1948, 1972), public administration has a vexing terminological problem—the term “public administration” is used to signify both a scholarly field and an occupational practice. My riddle pertains to this ambiguity. The riddle is easily solved: The generic decline literature has great value for (scholarly work on) public administration even if it has limited value for (the practice of) public administration. I may have been a bit extreme in the service of my riddle. In fact, the generic decline literature does have some relevance for the practice of public administration, as I think can be seen in this review. However, it has much more relevance for scholarly public administration.

While acknowledging the considerable value of the public administration decline literature, I propose that the time has come to alter and renew this topic. The decline or cutback literature would benefit from an intellectual transformation, focusing not on strategies for mitigating decline but rather on the role of decline in organizational life cycles and its implications for devising resilient, long-term managerial strategies. Much of the earlier public administration work on decline was very much motivated by strategy, but from an episodic basis, focusing on managing decline rather than managing organizational evolution in response to environmental change.

Others have ably made the case for more scholarly attention to the strategic management of public organizations (Boyne and Walker 2004; Bryson 1988; Nutt and Backoff 1992; Poister and Streib 1999), but a few words are required about the idea of taking a life-cycle perspective on public organization strategy.

Why did the public administration decline literature nearly disappear? Because decline was replaced by growth. Why did decline research continue in the generic literature? Because much of the decline literature was never about just decline—it was about linking organization environments to strategy. My argument for a life-cycle approach to replace the decline approach is that an exclusive focus on decline gives a disjoined, incomplete perspective on organizations. If one views organizations longitudinally, it is almost always easier to develop a valid perspective not only on decline and its causes, but also on the strategic requirements of varied organizational environments.

We need to understand decline, but a better investment perhaps is our effort to understand the environments that will replace our current decline. Today’s pandemic decline could be replaced by periods of growth, but it also could be replaced by stable levels of scarcity, by new, sharper step-change levels of decline, or in some instances, even in the public sector, by organizational death. Which brings us to a second reason for refocusing decline research and theory.

I noted earlier Kaufman’s work on public organization death and his conclusion that the mortality rate for public organizations is quite low. However, Starbuck and Nystrom (1981), among others (Stevenson 1986), have challenged Kaufman’s findings, noting that most studies of business death take mergers to be “deaths,” and that if the same rule were applied to federal agencies, and if one were to control of size and scale effects, the death rate of private firms and government organizations would be quite close to one another. Government organizations do not often die, but they are certainly reborn, perhaps even more often than comparable private sector organizations. We can hypothesize that decline both causes these fundamental transformations, and, in some cases, the transformations and deaths are larger-scale strategies for moving from decline to a next environmental state. Reorganization dynamics and the movement of government agencies from one organizational status to a different and sometimes nearly unrecognizable organizational status have provided fertile ground for theory building (Light 1997).

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Studies that are historically informed, longitudinal, and strategically oriented have the potential to give us insights not revealed when focusing on an isolated episode, no matter how salient the events seem at the time. The approach I am urging is not new (Tsouderos 1955; Whetten 1987), just one that has not much influenced public administration research. Scholarly public administration tends to pay attention to the headlines. Its timeliness is part of its attractiveness and its relevance. But researchers must guard against abandoning theory development for topicality. The two need not be at odds. However, one lesson from the cutback management literature is that topicality, even if it does not drive out theory, can certainly truncate it. Life-cycle-oriented studies of public organizations do not go out of style and, moreover, may well give us better insights into decline.

Acknowledgments

I am grateful to Sanjay Pandey and Monica Gaughan for their helpful comments and criticism, and to Daniel Fay for his research assistance.

Notes

1. The generic literature is different in important ways from the business literature. Among the many important differences is that the generic literature often examines organizations from diverse sectors, or at least includes some organizations that are not business organizations. However, the two literatures have in common a resolute ignoring of public organizations or the public aspects of organizations, and for this reason, as well as terminological convenience, I use the term “generic” to characterize these two somewhat different approaches.
References


