

# Corporate downsizing in america 1753

[Business](#), [Marketing](#)



## - INTRODUCTION -

Downsizing, restructuring, rightsizing, even a term as obscure as census readjustment has been used to describe the plague that has been affecting corporate America for years and has left many of its hardest working employees without work. In the 1980" s, twenty-five percent of middle management was eliminated in the United States (Greenberg/Baron 582). In the 1990" s, one million managers of American corporations with salaries over \$40, 000 also lost their jobs (Greenberg/Baron 582). In total, Fortune 500 companies have eliminated 4. 4 million positions since 1979 (Greenberg/Baron 627). Although this downsizing of companies can have many reasons behind it and cannot be avoided at times, there are simple measures a company can take to make the process easier on the laid-off employees and those who survive with the company.

## - STAGES OF DOWNSIZING -

The downsizing process can generally be broken down into three distinct stages. The first stage is called the diagnostic stage. In this stage, management staff pulls together and determines the amount of costs and expenses that need to be reduced, and how much can come out of layoffs (Moore 49). This stage usually takes about two to three months to complete. During this time, the upper management reviews all financial records in order to determine how much is needed to be cut from salary expenditures (Moore 50). This stage is concluded when the senior management has a detailed plan on who will be let go, and who will remain with the company. During this stage, there is one common mistake many companies make: lack

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of communication. The middle management is usually left out of all downsizing plans. This is wrong and creates a big mistake. Middle management should be looked upon as a valuable tool for giving input where cuts should be made (Moore 51).

The next stage of downsizing is the implementation stage. During this stage the employees are laid off. The time between an announcement and the actual layoff should be as short as possible. This will almost insure that a panic will be avoided, and give a clear view of the situation at hand without causing mass-hysteria.

In a managerial position, it is difficult to explain to an employee that he or she is being laid off, but Terrence Moore gives a guideline on how it should be done. Small talk should be avoided. Management should clearly explain that the employee is being laid off and be prepared to answer questions directly; avoid beating around the bush. It is extremely important to detail all employee benefits and severance pay, also the employee should be encouraged to come back with any questions that he or she may have (Moore 52).

An important note is that the employee should not be given false hope. It should be made clear, from the start, that the employee is being laid off and doesn't have a chance of being rehired. Finally, you should not try to lie to the employee and say you know how they may feel if you don't (Moore 52).

The final stage is the post-implementation stage. This is dealing with the survivor syndrome and helping displaced employees find jobs throughout

placement sources. Sadly, management usually expects the remaining employees to return to their jobs as if nothing had happened.

However, this is not usually the case. Survivors suffer with negative feelings of resentment, frustration, irritability, fatigue and burnout. They may also undergo feelings of insecurity with their company. A way to help survivors deal with their problems is to offer personnel workshops (or programs) that offer support to help cope with the anxiety that adjustment brings (Moore 53).

#### - REASONS FOR AND EFFECTS OF DOWNSIZING -

There are many reasons why a company might need to downsize. In today's corporate America, it is a plain fact that far fewer employees are necessary to maintain a successful operation. Many times, it is the case where a technological advance or breakthrough makes it possible to replace a previously human job. It is also an all-too-common scenario that outside influences such as sudden shifts in the market or changed government policies force corporate executives to make coinciding decisions regarding their staff and these external changes.

Another one of the major problems in today's business world are the salaries being paid to the workers. Since employers are not paying their workers high wages, the workers have little to put back into the economy. This causes the system to plummet and forces companies to downsize to keep from going under.

The downsizing of a company can affect employees before, during and after it occurs. Employees usually know of a possible downsizing (care of the almighty grapevine) months before it is supposed to happen. Thus, employees may become paranoid and self-absorbed, and their top priority is their own career rather than the bottom line of their employer. This causes them to be unfocused and prevents them from performing their jobs efficiently. Many workers would also be perfectly willing to stab their peer(s) in the back in hopes of keeping their job.

Usually when a downsizing is complete, the company is at an all-time low. This is due to the fact that in almost every merger, acquisition or downsize, employees are faced with uncertainty about their jobs before and after the restructure. After a large percentage of downsizes, ten percent of the remaining workforce will easily adapt to the change, while another ten percent will never adapt (Hollreiser 27). Workers who survive the downsize often have feelings of anger, fear or distrust. Further internal problems result from employees who survive with the company, but cannot adapt to their new settings and expectations, and eventually quit their job.

Many steps can be taken to ease the transition of the employees after downsizing occurs. For the employees who were let go from the company, reasonable severance packages should be offered to help the person until a new job is found. Downsizing not only affects workers that have been terminated, but also affects the survivors. This is commonly referred to as the survivor syndrome. Many people who survive as a result of downsizing often live with the fear that they too will be terminated. They are often shell

shocked and distrustful. They are mentally scared survivors of an economic restructuring that they have never seen before. In this constant climate of economic insecurity, their jobs are constantly being redefined. They are forced to meet new levels of production criteria requiring them to do more work in less time and the notion of job security (because of expandability) is obsolete (Caudren 52).

As for the remaining employees, simple means of communication can be very important. One of the major reasons for employee problems after a downsizing is the mistrust in the management and lack of knowledge regarding their own job status. If the employees are informed of what is transpiring within their company, they might not be fearful of losing their job, or so quick to stab a fellow employee in the back.

This problem has affected millions of families in America and has forced good, decent workers to settle for lower wages and little or no benefits in exchange for supposed higher job security. I also have some personal experience with this subject. My father currently works for AT&T and survived the recent downsize and split the company underwent. However, he was not so lucky with his previous employer, Nabisco, Inc.. In 1988 Nabisco, Inc. and RJ Reynolds, Inc. Merged and downsized, laying off thousands of employees of which my father was one.

- POSITIVE EFFECTS OF DOWNSIZING -

Although downsizing can have devastating effects on those people on the negative side, the remaining employees can have tremendous opportunities

for growth and skill development. After a restructure, there are many ways an employee can grow vertically and horizontally within their company. Since so many positions are eliminated in such a process, the remaining employees sometimes need to learn new skills and adapt to handling greater amounts of work than ever before. While this may be an inconvenience at first, these skills and abilities can assist these people in future job searches.

- CONCLUSION -

The downsizing process is a fact of life. It affects all people from managers to laid off employees and their families as well as those who remain with the company. It is something that will continue to occur with no end in sight. As long as our world market continues to grow, so too will the concept of downsizing grow. This process can lead to psychological problems, and creates anxiety and frustration for those of both ends of it. This is a problem that most likely will not have an easy solution, or at least not any time soon. It is something that we all must deal with in one way or another, and as for the victims of downsizing, the only thing they can do is try to piece their lives back together and hope for the best.