Downsizing: fiduciary and great harm

There is a well known issue in corporations when it comes down to downsizing. Corporate downsizing is that act of corporations cutting workers usually by closing whole plants or divisions to increase profits. This practice is often used today and is thought by some to be a moral practice to improve economy overall. On the other hand, some think that it causes the workers great suffrage from unemployment, which leads to loss of homes, depression, and crimes.

Furthermore, it affects the economy by the decrease inmoneyflow. Many believe that the people who invest their money in the corporation (shareholders) deserve to have the most interest from the managers to maximize their profits. One method of maximizing their profits is to downsize workers. Some people have a problem with that because they believe that the employees being cut at the expense of maximizing profits for the shareholder is morally wrong.

John Orlando thinks that downsizing is often wrong. In his article, The Ethics of Corporate Downsizing, he gives both sides of the argument for downsizing then tells how to apply his finding in real corporations. Orlando's argument is that downsizing is wrong most of the time. For example, he argues that shareholders do not and should not hold more interest from managers then the employees. He goes on to say that they should be treated equal, so downsizing is only right if both sides (shareholders and employees) accept the action.

Also, he says downsizing is justified if only it is done as a means to save the corporation and it is not right as a means of just extra profits. He defends the workers who have been laid off because of downsizing by saying that they are heavily affected by loss of income, property, and some even commitsuicide. An argument that he addresses for shareholders is that they are legal owners that have property rights to dispose property as they please. Orlando counters that by saying property rights don't match with corporations because they are using the property for profits not for a home.

The second argument for downsizing is that managers are bound by a fiduciary duty to their shareholders that is greater than any duty to anyone else. Orlando counters by stating that there is not an actual regulated duty. " Fiduciary duties" are a label for the obligations that a manager owes a shareholder doesn't create or establish duties to the agent. Another agrument for the employees having equal interest as shareholders is that shareholders should have legitimate expectation, meaning shareholders invest their capital should know their risks and expect gains and sometimes losses.

Fairness is the third argument against downsizing. Orlando states that one should not be punished or reward for things out of their control. Workers who lose their jobs, even if was doing job well, due to downsizing is wrong. This gives workers insecurity at the work place because they know no matter how well they do their jobs; they can be laid off because of any type of mismanagement. One argument for corporate downsizing I choose to asses is the claim that since shareholders have invested money, they hold interest from managers over all other parties.

Furthermore, The Corporation should operate for the shareholders benefits since they invested money. One argument against corporate downsizing is it is not moral to cause a great harm for a lesser benefit, even to a greater number of people. Also wrong to cause a great harm to a few in order to cause a great benefit to many. No amount of harm is right if it is used to benefit others. It has been proven that downsizing causes losses like suicide and loss of homes. Shareholders only make a minor benefit when stocks rise.

Downsizing to prevent a large amount of jobs to be preserved is okay, but downsizing to maximize profits is causing harm to employees. Both arguments are strong, but the one against downsizing seems a little flawed to me. For instance, even though causing any harm to any amount of people is wrong, there are many situations where either the harm is going to happen to the few or the many, and I think in situations like that where it’s one or the other, it is okay to go with harming the few in order to save the many.

Even Orlando says in that same argument that it is okay to downsize to prevent a large amount of job loss, but not okay to downsizing for extra profits. My problem with that is that even when downsizing to preserve the greater amount of jobs, you will still harm the few that you lay off, so his argument of no harm to anyone is moral, is flawed. On the other hand, the argument that downsizing is permissible because the managers have an obligation to maximize profits to shareholders because they have invested money is also flawed, but a little more understandable.

It is flawed because it doesn't take into account that the employees have taken some risks to work for the corporation that can involve them losing money also. For example, by joining the company they have passed up on other jobs in which they could have gotten equal or better pay from. Also if they get laid off from downsizing, they will lose money that they invested into to school that they studied and got trained for.

Furthermore, they might have to relocate homes or schools for their children to find a different job. Although those arguments are strong for why downsizing is not permissible just because shareholders have invested money, in the business world its becoming more excepting that managers maximizing profits is the right thing to do