Growth and downsizing

Business

Introduction Downsizing is described as the permanent reduction of the workforce in a company and is normally associated with corporate reorganization to create a smaller manageable workforce.

An example of a company that successfully conducted a downsizing in its workforce is the Oracle Corporation which reduced the number of workers by 5, 000 after the acquisition of the rival firm PeopleSoft. Such a downsizing is referred to as reorganization, reengineering, restructuring or rightsizing. Despite the term used to describe the activity downsizing essentially refers to layoffs that may or may not be associated with systematic restructuring programs like reductions, departmental consolidations, plant or office closings or other means of minimizing payroll expenses. Corporate downsizing leads to poor economic conditions and the firms decisions to eliminate jobs in order to minimize expenses or achieve specific levels of profitability. Companies may reduce the number of employee in response to issues such as change in growth of the economy, merging with or purchasing other firms, the cutting of product or service lines, effect of the competitors, distribution force of the suppliers and a combination of events that have a negative effect on the running of the firm (Mandel, 2004).

Downsizing and growth of a company Downsizing is directly associated with the growth of a company. The most notable cause of the growth is the cut in operational expenses of the company. Downsizing is normally a direct response to poor economic growth. Companies respond to decrease in sales possibly due to recession or by competitors gaining a bigger market share by eliminating jobs and hence reduce the payroll outflow and sustain or achieve specific levels of profitability. Actions such as mergers or acquisitions result to duplication of staff while advances in technology lead to obsolesce of the products or service lines of a company. The problem of having excess orkforce with no work can only be solved through downsizing.

Consequently, the company will reduce on the expenses and hence grow (Muirhead, 2004). Downsizing is also linked directly to improved efficiency. This is because jobs that contribute least to a company's profits and those that impact less to the main operations are the main targets for downsizing. The company thus grows because the downsizing process involves eliminating the non-performers in a company after conduct an honest appraisal in the workforce. The employees retained after downsizing have greater responsibilities, enhanced performance standards and are usually motivated to work more.

The reduction of workforce assists to eliminate company bureaucracy and hierarchy and contributes to the company restructuring itself. This improves the communication and responsiveness in the firm leading to its growth and development (Muirhead, 2004). Downsizing and management Downsizing greatly affects the management of a company. Downsizing involves dismissing a large number of workers in a strategic manner which helps reduce the trauma associated with downsizing. Workers who are laid of tend to suffer from depression, anxiety, insomnia, high blood pressure and several other problems.

Thus when a firm decides to carry out downsizing in its workforce, it should do so in a manner that does not adversely affect their families. Due to the probable negative effects that accompany downsizing, managers should set in place measures to counteract employee apathy, enhance customer service and sustain employee trust. The remaining workforce should be supported and guided in order to achieve positive results. This entails providing the workers with clear indications of what is expected of them and the manner in which they can cope up with the increased demands. Managers should liaise with their employees on regular basis to analyze any possible means of improving the performance of the organization (Laabs, 2003). Various researches havee shown that corporate downsizing requires that the management get involved proactively rather than reactively in the implementation of the organizational strategic downsizing plan.

A timeline has to be established and a series of events must take place before the actual implementation of the downsizing program. A successful downsizing strategy requires planning prior to the implementation of the actual process. The management needs to show compassion towards the needs of every worker in the organization. Open communication with the staff s also necessary to keep the employees informed of the plans in the organization. The effect of the downsizing strategy to the financial performance of the firm greatly depends on the manner in which the organization implements the downsizing efforts (Marks & DeMeuse, 2004).

ConclusionAlthough downsizing contributes greatly towards the growth of a company, it should be done after a careful and honest appraisal to separate non-performers and the performers in the workforce. This is downsizing can lead to loss of skilled and reliable employees in a firm. Because getting new suitable workers can be a challenge, the company can become ill-equipped and ill-prepared to capitalize on new opportunities and sudden turnarounds

(Laabs, 2003). The success of downsizing towards the growth of the company depends on the type of methodology used and strong leadership to control and manage the aftermath. Lack of strong leadership causes confusion among the workers due to the inability to cope up with the new demanding roles.

Management must also recognize and wholly own-up to the potential consequences of reputation of the firm. This is because downsizing can impact negatively towards the reputation of the firm. A company’s reputation after the process of downsizing can result to negative consequences from which a firm may be unable to recover. Downsizing as a strategic intervention has an obvious impact on managerial commitment to strategic change (Laabs, 2003).