DOWNSIZING

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The overarching goal of downsizing (or what is occasionally referred to under the umbrella term of rationalization or more often, among practitioners, as restructuring or re-engineering) – is to enable organizations to increase their effectiveness and efficiency and thereby better adapt to their environment. The accompanying decisions are made with a view to operating with an optimum number of employees and ensuring the best possible fit between positions, professional competencies and organizational needs.

However, downsizing is often perceived as a cost savings strategy and not as an approach to increasing added value for organizations (Trudel, Saba and Guérin, 2005). Although downsizing could be seen occurring as of the early 1980s, the phenomenon truly gained momentum in the 1990s. It should not be associated exclusively with failing businesses struggling to stay alive, since well performing businesses posting a healthy balance sheet will, notwithstanding their success, strive to streamline their organizations too. It is now a widespread management method associated with technological, organizational and productivity progress and no longer merely a defensive action taken to solve financial problems. In the same vein, Nicolson, Audia and Pillutla (2005), as well as Angwin (2005), have argued that since the 1980s, downsizing has become a core concern for organizations because "leaner, meaner" workforces are viewed as a sign of efficiency and success. Furthermore, nearly three-fourths of American and European businesses (medium and large) have reduced their workforces and nearly two-thirds of them have done so more than once. Therefore, downsizing, or workforce reduction, cannot be automatically associated with the decline of an organization. It involves, instead, a management decision that is made in an effort to improve an organization and, as such, this decision entails both workforce reduction as well as a set of qualitative adjustments within the organizations concerned.

From a scholarly point of view, the term downsizing is imprecise. Downsizing, restructuring, rationalizing, re-engineering (not to mention "rightsizing") are used often interchangeably to refer to the same actions. There is an array of discourses concerning the subject. Nadeau (1999) linked the rationalizing (or streamlining) of staff with downsizing, a process that she defined in terms of a method for organizing a production process in accordance with formalized management principles rooted in the scientific study of tasks, all with a view to increasing effectiveness and efficiency and achieving better use of capital and labour. Riopel and Croteau (2008) have pointed out that, historically, rationalization was a term that was related to industrial engineering and referred to the streamlining of a production process based on scientific concepts. However, these authors also stressed that it should not be confused with the later term of downsizing, which usually leads to

workforce reduction. According to them, the difference is that rationalization is based on formalized management principles, while downsizing is linked to economic and financial causes.

According to Mahé de Boislandelle (1998), the terms rationalization, re-engineering and downsizing are all interrelated. In his view, an organization can downsize in order to improve its overall effectiveness, whereas rationalization not only entails workforce reduction but also embraces the ways in which work is structured. In other words, the overarching goal is organizational performance, which is not the same thing as surmounting financial crises. Rationalization brings a critical perspective to bear on a production process with the objective of increasing overall efficiency and effectiveness. He also notes, however, that restructuring or streamlining activities and processes become distinctly less rational whenever, under cover of "rationalization," they are drawn on to logically explain or justify a choice or behaviour that was, from the outset, irrational, incoherent or highly debatable.

For O'Connell (2005), rationalization is primarily aimed at increasing efficiency by restructuring the organization. The term, as used in O'Connell's work, is synonymous with downsizing, re-engineering or restructuring. It implies reducing unnecessary staff, closing unprofitable activities and maximizing the long-run viability of a firm.

Heery and Noon (2001) have proposed another related term – delayering – to refer to the reduction of the number of levels in a hierarchy. As an organization flattens out, the bottom levels of its hierarchy actually gain more power due to decentralization, but at the expense of middle managers, whose numbers decrease as a result of this process. These authors argue that reducing the amount of levels in a hierarchy is a key component of downsizing.

Angwin (2005) has noted that workforce reduction basically impacts office employees and managers. From 1987 to 1991, 85% of Fortune 1000 firms reduced their workforce, with half of them doing so in 1990 alone. Downsizing is also practiced in Japan, where the trend is to reassign employees elsewhere in the organization as part of efforts to gain effectiveness, as opposed to other countries where workers are laid off.

It is hard to resist drawing parallels between downsizing and job cuts or personnel layoffs, notwithstanding the words of caution issued by many of the above-mentioned authors, whose opinions reflect the diverging theoretical perspectives informing the understanding of the rationalizing or streamlining of staff.

Downsizing, like other forms of sweeping change, can disrupt organizational cohesion. The literature has dedicated considerable space to the topic of the people who keep their jobs following such transformation, referring to them as "survivors" (in reference to the experience of former concentration camp inmates). This research has focused on the symptoms experienced by employees who have seen their coworkers lose their jobs. In particular, Trudel, Saba and Guérin (2005) have argued that the success of downsizing depends on the attitudes and behaviours that employees end up adopting. Ouimet (2005) highlights the importance of preparing the employees who remain in the organization.

For Komio (2005), downsizing must be planned a long time in advance, as part of human resource planning processes. Considering the disadvantages that are likely to be involved, some thought and effort must be dedicated to preventing downsizing from turning into a quick fix. All outcomes of downsizing are not necessarily positive. According to the studies conducted by Whetten and Cameron (1994), some of the negative effects observed in workforces after downsizing include the loss of innovation, the destruction of informal networks, increased conflict within the organization and even sabotage. On a personal level, these researchers have noted increased cynicism and scepticism in employees and increased burnout.

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