

Paradox One: There is increasing evidence that those practices which provide more meaningful work and higher quality of life in the workplace have a very direct impact on profits through increased productivity, greater innovation, higher quality and reliability, and more skillful and committed people at all levels. Yet current management practices do not reflect this finding. In fact, there is evidence which indicates that some practices may be moving in exactly the opposite direction.

Paradox Two: We read that human and social capital are becoming all-important in the post-industrial economy. Human capital includes intelligence, values, technical knowledge, experience, creativity, network of contacts, corporate memory, as well as professional skills and experience. Nearly all corporate codes of ethics or conduct state that People are our most important assets. Yet management actions often destroy the human tissue of their own organizations as they downsize, reduce training budgets, and divest whole communities within their group.

Paradox Three: Research shows that employee satisfaction translates into customer satisfaction. Employee motivation and loyalty are closely related to customer loyalty, and the most profitable customers are the long-term, loyal ones. Yet many companies still treat their employees as costs. The human side of downsizing is often carried out in a way that causes morale, motivation, loyalty, creativity, and productivity of employees to suffer.

Paradox Four: Surveys indicate that almost all large companies have downsized and many of them have downsized several times. Yet these same surveys show that fewer than one in four downsizings really achieve their objectives of reducing costs, increasing productivity, and improving quality and customer service.

Paradox Five: In a similar way, numerous studies have shown that over one-half of mergers and acquisitions do not achieve their objectives. Often the only beneficiaries are the shareholders of the company being acquired who cash in on over-inflated valuation, while acquiring companies realize very limited added value. Yet 1998 saw more mergers and acquisitions than any other year in history and 1999 has maintained this pace.

This article discusses the forces at work, those changes in the external environment which are the cause of such a dramatic increase in restructuring and the impact of these changes on the factors for business success. It goes on to develop the concept of the social responsibility of the enterprise, defines restructuring and some of the most frequently referred to concepts and approaches, and presents various approaches to restructuring. Downsizing being the most visible form of restructuring and the one with the greatest social impact is then discussed in greater detail.

NEW FACTORS FOR SUCCESS

There are a number of trends and changing forces at work which help to explain the increasing restructuring throughout the world:

Globalisation of markets, consumer preferences, commerce, supply chains and

financial flows

Rapid technological changes

Deregulation and trade liberalisation

Changing capital ownership

A shift from an industrial economy to a knowledge and information-based economy

Changing demographics

Changing expectations and value systems

Growing direct foreign investment

Threats to environmental sustainability.

Two other trends in society also affect the business environment and are causes of concern because of their potential impact on tomorrow's market place and employment pool. The first is the weakening of social cohesion and the increasing disparity between the rich and the poor. The second societal change is the fact that business is becoming the dominant institution in society as the credibility of political parties, religious bodies, governments and other traditional organisations erodes. Nearly a decade ago, the late Willis Harman already captured this change when he wrote:

"Business has become, in this last half century, the most powerful institution on the planet. The dominant institution in any society needs to take responsibility for the whole -- as the church did in the days of the Holy Roman Empire. But business has not had such a tradition. This is a new role, not yet well understood or accepted.

As the global business environment changes, so do the requirements for success and competitiveness. As we move from nationally focused industrial economies to a global information and knowledge-based economy, the following factors are becoming increasingly critical to success:

Building deeper and more strategic relationships with customers, employees, suppliers, and other business partners

Developing a reputation for integrity, trust, and environmental and social responsibility

Being customer-oriented and a leader in quality, service, and reliability

Developing and introducing new products and services of high quality both quickly and globally

Innovating and striving for continuous improvement and excellence

Building an educated and motivated work force.

ON SOCIAL RESPONSIBILITY

The issue of corporate social responsibility remains perplexing to many who

continue to be convinced that the business of business is only to increase profits. Yet, as we look around the world, we notice that in high trust or consensual societies like Germany and Japan a much broader view is taken on the question: To whom is the corporation responsible and accountable? In those countries, employees and customers tend to be equal partners with investors. In addition, the environment is also considered to be an important partner or stakeholder in many companies in Scandinavia.

Opinions differ as to the definition, scope, and emphasis of Corporate Social Responsibility (CSR). For purposes of this article, we will turn to the stakeholder concept to a large extent. Who are these stakeholders? They are six primary groups which are affected by business and which in turn can influence the success of the business: shareholders, customers, employees, suppliers and other business partners such as franchisees, distributors and joint venture associates, and local communities as well as the environment.

We define CSR as the process by which an enterprise manages its relationships with, and balances the interests of, those groups and/or individuals which can affect or are affected by the enterprise in a significant way. In brief, the socially responsible company is one which:

rewards shareholders with a reasonable return over time

focuses on the customer

considers employees as its most important asset; ensures their employability; provides meaningful work, fair wages and benefits; and provides an enabling work environment

contributes to the prosperity and social cohesion of communities in which it operates

applies the golden rule, do unto others as you would have them do unto you.? to its business partners (suppliers, alliances and joint ventures, franchisees, distributors).

practices eco-efficiency and environmental sustainability.

Some studies of the longevity of companies have concluded that one of the reasons why certain companies survive for long periods of time is the quality of the enduring relationships with employees, customers, and business partners -- all essential for a flexible and cooperative response to continual change and turbulence.

The enterprise and its stakeholders form a sort of ecosystem in which there are important and dynamic two-way relationships between the enterprise and each of its stakeholders. It is in its ability to manage the tension created by simultaneous competition and cooperation that stakeholder capitalism distinguishes itself.? At the simplest level each stakeholder contributes a resource of critical importance to the mission of the enterprise, for example, capital, labor, sales revenue, raw materials, sub-assemblies, a license to operate, a local infrastructure. In return, the enterprise rewards each

stakeholder by providing dividends, products and services, wages and benefits, taxes, and so forth. Each of these relationships is mutually beneficial and reinforcing. This tension can be very creative, encouraging each to contribute to a more mutually beneficial relationship. It can also be destructive if one partner seeks to exploit the other.

ON RESTRUCTURING

Few companies have escaped the need to reorganise, acquire, divest, outsource, or downsize. Restructuring has become one of the hottest topics in the business press, in financial markets, among economists, and is high on the agenda of most business leaders, union officials, national governments, and local authorities.

Restructuring takes many forms and the term is used to mean a wide variety of different actions. For purposes of this article, we will define Restructuring as the deliberate modification of formal relationships among organisational components. It may also include changing the portfolio of existing businesses (rationalisation, selling off unproductive divisions or activities, entering new businesses either through acquisition or internal growth). Restructuring can also involve and impact various stakeholders such as suppliers and other business partners.

Unfortunately, the expression socially responsible restructuring has yet to find its place in management literature. In fact, many executives told us it is an oxymoron. The purpose of this article is to destroy this myth and to demonstrate that restructuring is most effective when it balances the interests of all the stakeholders in the business.

The concept of socially responsible enterprise restructuring means restructuring part or all of an enterprise in a manner that balances and consciously takes into consideration the interests and concerns of all the stakeholders who are affected by the changes and decisions. In practice, the change process is often as important as the substance to the success of restructuring. This means, for example, respecting the values of the enterprise during restructuring, seeking the participation and involvement of those affected, practicing open communications, and treating all employees with respect and dignity. The emphasis must be on enhancing the overall stakeholder value and not be limited to shareholder gains.

For example, a strategic restructuring decision to merge with another company must consider not only the financial returns and risks for shareholders but also the short and longer-term impact on the other stakeholders: employees might lose their jobs but also there might be opportunities for other employment internally or externally which would minimise this impact; customers might benefit from broadening the product line or new technology; communities may gain or lose employment; business partners may win or lose depending on their competitiveness; and environmental sustainability may improve if thought is given to this aspect of the question.

Why Restructure?

Because of the dramatic changes taking place in the external environment of enterprises in most countries and sectors of the economy, management must be constantly alert to the need to restructure and adapt. Among the triggering events and the reasons for restructuring are:

Survival of the enterprise. Past profits may have turned into losses, foreign competition may have taken a major share of the market, or the cash flow including lines of credit may be inadequate to finance cash requirements even though the company is profitable. There are many reasons why a company may face bankruptcy or a hostile takeover if immediate measures are not taken just to survive. This is particularly true for small and medium size companies which are often more vulnerable to external changes.

Shrinking market demand or overcapacity (temporary or permanent). The dramatic drop in military procurement has created a crisis for many suppliers, as has the overcapacity in certain sectors throughout the world. Even Asia's overbuilt electronics industry is beginning to react as major semiconductor producers in Japan, South Korea, and Taiwan forge alliances to stay in business. Others are beginning to outsource, merge, search for joint ventures, and share R&D costs and risks.

Competitiveness. Deregulation or lowering of tariffs confront many companies which have benefited in the past from various forms of protection from foreign competition. Dramatic changes may be required to be viable under new rules of competition. Also, shrinking margins in some sectors such as electronics have forced manufacturers to restructure in order to remain competitive and survive. Such changes as these increasingly require reducing costs, increasing productivity, accessing new up-to-date technology, improving quality and service, decreasing delivery delays, and achieving greater flexibility to meet customer requirements.

Pressure from financial markets and shareholders. A great deal has been written about how financial institutions, analysts, and markets have strongly influenced management to adopt a very short-term perspective in their decisions even if this may be to the detriment of the longer-term development and competitiveness of the enterprise. In response, a board of directors may instruct management to reduce staff by 10% or 15% to improve earnings and meet expectations of the shareholders.

Poor management. In a surprising number of cases, the origin of the need to restructure is in the short term focus, poor strategic decisions, and failure to anticipate on the part of management itself.

Privatization. This is a further stimulus to restructuring in cases where companies no longer can rely on subsidies and favored treatment as state-owned companies. The labor force in state-owned enterprises is often inflated relative to market potential and competition. Restructuring programmes may be part of the pre-privatization preparation but may well continue after the

privatization occurs.

The Hierarchy of Restructuring

We have found it convenient to group into eight categories the dozens of approaches to restructuring being taken by enterprises:

Strategic

Ownership

Revitalisation

Organization

Production

Outsourcing

Reducing non-personnel costs

Downsizing.

While it is clear that these categories may overlap and that they are not mutually exclusive, they form an hierarchy in terms of overall impact on stakeholders and in terms of logical sequencing. For example, if a change in strategy is needed, it is better to identify and carry out that shift before reorganizing. In addition, their sustainable impact on shareholder value declines as one moves from strategic restructuring to other forms, and the impact on employees and other stakeholders tends to increase. Each succeeding category is generally less and less effective with more and more risk and undesirable effects. Nevertheless, companies facing imminent bankruptcy may not have time to carry out studies and hire external consultants. If the ship is sinking, they can only focus on survival. Companies not facing such urgent action can better center their attention initially on the upstream approaches and practice continuous rightsizing rather than attempting major downsizing programmes.

Strategic Restructuring

Unless immediate survival is in doubt, any restructuring programme should begin by reviewing strategy and, if appropriate, redefine or redirect strategy before moving down the restructuring hierarchy to focus on cost reduction for example. Summarized below are some questions that might well be addressed in such a review:

Does the basic business of the company need to be redefined?

Would its competitiveness be considerably enhanced through merger or acquisitions?

Could competitiveness be enhanced through joint ventures and alliances?

Is there a need to rebalance the portfolio of businesses?

Should the company divest certain businesses and activities?

The strategic actions outlined above are obviously aimed at enhancing shareholder value and often offer much greater leverage and impact than reducing overheads or downsizing existing units. In carrying them out, however, it is important to consider seriously the impact of such decisions on the other stakeholders.

Ownership Restructuring

During the 1990's many corporations have enhanced shareholder value through restructuring their capital, or ownership, and assets. Three common techniques are spin-offs, equity carve-outs, and leveraged buy-outs. These desegregation approaches, or the breaking up of parts of corporations, are used increasingly to permit companies to deal more effectively with the increased complexity and challenges of deregulation, globalisation, and changing technology. These changes are also more motivating to managers and employees and often foster faster growth and more new jobs. Two other opportunities are management or employee buy-outs and increasing employee ownership.

Revitalisation

In restructuring programmes aimed at reducing the workforce, it is important to consider whether there are parallel opportunities to grow or revitalise the enterprise and thus create new jobs to which redundant personnel might be transferred. In countries with a tradition of lifetime employment, leaders have often been motivated to diversify by the need to provide continuing employment to the company's family of employees. As management gurus Gary Hamel and C. K. Prahalad said, any company that succeeds at restructuring and reengineering but fails to create the markets of the future, will find itself on a tread mill, trying to keep one step ahead of steadily declining margins and profits of yesterday's businesses. Yet where do companies turn to find growth opportunities? The following are among the more important strategies for growth:

1. Superior responsiveness to the needs of key customers and markets
2. Creative management of channels for marketing and distributing their products
3. Effective sales force management to align efforts with potential and to align incentives with strategy
4. Outstanding new product development and introduction
5. Alliances and joint ventures.

Capturing new growth opportunities can go a long way to reassure managers and employees about the future of their enterprise. Growing is more fun than shrinking. In the first case, people have more fun, spend longer hours at work, enjoy it and are more creative and fulfilled. Also, the stock market rewards profits from growth more highly than those from cutting costs.

Organisational Restructuring

The approaches to organisational restructuring discussed below are all examples of responsible restructuring. To the extent that they contribute to competitiveness, to more meaningful work and motivation, to growth and thus jobs, all the of the stakeholders seem to benefit from their implementation and practice. For this reason, responsible companies will exploit these opportunities and approaches before they consider job elimination.

Alignment. Organisational change programmes often fail because they ignore the multiple dimensions of organisations. One can no longer think only in terms of structure and organisation charts which define the hierarchy, the chain of command, decision authority, reporting relationships, and span of control. Equally important are such dimensions as strategy, shared values, human resources, skills, and systems. The alignment, that is, the compatibility and harmony of these elements is all important. For example, brilliantly conceived strategies often fail because the required skills and capabilities needed to implement the strategy do not exist among the employees and managers. This has led many to conclude that the best strategy is the one that can be implemented. Similarly, a decentralized structure will not work if the style of top management is highly authoritarian, and highly networked structures function best in high-trust cultures with shared values such as integrity and trustworthiness.

Reengineering. One of the biggest management fads during the decade of the 1990s has been reengineering. Reengineering as originally defined by Hammer is the fundamental analysis and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as quality, service, speed, and cost. It is frequently misused as a euphemism for downsizing in announcements to employees, the public, and to financial analysts. In fact, when done responsibly, reengineering can produce dramatic improvements in customer service, quality, and productivity. However, reengineering often fails to result in these benefits. As shown in a survey of 99 completed reengineering initiatives undertaken in 1994, two-thirds were judged to produce mediocre, marginal, or failed results. There are a number of reasons for these poor results. Perhaps most important are the lack of attention to the human dimension, poor communications, and the fear, stress, and anxiety created. Other reasons include unrealistic expectations, inadequate resources (quality and quantity of staff and consultants involved), short-term results orientation, and lack of sponsorship.

Benchmarking. We have noted that many leading companies benchmark best practices in other companies before undertaking organisational change. Benchmarking is a process for systematically evaluating the products, services, structures and work processes of other organisations, both external and internal, especially those recognised as representative of best practices. Benchmarking used as a diagnostic tool helps to identify performance gaps, best practices for closing these gaps, and improvement opportunities as well. One large multinational consumer goods group in the UK benchmarked other companys? practices in closing plants before developing its own policies and approaches.

As a result, they adopted a socially responsible strategy involving major stakeholders in the process. Although they made significant investments and offered generous reemployment assistance and separation packages, they feel that the return has been very positive because of the impact on employee motivation and brand image.

Participative management. An increasing number of companies are using participative approaches in undertaking organisation restructuring. They are finding that this involvement of those who will be affected is not only a source of many ideas for improvement but also a means to assure effective implementation of change.

High Performance Work Systems (HPWS). Another example of an approach to organisation restructuring is the HPWS. Two concepts underlying these systems are employee involvement and empowerment which in turn shift the emphasis to employee commitment and away from employee control. HPWS involve implementation of several work practices: employment security, selective hiring, self-managed teams and decentralisation, extensive and continuous training, information sharing, multi-skilling, and high compensation contingent on organisational performance. A number of studies have been conducted to evaluate the impact of HPWS. Improvements in product quality, innovation, flexibility, customer service, learning, and skill development have been found quite consistently.

Cross-functional work teams. Another method which merits mention is the increasingly frequent use of teams composed of members from different functions. Often these teams are created to carry out specific projects such as redesigning a business process or speeding up the development and introduction of new models or products. Many teams have had stunning successes in reducing delays in the development and introduction of new products, factors which can be critical to profitability and success.

Production Restructuring.

The increasing intensity of competition stemming from economic globalisation and new technology is revolutionizing the way companies and financial institutions organise and carry out manufacturing, distribution, and sourcing activities. Basic enterprise objectives driving this restructuring include the need to reduce lead times, to increase marketing flexibility, to reduce inventories, to achieve more reliable delivery, and to be more competitive on costs. To achieve these objectives, such concepts as just-in-time manufacturing, lean manufacturing, computer-aided design and manufacturing, assembly-to-order rather than for-stock, global manufacturing, and outsourcing are being applied world-wide and in an increasing number of sectors. The following example illustrates how fundamental the changes can be:

In 1984 Dell Computer began a revolutionary new direct business model: the sale of personal computers directly to customers, by-passing the dealer channel and producing to order. Michael Dell, the founder, used technology and information to transcend and blur the traditional boundaries in the value chain between suppliers, manufacturers, and end users. This approach blended such concepts as

customer focus, supplier partnerships, mass customization, and just-in-time manufacturing. All of these innovations contributed to building a \$12 billion company in just 13 years.

Such changes as these require a more flexible workforce, closer labor-management cooperation, new approaches such as cross-functional teams and flatter structures. Recognized less often is the increasing importance of vision, mission, and values which underlie an organisation's ability to restructure and to adopt continuous improvement as a basic philosophy. Because of the need for much greater flexibility in work rules and open two-way communications between workers and management, high-trust management and cooperation underlie lean manufacturing and just-in-time production which have become so important in assembly operations. Nowhere is this more obvious than in the automobile industry where, for example, the Japanese work culture and high social capital greatly facilitated their gaining competitive advantage in manufacturing methods. In financial services organisations, automated tellers, consolidation of back office operations, outsourcing and more sophisticated information technology are having equally dramatic impacts.

Outsourcing

Outsourcing involves contracting with an outside organisation to undertake specific activities which previously were carried out by the firm itself. These activities may vary from administrative services such as payroll processing or security guards to entire functions such as information technology and even more recently contract manufacturing. It is a form of restructuring since it often implies fundamental changes in strategy, organisation, and people. While the concept is not new, the ways in which companies outsource and its importance are recent. Specialized service companies are demonstrating that they can provide services more cheaply, of better quality, and more reliably, particularly in activities requiring a different set of skills than the mainstream business of the company.

Outsourcing has become one of the major issues in labor relations since it often results in the loss of jobs. Increasingly, workers' representatives are insisting upon prior information and consultation on possible outsourcing, or even joint management-union committees to study outsourcing proposals. In some countries, opposition on the part of workers' representatives has made it very difficult for some companies to take advantage of important opportunities to reduce costs through outsourcing.

Contract manufacturing. A large and growing subset of outsourcing is contract manufacturing (CM). In electronics alone it represents about 15% of manufacturing or \$90 billion and is expected to double by 2001. Plunging prices and narrow margins as well as greater customizing are forcing producers of such products as personal computers (PCs) and printers to turn to specialized outside manufacturing. There are several reasons for this. First, to reduce costs in order to remain competitive and survive. Another motivation for CM is better customer service and quicker delivery. This rather dramatic and recent

development is changing the shape of the value chain and relationships with suppliers. Trust and partnership underlie the sharing of confidential information on products, technology, and customers. Since downsizing is an inevitable consequence of contract manufacturing, the impact on personnel and the need to reskill and retrain the remaining personnel must be managed responsibly. Thus, prior consultation and the education of workers' representatives is important to a smooth transition. Customers and shareholders are of course the major beneficiaries as well as the surviving employees and communities who otherwise might suffer if the company became uncompetitive and was forced to close down entirely.

Non-personnel Costs.

Most enterprises with experience in mergers and acquisitions find greater synergies in non-personnel costs than in reducing the number of employees where duplication and overlap exist. One of the first areas studied is that of purchasing. By consolidating purchasing negotiations, by reducing the number of suppliers, and by tightening up logistics practices, major economies often result soon after the merger. Another important source of economies is in information technology, where overlapping systems, staffs, and outsourcing strategies offer immense opportunities to profit improvement. One more area is that of working capital reduction, inspired perhaps by an audit of the two systems to determine how to achieve the maximum results.

These seven different approaches to restructuring discussed above are not specifically focused on reducing the number of jobs, that is, downsizing. Certainly most stakeholders, including employees, communities, and even customers will be better off if management can show that it has assessed and even implemented these strategies before considering sweeping reductions in jobs. Nevertheless, these strategies may lead to a reduction in the number of jobs. In such circumstances, the concepts of responsible downsizing discussed hereafter are of the utmost importance to ensure the effective and successful implementation of these strategies.

RESPONSIBLE DOWNSIZING

Few words in management vocabulary elicit such strong reactions as downsizing. When companies announce a large downsizing, financial analysts often shift to buy recommendations in anticipation of share prices rising, whereas workers, many managers, their families, and local communities tremble over the potential consequences. Is socially responsible downsizing really an oxymoron?

For purposes of this article, downsizing is defined as a reduction in the number of jobs. It may take place at the level of a work unit, of a factory, of an entire business, or even a total global corporation, or sector of the economy. Often downsizing is carried out without layoffs, and when it is necessary, many companies go to great lengths to provide assistance in finding alternative employment and by offering generous separation packages.

In reaction to the intensity of global competition and increasing turbulence in

many markets, most large companies have found it necessary to downsize in order to remain competitive and in many cases to survive. The loss of major customers, the disappearance of some markets, the collapse of prices due to chronic overcapacity, the obligation to outsource or contract manufacture abroad, often leave management no alternative but to downsize. So the issue is often not whether to downsize but rather how to do it responsibly, that is, in a way that takes the interests of employees, their families, local communities, and other concerned stakeholders into account.

Hidden Costs of Downsizing.

The downsizing process is even more important because many companies fail to achieve the improvements in productivity and profits that they had expected. Several surveys have concluded that fewer than half of companies that downsize actually improve shareholder value. They often discover that the longer-term costs of their actions are greater than the short-term savings. The reasons for such widespread failure is that there are often very significant hidden costs of downsizing. These costs include the loss of key talent and valuable corporate memory, loss of customers due to a decline in quality and service, lower productivity, decline in innovation and risk taking, and even erosion in external reputation and brand image. They usually stem from the effects of job insecurity, increased resistance to change, decreased motivation, stress, and erosion in trust and loyalty, all of which often accompany downsizing.

Four Downsizing Strategies.

To a large extent, these important hidden costs result from ineffective strategies of downsizing. More specifically, companies which dictate arbitrary across-the-board percentage reductions in personnel, which focus on eliminating people quickly, which rely largely on layoffs to realize the reductions, tend to be the ones which experience heavy hidden costs. Therefore, if the circumstances dictate such a strategy, as in a crisis situation where survival may be at stake, it is even more important to be conscious of the risks being incurred and to adopt measures to minimize these risks.

Three other strategies tend to be more successful and lend themselves to more responsible practices and more positive results. The first of these is plant or site closings which may be necessary because of overcapacity, sharp market declines, post-merger consolidation, or going out of a line of business. Responsible practices which contribute to improved profitability include excellent communications, top management support and presence, minimizing layoffs, outplacement assistance, partnering with communities and workers' representatives, generous benefit packages and allowances, reasonable notice, job creation, community safety nets, and site rehabilitation.

The second is a systemic strategy of continuous downsizing with a no layoff policy and a lean management philosophy and culture. Because of unfavorable past experience, more and more European companies are finding that continually seeking productivity improvements without layoffs has a higher payoff in the long run than periodic downsizing exercises with massive layoffs. Japanese

companies discovered this long ago.

Another downsizing strategy is an intermediary process which focuses on streamlining and eliminating work as a basis for reducing the number of jobs. These opportunities may result from investment in labor saving technology, reengineering business processes, project team profit improvement programmes, restructuring of logistics systems, and rationalization of manufacturing, or outsourcing.

Best Downsizing Practices

What can we learn from companies that have downsized successfully?

1. Corporate social responsibility is engrained in the corporate ethic and code of conduct.

To a large extent, success is assured or compromised before the issue of downsizing even comes up. Companies which seek to meet the needs of all stakeholders on an ongoing basis usually apply this same philosophy to downsizing. For example, the extent to which human resources are recognized and managed as important assets or simply as costs, and the role and importance of the human resource function -- strategic or administrative -- will also determine how an enterprise approaches the human dimension of downsizing. The French group, Danone, for example, states in its recent Social Report, no employee should be left alone to deal with a job problem and jobs must be created wherever they are destroyed. The history of employee and union relations and community involvement will affect how those constituents are managed during downsizing.

2. They adopt a philosophy of continuous improvement.

Whether volume is going up or down, they continuously seek opportunities to streamline processes and to eliminate work. They avoid overstaffing. Two key aspects of continuous downsizing are, first, anticipation of imbalances between skill needs and resources as various businesses grow and decline as well as the necessary reconversion and retraining for employability. The second aspect is the use of temporary personnel to meet peak needs and to perform work that is likely to be eliminated.

3. Their decision to downsize is well prepared.

This involves carrying out the upstream approaches to restructuring discussed above before deciding to dictate immediate reductions in personnel. It also involves identifying major risks, calculating all the costs, both direct and indirect, associated with alternative strategies and policies, and evaluating all alternatives which would reduce the need for layoffs. Examples would include retraining and transferring redundant employees to other units in the company, using attrition to absorb redundancies, work sharing, laying off temporary employees, freezing or reducing hiring, and changing pay and working hours to eliminate part of the need to downsize.

4. They plan the downsizing process very carefully.

Some research has shown that almost half of the effort to implement downsizing should be done before the downsizing announcement is made. In the case of plant closings in regions with limited alternative employment, this planning phase may last for years and include finding alternative uses for the site as well as jobs for the employees. The plan must identify and respond to the needs of all the stakeholders concerned, including employees whether being separated or survivors, managers, community leaders, local businesses, politicians, media, and government agencies that might be involved as partners or regulators. It is of utmost importance to articulate a credible vision to gain the adherence of managers and survivors and their understanding that the future prospects justify their own collaboration during the downsizing. Generous benefit packages and allowances and reasonable notification periods can go a long way to demonstrating management's concern. Planning the announcement and communications to each group and to individuals who will be affected is important. Action plans must be developed for all concerned. Often government agencies, which regulate and ensure adherence to laws concerning layoffs, can act as partners and contribute services such as retraining, job placement, and support for new business startups. Laws requiring social plans and prior information or consultation with workers' representatives must be respected. At the same time, opportunities should be explored to increase the volume of work and thus employment. An example is insourcing work that might have been outsourced earlier. In Japanese companies, diversification has often been motivated by the need to provide continuing employment to its family of employees. Often cross-functional teams are created to develop these plans and to follow implementation. In the event of major layoffs and/or site closings, responsible companies may create full-time reemployment units which provide maximum support to each employee who will be directly affected either through transfer or outside employment. They may also play a role in external job creation and provide support for small and medium size enterprise development.

5. Their announcement strategy and communications are well prepared.

In major downsizing efforts, announcements and communications should become a highly orchestrated event and one which convinces all stakeholders that immediate and dramatic change is necessary. Decisions about the message and the business rationale for downsizing, about who should inform whom and when, and about the vision of the business and what employees can expect in the future, must all be carefully managed. Prepared announcements are needed as well for the media, local community officials, and other concerned parties.

6. The implementation is well managed.

This final phase is the real moment of truth when management demonstrates whether its people really are its most important assets or simply another item of costs. How many times have we heard about, read about, or been part of a Friday morning downsizing announcement inviting those being dismissed to clear out their desks or lockers and turn in their badges before noon? Contrast this with mandatory social plans in countries like France which must demonstrate to government labor inspectors that careful attention has been given to finding a

satisfactory solution for each employee being dismissed. Some guidelines to responsible implementation include using natural attrition and reduced hiring to the maximum extent possible, seeking all possibilities to transfer redundant employees to other divisions or units of the company, calling upon suppliers and other business partners to hire temporarily or permanently, offering generous early retirement and voluntary separation packages, providing training for reemployment, encouraging and assisting employees to set up their own small enterprises, and organizing internal and/or external outplacement services to help employees find alternative jobs for which they are qualified. Responsible companies invest considerable effort and money in creating and managing reemployment centers. The tasks of these centers are to help employees analyze their own skills, strengths and weaknesses; identify types of jobs in which they would do well ; prepare resumes; and learn how to handle job interviews. They collaborate with local government employment agencies and actively locate new jobs being created in the area. External outplacement firms are growing rapidly throughout the world, including in Japan and other cradles of lifetime employment.

The outstanding characteristics of responsible companies are that they treat employees affected by downsizing with respect and dignity, that their policies are perceived to be fair to surviving as well as departing employees, that they overcommunicate throughout the implementation process, that there is continuous top management presence and support for the effort, and that the time span for realizing reductions is sufficiently long to minimize layoffs or render them unnecessary. Obviously, increases in salaries and large bonuses for top executives during a painful downsizing operation do not earn the respect of survivors or supervisors directly involved in these efforts.

While the above discussions have focused on responsible treatment for employees, it is clear that the needs of other stakeholders affected by downsizing must also be met. Communities in which one company is a dominant employer can be decimated by a plant closing unless considerable effort and investment is made in partnering with community officials, appropriate government authorities, and even suppliers, to create alternative employment and use of office and plant facilities to be closed. Some companies also offer safety nets to certain non-profit organisations in the community which are severely affected by a site closing. Reconversion of isolated sites may take five years or more to plan and implement. Loyal suppliers may also be vulnerable and need support.

Conclusions.

There are several conclusions or reflections with which the author would like to leave readers and executives involved in restructuring:

We can expect the rapid rate of change and turbulence to continue and even accelerate for the foreseeable future. Restructuring and downsizing will be part of every manager's job and responsibilities.

A great deal can be done to diminish the need for restructuring and the impact

on stakeholders through lean management, continuous improvement, and anticipating and planning the reconversion of activities in decline.

Responsible restructuring makes good business sense. It helps to avoid the hidden costs and builds trust and empowerment among surviving employees and managers.

Effective management of the human resource function and system is one of the critical factors for successful restructuring and downsizing. Human resource professionals have a central role in such areas as preserving core competencies, training, communication, employee involvement, fairness and equity in personnel decisions, and outplacement assistance to departing employees.

There is a slow but perceptible global convergence in restructuring practices. Multinational companies are beginning to extend home country practices and policies abroad while other companies are learning more about responsible practices and the hidden costs.

There is increasing partnership of business with government (local, regional, and national), workers representatives, and non-governmental organisations in following responsible practices such as retraining and reemployment assistance. Certain international agencies also play an important role in developing and emerging countries in seeing that minimum safety nets and retraining opportunities exist for displaced employees

The articulation and communication of vision, mission, and values are important to an organisation's ability to restructure and adopt continuous improvement as a basic philosophy. Trust, partnership, and empowerment are part of the culture of tomorrow's leading edge companies.

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