This article addresses the concept, practices strategies, impact, and implications of downsizing in a common way, followed by Indian context of downsizing in India. In the light of the above statement, it presents some cases on downsizing with a view to providing a multidimensional picture of this paramount phenomenon. The study express that there is a general tendency with firms to resort to downsizing as a short-term strategy to solve their long-term problems. though the downsized firms could register rise in productivity initially, these gains could not be sustained over a period of time. Finally, it reveals that success in downsizing requires matching the strategies with situations and convincing employees about the logic of downsizing.

Introduction:

Downsizing or rightsizing is an expression used to describe the strategy of achieving competitiveness through reduction of work force. Optimal utilization of resources is sustainable proposition, both economically & socially. low unit cost are an important consideration in attracting investment and generating more jobs, and thus contribute to the reduction of unemployment and poverty

Downsizing refers to reducing, usually dramatically, the number of employees from the firm (Dessler, 2000, p. 505). It is "a deliberate organizational decision to reduce the workforce that is intended to improve organizational performance" (Kozlowski et al., 1993, p. 267).
The deliberate or intentional nature of downsizing is also seen to be important both in defining downsizing and in differentiating it from the related concept of organizational decline (Kozlowski et al., 1993). Whereas decline is associated with the unintentional loss of market share, revenue, or personnel; downsizing is seen to be a deliberate attempt by the management of an organization to take action to adapt itself to changes in its operating environment (Cameron, 1994b; Freeman and Cameron, 1993).

Although it is recognized that downsizing may be used when an organization is confronted by conditions of decline (Kozlowski et al., 1993), Freeman and Cameron (1993, p. 13) emphasize that a distinction should nevertheless be made between these two concepts because organizations can downsize without declining, and downsizing can be used proactively to enhance competitiveness.

Another element of this definition refers to a reduction in the size of an organization's workforce. This leads to the crux of the problem associated with downsizing. As Shaw and Barrett-Power (1997) point out, the measures typically used to assess the effectiveness of downsizing from a corporate perspective are clearly inadequate as a means to understand and manage its impact on stakeholders such as work groups and individuals who survive this event. Such corporate measures will be related to profitability, productivity, returns on investment, customer satisfaction ratings, etc. While these measures may suggest that a downsizing process has had a negative impact on those who survive as employees in the organization, they can only serve to highlight the presence of psychological and behavioral consequences for survivors.

**Reasons for Downsizing**

The possible reasons for work force downsizing could be external and internal

**External Reasons**

1. Structural and other changes in economy or enterprises
2. Changes in environment
3. Changes in technology
4-changes in ownership and control
5-Business process re-engineering, including reassessment of many pattern and work simplification
6-Outsourcing, contracting out, parallel production, lease license manufacturing.
7-Introduction of information technology.
8-Product/Process obsolescence
9-Material substitution (for e.g. Jute to plastic)
10-Chronic sickness/corporate failure
11-Decline in employment elasticity due to automation of routine skills

**Internal Reasons**
1-Improper/inadequate human resource planning
2-Wrong selection/recruitment/placement
3-Inadequate training
4-Inadequate/improper motivation/reward system
5-Substitution of labour with capital

**Strategies**
Contemporary terms such as `re-engineering', `rightsizing', `layoffs', `workforce reductions', `organizational decline', `rationalization of workforce', and `reorganizing' are regularly used as substitutes for downsizing. While they do denote to some extent a common meaning, each has its own connotation (Cameron, 1994a; de Meuse et al., 1994; Freeman, 1994). It is therefore useful to know the nuances of the more commonly used of these terms, which are sometimes employed to connote variable strategies.

There are many alternative strategies of downsizing. Intended staff reductions are one among the plethora of strategies of downsizing. This kind of downsizing is done through attrition, early retirements or outplacements. Reducing the work, not only the number of employees, is another downsizing measure (Cameron et al., 1991; Cisco, 1993). In a survey conducted by the Right Associate Consulting Firm, it was found that as many as 70% of firms that had downsized used a hiring freeze. Other courses of action include divesting unrelated businesses selling off capital assets (Mone, 1994), eliminating functions, hierarchical levels and units (Cascio, 1993), restricting overtime (Mishra and Mishra, 1994) and retraining or redeploying employees (Cameron et al., 1991; Mishra and Mishra, 1994). Finally, downsizing sometimes invokes cost
containment strategies through which activities, such as transaction processing, information systems, and sign-off policies are streamlined (Cameron et al., 1991; Cascio, 1993). The strategies and rationale to pursue them are divergent and need to be examined closely. An overview of the various modes of downsizing shows that broadly there are three different strategies that firms adopt to downsize the workforce. They are: workforce reduction strategy, work redesign strategy, and systemic strategy.

**Workforce Reduction Strategy**

Workforce reduction, often the first choice of strategies for firms that downsize, is generally thought of as a quick-fix, short-term and a "grenade" type solution, and includes transfers, outplacements, retirement incentives, buyout packages, layoffs, and attrition (Cameron, 1994a; Cascio, 1993; Feldman and Leana, 1994; de Meuse et al., 1994). Attrition, induced redeployment, involuntary redeployment, layoffs without placement assistance, and layoffs without redeployment assistance are the five sub strategies that lead to workforce reduction (Greenhalgh et al., 1988; Wagar, 1997). Each of these methods provides the employee with a succeeding lesser degree of protection. According to Cameron (1994a), this type of strategy is carried out at all levels of the organization, without consideration given to insuring that crucial skills and critical human resources are maintained; resulting in a form of "competency anemia".

Mentzer (1996) suggests that instead of indiscriminately laying off employees, the most effective way to downsize may be to consciously and carefully choose the employees to be cut.

There are several benefits associated with the workforce reduction strategy. It provides an immediate shrinkage. Its across-the-board nature compellingly draws the attention of all employees to take account of the unhealthy situation of the firm. It prompts cost savings of day-to-day operations. Finally, it gets the intense attention of the employees of the firm who anticipate further change (Cameron, 1994).

Many negative consequences are associated with this kind of downsizing strategy. When a workforce reduction strategy is undertaken, it is often difficult to know in advance who will be eliminated, what skills may be voided from the firm, and what the exact result in terms of human resources will be once the employees leave (Bruton et al., 1996; Cameron, 1994a; Feldman and Leana, 1994). Further, this type of downsizing strategy is also associated with firm dysfunction, organizational ineffectiveness, and loss of loyalty and commitment. Although firms may feel the necessity to use workforce reduction for their short-term benefits, experience shows that these
benefits are negated by long-term costs. For example, as discussed by Bruton et al. (1996) and Meuse et al. (1994), engaging in workforce reduction may look advantageous only in the short term. The research evidence shows that firms continue to face financial problems as they continue to announce layoffs. Thus, the rationale behind using such a strategy is not easily supported and therefore, it is suggested that instead of engaging in workforce reduction, firms can implement other human resource alternatives such as cutting labor costs, streamlining operations, putting hiring on hold, decreasing or eliminating employee benefits and perks, and shortening the work week (Meuse et al., 1994; Feldman and Leana, 1994).

**Redesign Strategy**

Work redesign aims at reducing work instead of cutting the number of employees or job cutting. This is a mid-term strategy implemented by: phasing out functions, hierarchical levels, departments or divisions; redesigning tasks; combining units; and adopting a shorter work week. Cameron (1994a) claims that it is important that the changes carried out are clearly focused on redesigning work and organizational processes. The research findings indicate that 50% of the firms studied had adopted a redesign strategy at least once.

When firms undertake a work redesign strategy, they are usually able to increase their level of efficiency because of the simplified structure. However, this mid-term strategy involves only localized improvement within the organization, and hence it does not produce the widespread effects that systemic strategies produce.

**Systemic Strategy**

This is a long-term strategy. The main objective of this strategy is to try to ensure that a continuous, repetitive, seemingly never-ending workforce reduction will not have to be carried out in the future. This is a long-term strategy. A systemic strategy relates downsizing with simplifying all areas of the company, including suppliers, design processes, marketing, sales support, and production methods; in essence, the whole organization is simplified. A systemic strategy focuses on eliminating the status quo, emphasizes culture, allows the appropriate amount of time for implementation, even while looking at long-term payoff (Cameron, 1994a).

Of the three strategies discussed above, the systemic strategy is found to be the one that is most likely to produce positive results. As Cascio (1993) argues, in order to sustain long-term improvements in efficiency, organizations must engage in continuous improvement processes that include not only organization redesign but also systemic changes, which help eliminate
redundancies, wastage and inefficiency. By engaging in continuous improvement strategies, the need for periodic radical and drastic reduction in headcount is alleviated. Further, simply laying off workers and not making any attempt to change work processes or tasks results in ineffective downsizing. Firms that try to improve productivity by cutting headcount often end up with over-worked, over-stressed, distrustful, bitter and angry employees (de Vries and Balazs, 1997; Mentzer, 1996; Schmenner and Lackey, 1994; Touby, 1993).

Notwithstanding the fact that the three downsizing strategies are not necessarily independent of each other, it is also found the firms that are downsizing are mostly found to be relying on one or the other strategy rather than adopting several alternatives across the different strategies. It is also found that the firms that effectively downsize, generally plan, invest in analysis, encourage participation from all stakeholders, and thrive on information exchange between departments, among supervisors.

Practices

In the light of the global and national macro-scenarios discussed so far both private and public have started reducing their work force. In the business dailies and business magazines one reads almost daily so many organizations are laying off their employees, their though voluntary retirement schemes or through simple layoffs.

Now we discuss downsizing practices of Compaq Computers and Tata Steel to provide a micro glimpse of the brass tacks of successful downsizing. These success stories are narrated with a view to give an indication of how best a firm can downsize its workforce by minimizing its negative effects. Besides, they respectively represent a multinational concern and a national concern so as to get a peep of dynamics of downsizing at both global-cum-national levels.

Downsizing at Compaq Computer

Compaq Computer of Houston, Texas laid off (downsized) 2,000 employees in October, 1991. This was done to compete more effectively with companies having lower cost products on the market (Caudron, 1996). The laid off workers constituted 15% of its workforce. In order to decrease employee feelings of betrayal caused by the downsizing, the human resource department at Compaq launched a campaign to communicate information about the layoff before it actually occurred. Managers communicated information about the layoffs to their employees. This provided two benefits. First, managers were a more credible source of information for the employees. Second, if employees had questions concerning the downsizing, they could have
them answered immediately. It was thought that survivors could be given an understanding of the strategic reasons for experiencing the downsizing, so that negative rumors would be kept to a minimum, and employees would better comprehend in what direction Compaq was heading and what was imperative for the company to achieve its aims.

In addition, prior to the downsizing, management went through a training program that was not only concerned with how to give support to the out placed workers, but also with how to help the surviving employees. During four-hour long training seminars supervisors were explained the reasons for the layoffs. Information concerning Compaq's competitive environment was also given to the supervisors. They were also shown how to conduct their meetings with their subordinates that would explain the moves to them. Finally, supervisors were given a leaflet concerning questions that they might be asked and how best to answer them.

In addition, Compaq put emphasis on telling the survivors how the employees that were laid off were being treated. The company believed that if survivors knew how their laid off colleagues were faring and knew what was being done for them that they would view the whole downsizing process more positively.

The positive result of Compaq's program to keep the survivor syndrome to a minimum was evident eight months after the layoffs. Compaq announced the introduction of a whole range of lower-cost products. The fact that they were able to do so less than a year after the layoffs gives an indication of their success at getting the survivors to accept the imperativeness of downsizing and direction that the company was heading in. Moreover, employees accepted the downsizing as being inevitable and necessary for Compaq's success and survival.

**Downsizing at Tata Steel**

Tata Steel, a progressive business enterprise producing steel in India, runs everything from housing to hospitals in the steel city of Tatanagar. Tata Steel has evolved a unique Employee Separation Scheme (ESS) for workers, which was intended to separate workers without pain.

The information about VRS was communicated through various channels like channel T (the local Jamshedpur channel), newsletters and communication from managing director and deputy managing director through intranet.

*Between 1995 and 2001, the Company successfully managed to reduce its workforce from 78,300 to 47,300. Surprisingly, it did not cost much to the company as the company realized that the big payoffs in Voluntary Retirement Scheme (VRS) come not from the savings but from*
indirect costs. Unlike other companies, the company offered a salary-like structure, through which employees continued to get paid their wages without incremental indirect payments like gratuity, bonus or provident fund contributions.

Apart from regular salary, the ESS takers were provided with medical benefits at Tata Medical Hospital for those who stayed in Jamshedpur and an insurance card offered to the rest. A sum of Rs. 3 lakh advance payment is made from an employee's salary without charging interest for those who have to vacate the company house. For those who are looking for further employment, onsite consultants were appointed to help them in writing better CVs. No wonder, with all these, the employees have taken exit in their stride and the company has successfully executed the ESS scheme.

Conclusion

Downsizing, or a sudden reduction in the workforce, has been the offshoot of the LPG drive that became manifest in the closing decades of the 20th century. Downsizing is not a monolithic phenomenon and it has assumed diverse forms such as re-engineering, layoffs, organizational decline, attrition, early retrenchment, voluntary retrenchment, compulsory retirement, outplacement, etc. While the votaries of downsizing have rather romanticized this phenomenon by calling it as 'rightsizing' or 'workforce rationalization', its detractors termed it as 'dumb sizing', 'lean and mean' or 'lean and lame' rhetoric. Plethora of factors have combined to make downsizing as, perhaps, the single most pervasive trend in the contemporary human resource management domains of firms and enterprises-public or private, local national or global, big or small. It is found that three different strategies viz., workforce reduction strategy, work redesign strategy, and systemic strategy are adapted to effect downsizing. Of these three strategies, systemic strategy is found to be relatively more successful in yielding positive results. It is also found that firms generally resort to downsizing as a short-term strategy to solve their long-term problems. In the most downsized firms, there is initial increase in productivity but this is not sustained over the long term. It is further found that it is possible for downsized firms to achieve success by matching their strategies with particular situations and by carefully conveying the logic of downsizing to the employees concerned. In order to mitigate and minimize the attendant and inevitable feelings of acute resentment and rancour in them

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