Downsizing: The Ethical Perspective

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Abstract

Purpose – This thesis aims to explain and understand the importance of the social and ethical issues in business strategies by studying the case of corporate downsizing.

Methodology – The thesis is based on a theoretical foundation comprising Corporate Social Responsibility (CSR) models as well as downsizing theories. The methods of the system approach were used.

Findings – The concentration on the economical responsibilities and the underestimation of the ethical and social concerns during downsizing processes lead to destructive consequences. Therefore considering downsizing as a last option after the inspection of all the possible strategic alternatives is necessary.

Research limitations – The thesis views downsizing, principally, from an ethical perspective. However some financial and managerial aspects are taken in account.

Originality – The thesis explores downsizing from different angles, the firms’ vision is compared to, and completed by, the perceptions of the different stakeholders. It contributes to the CSR literature by the analysis of a situation in which the different responsibilities of organizations clash.

Keywords – Business Ethics, Corporate Social Responsibility, Downsizing, Leadership, Management.

Paper type – Master Thesis.
Table of Contents

Introduction .................................................................................................................... 6

Methodology .................................................................................................................. 8

I. Corporate Social Responsibility & Business Ethics ................................................. 10
   1. Corporate Social Responsibility (CSR) .............................................................. 10
      1.1 History ....................................................................................................... 10
      1.2 Definitions ................................................................................................ 12
      1.3 The components of corporate social responsibility ................................. 13
   2. Business ethics .................................................................................................... 16
      2.1 History ....................................................................................................... 16
      2.2 Definition .................................................................................................. 17
      2.3 Why business Ethics? ............................................................................... 18
   3. CSR and Downsizing ......................................................................................... 19

II. Downsizing ............................................................................................................. 21
   1. History ............................................................................................................. 21
   2. Definition ......................................................................................................... 22
   3. The causes of downsizing ............................................................................... 24
   4. The expected results and positive outcomes of Downsizing ....................... 26

III. Empirical illustration ........................................................................................... 29
   1. Michelin Group ............................................................................................... 31
   2. Danone-Lu ...................................................................................................... 35
   3. Moulinex .......................................................................................................... 39
   4. Heineken – Adelshoffen .................................................................................. 43
   5. The phenomenon persists... the consequences too! ....................................... 46
   6. Analytical conclusions .................................................................................... 48

IV. The downside of downsizing ................................................................................ 51
   1. The destructive effects of downsizing on companies .................................... 53
      2. The destructive effects of downsizing on the individuals ......................... 59
         2.1 Downsizing effects on the Victims ......................................................... 59
         2.2 Downsizing effects on the Survivors ..................................................... 60
         2.3 Downsizing effects on the decision makers ........................................... 64
   3. Other effects of Downsizing .......................................................................... 64
   4. Downsizing or not!? ....................................................................................... 65
V. The Alternatives and Management of Downsizing ........ 68

1. The alternatives to downsizing ................................................................. 68
   1.1 Long term recruitment alternatives .................................................. 69
   1.2 The cost saving strategies ................................................................. 70
2. The characteristics of effective downsizing .......................................... 72
3. The different steps to conduct a successful downsizing process ............ 73
   3.1 The downsizing decision ................................................................. 74
   3.2 The downsizing planning ................................................................. 74
   3.3 The downsizing announcement ....................................................... 76
   3.4 The downsizing implementation ..................................................... 76
   3.5 The downsizing evaluation ............................................................. 77
4. The downsizing opportunities ............................................................... 77
5. The leadership dilemmas .................................................................... 78

Conclusion .................................................................................................. 80

References .................................................................................................. 85
Introduction

“I think many people assume, wrongly, that a company exists simply to make money. While this is an important result of a company’s existence, we have to go deeper and find the real reasons for our being. As we investigate this, we inevitably come to the conclusion that a group of people get together and exist as an institution that we call a company so that they are able to accomplish something collectively that they could not accomplish separately – they make a contribution to society, a phrase which sounds trite but is fundamental.”

Dave Packard, 1960.

Why do firms exist? This question has more than one answer and each one differs depending on several aspects such as the culture, the education and the personal background. In fact most of the scholars agree that companies exist to make money, they are expected to be beneficial and fulfill the profit necessity of the shareholders. However, now more than ever and as stated many years ago by Dave Packard the co-founder of Hewlett-Packard Company, firms are also required to contribute to the development of society and the improvement of its well-being by taking in consideration ethical and social issues.

Furthermore, nowadays most of the business schools are emphasizing on the managerial aspects that allow the potential leaders to generate profit and manage companies successfully but there is a remaining underestimation of Business Ethics in the academic programs (Peterson & Ferrell, 2005). This lack of interest in the field is confirmed by our personal experiences, as business students we have been studying in Business Schools and Universities in Belgium, Morocco and Sweden. We followed various programs in which the focus was different. Marketing, Management, Leadership, Finance, Auditing etc. were the principal options and in all of them there was no specific course dealing with Business Ethics or Social Responsibility.

For these two reasons we attempt, through this thesis, to explain the importance of Business Ethics and Corporate Social Responsibility in the managerial processes, we also display the negative consequences that a negligence of these issues engenders. To this aim we examine one of the situations in which the social and ethical issues are at stake. In fact we dwell on the downsizing strategies involving massive layoffs, these cases are very relevant today and benefit from intensive Media coverage, every time a firm conducts a downsizing action it finds itself in the spotlight and each abuse or violation leads to a deterioration of its reputation and to several other damages.

Our objective in this thesis is to determine the consequences of downsizing and its negative impacts on companies as well as on the different stakeholders. We view the phenomenon from an ethical perspective and we intent to present the different existing alternatives and leadership practices allowing an efficient management of the problem.

In this process we follow a well-defined structure consisting of five principal parts with the different objectives. In fact our first chapter aims to contextualize and to establish a specific frame for the readers, here we introduce the basic concepts of Business Ethics and
Corporate Social Responsibility. We start by a historical study of the concepts, then we provide some definitions, we believe that it is important to have a precise starting point. At this level we also detail the components of Corporate Social Responsibility, then we focus on the ethical issues and we explain why it is essential to take them in account in the business strategies. Subsequently we make the link between Business Ethics and Downsizing which is the principal subject of this thesis.

The second chapter of this thesis introduces the downsizing phenomenon, here again we start by a historical study to understand the circumstances which led to the appearance of this strategic action. We also define exactly downsizing and we provide the real meaning of the concept, we noticed indeed that several scholars use a range of other terms when talking about downsizing even if those do not necessarily mean the same thing, therefore we decided to list its principal characteristics and its differences with the other comparable concepts.

Thereafter we present the reasons that make companies downsize as well as the expected positive results and outcomes.

During our literature review we noticed that several studies and surveys concerning downsizing prove that in most of the cases the anticipated results are not realized and that the general outcome is very negative. Therefore we decided to identify the real consequences of downsizing by the analysis of concrete situations, in fact we chose eleven cases in which massive layoffs occurred and generated destructive results. Here are our cases, all of them occurred in France: Michelin in 1999, Danone-Lu in 2001, Moulinex between 1996 and 2001, and Heineken – Adelshoffen in 2000.

These four cases were analyzed deeply and all the circumstances and conditions surrounding them were taken into account, they illustrate perfectly the negative human and ethical consequences of downsizing. To prove that the identified problems are not exceptional but very common, we decided to consider seven other cases with similar repercussions, however here we do not provide the same amount of details, we focus more in the destructive outcomes. These cases are: The CDT in 2003, eBay in 2008, Cellatex in 2000, Comilog in 2003, Lenoir-Et-Mernier in 2008, New Fabris in 2009, Nortel in 2009.

This chapter is concluded by a comparative analysis in which we determined some commonalities and differences, we also identified the general aspects characterizing all of these situations.

Since our case studies are limited to the French industry we knew that it was not possible to generalize their results. Therefore we decided, in the following section, to consult articles, books as well as studies and surveys from different countries to see if the consequences of downsizing are similar regardless to the cultural, political and other circumstances.

In fact our fourth chapter is recapitulating the findings of several scholars concerning the downside of downsizing. It is also a comparison to the results of the case studies and an analysis from the Social Corporate Responsibility angle.

As Master students in the Leadership and Management in International Contexts’ program, we believe that it is important and necessary to identify the managerial practices and the different aspects that the leaders are required to take into account when downsizing. Therefore after the identification, in the fourth chapter, of the different reasons leading to the failures in the realization of the anticipated strategic objectives, we introduce in the fifth chapter the ensemble of alternatives allowing companies to cut their costs and realize the same planned goals without any recourse to downsizing.

Nevertheless and since we know that some companies succeed in their downsizings strategies, it is judicious to present the leadership practices and the managerial procedures allowing the achievement of an effective and ethical downsizing. It is indeed the objective of this last chapter.
Methodology

During the editing of this Master Thesis we decided, as creators of knowledge, to follow a certain number of steps and to rely on a set of methods. We believe that it was important to first determine the approach that we will use during the whole process, this one was considered as our guiding line.

To this aim we followed methodology classes and we consulted the literature dealing with this subject, the reading of “Methodology for Creating Business Knowledge” allowed us to identify the different methodological features and to choose the most appropriate according to our research area.

In this part of the thesis we go through the ensemble of means that we used during our knowledge creation’ process, we also attempt to explain the reasons of our choices.

The methodological views
In addition to the “Grounded Theory” which is, according to Strauss and Corbin (1998), one of the most used methods while carrying out a qualitative research. We identified three other principal methodological approaches.

- **The analytical approach:** This approach aims to provide an explanation of the reality, here the objective and subjective facts are independent, they are free from each other. The results a researcher gets from this methodological view are logical models and representative cases, those lead to find a significication of the relations that exist between causes and effects. However it is required to make more developments to understand correctly reality. The analytical approach is based on hypothesis, nevertheless reality is factive to engender both objective and subjective facts, in fact the objectives facts are those associated to real situations while the subjective facts are those which are likely to be influenced by our own opinion and interpretations (Björn Bjerke, 1997).

- **The system approach:** This approach intends to provide either an explanation or an understanding, here the perception of reality is different and this one is considered as a whole in which every element and its relation with the other components are significant. Therefore the sum of the different parts differs from the system itself because of the connections existing between the parts. The consequence is that the objective and subjective facts are explained or understood as systems (Björn Bjerke, 1997).

- **The actors approach:** In this approach the focus is the determination of meaning, this one refers to the understanding and significance that each creator of knowledge relates to a particular concept. The objective of this methodological view is to understand reality and comprehend it as a social construction. Here the “Actor” is the principal character, this human being is reflecting and behaving actively while creating knowledge, the “Observer[s]” is also important, he creates understanding and generates new thoughts (Björn Bjerke, 1997).

The area of research and methodological approach
During our knowledge creation’ process we were planning to use the Analytical Approach. However since we aim to explain and understand the downside of downsizing, its ethical consequences as well as its repercussions on the Corporate Social Responsibility of companies, and considering the different feedbacks we received regarding this subject, we decided to use the System Approach because we believe that it is the most appropriate one in our context.
As explained above this approach views reality as a whole where each part and its relation with the other parts are important, the subjective and objective facts are explained or understood as systems. This conception of reality is well applicable in our case, in fact we consider that Business Ethics and Corporate Social Responsibility are an integral part of the Business systems, we cannot explain or understand their importance if we do not take in account the whole system.

Moreover, and as explained by Björn Bjerke (1997), the goal of the System Approach is to find the kind of system, describe it, determine finality relations, predict and guide. In the determination of finality relations, the starting point is the formulation of a problem, its explanation and understanding. This process corresponds perfectly to the way we carried out our thesis, indeed our starting point was the determination of a problem, we have chosen the Downsizing case and we explained the importance of the ethical and social issues during its implementation as well as the consequences of their negligence.

**Data collection**

According to Björn Bjerke (1997) the system view offers several techniques for collecting data, the consultation of secondary information, the reliance on direct observations and interviews are very common. Moreover historical studies as well as case studies are usually used to provide a better explanation of reality.

- **A literature review:** The first step in our process was the consultation of the literature and the acknowledgement of the different concepts that we are introducing in our thesis. We reviewed a considerable number of books and articles dealing with CSR, Business Ethics and Downsizing. Their summarization and the combination of the different parts allowed us to express clearly our ideas and to contextualize them.

- **Historical studies:** In order to provide a clear explanation of each concept it is essential to take in consideration its evolution as well as the circumstances which contributed to its emergence. Therefore we made three historical studies concerning CSR, Business Ethics and Downsizing. Those allowed us to understand and explain why these concepts are very present today in the Business world and why it is important to comprehend them and be aware of their characteristics.

- **Case studies:** Our intention while using case studies was to demonstrate the negative consequences that a negligence of the ethical and social concerns may lead to while managing a company, especially in the downsizing situations. Therefore we have chosen eleven cases occurring in France between 1999 and 2009, the focus of each case as well as the amount of details differ, in the first cases we made a complete analysis of the situation while for the other cases we focused in the most relevant facts. During this process we used articles from books, newspapers and magazines. Our principal sources were *Le Monde, Les Echos, L’Humanité, Le Point, Le Progrès, The New York Times* etc.

- **Interviews:** we also used some interviews conducted by journalists, those were principally accounts given by dismissed workers, they retell their different experiences. Furthermore and to have more than one view concerning each situation, we used interviews conducted with the CEOs and managers of companies that implemented downsizing. Those allowed us to compare the executives’ justifications and the interpretation of these actions by the public opinion and other stakeholders. All the interviews were used in the third chapter.
I. Corporate Social Responsibility & Business Ethics

1. Corporate Social Responsibility (CSR)

1.1 History

The concept of CSR and its formulation occurred during the last century but the concerns about the social issues and responsibilities accompanying the exercise of economic activities are as aged as business itself. In fact all the scholars agree that questions regarding society and environment are not new, many studies aiming to reconstitute the history of CSR exist and they all give good examples showing how the concept was considered and how it evolved during the different eras.

In this historical study regarding CSR we try to describe two eras and give concrete examples illustrating the efforts and variations that occurred in each period. The first epoch here is the one preceding 1800, whereas the second epoch is the one following 1800 characterized by revolutionary changes that reshaped the industry.

The social issues before 1800

The efforts and consideration of social and environmental concerns have constantly been surrounding the exercise of lucrative activities. Some researchers argue that efforts within the field were accomplished more than 5000 years ago, for example several laws were protecting forests and regulating the logging activities during this era.

Approximately 1700 before Jesus Christ in Mesopotamia the king Hammurabi established a convention in which farmers, builders and many other artisans were sentenced to death if they caused the death of others or any other inconvenience to the other inhabitants (Asongu, 2007).

Asongu in his historical study of CSR reported several other stories and provided concrete illustrations from different parts of the words. The Roman Empire for instance was collecting funds to finance some specific kind of social activities, in 1622 a Dutch company established in India complained about the self enrichment of its managers by the use of some written documents. In Africa several examples exist, we can mention those of the Nigerian and African farmers and hunters who reserved a part of their own crop to the leader of the tribe, this one was supposed to use it beneficially for his community.

In addition to these examples it is interesting to mention that the Christians have a similar view of business. In the Bible for example there is a denunciation of the interests that one charges when lending money and several representatives of the Catholic Church support CSR. This condemnation is also valid in Islam where the Koran forbids this kind of practices. Moreover both these religions insist on the fair reparation of wealth and encourage the sense of community. Therefore it is possible to view the concept from a religious perspective (Asongu, 2007).

Through the different eras and civilizations numerous efforts were made in order to protect the environment and safety of the society. We gave those fascinating examples to make people aware of the existence of this concept, in fact if we have chosen to separate our
historical study in two parts: the before and after 1800, it is mainly because we believe that
the trade was reshaped and entirely redesigned after the industrial revolution of this era.

**The social issues after 1800**

During the 18th century and especially its second part characterized by an immense
industrial revolution, issues concerning workers and the efforts allowing the raise of their
productivity were at stake. In fact the social concerns and the helps given to the employees
in order to make them contribute to society and fulfill their needs were increasing, moreover
there was a remaining criticism to the employment of women and children in different part
of the worlds. Therefore a social movement claiming humanitarianism, charity and business
acumen arose (Crane, McWilliams, & Matten, 2008).

The focus of the efforts during this era was made to avoid the labor problems and enhance
the performance, however there was a kind of philanthropy in the business and a lot of
actions were conducted in the patrons of the arts, the building of churches and educational
institutes as well as the financing of various community projects.
These efforts were viewed differently from one person to another, while some considered
them as a responsible behavior with social aims, others believed that the improvement of
the worker-employer relation and the different other initiatives are driven by business
motivations. This discussion is still very relevant today and several specialists argue that
companies actions are not driven by a true concern for society, it is for them just an
opportunity to increase their profit and attract more customers (Crane, McWilliams, &
Matten, 2008).

During this era and in the beginning of the 20th century several cases of companies and
organizations promoting social programs existed. We will not go in detail with all the actions
distinguishing the efforts of the business community at this time, however we can mention
some interesting examples such as the one of Young Men’s Christian Associations (YMCAs)
which is a good illustration of the early initiatives in the field of social responsibility. In fact
the YMCAs actions started in London in 1844 and spread rapidly to the USA, this
association was encouraged not only by independent individuals but by influent companies
as well. Before the First World War companies’ investments in the actions improving the
welfare of society were increasing and most of the social programs were associated with the
YMCAs especially in some specific industries such as the railway sector (Crane, McWilliams,
& Matten, 2008).

The social manifestations increased progressively and the concept evolved slowly, in the
early 1950s Bowen, who is considered by most of the specialists as the father of Corporate
Social responsibility, published *Social Responsibilities of the Businessman*, this book marked
the commencement of a new period of literature concerning the subject. At this time
corporate social responsibility was more acknowledged as social responsibility, this
appellation could be explained by the fact that business was not characterized by the
notoriety and domination of the modern corporations. In his book Bowen addressed many
issues, one of the most important concerned the responsibilities that businessmen are
supposed to assume toward society. Bowen believed that the leading companies of his era
were important centers of authority and influent decisions makers, their actions affect the
lives of citizens in many ways. He argued that social responsibility was not a guide providing
solutions to all the social problems occurring during the practice of business, he viewed the
concept as a significant truth that must direct business in the future (Crane, McWilliams, &
Matten, 2008).
This decade marked the starting of an important debate concerning CSR, it was a period of talking rather than doing when the executives and managers familiarized with the concept and got used to it. In fact Bowne introduced the idea and proposed fascinating management strategies including important organizational changes that increase business responsiveness and focus on the social concerns (Crane, McWilliams, & Matten, 2008).

From the beginning of the 1960s to the 1980s CSR debate grown in importance and several scholars attempted to define the real meaning of the concept. Keith Davis, William C. Frederick, Clarence C. Walton, Carroll and many other important intellectuals proposed definitions and models dealing with the different features of CSR. The beginning of the 1970s marked an important change, in addition to the publications and growing interest on the field, official governmental regulations were passed concerning the environmental issues, the protection of the staff, the customers and the employees. Therefore companies adapted to theses laws by the creation of specific mechanisms.

In the 1990s the concept of CSR became larger, besides the community involvement there was an increasing interest for responsible products, procedures and employees relations. This interest remains very present and in the beginning of the twenty first century new concepts arose, we can mention for instance corporate social performance, sustainability, corporate citizenship, business ethics, stakeholders’ theory... (Crane, McWilliams, & Matten, 2008).

Nowadays the social issues are at stake, the last survey of PriceWaterhouseCoopers concerning the challenges facing today leaders showed that companies are conscious of the importance of CSR. The investments on the ecological technologies and environmental issues increased even during the last crisis and climate change strategies are very relevant in the largest corporations. Companies are also very conscious of the reputational advantage that their ethical conduct may offer them, therefore the management of employees during the crisis and especially in time of restructuring is a very sensitive subject that creates an immense discussion and attracts the interest of the different stakeholders.

All in all we can say that corporate social responsibility has always been present in the business activities, however the appellations and terminologies were different and are still evolving, in fact even today we have some new terms describing CSR. Nevertheless the concept as we know it today arose in the 1950s and grown in importance with the years. Nowadays business leaders are aware of the sensitivity of the subject and cannot deny it during the decision making process and the formulation of the firms strategies.

1.2 Definitions

“The term [CSR] is a brilliant one; it means something, but not always the same thing, to everybody”


If social issues are very relevant and have always been surrounding business activities, the concept of corporate social responsibility is perceived differently from one person to another. There is a lack of common definition in the literature and it makes the discussion about the importance of the concept and its significance in the decision making process very complicated and confusing. Consequently it is necessary to first agree about the understanding of CSR and its meaning before going deeper into the subject.
One of the most relevant definitions of CSR claims that corporate social responsibility concerns the treatment of the firm’s stakeholders in an ethical or responsible way. This one consists of economical and environmental responsibilities and intends to offer better conditions of living for people in general whereas maintaining the profitability of the company. Every organization influences both its stakeholders and the society in which it performs, thus considering them at the strategic level and taking their needs in account is necessary. In fact CSR do not only concern the investments of companies in the social issues and problems of a community, it is more about the integrity and sincerity of the corporation, the way this one embodies its values, achieves its objectives and accomplishes its mission (Hopkins, 2007).

Another definition that we find pertinent, very simple and complementary to the first one is that CSR incorporates the responsibilities that organizations have to the society in which they perform. Practically CSR concerns the identification of the different stakeholders and the incorporation of their necessities and needs in the company strategies (Assongu, 2007).

To give a better explanation of CSR and its different components, it is judicious to analyze the existing theories and frame the concept. In our review of the literature we identified a model that we can consider as the starting point of the debate concerning the composition of CSR. In fact Archie. B. Carroll separates the social responsibilities of a corporation in four parts, the economic, legal, ethical and philanthropic responsibilities. In addition to the definition of each category Carroll represent the different components in a pyramid.

1.3 The components of corporate social responsibility

All the four types of responsibilities mentioned in the introduction have always existed, however it is during these 50 last years that the ethical and philanthropic issues became significant in the business area. In this part of the thesis we describe the pyramid of Carroll and consider profoundly each category of corporate social responsibilities.

As illustrated in the pyramid of Corporate Social Responsibility, the economic performance is considered as the base of the four other responsibilities. In fact being beneficial is the first and main objective of every business.

In addition each company evolves in a specific context, therefore the consideration of the rules of the game and the fulfillment of the legal responsibilities is very important, it comes in the second position.
In the third position we find the ethical responsibilities, those refer to the right and fair behaviors that companies must adopt by treating all the stakeholders justly and without any damage.
Finally, every corporation has to contribute to society and be a good citizen. It is the Philanthropic responsibility (Lamb, Hair & McDaniel, 2008).

**The Economic responsibilities**

If we come back to history we realize that companies were founded in the shape of economic units aiming to offer goods and services to society. The profit necessity was considered as the first motivation of every entrepreneur, in fact the principle was to satisfy the needs and wants of the customers in order to generate a suitable profit. With the time this principle was changed, the profit motivation turned to the notion of profit maximization. This transformation became the permanent guiding code of every company and the foundation in which all the different other responsibilities rest, in fact without it all the other considerations become questionable. This is the reason why it is the base in the pyramid of CSR and represents the first and largest level (Carroll, 1991).

We personally believe that this repartition of the corporate social responsibilities is very pertinent because most of the people may think that while talking about social responsibilities one ignores the profit necessity. However here we notice that the economic objective is the base of all the other responsibilities, therefore no one is allowed to ignore the profit motivation and the debate about the ethical and social concerns become meaningless without its consideration.

**The legal responsibilities**

While businesses are performing with the motivation of generating and maximizing profit, societies expect them to simultaneously respect the regulations and laws established by the official institutions such as the state, government... These rules are considered as the frame within which each company must perform (Carroll, 1991).

Carroll explained that legal responsibilities are viewed as “codified ethics” created by the legislators, they represent the fundamental concepts of justice and fairness that must go along with the practice of business. These responsibilities are considered as the second level of the pyramid because of their importance, in fact with the economic responsibilities they represent the essential principles of the modern and free enterprise.

**The ethical responsibilities**

If the legal responsibilities represent the ethical rules stated in the laws and regulations, the ethical responsibilities refer to the societal and voluntary actions realized by the organizations even if they are not imposed by legal documents. It is the activities reflecting concerns and protecting the moral rights of the different stakeholders (Carroll, 1991).

Numerous scholars consider these responsibilities as the base of the legislations, in fact they are the main reason of the establishment of new laws and regulations. In other words they embody the rising values and standards that the members of society would like to combine with the business activities. Therefore ethical responsibilities are always very debated by the different components of the public opinion, their weak definition and the perplexity regarding their justification make their implementation in business strategies and processes very complicated and difficult (Carroll, 1991).
Nevertheless the ethical concerns are considered as an essential and justifiable element of corporate social responsibilities. They are positioned on the third level of the pyramid and are continually connected to the second level, they enlarge the legal responsibilities and make the business entities perform with higher standards than expected by regulations (Carroll, 1991).

As far as our thesis is concerned we emphasize on the importance of the ethical responsibilities. In fact ethics in business refer to the right and fair treatment of the different stakeholders, including the employees. In the downsizing situations this category of people is under the spotlight and their treatment, the respect of their rights and the way companies interact with them is an extremely sensitive subject. Therefore we will dwell on this kind of responsibilities and provide better definition of Business Ethics as a concept in the following section.

**The philanthropic responsibilities**

Philanthropy includes the corporate achievements that allow a company to respond to the expectations of the society. It is the set of contributions that permit an organization to fulfill the corporate citizenship responsibilities, we can mention for example the programs and actions encouraging human wellbeing, the participations to artistic manifestations, educational programs or any other kind of contribution to the society (Carroll, 1991).

The difference between the philanthropic responsibilities and the ethical responsibilities is that those are not regarded as unavoidable; they are more deliberate from the businesses. In fact even if people want to see firms contributing in the different types of programs mentioned above, companies are not considered as non ethical or irresponsible if they do not offer a specific degree of concern. Therefore we can say that these responsibilities are greatly valued but they are not as important as the three others. Philanthropy could be considered as a plus for a company (Carroll, 1991).

Even if the model of Carroll representing corporate social responsibility and its different components has faced a lot of criticism and has been much debated, it is considered as the foundation of CSR when it comes to the theoretical explanations. Evidently the pyramid simplification is not perfect, nevertheless it provides a presentation of the different elements constituting the complete corporate social responsibilities. Although the different parts are considered separately it does not mean that they are eliminating each other or that the economic responsibilities must be viewed as the ultimate priority. Carroll argues that the contemplation of the different parts separately allows the manager to realize that they are in a regular interaction and that there are remaining tensions between the variant components. If the tensions are considered as company realities and have to be taken in consideration, managers are required to view the pyramid as one cohesive unit and use it positively in the decision making process in order not to underestimate any element.
2. Business ethics

Now that we know how CSR became very relevant in the business and academic circles, and now that we are conscious of the significance of the concept and its different components we focus in the part that is the most relevant in our context, namely Business Ethics. We have been talking a lot about the responsibilities of a corporation including the ethical issues and we considered them as a principal part of CSR. However one must know that Business Ethics as a field has been very debated this last years and many studies exist and examine the concept separately.

Therefore it is very judicious to retrace the evolution of the concept and to provide a definition of its exact meaning. It is also essential to determine the benefits that its consideration in firms’ strategies provides and to illustrate the consequences that a negligence of the ethical issues leads to, all these topics are debated in the present section.

2.1 History

Being a part of corporate social responsibility, the ethical issues are characterized by a comparable development through the different times. In fact ethics has also existed for ages in religious and philosophic circles. It has been related to business in the same way that it was applied to everyday life (Svensson & Wood, 2009).

Before the 1960s ethical issues were not as present as today in business and it was more in the religious circlers that concerns such as salaries, employment conditions, work practices... were evoked. However in this decade a new movement arose in the USA, the economy in general and their policies faced an increasing criticism. Costumers’ rights were at a stake and the discussions concerning the protection of the citizens dominated the public debate. In this era market stability and egalitarianism became much supported and the activities discriminating a specific social class were considered as unethical (Ferrell, Fraedrich & Ferrell, 2007).

The following decade is characterized by the emergence of the concept in the literature and the growing interest of writers, philosophers and business professors in the characteristics of business ethics. Therefore businesses started to care more about their image and several efforts were developed in variant fields, we can mention for instance the unrepresentative advertisings, the environment, the safety of the goods and services etc.

In the 1980s business ethics became a distinct field of study, the ethical organizations grew and courses were taught in the academic sphere. Several famous companies in the American industry created ethical commissions to address the specific issues (Ferrell, Fraedrich & Ferrell, 2007).

We can consider the period starting in the beginning of the 1990s till these days as a critical one because of the crisis and the progress realized in the policies aiming to institutionalize business ethics everywhere in the world. In fact in the latest 1980s and early 1990s the topic of business ethics was perfectly institutionalized in the academic circles, this institutionalization shifted quickly to touch the public policies in the 1990s and 2000s.

During this era the interest of business ethics varied largely and touched numerous different topics, in the 1990s for instance financial mismanagements, frauds, discrimination, sexual harassments, the packages accompanying mergers and acquisitions were extremely debated. By the beginning of the 2000s the abuses augmented and
politicians required an augmentation of the ethical standards in the business circles. The trust in companies declined significantly and several acts were passed to face this loss of confidence, the main act was the Sarbanes-Oxley Act passed in 2002. This one is considered as one of the most influential acts concerning business ethics in the USA history. In 2004 another improvement occurs when the FSOG amendment were passed, in fact because of this act the governmental authorities are expected to be informed continuously about all the ethical programs, they have to supervise their content, accomplishment and efficiency (Svensson & Wood, 2009).

All in all the ethical issues existed since ages but ethics in business became very relevant in the 1960s, their focus evolved with the time and we can distinguish five different periods. Each one is characterized by a set of events and tendencies that influenced the development of the concept both in everyday life and in the business, the following chart recapitulates the important trends:

<table>
<thead>
<tr>
<th>1960s</th>
<th>1970s</th>
<th>1980s</th>
<th>1990s</th>
<th>2000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental issues</td>
<td>Employee militancy</td>
<td>Bribery and illegal contracting practices</td>
<td>Sweatshops and unsafe working conditions in third-world countries</td>
<td>Cybercrime</td>
</tr>
<tr>
<td>Civil rights issues</td>
<td>Human rights issues</td>
<td>Influence peddling</td>
<td>Rising corporate liability for personal damages (for example, cigarette companies)</td>
<td>Financial management</td>
</tr>
<tr>
<td>Increased employee-employer tension</td>
<td>Covering up rather than correcting issues</td>
<td>Deceptive advertising</td>
<td>Financial mismanagement and fraud</td>
<td>International corruption</td>
</tr>
<tr>
<td>Honesty</td>
<td></td>
<td>Financial fraud (for example, savings and loan scandal)</td>
<td></td>
<td>Loss of employee privacy</td>
</tr>
<tr>
<td>Changing work ethic</td>
<td></td>
<td>Transparency issues</td>
<td></td>
<td>Intellectual-property theft</td>
</tr>
</tbody>
</table>

2.2 Definition

If the importance of the ethical issues as well as their significance in corporate social responsibilities have been covered, and if we are cognizant of the origin of ethics and how it became relevant in the practice of business, it is time for us to provide definitions of business ethics as an own concept to clarify it and determine its real meaning.

Ethics is the code of conduct directing a person or a group, it is the study of the individual or collective principles and moral standards. In Business, ethics emphasis on the moral standards related to the policies, organizations and behaviors. It is a sort of practical ethics that includes the examination of the moral values and norms and aspires to apply the result of this examination to institutions, technological innovations and all the business operations and activities (Velasquez, 2006).

Business ethics are structured around values as fairness and honesty, they emphasis on issues that concerns the different stakeholders such as the quality standards, the clients’ satisfaction, the workers' salaries and conditions, the environmental issues and every aspect which is likely to influence the community. Ethics in the practice of business determines
how companies incorporate their principal values such as fairness, respect, equality and sincerity into their strategies and decisions. It also defines how firms adhere to the general standards and internal regulations (Mitchel, 2003).

Business ethics examines three particular subjects: the systemic issues that are considered as the ethical concerns focusing on the economic, legal, political and social structures in which companies perform, the corporate issues which are particular to a specific company and the individual issues which refer to the concerns of an individual working in a specific company (Velasquez, 2006).

In the last years, business ethics were viewed as codes to which employees adhere, those define in depth what they can or cannot do regarding conflicts and their use of the company facilities. Nowadays firms tend to create reliable programs focused on values in order to provide employees a certain level of ethical comprehension that helps them to decide rightfully in all the kind of situations that they may face, simultaneously the field of business ethics enlarged to include, in addition to the treatment of the employees and obedience of laws, the actions that companies undertake to maintain and improve their relations with the different stakeholders. We mention the clients, suppliers, business collaborators, the society in general, the environment and even the next generations (Mitchel, 2003).

2.3 Why business Ethics?

Business ethics are growing in importance and know several changes. This tendency to value the issue is due to the recognition of the benefits that its implementation in the strategies is capable to generate. In fact several examples and studies prove that the consideration of ethics and the acquirement of a fair repute among the stakeholders generate numerous advantages.

One of the benefits of being ethical is the employees’ commitment. In fact it is obvious that when a company takes care of its workers, they are more disposed to be concerned about the company itself and are ready to make individual sacrifices for it. A study of the National Business and Economics Society (NBES) in 2008 shows that 79% of employees believe that ethics is an essential instrument encouraging them to keep working for their employer (Ferrell, Fraedrich & Ferrell, 2008).

According to the international business ethics institute ethics provide significant corporate advantages. In addition to a higher commitment of the staff members, ethics allow companies to have a competitive advantage because both clients and financiers take in consideration values and corporate actions while deciding (IBEI, 2008).

In fact nowadays investors are particularly aware of the importance of ethics and all the responsibilities influencing the company reputation. They know that an ethical conduct contributes to firms’ effectiveness and profit. On the other hand investors are conscious that a bad reputation and scandals touching the image of a company influence negatively its market value. Furthermore investors, in addition to the profit, pursue a rapport based on trust, honesty and loyalty with the companies in which they invest.

The public trust is an essential aspect allowing firms to gain the satisfaction of the investors as well as the one of customers. In fact an ethical conduct allow companies to achieve a long term liaison with the clients, their assistance and high esteem are primordial for success. Moreover it is evident that a satisfied consumer intends to come back and delivers a positive image of the company and their products to its surrounding, while a frustrated consumer
will communicate a negative image of the company and advise his surrounding not to deal with the company (Ferrell, Fraedrich & Ferrell, 2008).

If being ethical allows companies to gain numerous advantages and improve their reputation, being unethical causes significant consequences. In general a negative ethical environment usually makes the best employees leave the company, consequently the less productive employees stay and even obtain higher positions. This inclination weakens the company and decreases its performances. Other repercussions may occur, the most dangerous one is the diminution of employees’ trust, if for example one employee burns another one we notice a tendency to have mistrust within the organization and a decrease of the firm performances because of the growing efforts that workers make to protect themselves.

In this kind of atmospheres the creativity of the employees is under exploited, most of the efforts are made to increase the personal profits and there is no dedication to the company causes. Moreover information circulates badly within the organization because no one trusts the other. All these circumstances lead to a growing absenteeism and declining loyalty (Hunter & James, 1996).

Finally it is important and necessary to remind that in addition, to the augmentation of consumers’ satisfaction, the attraction of investors and the increase of employees’ commitment, ethics allow companies to improve their financial results. In fact companies accused of unethical conduct register lower performances than those that have not been blamed of such conduct, studies show that their return on sales and on assets decrease (Ferrell, Fraedrich & Ferrell, 2008).

3. CSR and Downsizing

To summarize one can say that corporate social responsibility is a relevant topic today, since its appearance in the 1960s it has not ceased to grow in importance. All the corporations are aware of this reality and make considerable efforts in order to maximize their profit whereas fulfilling the expectations of the society.

Corporate social responsibility is composed of four main parts that are in a regular interaction with each other, Carroll argues that the main reason of the existence of firms is to be economically beneficial. This ultimate necessity is the main foundation of each organization and no one evokes any other occupation if this one is in play, however it is vital for corporations to consider all the responsibilities coming after profit. The legal responsibilities are the laws and norms regulating the activities of companies and the context in which they occur, hence it is necessary to take them in account before the decision making. The ethical responsibilities are the base of the legal responsibilities, it is the moral standards that role the conduct of the company and the way this one treats its different stakeholders. They make the corporations perform with higher standards than what is expected by the law. Another element to consider here is the philanthropy which is considered as an influent plus that can make the difference for every company.

In our context the ethical responsibilities are the most relevant, the way in which a company incorporates its values and interacts with its stakeholders is very sensitive especially in the critical situations. One of the most supervised events by the stakeholders is downsizing, this strategic activity is characterized by a diminution of the workforce to optimize company operations. The layoff of employees occurring here creates an immense debate and
influences the company performance, structure, reputation, staff... In these situations numerous abuses are committed and employees find themselves in critical situations, ethically speaking firms are jammed in a position when they have to fulfill the economic responsibilities of their shareholders while acting honorably with the employees. Unfortunately numerous firms fail in the management of this operation and undergo negative consequences because of their ethical conduct. Before the analysis of this situation we introduce, in the next chapter, downsizing by reviewing the conditions generating its emergence, defining its real meaning, its causes and the results that company expect as well as its positive outcomes.
II. Downsizing

1. History

Downsizing is principally characterized by the reduction of employees’ number through different means. Before the 1980s companies were downsizing and diminishing their workforce in the stressful situations, at this time this practice was ignored by the scholars and researches in management and organizations. Nevertheless in the following years the interest and scientific studies in this area augmented significantly. Gilmore and Hirschhorn (1983) explain that the interest in the field was not caused only by the financial downturn of the middle 1970s, but also by the dismiss of a significant number of professionals and white-collar workers for the first time. In fact Tomasko (1990) argues that the corporations and companies all over the world are not protected from the phenomenon of massive layoffs generated by their negative performances, the industry troubles or the mergers and acquisitions.

If we analyze the global industry conditions during the last periods we notice that companies were growing and generating new employment opportunities from the 1950s to the 1970s, however since the early 1980s the conditions got worst and there was no more opportunities, companies began to feel that they do not need an important number of employees and consequently they started the reduction of their workforce (Karake-Shalhoub, 1999).

To understand the evolution of the concept and the reasons leading to these changes one must examine the history and development of the American companies. Originally the American work force was composed of emigrants seeking job opportunities, the epoch from the 1800s to the 1930s was distinguished by an emphasis on the person, self dependence and tolerance of the governmental institutions. This indulgence and lack of interventionism of the government was due to the fact that most of the citizens were self-employed and all the existing employment relationships were not formal, consequently they could be finished instantaneously if one of the parts wants it.

With the industrial revolution and the changes reshaping the global economy by the 1930s the importance of individual workers decreased and massive production was dominating. Consequently new legislations and laws arose to regulate the business, the labor standards improved and everything was done to make companies successful and increase the wellbeing within the workplaces (Atwood, Coke, Cooper & Loria, 1995).

After the Second World War the economical conditions got better for employees and they started to look at the future with a lot of optimism, various advantages started to appear such as the retirement programs, health care systems... and even if their relationships with the employer could be ended at any time the workers trusted their companies and made some long term mortgages and other sorts of financial engagements.

As stated by Hendricks (1992) the fact was that the economy structure totally changed. By 1980, 90% of the American workforce was employed while in 1900, 80% was self employed (Atwood, Coke, Cooper & Loria, 1995).

The following period was totally different, in fact it is the era in which downsizing became very popular and increasingly practiced by the well-known corporations. Heenan (1989) reports that the jobs of one million managers and professional personnel have been removed
since 1979, Henkoff (1990) stated that during the 1980s and only in the Fortune 500, companies cut around 3.2 million jobs. These losses touched the industrial as well as the service sectors, for instance numerous banks and financial institutions failed. In 1993 the American Management Association (AMA) recorded an increasing number of companies reducing their workforce but at a slower rate than before (Karake-Shalhoub, 1999).

This recourse to downsizing and massive layoffs did not occur coincidently. In reality it is the consequence of the thoughts that were governing the American industry and the ways to increase the performance of the organizations, numerous assumptions were made and modified during the 1980s. In the beginning one hypothesis was that bigger organizations are better, however by the end of the decade this idea was changed and the new tendency was that smaller can be better and downsizing can be normal and very desirable stage of the life-cycle course.

During this decade the phenomenon is still very present and numerous companies downsize for different reasons. The global conditions, the financial crisis, the mergers and acquisitions... all increased the recourse to massive layoffs. If we take for instance the last release of the Bureau of Labor Statics (BLS) in the USA we realize that just in February 2010, 1570 layoffs were conducted and the result was that 155718 workers lost their job, it is less than in January and it is more than enough to prove that downsizing and layoff are still very relevant today.

2. Definition

Organizational downsizing refers to an ensemble of actions carried out by the management of an organization in order to ameliorate its productivity, efficiency and competitiveness. This strategic activity affects the size of the companies’ workforce, their costs and their different processes (Cameron, 1994).

Downsizing could be interpreted as a simple diminution of the organizational size, however this explanation leads to misinterpretation. In fact downsizing is always confused with organizational decline which is totally different, moreover most of the managers use alternative words such as rationalizing, redesigning, consolidating, rightsizing, downshifting, resizing, contracting, relocating... to describe the concept and even if all these words have common points with downsizing, each one has a different connotation and characteristics (Huber & Glick, 1993).

To avoid misinterpretations and confusion with other concepts, it is judicious to take in consideration four aspects that distinguish downsizing, allow its definition and the identification of the commonalities and differences with other notions. These aspects are:

The intention

Downsizing does not occur to an organization, it is not something that happens. In fact it is a change that the management of an organization makes by purpose. Hence downsizing is an ensemble of intentional activities. This first characteristic differentiates it from a loss of incomes, market shares and human resources that are more related to the concept of organizational decline (Cameron, 1994).
The reductions in personnel
The second attribute of downsizing is that this one provokes reductions in the workforce. Even if downsizing is not restricted to personnel reductions, a set of strategies intending to decrease the personnel are associated to the concept. We can mention for instance layoffs, retirement encouragements, attrition, transfers, outplacement, buyout package etc. Nevertheless it is important to mention that downsizing does not always include reduction in the workforce, in some cases new products arise, novel sources of income appear and extra work and efforts are acquired without any augmentation in the personal. Therefore smaller number of employees is used than before (Huber & Glick, 1993).

The efficiency improvement
The third characteristic is closely connected to the second one, in fact downsizing emphasis on the improvement of the organization’s efficiency. This one takes place with the aim of containing costs, improving revenues or strengthening competitiveness. Therefore downsizing could be employed to improve the performance of a company or as a protective reaction to a decline. In both cases the main objective is the realization of an improvement within the organization (Cameron, 1994).

The work processes modification
Downsizing influences the work processes, in fact when the number of employees is reduced fewer workers remain to realize the same quantity of tasks, it has an effect on the quantity of work that will be realized and the way in which this work is achieved. Consequently numerous results are possible; while improvement of the productivity and rapidity are achievable, it is also probable to notice negative consequences such as overwork, strain, disagreements and tensions, ineffectiveness and low morale. Sometimes downsizing strategies encompass removal of works and restructurings, it is possible for instance to eliminate a whole hierarchical echelon, to combine two or more units or to reengineer a specific process, those activities redesign somehow the work. To conclude we can say that work processes are always influenced during downsizings no matter the focus of the operation (Huber & Glick, 1993).

If it is simple to determine the characteristics of downsizing and define the real meaning of the concept, one must know that several managers use different terms to describe the phenomenon and that these terms always mean different things. Moreover we found that even in the literature some scholars confuse downsizing with other concepts such as decline and layoffs. As far as we are concerned, we used to believe that downsizing is the same as layoffs, however while reading articles and books discussing the subject we recognized the difference between the two notions. We believe that it is essential to distinguish what a downsizing is from what a downsizing is not in order to understand better the subject and avoid confusions. Therefore we define, in the following section three concepts that are always confused with downsizing. We make a comparison to resort the similarities and differences.

Decline Vs Downsizing
The consideration of the four attributes characterizing downsizing helps differentiating this strategic action from declines. To make it simple and clear we can say that downsizing is just one specific form of decline, this one may appear as a diminution of the firm’s performance, an augmentation of the competition and a decrease of the market share, stagnation... In all the cases a decline is considered as negative outcome due to a bad adaptation to a changing environment. Hence decline occurs to a company, it is not a choice made intentionally and this is what differentiates it from downsizing.
Another difference is that a decline does not necessarily lead to a reduction of the workforce, some companies reduce the number of their employees during declines but it is not unavoidable. Moreover declines does not affect the work processes and do not intend to improve the performance, it is more a result of the performance deterioration (Huber & Glick, 1993).

**Layoff Vs Downsizing**

The common point between these two notions is that they both reduce the workforce and the costs while the main difference is that downsizing provides numerous opportunities at the strategic level whereas layoff usually leads to negative long term consequences. In fact if both downsizing and decline lead to a reduction of the workforce, the approaches in which these reductions are accomplished are totally different. In addition to what have been said Band and Tustin (1995) listed other principal differences between the two practices:
- Layoffs always happen during declines while downsizings may occur even during growth.
- Layoffs are instantaneous responds to current circumstances while downsizings offer future opportunities.
- Downsizing lead to an easier reshape of the company’s culture and can be realized as fast as layoffs.
- Layoffs are providing short term benefits whereas downsizings are an efficient tool allowing the removal of the unnecessary work processes.

**Non-adaptation Vs Downsizing**

Some scholars argue that the opposite of decline is adaptation and that decline happens because of the non-adaptation to specific environmental conditions. Therefore numerous scholars associate downsizing to non-adaptations, this association leads to confusion. In fact downsizing does not mean failing, deteriorating results or even non-adaptation. This one is a strategic action aiming to improve the firm performances and does not necessary implies non adaptation (Huber & Glick, 1993).

The association of downsizing to these concepts is a significant mistake, several other erroneous associations and confusions with other notions exist but those presented are the most relevant and the most studied in literature. We believe that the provided definition of downsizing, the analysis of its characteristics and the illumination concerning its confusion with other concepts are necessary and provide the required knowledge allowing a better comprehension of the following parts.

3. The causes of downsizing

Now that we know the meaning of downsizing and the features of the concept, it is pertinent to analyze the motivations of the companies practicing this strategic action and the causes of their choices.

If downsizing is always characterized by a need to improve the firms’ efficiency, the reasons that make the management team chooses this strategy instead of others diverge and vary in a different way, in this part of our thesis we identify the most relevant.

Nowadays companies are facing numerous challenges and an incredible level of competition, they must be very creative and innovative in order to survive and make benefits. In fact most of them encounter a lot of problems because of the crisis and the high level of debts characterizing their financial structure. To go through these difficult times and remain competitive in this global economy, several firms downsize with the intention of reducing costs, they see no other alternatives allowing them to survive (Cameron, 1994).
Michra and Michra (1994) argue that the downsizing of the early eighties was principally an attempt to reduce the number of employees with the purpose of remaining profitable. This tendency continued in the following decade and companies kept reducing their costs so that they can stay competitive. This penchant to downsize in time of crisis was not expected to diminish in our time and in fact many companies are still practicing downsizing for different reasons.

One of the most fascinating aspects of downsizing is the one highlighted by Cascio in 1993, in fact he noticed that a downsizing engenders another one and each time a company knows a diminution of its market share and profitability losses it continually downsizes. Several famous companies in the eighties and nineties downsized many times, we can mention for instance Xerox, IBM, Kodak and Honeywell.

The technological progresses are another reason that makes companies downsize. Some new innovations and equipments increase the productivity without any intervention of the staff members. However if some scholars argue that the new technologies lead to a reduction of jobs and downsizings, others believe that they create new jobs and make companies employ further workers. Nevertheless if we consider the last years we notice that new innovations caused the layoff of an important number of workers especially middle managers who were in charge of the collection, analysis and transmission of information, those are not as needed as before (Appelbaum, Everard & Hung, 1999).

If we view the causes of the phenomenon from a social angle we can indentify three main social forces leading to downsizing: constraining, cloning and learning.

- Constraining is principally the pressures that companies undergo to respect the organizational regulations and laws aiming to legitimate the management decisions and the structures. In fact companies tend, more and more, to follow a specific model that they consider as perfect, they realize this objective thanks to downsizing.
- Cloning is defined as the pressure that companies are subjected to in order to imitate and become similar to the prestigious and excellent leading firms. Therefore companies downsize even if they are not sure of the benefits that this strategic shift is capable to generate, they just follow their model and believe that it is the best way to become successful.
- Learning is the process allowing companies to discover experiences and new thoughts coming from the discussions occurring in the academic circles such as universities and business schools or from professional associations. This process legitimates downsizing, in fact all the different theories and models explaining the functions of downsizing makes it normal and more acceptable (McKinley, 1995).

One of the studies realized by the AMA showed that between the late eighties and the early nineties 50% of medium and large companies in the USA practiced downsizing every year. Another survey of the same organization was made to analyze the causes leading to this practice, the results showed that 6% of companies were practicing downsizing to go through short term recessions. 19% of the companies were downsizing to transfer the work abroad or to other factories. The first cause was the expectation of an economic recession, it was chosen by 44% of the companies. The second cause, representing 35% of companies was the improvement of the employees’ utilization. The remaining companies representing 20% were downsizing because of the new innovations and the computerization of processes (Atwood, Coke, Cooper & Loria, 1995).

If these realities are considered as the main reasons making companies downsize, one must know that many scholars disagree concerning the real motivations of the companies. Menzter (1996) for example found that in Canada there was no clear relation between
companies facing financial problems and the intent to practice downsizing. Cascio (1993) argues that in the previous decade recession was the main cause of downsizing even if a study of the AMA during the same era showed that 50% of the participants to the survey argued that the recessions were not influencing the decision of downsizing and that the technological innovations, the mergers and acquisitions and the relocation activities influence more these kind of decisions (Appelbaum, Everard & Hung, 1999).

Now that we acknowledged the principal reasons leading to downsizing activities, the positive outcomes and expected results will be presented.

4. The expected results and positive outcomes of Downsizing

Freeman (1994) argues that firms resorting to downsizing expect positive financial and organizational outcomes while Cascio (1993) believe that firms aim to improve their effectiveness and productivity. They become capable to create more value for the investors and shareholders, moreover if the management predicts the costs easily, the future outcomes are more difficult to estimate. Therefore the reduction of the workforce allows the augmentation of the remunerations and the price of the companies’ shares.

Cascio (1993) also believes that at the financial level downsizing allows the diminution of the hierarchical levels, inferior cost ratios, superior profits, share prices and return on investments. Whereas from an organizational angle, better communication, more initiatives and improved productivity are expected.

The inferior labor costs generated by downsizing allow a control of the prices, it is expected to make companies stay competitive in their market segment (Appelbaum, Everard & Hung, 1999).

Now if we examine the real results of companies after downsizing operations and compare them with their expectations, we notice that this phenomenon leads to different consequences and that most of the scholars are mitigated when it comes to the efficiency of this strategic action and its results.

As far as we are concerned, in this part of the thesis we focus on the positive anticipated outcomes. We come back later to analyze deeply the other face of the coin.

Habitually when a downsizing is announced, the stock exchange receives this news optimistically and positive effects follow. The table bellow illustrates the changes following the announcement of an important downsizing in numerous famous companies’ stock prices one day after the declaration (Atwood, Coke, Cooper & Loria, 1995).
In general the reactions following the announcement are practically always positive. This is due to the fact that these declarations promise a reduction of the expenses, a better level of competitiveness and costs’ economy. Therefore the experts and shareholders keep on presuming that downsizing generates advantageous financial outcomes. However it is important to mention that this augmentation of the stock value on the short term does not always happen. Sometimes downsizing aims to save money on the long term and the costs generated by the significant layoffs and closures do not engender an immediate raise of the company value (Atwood, Coke, Cooper & Loria, 1995).

According to an article published in Investor Business Daily (IDB), the changes provoked by downsizing allow the diminution of the costs and the expenses. Moreover it is possible to realize significant savings.

A study realized in Florida in 1995 by Right Associates shows that the impacts of downsizing on numerous companies were positive. In fact 70% of the firms concerned by the study noticed an improvement of their profit after their restructuring efforts, 60% of them reported a higher productivity, 57% ameliorated their revenues and 48% knew an amelioration of the employees’ qualifications. In fact these results are very positive and in comparison to most of the studies the improvement rates are exceptional, this is due to the fact that the concerned companies were, in majority, not restructuring because of their financial situation and that they were retraining and redeploying their employees. They focused on the ways allowing them to perform smarter.

Furthermore Right Associates founded that companies that succeeded in their downsizing are those who took care of the employees that stayed in the organization and attempted to realize their needs. These companies emphasized on the communication with the employees, this aspect is considered as the most significant challenge and allows companies to handle the downsizing process efficiently.

After the downsizings realized by the concerned companies in Florida other positive results followed. The team-work augmented and the habitual hierarchy tended to disappear,

<table>
<thead>
<tr>
<th>Company</th>
<th>Announced Cut</th>
<th>Percent of First Day Stock Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM</td>
<td>60,000</td>
<td>up 7.7</td>
</tr>
<tr>
<td>Sears</td>
<td>50,000</td>
<td>up 3.6</td>
</tr>
<tr>
<td>Xerox</td>
<td>10,000</td>
<td>up 7.0</td>
</tr>
<tr>
<td>USWest</td>
<td>9,000</td>
<td>up 4.6</td>
</tr>
<tr>
<td>McDonnell Douglass</td>
<td>8,700</td>
<td>up 7.9</td>
</tr>
<tr>
<td>RJR Nabisco</td>
<td>6,000</td>
<td>up 4.0</td>
</tr>
<tr>
<td>DuPont</td>
<td>4,500</td>
<td>up 3.4</td>
</tr>
</tbody>
</table>

Source: U.S. News and World Report, 12/20/93 (Cole, 1995, p.95)
consequently the communication within the company became easier and allowed fast and appropriate responses to the consumer demands. The control exercised by the managers was lower and more freedom was given to the workers (Atwood, Coke, Cooper & Loria, 1995).

Personally we believe that downsizing is capable to generate positive outcomes and the study of Right Associates is a good proof. The benefits in the short term run are the most mentioned in the literature but long term advantages are also possible if the executives manage appropriately the downsizing activities. Unfortunately and in opposition to the mentioned survey most of the studies argue that downsizing are failures and that companies resorting to this strategic action do not succeed in the realization of the expected results and do not take advantage from their restructuration’s.

In the following chapters we dwell on the negative consequences that downsizing is able to engender and we identify the causes of the failures. However we first present and examine an ensemble of cases and provide empirical illustration showing how some companies downsized as well as the results of their choices.
III. Empirical illustration

If it is possible for companies to increase the value of their shares at the stock exchange by the simple announcement of a downsizing, and if it is possible to benefit from long term advantages such as improvements of the competitiveness and the efficiency, one must know that on the other hand, undertaking this kind of strategic activities present enormous risks. In fact companies do not always succeed while leading this shift and several unexpected consequences happen. We present the negative outcomes that the scholars associate to downsizing later, for the moment we introduce some concrete cases showing why the concerned companies downsized as well as the consequences of their decisions.

We have chosen a number of interesting illustrations, we first detail the case of four famous multinationals: Michelin, Danone, Moulinex and Heineken. To start we present the context of each company and its units that were concerned by the downsizing decision, then we analyze the causes that motivated the managers to choose downsizing strategies. Finally we present the results and consequences provoked by this decision. In the two first cases we also present how the company was perceived by the public opinion before the downsizing, it allows us to give a better explanation of the repercussions, notably at the reputational level. Before concluding our empirical study, we continue with some other similar examples. The objective here is to show that several other companies in the same situation made the same decision and suffered the same consequences, in fact the negative outcomes of downsizing are not exceptional but occur frequently and repetitively. Therefore we do not give as many details as in the first cases, we focus more on the negative outcomes and repercussions of the downsizing and layoff announcements.

The common point of the different cases is that they occurred in France between 1999 and 2009. We have chosen the French industry for several reasons. First the union movement in this country is characterized by a long revolutionary history, and even if today the union middle is divided in five main employees’ representatives and knows a small number of adherents (less than 10% of the active employees), a comparison to Germany, made by france-allemagne.fr the official website of the French-German cooperation, showed that the strikes and protestations in case of downsizings and layoffs are more generalized and more frequent in France. The protest movement usually affects public transportation, schools, post offices and different public administrations while in Germany the strikes usually concerns a specific industry and are not that political. Moreover in France the contestations do not only concern companies, changes in the political decision and reforms in the employment market are also frequently claimed. If we take for example Michelin and Danone, both companies were concerned by the 35h/Week reform, this last one encouraged it whereas the first one was not that supportive. The attitudes of the two companies regarding this reform influenced their reputation and were evoked when they decided to downsize. Moreover the Michelin case provoked new reforms and regulations, the details are discussed more profoundly in the cases.

This concentration of the protestation, its political side and generalization make the media coverage of the problematical affairs very intense. Therefore the access to the information is easier and the different views concerning each case are expressed in more than one media. As far this empirical study is concerned, we used articles from different authors and from different newspapers, magazines, etc. This external view allow us to have a neutral as well as a critical view of the problems, we completed it by interviews realized with managers and
workers of the companies that were concerned by the downsizing decisions. In some cases we also tried to see how the problems have been perceived in other countries, to this aim we used articles from foreign sources.
1. Michelin Group

**Presentation**

Everything started in 1889 when André Michelin encouraged his brother Edouard to leave Paris and his painting studio in order to manage their family company that became Michelin & Co. At this time the company plant was situated at Clermont-Ferrand and employed 52 workers, its interest in the transportation industry was already very apparent via their principal activity which consisted in the manufacturing of a special kind of brakes called “The Silent”.

Since its creation the company contributed to the development of the transportations and played an important role in the car industry, many revolutionary innovations such as the radial tires, the primary gastronomic guide, the steel wheel et cetera are in Michelin favor (Michelin.com).

Nowadays the company is still progressing and innovating in the modern means of transport. Michelin Group is present in more than 170 countries, it produces and sells tires for all the types of vehicles. It also publishes guides and maps and performs an ensemble of digital services. Michelin Group is structured into eight different product lines, each one is covering a special activity and possess its proper production, marketing and development resources.

Michelin is the market leader in the world tire market with a market share of 17,1%, its two main competitors are Bridgestone (16,9%) and Goodyear (14,9%). In 2008 the production of the group reached 177 million tires and 16 millions guides and maps. The company is supplying vehicle manufacturers but principally addressing the consumer market, consisting of cars and motorcycles passengers, as well as the professional market for utility vehicles (Michelin.com).

Michelin group is employing 109193 employees and owns 68 plants in 19 different countries. The most famous brands of Michelin are: Michelin, BF Goodrich, Kléber, Uniroyal, Riken, Taurus, Kormoran, Encore, Pneu Laurent, Euromaste, Tyreplus and Tigar. In 2009 the brand realized a net sales of 14,8 billion Euros (Michelin 2009 Annual Report).

In 2010 Michelin Group continues its efforts to stay the world leader, since 2006 the company is following a plan emphasizing on three principal objectives: The improvement of the competitiveness by constant productivity gains, diminution of the costs and operational excellence, the acceleration of the group’ extension in the markets with higher growth and the increase of the products and services differentiation through innovation (Michelin.com).

**Before the downsizing**

Before the downsizing operation of 1999, Michelin Group was famous for its internal unfriendly atmosphere and aloof management (Fitchett, 1999). Moreover the company did not benefit from a good reputation when it comes to the social and ethical issues, in fact the firm is one of the most influent organizations that were involved in the negotiation of special reform concerning employees in which the main objective was to obtain a 35 hours contract before the announcement of any social plans (Malaval & Zarader, 2008).
The downsizing decision

In 1999 Edouard Michelin succeeded to his father Francois Michelin, who managed the company for more than 40 years, and became chairman of Michelin Group. Three months after his nomination, exactly on the 8th September 1999, the new chairman announced two important and contradictory news: an augmentation of 20% of the company biannual profit accompanied by a downsizing program removing 10% of the company staff in Europe, in other words it is more than 7500 employees who lost their jobs (Nikonoff, 1999).

The causes of the downsizing

This decision allowed Edouard Michelin to make his mark and attract directly the attention of the public opinion, the new chairman of the company justified his action giving several reasons. In an interview with the French newspaper Libération, Edouard Michelin argued that even if a first analysis of the company shows that the results are good and that Michelin Group is making benefits, the management of the firm must react appropriately in response to the competition and market conditions in order to maintain the profitability and increase the efficiency. In fact the competition in the European market is constantly increasing and the productivity of the group is 15 to 20% lower than the one of its two main competitors, Bridgestone and Goodyear. Moreover the market shares are decreasing and even if the company remains very profitable, ignoring these conditions may provoke very negative consequences such as a deterioration of the competitiveness which will lead to a decrease of the sales and a closing of the awry factories (Hervé, 1999).

Edouard Michelin argued in another interview that the key people in the organization knew perfectly that a wealthy year is the best and most appropriate time to conduct layoffs which will guarantee a better competitiveness in the future. These declarations were confirmed by the management of an Italian competitor Pirelli who argued that the failing sales put pressure on its company, which finds itself constrained to save costs (Fitchett, 1999).

From a financial angle, several specialists argue that these simultaneous announcements aim to create value. “La création de la valeur” as it is named in France is a technique that the managers of the companies quoted in the stock exchange use in order to raise the value of the shares, all the conditions of Michelin in 1999 make the specialists believe that the main objective of the Chairman of the group, when he took the lead, was to increase the value of the company in the stock market and satisfy the shareholders that will benefit widely due to this decision (Nikonoff, 1999).

Furthermore the chairman of Michelin stated that the new century is a different period from the one that the company knew when his father was the head of the group, consequently he must make the appropriate changes and adapts the company to the new circumstances. He believes that the globalization has to be viewed positively because even if it makes the competition harder, it allows the company to reach new clients everywhere and push the current costumers to have higher expectations. Finally Edouard Michelin concluded that the growth rates in its industry are very low in comparison to other businesses such as the telecom activities, it influences the job opportunities. However the company tries to invest more and deploy additional efforts especially in France (Hervé, 1999).
All these circumstances may be understandable by the competitors and the management of Michelin Group. The increasing competition, the value creation’ objectives, the new conditions of the market, the globalization, the low growth rates etc. sound reasonable causes. However the reactions of the different stakeholders vary largely from good to very bad, it is what we analyze in the next section.

The consequences of the downsizing

- **Rise of the share value**
The first reaction to the simultaneous announcement of a 20% profit raise and 7500 layoffs was an immediate augmentation of the shares value that gained 12.5% in the stock market (Hervé, 1999). Nonetheless if the improvement in the stock market was remarkable, it is unfortunately for Michelin Group not the only reaction that followed this strategic decision because this event resulted in an immense debate that marked the French business history and provoked numerous changes.

- **Deterioration of the company reputation**
If the reputation of the Group was not perfect before the downsizing, “L’affaire Michelin” as they call it in France generated a very negative reaction from the unions, those have not been informed and the result was that they organized immense mass protest marches. This reaction damaged considerably the reputation of the company and was well covered by the Medias that denounced the operation and qualified the downsizing decision as “scandalous”, “immoral”, “dishonorable” and “indecent” (Schneider & Barsoux, 2003).

- **Public and Political reactions**
Nikonoff (1999) explains that in France “L’affaire Michelin” marked the emergence of a new phenomenon, before this case companies were downsizing principally because of their financial troubles. However here it is the first time in the country that a company with excellent results decides to cut jobs, therefore the case of Michelin was extremely debated and Hervé (1999) reported that words such as “scandal” and “amendment” were used in both the public discussions and within the French and European parliaments to describe the action of Michelin.

From a political point of view Mr. Lionel Jospin, the prime minister of France during this epoch, addressed the public opinion with a speech when he stated that the decision of Michelin “shocked” him, he grabbed the opportunity to mention again that the French government has lost the power when it comes to the control of some events. Moreover even the president Jacques Chirac commented the decision of Edouard Michelin. One of the consultants of the prime minister argued that the downsizing plan of Michelin could be viewed as totally right from a business perspective, however this decision is evidently wrong because an executive of a multinational corporation must be conscious of the firm’s environment (Fitchett, 1999).

- **New laws and regulations**
The most important consequence of the public protest movement and the political debate was the exigency of a consequent intervention from the state. In fact after “L’affaire Michelin” new laws were passed to prevent the French companies who downsize dishonorably just to increase the divined and the share values it the stock market (Schneider & Barsoux, 2003). The new requirements were characterized by four main objectives:

  - The companies must be able to adapt their workforce without cutting jobs. The new social directive encourages the companies to reorganize their staff instead of downsizing.
- This new regulation addresses the shareholders and not the companies. Therefore the consequences affect the dividend and not the company’s accounts.
- Each shareholder who wants more profit must support a higher level of risk, it is the only way to increase the benefits and it is immoral to transfer the risk to the employees and different stakeholders through downsizing.
- The dismissed employees must be supported and oriented toward small business if they want it (Nikonoff, 1999).

- **International denunciation**

The scandal of Michelin went beyond the French borders and was covered by the Medias of other economic powers. In the American press for example an article of *The New York Times* dedicated to the case denounced the practices of Michelin, this decision of the group was the most consequent one in France since ages and even for comparable businesses within the USA it was considered as too cruel.

The specialists argued that Edouard Michelin ignored a key element while deciding: Wall Street considers the companies generating jobs and employing more people and do not view anymore downsizing as the source of success. In addition the American companies, like the airlines for instance, were cutting jobs because they were all in the red and faced difficult financial situations. It is not the case of Michelin and it is not the right vision that a new chairman should bring to his company, in fact the businessmen in the USA qualified Michelin decision as provoking and totally erroneous (Fitchett, 1999).
2. Danone-Lu

Presentation

The Danone Company was founded in 1919 by Isaac Carasso in Spain. After some years spent in the Balkans where the yogurt is considered as a very nutritional aliment, Carasso decided to launch this healthy staple in Barcelona. He started a yogurt business named “Danone”, referring to his son “Little Daniel”. Carasso was the first one to combine the traditional way of making yogurt with the scientific techniques of milk fermentation discovered at the Pasteur Institute of Paris. His son Daniel learned the business and introduced Danone to France in 1929, afterwards he moved to the USA and started the first yogurt business there in 1942, he called it Dannon Milk Products, Inc. Danone merged with two influential companies, Gervais the leading company in the French fresh cheese market, it was in 1967. Then in 1973 with BSN a glass container and Beverages Company, which was also a market leader in France. With these two mergers Danone became BSN Gervais Danone, the biggest food producer in the world present in more than 30 countries. It was in 1994 that the company became Groupe Danone (Dannon.com).

Today Danone is present worldwide and emphasizes on four main businesses: the fresh dairy products with famous brands such as Danone, Danacol, Actimel, Vitalinea, Activia, Danonino... The bottled water with Aqua, Evian, Volvic, Lanjarón, Bonafont, Font Vella as principal brands. Danone is also represented in the baby nutrition industry with numerous brands; we mention for instance Blédina, Nutricia, Gallia, Milupa, Mellin, Cow & Gate... And in the medical nutrition industry with Nutricia, Nutrini, Nutrison, Fortimel, FortiCare, Fortisip, Neocate, Infatrini... (Dannon.com).

The company was also present in the cookie industry with Lu, it is in fact this unit of Danone that concerns us. However one must know that since 2007 Lu does not belong to Danone anymore, it was bought by Kraft Foods the worldwide largest cookie producer for 7.2 billion dollars (De La Merced, 2004).

Nowadays Danone is the world leader in the fresh dairy products, it is the number two when it comes to both bottled waters and baby nutrition. Furthermore the brand is the European leader in the medical nutrition. In 2009 the company net income was 1412 million dollars and its sales reached 14982 billion Euros. The company employs 80976 persons and deploys considerable efforts in the social issues, Danone is also famous for its contributions to nutrition and health programs (Dannon.com).

Danone before the downsizing

Some weeks before 2001 and the case of Lu, the French agency in marketing and opinion research CSA TMO published a survey in which Danone is considered as the most loved brand in France.

It was not the first time for the brand to occupy the position of the favorite brand in France, in fact it was the 5th edition of the survey, this one takes in account the opinions of all the French regardless of their sex, age, location or social situation and all the industries and companies are considered (Marketing Magazine, 2001).
The downsizing decision

The Danone Group was planning a downsizing operation for its cookie unit Lu including the closing of 10 factories and leading to 3000 layoffs of which 1700 in France. This news was announced the 10th January 2001 by the French newspaper *Le Monde* in both its internet and paper versions, this leak of the information putted the company in an unexpected difficult situation. In fact Danone had to face the public opinion in a complex political and juridical context, all the ingredients of the scandal were present and the company was not ready at all to go through this crisis (L.F, 2001).

The company reaction

In front of this difficult situation the company reaction was mitigated, Danone did not admit directly its intention to conduct a downsizing operation. The silence of the company gave the different Medias, and especially *Le monde*, an opportunity to animate the discussion and to speculate about the causes and possible consequences, the public opinion followed the intense coverage of this event during more than a week and the tension was increasing more and more.

After a while the company recognized the existence of a restructuration’ plan, Danone putted in prospective the situation and argued that the company is in a reflection process. The company admitted its intention to restructure within three to four years, it did not give any detail or confirmation about the closing of factories however the company explained that there is an overcapacity. This late reaction provoked another reaction of the press, *Le Monde, La Croix, Libération* and several other newspapers stated that the company is acting with disrespect toward its employees. This reaction leaded to a deterioration of Danone reputation, we detail it later (Malaval & Zarader, 2008).

Consequently Danone tried to calm down the situation, Franck Ribourd the company CEO received representatives of the concerned cities and reassured them saying that no one will face employment complications alone, he also addressed the trade unions arguing that the company will do its maximum to avoid delocalization. Moreover Franck Ribourd evocated the last social plans of Danone and their success, he mentioned the closing of Strasbourg factory in 1996 and the fact that 95% of the dismissed employees were supported and redeployed. In short the CEO showed his optimism and promised a fair treatment of the concerned parts (L.F, 2001).

Two months after this article published in *Le Monde* Danone decided to dismiss 500 employees, it was less than what was announced. The public opinion was not reassured, the Medias commented again this decision and the specialists argued that the silence of the company during this operation was not a good sign (Malaval & Zarader, 2008).

The causes of the downsizing

Danone Group argued that the principal reasons for this downsizing were the intensity of the competition in the cookie industry, as mentioned before the company stated that the operation will be realized honorably and that the employees will be assisted during the complete process (Piquard, 2001).

Several specialists compared this case to L’affaire Michelin because the results of Danone were also positive, the profitability of the Group was estimated to 7.9%. Only 7.9% as reported by the medias, here again the priority of the company was the shareholders, the
other stakeholders including the employees were not considered at the same level. The fact that one of the leading companies, realizing remarkable economic results, closes the half of its cookie factories intensified the debate concerning the globalization (Malaval & Zarader, 2008).

If the majority of the Medias evocated economic reasons, some newspapers found other justifications, *L'Humanité* published an article in which it is stated that the reason for this restructuration is more a familial problem opposing the son and father Riboud. In one hand we have the father Antoine who, in spite of some important restructuring operations in the past, was embodying a social, familial and paternalistic French capitalism. On the other hand his son Franck who was the incarnation of an Americanized financial capitalism in which the value creation is the principal objective (Ducoin, 2001).

**The consequences of the downsizing**

- **Deterioration of the company reputation**
  The announcement of the layoffs by the Medias provoked a colossal shock inside and outside the company, according to a survey realized by Ipos and *Le Nouvel Economiste* the image index of the brand collapsed by 50 points within the month of January (L.F, 2001).

- **Trade unions and employees reaction**
  The anger and frustration of the 4000 employees of Lu in France was apparent after the announcement of the layoffs, in fact the principal trade unions mobilized their efforts, they declared being ready to face the situation and they even menaced to sue Danone. Numerous repetitive strikes touched the 12 different plants of Lu and the employees affirmed their reject of any layoff or closing, solidarity was the dominating attitude (L.F, 2001).

- **The most important Media coverage and public reaction ever**
  The effects that the Lu affair generated are historical, even today the case is still used in the political circles and the reaction of the public opinion is the most significant ever, in fact more than 80 symbolical quotations were published in articles, the social policies were the principal debated issues and even six years after, politicians used the case during their speeches for the presidential campaign of 2007. Along the same lines, the CSA is still classifying the case of Lu as the conflict that generated the largest adherence of the public opinion to employees’ claims, the boycott operation that followed the announcement of the restructuring plans is the best illustration (Malaval & Zarader, 2008).

- **The boycott of Danone products**
  The 14th February 2001 the most dangerous and consequent repercussion of the announcement occurred, a boycott of Danone products was launched. It is the website jeboycottedanone.com that initiated the operation, it was a première in France. Moreover this boycott took place at a moment characterized by an enormous use of internet facilitating the fast circulation of the information and rumors. *Le Monde* eased the boycott operation by the publication of an article, the 10th April 2001, in which it assists the people who do not know what to boycott by providing a list of all Danone products, not only the ones of its cookie unit. In fact even if some people were not really active when it comes to the boycott, the adhesion to this action was very strong because of the employment matters, moreover the company products were easy to boycott in comparison for example with the products of Michelin (Malaval & Zarader, 2008).
- **Law complaint: A boycott consequence**

In reaction to this boycott Danone attacked Voltaire Network which supports the website jeboycottedanone.com in justice, however these two entities counter attacked Danone and denounced the company for a breach of their freedom of speech. If Danone asked for a compensation of 4 million Francs for damaging its reputation by a wrong utilization of the logos of its brands and the creation of caricatures and chocking images, the association responded with a juridical claim for the mentioned motive as well as threats and blackmails. This counterattack influenced the affair, it has created a huge debate in the juridical circles and attracted the interest of the Medias even more (Piquard, 2001).

- **Political reactions**

The Medias and the public opinion were not the only entities reacting to the Lu case, in fact all the French political parts reacted to these downsizing announcements. However in this context the situation was more complicated than ever, if it was easy to require changes in the law while evoking L'Affaire Michelin, Danone case was totally different. In fact the company was almost irrefrackable before 2001, it was one of the firms demanding a reduction of the working hours during the reform of 1997 and it has made many considerable efforts when it comes to the ethical and social issues. Therefore requiring new regulations was easier to say than to do (Malaval & Zarader, 2008).

The reactions of the variant political components was different, the French government and socialist party criticized this decision. The ecological party stated that this affair is the perfect illustration of the negative effects provoked by globalization, they evoked the concept of “Stock-exchange layoffs”, this party shared the view of the public opinion and has always sent representatives to the factories concerned by the operation.

The communist party (PC) and the French general labor confederation (CGT) reacted differently, they argued that Danone is much better than many other companies and that they were not lucky during this crisis, the problem occurred in an epoch where politicians were looking for subjects to gain the sympathy of people, who were more politically active than before.

When it comes to the boycott decision, 90 deputies from the left-wing and some from the right-wing reacted positively to this action while the French democratic labor confederation (CFDT) and some other legal entities expressed their strict opposition to the boycott. The PC, the ecological party and the extreme-left tried to use favorably this boycott. The minister of justice, Marylise Lebranchu, stated that it is impossible for her to support the boycott and that she does not have the right to do so.

This political confusion was totally impressive, it contributed to the animation of the debate because it was the first time that the political reactions diverged so widely in the country (Malaval & Zarader, 2008).

As a conclusion we can say that this social conflict is the first one of its category, France has never known a situation when the Medias and the public opinion take the lead. Despite of the social and political context the analysis of the Lu case and its Medias crisis symbolizes more than any other case the new relation that exists between the company and the public opinion.
Presentation

Moulinex story is closely related to its French creator Jean Mantelet who started in the business by 1922, his first activity was the manufacturing of insecticides and sprays essentially for the agricultural market. Few years later Mantelet moved to the domestic appliance industry which became the source of his success, in 1929 he founded the precursor of Moulinex that was called “Manufacture d’Emboutissage de Bagnolet”. The company was producing and selling small, manual domestic appliances. Due to its success Mantelet decided, in 1957, to change the name of his firm to Moulinex. The company started to improve its product lines and was practicing low price strategy, by 1962 the company became the French market leader in the electric home appliance market dominating three particular segments, the coffee mill, the hair dresser as well as the mixers and blenders. The company entered the American market in 1975, however it has faced numerous problems and did not directly succeed on the attraction of the American costumers. It is the launching of Microwaves in the 1980s that was the source of its success there. Moulinex continued to concentrate its activity on small appliances, the main categories of products were Lines-Breakfast, Food Preparation, Cooking Items, Vacuum Cleaners, Irons and Beauty and Health products (Funding Universe, 2010).

In the 1990s the company started to face several complications because of the crises in Russia and Asia, the sales were falling down and the competitors imposed very low prices. In the whole decade Moulinex was profitable only twice and cumulated 766 million Euros debt. Even if the company merged with El.Fi, the Italian firm owning Brandt household appliance brand in 2000. In April 2001 Moulinex announced a restructuring operation leading to the closing of plants in France, Ireland and Brazil cutting more than 4000 jobs (BBC News, 2001).

As reported by BBC News Moulinex continued to face numerous problems in the early 2000s, on the 7th September 2001 the company decided to claim a bankruptcy protection after a suspension of the company shares in Paris stock exchange because of an 18% crash. Consequently in the same year the firm was partially taken-over by Group SEB, the international leader in small household equipment, who is the owner of the company today (V.L, 2001).

The downsizing decisions

In comparison to the cases presented above, the case of Moulinex has a special particularity. In fact during the period that we analyze, the firm did not conduct one downsizing but three.

After the several problems faced by the company in the early 90s, Pierre Blayau was nominated CEO of Moulinex in the beginning of 1996. After a long carrier and interesting positions notably in Pinault Printemps la Redoute (PPR), Mr. Blayau was renowned for his strategies privileging the “Ing” activities such as Downsizing, Reengineering, Outsourcing etc. Therefore after his arrival, he immediately decided to conduct a restructuring plan closing two factories at Mamers and Argentan, and transferring their production as well as a
part of their employees to other locations. This operation was principally aiming to reduce the costs (Lordon, 2004).

Directly after this first downsizing operation an international financial crisis begun in 1997 and gained importance in 1998, consequently the shareholders reacted negatively and required a reaction from the management of the company. They were more frustrated in December 1999 when they saw the value of Moulinex shares dropping to a very low level, the situation got worse in the first semester of 2000 and Mr. Blayau decided to respond again by another downsizing. He announced 2000 layoffs in an attempt to improve the company profitability (Lordon, 2004).

In 2001 Lordon reported that the macroeconomic international recession affected again the company, this one announced in the spring 4000 job cuts of which 1500 in France. Shortly after this decision, exactly in September 2001 the company went in bankruptcy and 2900 employees were unjustly dismissed (Desorgues, 2007).

**The causes of the downsizings**

After the difficult financial situation that Moulinex faced during the beginning of this period, the banks refused to operate with the firm and this one did not have access to bank credits anymore. Hence the only solution for this company to survive was to open its capital to the public, effectively Moulinex launched an operation selling its shares and 33% of the financial assets were bought by Jean-Charles Naouri and its holding Euris. Consequently he controlled the company and was the one who named Pierre Blayau as CEO (Lordon, 2004). Because of this nomination it is normal and expected that the new CEO acted in favor of the principal shareholder and all his decisions were made to increase the shares’ value at the stock exchange.

Another reason leading to the adoption of these downsizing strategies is the high level of competition, this consequence of the globalization makes companies very vulnerable. Every firm has to fight for its survival, the prices of the different products can be compared easily by the clients who have access to more technologies. In fact those are constantly decreasing and the productions costs must follow to keep the same profit margin.

In this difficult context the firms found themselves stuck in a double bind. On the one hand they have to satisfy the needs of the goods and services’ market, on the other hand they have to respond to the expectations of the financial markets (Lordon, 2004).

**The consequences of the downsizings**

- **Financial reaction**

  The reactions to the three downsizing operations conducted by Moulinex were totally different and engendered various results.

  The downsizing of 1996 provoked a positive reaction of the stock exchange, in fact the shareholders and different investors were looking forward such news. Therefore directly after the announcement the exchange rate raised significantly to reach 98 Francs in June 1996 while this rate was stagnating at 65 Francs in the end of 1995 (Lordon, 2004).

  If this first downsizing leaded to an improvement of the company value in the stock exchange, the second downsizing occurring in 2000 and the one of 2001 were less productive and engendered negative repercussions.

  In 2000 because of the downsizing decision and because of the repetitive troubles that the company were facing, no one and especially the banks believed that this strategic action was the appropriate one. Therefore the company did not have access to credits anymore.
In 2001, and as explained before, the 4000 layoffs did not improve the situation and the direct consequence was the claim of a bankruptcy protection (Lordon, 2004).

- **Employees’ violent reaction**
In 2001 about 150 employees of a Moulinex plant located in Cormelles le Royal in France expressed a menacing attitude when they declared that they were ready to explode the whole factory consequently to the announcement of its closing.
In fact the workers burned down one building of the factory and promised to burn the whole site if there was no reaction from the company management. They even blocked the issues and forbid, for a moment, the fire service to step in to stop the blaze.
The announcement of the takeover of Moulinex by SEB deteriorated the situation and another violence wave stormed the factory, the employees reacted very aggressively and denounced the company action. They argued that this one is maximizing its profit using all the existing means without any consideration of its employees, they also damaged the façade of the building and wrote some banners as a way of protest to express their disappointment.
In front of this difficult situation the workers confederations and other legal associations were very confused, while some of them condemned the aggressive actions other understood them and found them legitimate (De Comarmond & Fouteau, 2001).

In fact after the takeover, the workers found themselves without any representative, they wanted the French state to intervene and this is why they protested by using all the possible ways. Their action aims to proclaim a decent social plan and an additional compensation of 80000 Francs for each employee. Furthermore the employees claimed specific other measures for the workers beyond 50 years.
This aggressive protest movement is also due to the fact that most of the dismissed workers were not qualified enough to find other jobs. In most of the cases it was aged women without any vocational education. In addition to the difficult circumstances characterizing the French economy it was for them very difficult to find employment opportunities and the example of Cellatex Company is a good one: among 150 workers only 30 found a new job (De Comarmond & Fouteau, 2001).

- **Psychological repercussions and unemployment**
Among the 2900 dismissed workers few found new jobs. The promises that were made were not kept and the social consequences are very discouraging.
Six years after the closing of Moulinex factories we were very far from the established objective. If the goal was to redeploy nine out of ten dismissed workers, in 2007 50% of them were jobless (Desorgues, 2007).
In a survey made by a French association, 50% of the employees are in very difficult situations and cannot find employment opportunities. Here are some of their declarations:
- Maguy Lalizel who was working in the sales services for more than 30 years: “I have sent more than 300 applications but I’m still unemployed”.
- Josette Gosselin was working on the production department of Cormelles le Royal plant, she was 50 years old when the downsizing was announced: “I was totally demoralized after this decision, even if the work at the plant was very hard and the days very long. It was a social place when we were meeting everyday with our colleagues, after the announcement the rupture was very hard. People found themselves home doing nothing! Even if I tried several times to find a new job and even if I followed a computing training I did not find anything”.
- Michèle Provost was working in another plant, the one of Bayeux. She was fired in 1995 and the redeployment unit did not give her any concrete offers: “I tried to work with children
but I did not receive any offer to follow the adequate training”. Today she would like to receive some indemnities and her pension, in the meantime her times were very hard.

- Lionel, 55 years old did not find a job: “Our age is an important constraint, when you are more than 50 years old and you work in a specific plant it is very hard to find a suitable job” (Desorgues, 2007).

Jean Louis Jutan, a responsible of one of the trade unions argues that several ex workers of Moulinex promote their geographical mobility in order to find new jobs but still, one must have the possibilities to guarantee this mobility. He explained that the psychological consequences of the downsizing were disastrous, several workers suffering a cancer stopped their medical treatment and let themselves die slowly. More than one suicide were counted, for these workers Moulinex was more than a job, it was their whole life.

In 2007 the association of the Ex-Moulinex was still fighting to claim the rights of the dismissed workers, it has accomplished great efforts in the redeployment and is ready to battle till the end of the legal proceeding which is still disputed in the court of Caen (Desorgues, 2007).

- **Juridical action and indemnities**

Subsequently to the layoffs of 2001 affecting the different factories of Moulinex in France a legal proceeding occurred. In 2009 after a long lawsuit that lasted for almost eight years, the court of Caen estimated that the layoffs were unjustified and confirmed its judgment of 2007.

This judgment is favorable to the employees, in fact the social plan announced in 2001 was not respected, consequently the employees will receive indemnities varying between 1700 and 49700 Euros (France Info, 2009).
4. Heineken – Adelshoffen

**Presentation**

In 1864 the brothers Ehrhardt living in Schiltigheim decided to open a brasserie in the location of an old oil mill. Quickly they became famous and their business knew an enormous success, the reputation of their products was very good and went over the borders of the Alsace. In 1883 the familial business took the shape of a public company named Brasserie d’Adelshoffen, shortly after in 1902 the company merged with Hahnenbräu-Gesellschaft and became Hahnenbräu-Gesellschaft (Dodin-Deleau, 2005).

In 1918 the company changed its name again to become Grande Brasserie Alsacienne d’Adelshoffen and four years later the company was prone to an auction sale, it was bought by Fisher and this operation was the beginning of a great success story that lasted for several decades and knew its peak in the 1950s with brands as Pils and Münsterbräu, those were designed to be sold in France but also in the international market.

One of the most successful innovations of Adelshoffen was its product Adelscott, this beer with a malt of whisky was launched in 1982, five years after it became the principal product of the company representing 22% of the total production (Dodin-Deleau, 2005).

The most important fact in the history of Adelshoffen was the acquisition by the famous Dutch group Heineken, in fact in 1996 the whole Fisher group was bought by Heineken. Unfortunately this operation did not lead to a long term improvement of the site because in 2000 a consequent restructuration took place and the entire production was transferred to the site of Saint Omer in Pas De Calais (Dodin-Deleau, 2005).

In 2001 the production in Adelshoffen stopped definitely and the site was bought by the city of Schiltigheim, according to Petter (2000) this downsizing operation led to the layoff of about one hundred employees, the consequences of the announcement were very brutal and several years after the effects of this decision are still very apparent.

If the famous brands of Adelshoffen such as Adelscott, Rheingold, etc. were deported by Heineken to other factories of the group, most of the employees faced many complications to find new jobs and an important number is still unemployed (Pet, 2001).

**The downsizing decision**

In April 2000 Heineken announced the closing of the Adelshoffen factory, this strategic action took place by the end of the year and led to the layoffs of 101 employees (Cédric, 2000). The famous brands of this unit as well as its production was transferred to another production site of the Dutch company located in Pas De Calais, the management of the group announced that considerable efforts were planned to redeploy the dismissed workers and help them to find new opportunities. Moreover Peter (2000) reported that 50000 to 330000 Francs of indemnities were promised.

**The causes of the downsizing**

According to the management of the production unit, a diminution of the sales and a deterioration of the margins were the main reasons for the closing of Adelshoffen. Heineken also aimed to make profitable the site of Saint Omer and to use its entire production capacity, hence the grouping of the two factories would allow the group to increase the Saint Omer production that would become 1 million hl instead of 600000 hl. In addition the competitors such as the German beer producers succeed in the practice of a low price
strategy for their cans, therefore additional investments in this segment were not beneficial and an appropriate reaction of the company was necessary (Tf1.fr, 2000). The CEO of Adelhoffen Brasserie admitted that the closing of the factory is a part of the strategic objectives of Heineken. In fact this decision is not principally based on economical constraints, the main motivation of the Dutch group is the increase of the benefits and the ability to face the increasing competition (Peter, 2000). From the employees perspective this decision remains very mysterious and incomprehensible, Adelhoffen was profitable during these last years and for them the closing seems illogical. They argue that this strategic action was made to satisfy the shareholders and that the human consequences and impacts on the employees were not taken into account. Consequently their reactions were very unusual and the repercussions of this downsizing one year after the announcement are considerable. We focus on these issues and present them in the next section.

The consequences of the downsizing

- **Strikes and sabotage of products**
The employees of Adelhoffen manifested their anger and deception directly after the announcement of a potential closing of the factory. Protest marches occurred in Schiltigheim and Strasbourg, they knew the pouring of hundreds liters of beer in the streets as well as in front of the factories.
The employees threatened to intensify their actions if the managers as well as the legal authorities do not take into account their requests (Tf1.fr, 2000).

- **Accusation of local industry deterioration and robbery of the “savoir-faire”**
The Heineken group was accused by several employees, trade unions and labor organizations to be the cause of the deterioration of the local beer industry in the Alsace area, in fact Adelhoffen is not the first beer producer to be concerned by closings.
Moreover Heineken kept the famous brands of Adelhoffen, their production were transferred to other sites. This action is considered as a robbery of the local savoir-faire that required years and succession of efforts to take place, Emmanuel Gruand the secretary-general of the food industry federation (CGT) stated “We are condemning the strategy of the multinational Heineken, this one buys brasseries to close them after a while, it breaks our industry... Heineken takes our high quality products and manufacture them in other factories, sometimes in foreign countries... The company steals the savoir-faire and leaves a consequent unemployment” (Tf1.fr, 2000).

- **Brutal reaction and threats**
When it becomes difficult to be heard and all the efforts fail violent reactions occur, this is the summary of Adelhoffen employees action. In fact after four manifestations and a consequent deliberate diminution of the production that dropped from 60000 to 30000 bottles per hour without any reaction of the direction. And after an absence of the company representatives in the meeting of the works council, the employees sent a letter to the local Medias, notably TF1 and France 2 to warn the public opinion. They threatened to blow up gas cylinders located inside of the Brasserie if the company slow to act, moreover they sequestered the human resource manager for more than eight hours and they poured hundreds liters of beer in the gutters (Cédric, 2000).

This succession of brutal reactions was a way to put pressure on Heineken who ignored the claims of the employees after its decision. In fact there was no intermediate between the company and its employees, their protestations were ignored and the frustration reached a
very high level. One of the employees explained “There is no reason to speak about the others but not about us”, hence the set of actions taken by the workers was an attempt to attract the attention of the public opinion. They argued “Our action is just a mean of pressure… we are not irresponsible persons but we are hopeless… Everything is done to guarantee safety during our protest” (Cédric, 2000).

- Payment of higher indemnities than expected
In the beginning of the conflict opposing Heineken to the employees of Adelshoffen, the company announced that the maximal indemnities will not exceed 150000 francs. Moreover the company promised to redeploy immediately more or less 30 workers in other brasseries and to assist the other until they find open-ended contract.
After three months of conflicts and continuous protestations, the company closed the production unit but the employees succeeded in the obtaining of higher indemnities. The final indemnities varied from 50000 francs to 330000 depending on several aspects such as the age of the employee, his ability to be redeployed or find other job, etc. This indemnity was added to the severance pay and to the salaries of the strike days, a special commission composed of employees and managers made sure that everyone received its rights and promised to help the dismissed workers till they receive new opportunities.
Jean-Claude Goire an ex foreman declared “I’m very disappointed. We fought and did our best to maintain the Brasserie because we are sure that it is beneficial and totally viable but Heineken did not want to go back on its decision. However we obtained more than expected because we battled till the end” (Peter, 2000).

- One year later ...
If the social plan proposed by Heineken was very promising, the situation one year after the closing of Adelshoffen is far from what was expected. In fact the redeployment of the different workers turned out to be very complicated and more than one third of the dismissed workforce is unemployed (Tf1.fr, 2001).

Didier Klukaszewski an ex-employee in the Brasserie argued “For me, the redeployment social plan is ‘zero’, in one year I received only one proposition of stable job and it did not correspond to my aptitudes… If I have obtained the promised indemnities, today I am unemployed. I am 39 years old and I have a family, I want to work instead of receiving social helps and staying at home” (Pet, 2001).
For Thierry Durr, the ex secretary of the works council, the outcome of the social redeployment plan is very negative. He explained “Of course the workers received their indemnities and can follow vocational trainings if they want it. However in the 101 ex workers of Adelshoffen only 60 found open-ended contracts, most of them found it themselves without any assistance of the redeployment committee. For the others, 12 are working in very precarious positions, 20 abandoned the labor market after several unsuccessful temptations to find jobs, 5 are still applying and 2 are in anticipated retirements… As far as I am concerned I opened a restaurant, I took an immense risk but I believe it is better than staying without job.” Moreover only 8 workers were redeployed in Heineken factory while the company promised to redeploy 30, in fact they preferred abandoning the company and taking indemnities, after the affair they did not want to work for it anymore (Pet, 2001).

In an interview reported by the French television channel TF1 in 2001, Thierry Durr explained that one year later the workers are still under the shock. They cannot evoke the subject or talk about it without emotions, most of them are tear-filled when they explain their feelings and the psychological consequences of the downsizing were very consequent.
5. The phenomenon persists… the consequences too!

Along the same lines, an important number of comparable situations exist in France and provoke similar repercussions. Here we introduce the cases of other companies that decided to downsize and generated, by the same occasion, unexpected reactions of the different stakeholders.

**La Compagnie de Développement Textile (CDT)**

The CDT (ex-Boussac) is a subsidiary of the group VEV, the company is operating in the textile industry, weaving, printing and tinting are its main activities. In February 2003 the company announced its intention to downsize; this operation was expected to lead to the layoffs of more than 155 employees and concerned three different production units in France.

The company was put into receivership since the last 24 September by a French court and faced several problems at the financial level. The only solution for its survival was to find additional financial sources or a prospective buyer (Zagroun, 2003).

This announcement generated a reaction of the employees, those demanded indemnities as well as a 1000 Euros public intervention from the state for each year of experience in the company. They argued that the employees of Metaleurop Company, that were facing the same circumstances, received 15000 Euros from the state. They did not understand why they were treated differently and they claimed the same rights.

However, to respond to the indifference of the concerned parts they menaced to explode the company. Afterwards they decided to burn a warehouse and they stated that it is just a warning, they had nothing to lose and they were ready to do more if no one reacted (Ghautier, 2003).

This case reminds us of both Moulinex and Heineken, the employees were frustrated and their reaction to the layoffs was extremely violent. In fact they reached a high level of disappointment and in front of this hopeless situation they tried to attract the public opinion attention by all the means so that they could be heard and receive compensations. In such cases the employees suffer psychological consequences, they usually have problems to find new jobs especially if they are old. It affects their self confidence and generates several other negative effects that we will discuss later. Moreover the company damages its reputation and do not necessary succeed in the achievement of its strategic objectives.

**eBay**

In a similar situation to the one of Michelin, eBay announced in 2008 two paradoxical news, the first one was that the company will cut 10% of its global workforce in the different countries in which it operates. In fact it is more than 1000 employees that will be dismissed.

The second news was the acquisition, in the same time, of two companies: Bill Me Later a specialized firm in the online payments, and Den Bla Avis and Bilbasen a Danish advertising
company. These acquisitions cost 1.35 billion dollars (Stone, 2008).

The public opinion did not understand this decision of the group and reacted negatively to the announcement, notably in France that was also concerned by the layoffs. In fact even if eBay CEO provided several reasons such as improvement of the efficiency and creation of new opportunities and even if he promised to treat the dismissed employees honorably (Stone, 2008), the layoffs of the workforce seemed to be not reasonable and provoked a deterioration of the company image. This situation is comparable to the case of Michelin, which also announced two contradictory news: massive layoffs and excellent results.

**The French cases...**

In addition to Michelin, Danone, Moulinex, Heineken, la CDT and eBay numerous other cases of downsizing and scandalous layoffs occurred in France. It is difficult and long to report all of them and analyze the details of each situation, however here are some interesting cases in which the consequences of the layoffs were significant. In fact in all these situations the announcement of job cuts provoked surprising and brutal reactions from the workers.

- **Cellatex - 2000**
  In July 2000 the 153 dismissed employees of the production unit located in Givet threatened to blow up more than 100 tons of dangerous products. Moreover they poured 5000 liters of sulfuric acid in an affluent of la Meuse, this reaction of the workers was an attempt to gain the public attention and claim their rights (Cédric, 2000).

- **Comilog - 2003**
  After the announcement of the closing of one of its factories located in Boulogne-Sur-Mer, Comilog one of the main leaders in the iron industry faced a delicate situation. The concerned employees poured an important amount of a dangerous liquid in the local port to express their opposition to this decision (Morawski, 2003).

- **Lenoir-Et-Mernier – 2008**
  About fifty employees of Lenoir-Et-Meurier the French company specialized in the production of blots threatened to poor acid in la Meuse (leparisien.fr, 2010), the company knew financial problems and announced 133 job cuts. This menace of the employees was accompanied by the blocking of 4 factories and law pursuit against the company management, this one was accused of social abuses, falsification of financial documents as well as several other offenses (Ambrosi, 2008).

- **New Fabris - 2009**
  In July the 366 workers of New Fabris, a company specialized in the manufacturing of car components subcontracting with the famous French car producers PSA and Renault, menaced to explode their factory using gas bottles. It was after the announcement of the closing of their factory for financial reasons. They claimed layoff indemnities and stopped their protestations after an agreement with PSA and Renault (Jocard, 2009).

- **Nortel - 2009**
  In July as well and in similar circumstances, the employees of the Canadian telecommunication group Nortel put down about ten bottles of gas inside of their factory located in les Yvelines and declared being ready to explode the site. Their reaction was caused by the announcement of a closing of their factory and the layoff of more than 500 workers in France. They refused to be victims of a strategic shift and denounced this decision, they announced being ready to do everything if the management of the company does not take in account their demands (Lepoint.fr, 2009).
6. Analytical conclusions

The consideration of French cases and the analysis of the downsizing consequences in the context of this specific industry provided us an idea about the downside of this phenomenon.

We summarize the outcome of this case study in this part by the realization of a comparative analysis, it help us in the identification of the differences and commonalities of the various situations as well as in the formulation of our own opinion.

**Diversity in the circumstances**

In the different cases that we presented we notice that the context of the companies during the downsizing decision was different. If in many cases companies were facing financial problems and viewed downsizing as a way to go through their troubles, other companies downsized and announced massive layoffs even if their performances were remarkable.

In fact in the 11 companies mentioned during our empirical illustration, 7 were facing critical financial situation while 4 were recording positive performances. Therefore downsizing is not peculiar to companies crossing financial or economical troubles, this strategic action is also conducted by wealthy companies.

**The announcement and communication**

The announcement of downsizing strategies is a difficult process, in fact it is very important to control the situation and prepare an appropriate approach to communicate with the different stakeholders. The relevance of the arguments used by the managers as well as the timing are key elements. The best illustration is the one of Danone, the company faced a leak of information and the public opinion acknowledged its intention to downsize in advance, this situation was not expected and put the company in a complex situation. The lack of preparation when it comes to the communication and the hesitation in the announcement provoked a negative reaction of the employees, public opinion and different shareholders.

**The companies’ explanations**

The reasons making companies downsize in our examples were very similar. In most of the cases the management of the firms explained its decisions by the evocation of economical considerations such as the increasing competition, the globalization necessities, the improvement of the production, an optimization of the production capacity, the intention to create more value etc.

However the public opinion and the specialists did not view this strategy from the same angle especially when it comes to wealthy companies, they argued that the main cause of this decision was the satisfaction of the shareholders that benefited from the downsized announcement. In fact and as illustrated by the survey of the AMA, in the second chapter, and in the cases of Michelin and Moulinex the announcement of downsizing provokes an unusual rise in the share values at the stock market. Hence the shareholders are able to realize considerable benefits if they sell their shares, this strategy is what Nikonoff called “la création de valeur”, in other words the value creation.

We personally believe that the creation of value is not really what happens when a company announces a downsizing, more details about this financial technique and its real significance will be analyzed in the next theoretical part. Our point here is that in our cases we did not notice any extra value after the downsizing, au contraire in most of the cases destruction of value occurred and negative repercussions were the principal outcomes characterizing the following period.
Concerning the delocalization and the managers claiming an increasing competition as a principal cause of their downsizings, we personally do not understand this approach. To explain ourselves we want to specify that nowadays and because of the globalization the level of competition is higher in the majority of industries, therefore it is normal and expected from companies to adapt themselves by the employment of appropriated managerial practices. We believe that it is possible to avoid downsizing, numerous companies realized significant improvements and remarkable results without any downsizing or layoffs, their creativity, ambition and loyalty were the source of their success. Thus using the globalization as a justification for massive layoffs does not seem logical as long as other companies in the same circumstances realize better performances without it.

**The destructive side**

If in some of our cases the announcement of a downsizing provoked an instantaneous augmentation in the value of the company at the stock exchange, this outcome was neither the principal nor the most memorable result of the restructuration. In fact in all the cases the negative outcomes were very obvious and more influent. We indentified two categories of destructive repercussions: the immaterial and material ones.

**Immaterial consequences:** the examples we have chosen in our empirical study showed that companies undertaking downsizing experience significant immaterial damages. We believe that one of the most dangerous consequences of this strategic action is the deterioration of the firms’ reputation. The examples and comparison of Michelin and Danone are very judicious, in fact the first one was known for its negative atmosphere and terrible management while the second benefited from a good reputation at all the levels including the social one. After the downsizing both companies acknowledged deterioration of their reputation, however for Danone it was harder, the company and its brands were the most preferred by all the French in the beginning of the year, but after the announcement and the important Media’s coverage the company lost this position and the public opinion was very frustrated and disappointed. Therefore all the efforts of Danone and its previous investments were called into question and it has been difficult to regain the trust of the customers.

This deterioration of the companies’ image is closely related to the public and political coverage of the affairs, in fact the Medias influence the general opinion and the reaction of the politicians also affects the course that the affair takes. The case of Danone for example was a record when it comes to the media coverage, more than 80 articles were published in the most renowned newspapers and magazines. Whereas the case of Michelin was unique because of the new regulations and laws that were voted after the political debate that followed the announcement, in fact discussions took place in both the French and European parliaments, they involved the primary minster as well as the president of France at this time.

If the public opinion and politicians react, it is because of the pressure that the trade unions and employees exert, in addition to their protestation and denunciation in the majority of our examples legal proceedings occurred and the attention and debate is not inside of the company anymore but outside.

These circumstances lead in some cases to an international criticism, in fact some affairs went beyond the national borders and attracted the attention of the Medias and public opinion of other countries.

In our opinion all these outcomes are very negative and affect consequently the company performances, however the company is not the only part concerned by downsizing, on the other side we have the employees that suffer more from this kind of decisions.

In the cases that we analyzed we noticed that the psychological repercussions were very important, the accounts given by the ex workers of Heineken and Moulinex for examples
showed that they were extremely disappointed and they lost confidence and hope. The majority tried to find new job opportunities but they did not succeed, it affected their self esteem and made them less self confident.

On the other hand, some of the dismissed workers refused to be redeployed in their initial companies, they did not want to work for it anymore, their sense of belonging disappeared and their ambition and motivation to serve the company was not present any longer. In some other cases the employees accepted the redeployment, personally we ask ourselves one question: Will these employees feel the same as before and are they ready to make sacrifices for their employers? We strongly believe that the answer is NO and that the main motivation of their decision is the lack of opportunities, in fact no one can just forget what happens to his colleagues and the wounding memories of the previous downsizing remain very present. The managers are also concerned here, in fact some of them admitted that they felt very weak after their decision and they realized their mistake once the affair became more public, moreover in one of the cases the manager of a production unit was sequestered for more than 8 hours by the dismissed workers. We believe that this kind of experiences affects enormously the personality of the manager and his ability to make decisions.

Material consequences: The damage caused by downsizing particularly concerns the intangible resources of a company, nevertheless we also noticed material repercussions directly after the announcements of the layoffs. In our examples all the companies had to pay higher indemnities than expected, therefore the costs of the layoffs are usually underestimated. Moreover the announcement usually engenders strikes as well as partial or total stopping of the production, hence companies do not produce as much as before, they are not able to satisfy all the needs and demands of their customers anymore. It is a considerable loss of incomes that may lead to a loss of market shares too.

In the last examples violent reactions of the dismissed workers were the principal outcome, those threatened to explode or blow up production sites, in some situations the menaces were executed and whole sites and factories were burned. Furthermore sabotage of company products by the employees occurred. In both cases the material losses are very significant and influence the company performances.

In fact sometimes the menaces and damages go beyond the company proprieties, it is the case of the employees that poured acid and other dangerous liquids in rivers and ports to attract the public attention. This reaction does not only affect the company but the society in general.

The case of Danone is also very fascinating, the company suffered a national boycott. This kind of actions affects considerably the sales and influences the decisions of the potential clients especially when it is supported by the Medias and all the means of communication. The material losses are very considerable indeed.

Finally and on the base of our empirical study, we believe that the destructive side of downsizing is more consequent than its creative one. It is important for companies to think seriously about this strategic decision and the possible alternatives before its implementation, it is also very essential to prepare adequately every step of the approach and to take in account the possible negative outcomes that it may engender.

However we are limited in our examples to the case of France while the phenomenon is present globally, therefore we cannot generalize the result of our study and this is why we present, in the next chapter, the general consequences identified by the scholars and other specialists.
IV. The downside of downsizing

“Laying off those three thousand workers was the hardest decision I have had to make in thirty years of business…”

Reported by Gandolfi, 2006.

There are very few decisions that managers find harder to make than downsizing and dismissing people. Several business leaders recognize that this activity is particularly hard especially when the principal motivation of the organization is cost cutting. It is for example easier to fire an employee because of his performances, however when a company is downsizing and dismissing an important number of workers the decision is harder because it is almost never due to their performances (Sims, 1994).

The complexity of this kind of decisions comes from the fact that they involve, in addition to laws and regulations, ethical and social aspects. In fact in business circles one cannot perform without values and ethical principles, those become very problematical particularly in downsizing situations. Several scholars classify downsizing and its restructuring strategies that includes factory closing as well as job exporting as the most complex and dramatic issue in human resources management, especially when we view it from an ethical angle.

Furthermore downsizing is considered as a direct conflict of interests between the different stakeholders, this situation is characterized by a high level of stress and inconsistency that diminishes considerably the resources of companies and biases the decisions of its leaders. Therefore it is habitually the most powerful interests that triumph whereas the right considerations are ignored, it engenders considerable ethical consequences and harm innocent people (Burke & Cooper, 2000).

If several business leaders and specialists argue that this strategic action present an important ensemble of opportunities, one must know that on the other hand, it leads to unexpected repercussions that are in most of the cases more consequent. In fact a considerable number of scholars associate to downsizing and massive layoffs numerous prejudices that affect companies and all their stakeholders. They question the effectiveness of this strategic shift and have doubts concerning its appropriateness and justifications.

In this chapter we identify the principal destructive effects of downsizing. As explained before this one affects all the stakeholders, therefore we first consider the consequences that the companies suffer. We believe that it is judicious to start by the analysis of the consequences that the deciding part undergo, in fact and as detailed later most of the organizations leading downsizing operations face additional internal and external problems, they do not succeed in the realization of their strategic objectives and experience important losses at different levels.

Then we take in account the workforce which is the other principal part concerned by downsizings. In fact all the workers of an organization are influenced, directly or indirectly, by this kind of decisions. In this thesis we consider differently three categories of employees: - The downsizing victims: It is the employees who lost their jobs consequently to the layoffs that the downsizing companies conduct.
- The downsizing survivors: It is the employees who are still working for the company after the downsizing. This category can be divided in two sub-categories, the employees that were subject to downsizing, it is those who were menaced to lose their jobs. And the employees who were sure to keep their positions and did not face the doubt of losing their job.

- The decision makers: It is the managers, the executors. Those implement the downsizing.

These three categories of employees are concerned by the downsizing. Even if their positions and situations before and after the restructuration are different, they all suffer considerable consequences particularly at the psychological level.

In addition to the company and its employees, we consider the effects of downsizing on the other stakeholders. In fact the phenomenon provokes an important number of consequences touching the shareholders, the environment, the local populations, the policies etc.
1. The destructive effects of downsizing on companies

**The value creation!**

One of the principal motivations of the companies resorting to downsizing is their intention to create additional value. Several managerial techniques exist and they are all combined with important strategic shifts in order to realize this objective successfully. However we are wondering if downsizing and massive layoffs are really creating value!

The analysis of Nikonoff (1999) concerning this topic is very pertinent. This one explains that “La création de valeur” became the new dominating mode in the management of the companies that are quoted at the stock exchange. However he argues that this expression is extremely misleading because it is only the shareholders that take advantage from this ‘additional value’, they benefit from the decision without the deployment of any efforts. In fact the appellation itself is erroneous, in the case of downsizing the financial operations do not create value but anticipate the creation of future value. It is just an expectation and if we consider for instance real situations of downsizing announcements, no value is immediately created and there is no additional production or sale of goods. The only thing that happens is that the shareholders sell their actions and realize significant capital gains, here the raise in the price of the shares reflects an anticipation of an improvement in the company productivity, moreover the layoffs generate a reduction of the costs and an augmentation of the dividends that motivates the investors.

It is unreasonable indeed to require returns of 15 to 20% for shares while the global economy is progressing by 2 to 3%. The only way to obtain these abnormal returns is a pressure on the workforce and employment, however this attitude is irresponsible and the shareholders must respect the financial logic in which investors can obtain higher returns only if they support more risk. In fact one cannot claim more profits without supporting additional risk, in the downsizing situations what happens is that the shareholders obtain more benefits by dismissing employees and transferring the risk to them. Therefore they are the only one benefiting from an operation that harms the workers as well as the other components of society (Nikonoff, 1999).

**The effects on company performances**

According to Clark & Koonce (1995) 68% of the downsizing strategies are not successful, in most of the cases the firms that conducted restructuring operations to increase their profitability did not achieve this objective and experienced significant consequences. On the same register, a study conducted by the Society for Human Resource Management proved that more than 50% of the 1468 companies that realized downsizings noticed a deterioration of their productivity.

Another pertinent study of Wyatt Associates between 1986 and 1991 concerning 1005 companies that restructured showed that most of them did not realize the expected objectives, 54% did not decrease expenses, 68% did not augment their profit, 78% failed in the amelioration of their productivity and 83% kept an awful bureaucracy (Atwood, Coke, Cooper & Loria, 1995).

These results are confirmed by different other studies in different epochs, Pfeffer (2010) also reported that downsizing does not improve firms productivity, he used a study realized between 1977 and 1987 concerning 140000 American companies. In fact here the ameliorations in productivity occurred in the firms that employed additional workers and
not in those that reduced their workforce, it is justified by the fact that when companies
downsize to diminish their costs per worker, the sales per worker decrease as well.
When it comes to the changes affecting profits, Pfeffer (2010) argue that downsizing decrease
considerably the financial prosperity of the firms. In comparison to the companies that did
not downsize, the ones conducting this strategic activity stayed less beneficial. A study of
the AMA showed that only 50% of the downsizing organizations ameliorated their profits and
less than 35% improved their productivity.
Here is a table recapitulating the general effects of downsizing on the desired outcomes, this
one shows that the percentage of the companies succeeding in the realization of their
strategic objectives is very low. In fact most of the firms fail and notice a deterioration of
their performances and different indicators (Atwood, Coke, Cooper & Loria, 1995).

<table>
<thead>
<tr>
<th>Desired Outcome</th>
<th>Percent of Firms That Achieved Desired Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced Expenses</td>
<td>46%</td>
</tr>
<tr>
<td>Increased Profits</td>
<td>32%</td>
</tr>
<tr>
<td>Improved Cash Flow</td>
<td>24%</td>
</tr>
<tr>
<td>Increased Productivity</td>
<td>22%</td>
</tr>
<tr>
<td>Increased ROI</td>
<td>21%</td>
</tr>
<tr>
<td>Increased Competitive Advantage</td>
<td>19%</td>
</tr>
<tr>
<td>Reduced Bureaucraty</td>
<td>17%</td>
</tr>
<tr>
<td>Improved Decision Making</td>
<td>14%</td>
</tr>
<tr>
<td>Increased Customer Satisfaction</td>
<td>14%</td>
</tr>
<tr>
<td>Increased Sales</td>
<td>13%</td>
</tr>
<tr>
<td>Increased Market Share</td>
<td>12%</td>
</tr>
<tr>
<td>Improved Product Quality</td>
<td>9%</td>
</tr>
<tr>
<td>Technological Advances</td>
<td>9%</td>
</tr>
<tr>
<td>Increased Innovation</td>
<td>7%</td>
</tr>
<tr>
<td>Avoidance of a Takeover</td>
<td>6%</td>
</tr>
</tbody>
</table>


The effects on the stock exchange value

If most of the companies expect an increase of their value at the stock exchange after the
announcement of a downsizing, many find themselves in critical situations and do not
notice any short term changes in their quotation at the stock market. A good example is the
one of Moulinex in our case study, the company downsized several times and in most of the
cases the stock market reacted negatively and no improvement was noticed.
Pfeffer (2010) reported that the announcement of a downsizing does not automatically lead to an improvement of the company value at the stock market. In fact a survey concerning 141 downsizings and layoffs occurring between 1979 and 1997 revealed negative reactions and returns directly after the announcements, moreover this same study showed that repetitive layoffs causes more negative effects. Another survey conducted between 1990 and 1998 concerning 1445 downsizing announcements showed that those had negative effects on the stock exchange returns, the effects were proportional to the expanse of the downsizing.

Several other studies leaded to the same conclusions, we can mention for instance the one making comparison between 300 layoffs announced in the USA and 73 ones announced in Japan, the outcome of the study was that in both countries the simple announcement of these operations leaded to unexpected negative returns for the shareholders.

**Skills and practical knowledge losses**

When companies decide to downsize they usually cut jobs in different ways, one of them consists in asking the employees if they want to leave. Then they just have to fulfill special applications so that they can benefit from some advantages such as layoff indemnities and early retirement incentives before leaving the firm. This system presents an important number of disadvantages, in fact when the company gives the choice to all the employees what generally happens is that those who have more skills and abilities to find other jobs are the first to manifest their intention to leave, for them it is an opportunity to benefit from the departure indemnities and look for new opportunities elsewhere. Therefore the company finds itself in a critical situation, it loses the most talented workers and keeps the less efficient, moreover the dismissed workers tend to apply directly for new jobs and the competition may benefit from their skills and knowledge easily. Hence it is essential for companies practicing downsizing to avoid this kind of strategies (Band & Tustin, 1995).

In similar situations, some companies that negotiate with their employees the cost cutting strategies found themselves surprised with the extremely high number of demands. In fact much more employees than expected claimed the advantageous buy-out package. We can mention for instance the example of the Connecticut Mutual Life Insurance Company which was expecting 475 employees asking for the departure offer during its downsizing of 1993. This one received 1650 instead, therefore the managers found difficulties to negotiate the staying of the valuable employees and the result was that the company lost 890 workers in which 220 that the firm did not want to lose (Groarke, 1998). Therefore we can say that downsizing does not really decrease the costs. Companies lose their best workers, those tend to leave the company to benefit from the buy-out offer knowing that they will not find difficulties to get new job opportunities. In fact sometimes the valuable workers chose to take the package because they know that the company cannot substitute them, therefore this one finds itself obliged to rehire them and it costs much more. A survey by the AMA showed that about 35% of the firms that dismissed people rehired a part of them because they needed their skills and did not find anyone to replace them (Pfeffer, 2010).

**“The dirty dozen”**

The dirty dozen is a concept introduced by Cameron, Whetten and Kim in 1987. These scholars identified 12 negative aspects of companies performing during declines. Huber and Glick verified in 1993 the occurrence of these destructive aspects during the downsizing operations. Here are the 12 aspects that organizations suffer in this kind of situations:
1. Centralization: All the decisions are made by the top of the companies, the power is not as shared as before.
2. Short term thinking, crisis approach: Because of the high stress and uncertainty all the efforts are focused on the immediate and the long term thinking is neglected.
3. Loss of innovation and creativity: the tolerance of mistakes and the active learning from errors is reduced therefore the innovative risky attitudes and creativity tend to disappear.
4. Resistance and refusal of change: The different employees adopt conservative attitudes and a decreasing flexibility because of the threats, protectionism is the main stance.
5. Decreasing morale: Internal conflicts and negative atmosphere rules the company and affects the employees’ morale.
6. Appearance of special interest groups: Particular politicized interest groups appear within the company, they tend to organize themselves and claim special interests, it generates conflicts.
7. Non-Prioritized cutbacks: The priorities of the company become very ambiguous and difficult to understand, therefore cutbacks are conducted to solve conflicts.
8. Loss of trust: Due to their decisions the managers and leaders of the organization lose the confidence of their subordinates, distrust increases significantly and becomes the main attitude of the different organizational components.
9. Increasing conflicts: The resources of the company decrease and the result is the appearance of an internal competition when everybody fights for its own interests.
10. Restricted communication: The information is not as shared as before, there is a fear of the reactions and an increasing mistrust, therefore it is only the good news that are communicated. Indeed because of its importance this point is discussed in details below.
11. Less teamwork: As explained earlier all the individuals are focusing on their own objectives, the individualist behaviors increase and teamwork becomes difficult.
12. Lack of Leadership: The leaders lose their power and the subordinates do not trust them anymore. The priorities become unclear and a negative state of mind reigns (Atwood, Coke, Cooper & Loria, 1995).

Communication crisis

Organizational downsizing affects very negatively the communication within organizations and generates dangerous outcomes. In fact the fear and doubt characterizing the firms during this period tend to close down the communication means, it is very devastating because in this situation intensive communication is considered as the most efficient and appropriate response. Moreover, as proved by several studies, the most important need of the remaining workforce in time of doubt is information. However it is essential to conduct coherent communicative campaigns during downsizings, several companies for examples argue that this action is exceptional and necessary, they promise that the company does not aim to conduct other similar actions but they downsize again later. Here the impact on the organizational culture is a consequent decrease of trust (Marlow & Wilson, 1997).

Non commitment and dishonesty

The downsizing operations affect all the workers of an organization even those that do not lose their job. It reminds them that they can lose their job at any moment, they are completely powerless and cannot control their own lives when business leaders chose downsizing instead of all the other possible strategic alternatives.
The consequence here is that the employees are not committed anymore to the cause of their companies. They are demoralized and feel insecure. Therefore they cannot use their innovation and creativity to make the company stay competitive (Ciulla, 2004).

In fact it is evident that the employees who feel satisfied with their working conditions are expected to be loyal to their company, whereas the employees who feel that they are underpaid and overworked without the recognition that they deserve, and in general all those who are dissatisfied with their jobs, are likely to become unhappy and irritated especially during crisis times such as downsizings. They usually express their desire to take revenge and react to the company decisions, the results vary and they are all very negative: Dishonesty, sabotage, increasing protest and strikes, stealing and other different unethical actions (Sims, 1994).

During downsizings the employees that are still working for the company become doubtful and less productive, when they feel less loyal their objective turn out to be the protection of their own interests instead of making efforts for the good of the firm (Karake-Shalhoub 1999).

**High level of stress and biases in the decision making process**

During downsizing crisis companies find themselves in complicated situations characterized by a high level of ambiguity, stress, employment insecurity, uncertainty and delicate power struggles. Therefore the managers face a pressure that makes them performs with less consistency than during normal days, in fact their responses to the complications become extreme.

This stress characterizing the company is due to the fact that the decision makers are in a position in which they have to face several problems and make consequent decisions. In addition to the layoff announcements and management, they have to implement new strategies for the survivors and keep on running the company smoothly. Hence the decision making process knows biases and the alternatives chosen by the managers usually present unethical aspects that generate negative effects (Burk & Cooper, 2000).

**Higher absenteeism and effects on employees’ health**

During downsizings all the employees of the concerned firms suffer considerable psychological and physical consequences, in fact they all face increasing health problems. Andersen (2004) explains that the level to which the health of employees was affected is proportional to the degree of the downsizing, he argues that long term sick leaves augmented by 16 to 31% in time of downsizing and they were 1,9 to 6,9 times superior after big downsizings than after smalls.

A European study conducted in 1997 showed that the uncertainty that the employees face during downsizings and the high level of stress affects the moral of the remaining workforce as well, in addition to the negative atmosphere dominating the workplace the rate of absenteeism is 2,3 times higher after important downsizings (Gross, 2001). Another survey of the AMA confirms the effects of the phenomenon on the employees’ moral (Pfeffer, 2010).

**Downsizing, CSR & companies’ reputation**

When companies downsize their corporate social performance is affected, in fact the massive layoff of workers is considered as being socially irresponsible. It affects the financial indicators of companies especially in the long term (Karake-Shalhoub, 1999).
A study realized between 1985 and 1994, analyzing the effects of corporate changes on the reputation of companies, showed that downsizing affects negatively the reputation of the firms especially when they are realizing good performances, in fact when the decision was due to critical financial situations the damages were less consequent (Kraatz & Love, 2006). These results are confirmed by our case studies showing that the public opinion judges more negatively the wealthy companies conducting downsizing, however it is important to keep in mind that in all the cases the phenomenon damages the reputation of the organizations.

**Dissolution of the psychological contract**

A psychological contract is defined as the beliefs of an individual concerning the conditions of a specific exchange accord occurring between him and another part, the most important aspects implied in such contracts are fairness and trust. Therefore the violations and non respect of these attributes influence strongly employee’s trust in the company. A distinctive concern in psychological contracts is the promise of job security by the company. The employees tend to feel owner of their jobs and expect their position to be definite and assured even if they know that the obligations of the employers tend to change according to the different circumstances. When an employer makes decisions touching the employment policies and leading to layoffs, it is viewed as violation of this contract. People feel injustice and deception because they consider the security of their job as the most important term of the contract (Burke & Cooper, 2000).

**Downsizing, the vicious cycle**

When a firm dismisses employees all the tasks and activities are left to a smaller number of workers. Therefore the clients’ services, the production and all the other processes are realized by a smaller and particularly demoralized workforce. Consequently the firm loses market share and decides to conduct more layoffs and the cycle continues indefinitely. The best example is the one of Moulinex that conducted three successive massive layoffs and finished by filing for bankruptcy. This dangerous and destructive cycle affects the general economy of nations as well, we detail the process in a following section (Pfeffer, 2010).

**Direct and indirect cost**

Gandolfi (2006) made a pertinent classification of the costs that downsizing generates, he distinguishes two categories, the direct and the indirect costs. As direct costs we identify the consequent severance pays as well as the raise in health problems within the work place which provokes an increase of the sick pays. Moreover the downsizing process always generates important administrative costs. Furthermore downsizing generates indirect costs that the managers do not take in consideration while deciding. Companies for instance spend enormous amounts on the recruitment of new employees not to suffer from the departure of its experimented elements. Companies suffer from juridical pursuits as well, generally those generate several charges such as the discrimination compensations and the firms are obliged to pay indemnities. Finally and as explained later downsizing affects the survivors, this phenomenon is named the “Survivor Syndrome” and generates high and unexpected costs.
2. The destructive effects of downsizing on the individuals

When companies announce downsizings all their employees are involved in this process, the managers take the decision and implement it, the dismissed workers lose their jobs and find themselves in critical situations while the remaining workforce is asked to assure the same level of productivity or improve it with less resources. Therefore all the components of the company are affected and undergo different consequences. In this section we analyze the negative effects of downsizing on three categories of individuals: the victims, the survivors and the executors.

2.1 Downsizing effects on the Victims

Greenglass & Burke (2001) defines a downsizing victim as an individual who is downsized or restructured involuntary (Gandolfi, 2006). Our review of literature shows that this category of people suffers different consequences at different levels and especially at the psychological one.

**Health problems**

In fact during the companies’ restructuration characterized by massive layoffs several problems related to the health of the employees arise. The rates of depressions, smoking, alcoholism and drugs consumption augment considerably. A survey in New Zealand showed that the fact of being unemployed augments the probability of suicides by 2,5 times. While in the USA, the National Bureau of Economic Research published a report in which it is stated that the life expectancy of the employees that lost their jobs decreases of 1,5 years. Other findings were very revealing, the probabilities of self-harm and the admissions to hospital for psychological and mental problems augmented considerably after downsizings. In Sweden for example, a survey concerning factories closures reported an increase of 44% in the moral risks during the four years that followed the layoff (Pfeffer, 2010).

**Employment problems**

When an individual loses his job he usually faces high levels of stress because of the growing uncertainty especially when it comes to finding new work opportunities. The doubts concerning the continuation of one’s career and the experience of unemployment for long-term provoke psychological and social problems that create additional barriers during the unemployment period (Lange, Löhr & Steinmann, 1998). Several studies prove that individuals who lose their jobs due to downsizings usually know a loss of earning power during their reemployment and express negative feelings such as cynicism, lower commitment, uncertainty... it characterizes them during the following jobs (Gandolfi, 2006). Moreover finding new employment opportunities is not easy. A study concerning this issue shows that one out of three workers over 55 years is obliged to leave the employment market (Sims, 1994). Another survey reported that more than 33% of employees over 35 years do not find jobs with the same salaries and need five years to reach their original wages (Gross, 2001).

**Self-esteem deterioration**

Being dismissed is extremely demoralizing, the fact of losing a job is different from the other disasters that a person may know because it affects negatively the self-esteem and makes people question themselves. It generates mental sickness and affects considerably the confidence of individuals (Sims, 1994).
In fact the dismissed workers are destroyed and start to believe that they made mistakes when they were looking for their previous company welfare instead of serving their own interests, this attitude is very negative and usually accompanies them during the rest of their career (Makawatsakul & Kleiner, 2003).

**Deterioration of the well-being and relationships**

The experience of losing a job affects different life domains, first the dismissed workers suffer financial problems because of the loss of their incomes and it usually leads to a deterioration of their well-being and attitudes. They become negative and express a life dissatisfaction which affects their relations with their surroundings, in many cases familial conflicts occur and lead to dramatic consequences such as divorces (Burke & Cooper, 2000).

**Violent reactions**

The dismissed workers express, in many cases, an anger and depression. They believe that their layoff was unfair and feel vengeance desires, their psychological control deteriorates and they want to punish the responsible for their situation. Several examples exist in the USA when dismissed workers went back to their workplace with guns and attempted to injure or kill people, these behaviors are not exceptional and many researches prove that people without any aggressive or violent past were six times more likely to show brutal reactions after downsizings than the individuals who did not lose their jobs (Pfeffer, 2010). These violent reactions take different forms. The example of the gun is not exclusive, in our cases studies and in many other cases sabotages, threats, deterioration of the workplace, burning and exploding of factories, sequestration of managers etc. occurred.

### 2.2 Downsizing effects on the Survivors

A downsizing survivor is defined as an individual who remains in a specific organization after a consequent reduction of the workforce (Gandolfi, 2006). In the literature we find a distinction concerning this category of people and two sub-categories exist: the first one is the job secure employees, it is the employees who were not considered by the layoff, and their positions within the company were not concerned. The second one is the job-insecure employees, their positions were uncertain and they were probable victims but they finally stayed in the company. These two sub-categories present several commonalities and usually demonstrate similar reactions.

In fact if companies make considerable efforts to assist and limit the consequences on the downsizing victims, they generally underestimate the effects on the remaining workforce. It generates destructive repercussions and affects several organizational aspects (Gandolfi, 2006).

**The effects on the job-secure employees**

The layoffs caused by downsizing generate several organizational problems and impacts the employees who are still working for the company even if their positions were not called into question. In fact they keep in mind the behaviors and attitudes of the managers and other components that were involved in the process. Moreover they tend to reassess the values, principles and norms of their company, if they observe that the individual employee is not valued enough and treated unfairly with no regard to his or her competences it affects considerably their own behavior and performances.

Several studies focusing on the survivors of downsizing reported augmentations in stress, disappointment and in the intention to leave the company. Conversely the studies reported diminutions in responsibility, morale and productivity. The outcomes of the different studies
reporting the negative changes in the attitudes of the survivors when apparent justice is considered as being low are named, by Brockner (1988) and Greenberg (1990), “the survivors’ syndrome”.

The negative reactions of the survivors depend on several aspects such as their connection and relations with the layoff victims, their judgment about the adequacy of the layoff and the injustice accompanying the process. In fact when the layoff was considered as unjust the trust and organizational support were both greatly affected, on the other hand if the layoff was conducted fairly the effects on job satisfaction were less negative and the behavior of the employees is more positive (Burke & Cooper, 2000).

One of the most important points concerning the survivors is the concept of the “Perceived Justice”. In fact when a layoff is considered as unjust and conducted without any regard to the different human sides, the job satisfaction and the degree of involvement decrease considerably while the departures intention’ augments. In this context it is important to define the real meaning of “Unjust Layoffs” for the job-secure employees. Indeed these ones consider a layoff as unjust when they victims are treated unfairly and without any assistance, here the reasons and justification given by the management of the company must be very persuasive. Moreover it is very important for companies to support constantly the victims and make efforts on their redeployment otherwise the survivors’ performances and confidence deteriorate.

All in all the layoffs that are considered as avoidable or unjust cause a general demoralization and pessimism within the organizations, it decreases the commitment and involvement of each individual and affects the productivity of the firm as well as the efficiency of its staff (Lange, Löhr & Steinmann, 1998).

The “survivors’ syndrome” presents very apparent psychological consequences, in fact the emotions of the job-secure employees are affected and change negatively after the implantation of the layoff decisions. Usually they manifest variant attitudes such as an increasing guilt, culpability, inequality, irritation, insecurity and uncertainty. These psychological expressions are likely to influence the performances of the individuals as well as their motivation and commitment, in most of the cases the atmosphere at the workplace becomes awful and job satisfaction’ decreases.

Several other warning signs are associated to this syndrome and considered as its direct consequences, we mention the quality deterioration, the low morale and productivity, the high distrust and organizational doubt, the non-involvement, job-insecurity etc. These results are confirmed by several scholars such as Cameron, Marks and Mirvis, Appelbaum, Gettler etc. This last one observed the same symptoms on the job-secure employees. His study conducted in 1998 concerned in addition to the USA other countries as Australia, New Zealand and South Africa. Besides the mentioned consequences he identified other negative effects such as an augmentation in the employees’ turnover, less creativity, flexibility and risk taking initiatives (Gandolfi, 2006).

This syndrome presents other relevant aspects. In fact it is always manifested by an augmentation of depressions, frustration, irritation and anxiety. These reactions are explained by an interesting comparison made between the survivors and soldiers. In fact the remaining workforce expresses the same feelings of a soldier who lost a friend or a colleague during a combat, the comfort and liberation expressed because of one’s own survival does not last for a long time and the immediate reaction is an immense guilt and responsibility for the others’ non-survival. Moreover the remaining employees call the organizational values and principles into question, they do not understand why they are still working for
their employer while their colleagues, who had the same knowledge, competences and motivation were dismissed. This unequal treatment decreases the credibility of the company’s management and generates destructive effects as an increasing guilt that affects, in addition to the survivors, the executors (Gandolfi, 2006).

Another symptom associated to the “Survivors’ syndrome” is the augmentation of envy. In fact if some workers express guilt and culpability for the departure of their colleagues, others express an abnormal jealousy. They argue that the dismissed workers obtained advantageous indemnities and interesting financial compensation, in some cases they also argue that their ex-colleagues found better opportunities in other companies and that they are the real victims because they stayed in the company and did not take advantage of the situation. Therefore the intention to leave the organization increases and the commitment and motivation decreases consequently. This feeling and symptoms are also expressed by the job-insecure employees (Gondolfi, 2006).

**The effects on the job-insecure employees**
The job-insecure employees express similar attitudes to the job-secure employees and manifest the principal symptoms of the survivors’ syndrome as well. In fact the main and only difference between these two groups is the experiencing of direct employment insecurity. Therefore in addition to the negative repercussions mentioned above regarding the work attitudes, this category of employees suffer other effects.
The job insecurity may engender familiar problems and deterioration in the relationships existing between the individual and its surrounding. Several studies show that the employment insecurity affects the conjugal stability and causes burnouts. Moreover it affects the partner’ performances if this one is working and influences the children behaviors, values and attitudes.
Because of these circumstances the probability of the occurrence of the other negative effects concerning the survivors increases. The psychological and physical consequences are more visible and other symptoms appear such as hostility, sensitivity, obsessive attitudes, pessimism, antipathy, vengeance etc (Burke & Cooper, 2000).

**Other general effects on the survivors**
In addition to the behaviors and reactions mentioned above here is a pertinent review, realized by Gondolfi (2006), recapitulating the principal feelings and responses that the survivors of downsizing express in general.
Here the identified feelings are: employment’ insecurity, injustice, depression, pressure, exhaustion and frustration, less motivation and initiatives, suspicion, non-commitment and nostalgic attitudes. These sentiments provoke destructive reactions, Gandolfi (2006) reviewed all the literature dealing with downsizing between 1992 and 2005. He summarized the researches and efforts of numerous scholars and identified the principal behaviors that the survivors adopt as a reaction to the downsizing. Here is a table recapitulating its findings:
### Exhibited Behaviors by Downsizing Survivors

<table>
<thead>
<tr>
<th>Behavior</th>
<th>Researcher</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reduced risk taking, decreased commitment to the job, decreased productivity.</td>
<td>Allen, 1997</td>
</tr>
<tr>
<td>2. Reduced job performance, increased intention to resign, decreased commitment to the job.</td>
<td>Appelbaum, et al., 1997</td>
</tr>
<tr>
<td>3. Reduced risk taking, decreased innovation, reduced flexibility.</td>
<td>Bagshaw, 1998</td>
</tr>
<tr>
<td>4. Reduced work performance and lowered commitment to the organization.</td>
<td>Bayerian &amp; Kleiner, 2003</td>
</tr>
<tr>
<td>5. Increased employee turnover.</td>
<td>Brockner, 1988</td>
</tr>
<tr>
<td>6. Decreased employee effort.</td>
<td>Cameron et al., 1991</td>
</tr>
<tr>
<td>7. Increased absenteeism, decreased productivity.</td>
<td>Campbell-Jamison, Worrall &amp; Cooper, 2001</td>
</tr>
<tr>
<td>8. More frequent career transitions, decreased efforts to enhance the quality of goods and services.</td>
<td>Casolo, 1993</td>
</tr>
<tr>
<td>9. Skyrocketing levels of absenteeism, cynicism, and employee turnover.</td>
<td>Clark &amp; Koonce, 1995A</td>
</tr>
<tr>
<td>10. Decreased employee productivity, decreased employee morale, increased employee turnover.</td>
<td>Estok, 1996</td>
</tr>
<tr>
<td>11. Decreased levels of quality and productivity.</td>
<td>Fisher &amp; White, 2001</td>
</tr>
<tr>
<td>12. Decreased employee effort, decreased risk-taking, increased absenteeism, increased turnover.</td>
<td>Gandolfi &amp; Neck, 2005</td>
</tr>
<tr>
<td>13. Increased turnover, decreased skill base, decreased level of risk taking, decreased level of innovation.</td>
<td>Gettler, 1998</td>
</tr>
<tr>
<td>14. Decreased productivity, decreased quality of work, increased absenteeism, increased turnover.</td>
<td>Gønglass &amp; Burke, 2001</td>
</tr>
<tr>
<td>15. Increased absenteeism, decreased quality of work, increased initiative for job searches, increased number of people who work long hours to be seen at work (i.e. presentees).</td>
<td>Kinnie et al., 1998</td>
</tr>
<tr>
<td>18. Increased employee turnover, increased resistance to change, reduced risk-taking.</td>
<td>Macky, 2004</td>
</tr>
<tr>
<td>20. Decreased loyalty, declined productivity, decreased commitment</td>
<td>Pedman &amp; Keithley, 1998</td>
</tr>
</tbody>
</table>
If the employees are directly affected by downsizing and endure its variant consequences, one must know that the executors of this strategic action are also concerned. In fact even if they do not undergo any significant material losses, the psychological and morale repercussions are very considerable.

Burke and Cooper (2000) argue that the high level of stress reining the organization during downsizings influences the managers as well. Usually they express an overwork and loneliness within the organization, they constantly question themselves and look for meaning. In some cases their reactions become extreme, they tend to be aggressive with their coworkers and inferiors, they isolate themselves and depress. In fact this hostility in the managers' reactions is amplified when downsizing is conducted for internal reasons.

The stress and depression that managers express during downsizing is also due to their feeling of culpability for the creation of unemployment. They are the executors of the downsizing, they are responsible for its planning, implementation and communication. Therefore they feel responsible for the layoffs and it affects considerably their morale as well as self-confidence.

In fact and as explained before, this situation is extremely complicated. The managers find themselves in a position in which they have to choose between the duties toward the employees and the obligation toward the shareholders. Consequently they experience a feeling of loneliness and isolate themselves, it usually generates depression and influences the performances of the company, the psychological costs and unexpected outcomes are usually underestimated and ignored by the different parts intervening on the decision making process (Lange, Löffr & Steinmann, 1998).

3. Other effects of Downsizing

If downsizing affects noticeably the employees and managers of the companies, the national industries and global economy is also influenced. During our literature review we identified several scholars discussing the consequences of the phenomenon on a larger scale, in this section we introduce some of their arguments.

Alan Greenspan, the ex president of the American Central Bank, argues that one of the consequences that the companies undergo when downsizing to create additional value is an overestimation of their value at the stock exchange. It is very dangerous indeed and contributes, with other phenomena, to the creation of a financial bubble which influences...
the global economy. This kind of strategic actions is senseless and provokes extremely destructive consequences, job dissatisfaction becomes justified and the massive unemployment augments (Nikonoff, 1999).

Andersen (2004) argues that the closing of factories that companies usually practice during downsizings presents devastating effects. The abolition of complete local communities is possible and the repetitive closings and delocalization of the industrial plants from their original countries influences their growth capacity and development opportunities, the national industry is affected and the competitiveness in certain sectors decreases dramatically.

Several studies confirm these results, two Dutch economists conducted a study in this direction over twenty years, they found that the economies restricting the massive layoff of employees and applying specific laws to regulate it have higher labor productivity’ growth than the economies in which the regulations concerning the dismissals are less strict.

Downsizing presents other considerable global economic effects, in fact one of the most dangerous sides of the phenomenon is the emergence of a destructive cycle, the point here is that when companies downsize they fire an important number of employees, theses workers lose their revenues and therefore they spend less. Moreover even the survivors tend to spend less than before, they become careful and tend to economize because of the uncertainty concerning their jobs and the general situation of their company. With this lower demand in the economy the sales fall and the companies dismiss more people, this sequence continues and the consequences worsen (Pfeffer, 2010).

4. Downsizing or not!?

*A phenomenon with similar global outcomes*

When we conducted our case studies we identified an ensemble of destructive effects associated to downsizing, in fact the French industry shows that in most of the situations the restructuring efforts including massive layoffs generates more negative consequences than expected and do not contribute to the realization of the companies’ strategic objectives. Here the general outcome is very skeptical and all the stakeholders were concerned.

However the consideration of one single industry and some multinationals was not enough to evaluate the relevance of downsizing and to identify its real consequences. For a better understanding and more complete analysis of the phenomenon it was necessary to take into account other contexts characterized by different cultures, legislations and economical conditions. Therefore we decided to make a literature review to identify the downside of downsizing worldwide and its global consequences, the results and arguments are all included in the different parts of this chapter and our principal conclusion is that the destructive side of downsizing and its negative repercussions are similar and comparable regardless to the different circumstances and conditions characterizing the organizations and the industry in general. In fact we believe that the consideration of the results of studies and surveys conducted in the USA, Japan, New Zealand, Sweden, Australia, South Africa, Holland etc. concerning the downsizing occurring in their own as well as other industries provided us a complementary view and confirmed the results of our case studies. Consequently all the negative outcomes mentioned in both chapters three and four are not exceptional but very common. It is obvious that the French industry presents an important number of similarities with the European industries as well as those from other continents.
**Downsizing and Corporate Social Responsibility**

In the first chapter of our thesis we introduced the different responsibilities that the organizations are expected to fulfill while exercising their principal activities. We argued that the realization of the economical objectives and the generation of profit are necessary and considered as the principal responsibility of each company, we also mentioned that every firm evolves in a legal frame and therefore is supposed to take in account the different laws and regulations. Moreover companies are expected to contribute to society and perform ethically with the different stakeholders, they are asked to fulfill both ethical and philanthropic responsibilities. In our context, the one of restructuring with the realization of downsizing and massive layoffs, the accomplishment of these responsibilities is not guaranteed and the companies focus their efforts on the downsizing activities, they tend to forget the expectations of society and undergo unexpected consequences.

In fact when companies decide to realize a downsizing they usually do it with several motivations such as the improvement of the firm’s productivity, efficiency, competitiveness and consequently the augmentation of the profit. All the motivations and reasons leading to the adoption of downsizing are explained in the second chapter and we notice that, while leading this strategic action, companies are in most of the cases trying to assure their economical responsibilities. However if we analyze the different outcomes introduced in both the third and fourth chapters we realize that when companies emphasis in the profit necessity and undertake all the measures that they judge as being necessary for its achievement, they underestimate other important aspects and do not succeed in their strategies.

In fact the deterioration of a company performances and the decline of its indicators prove that this one fails in the fulfillment of its economical responsibilities. Moreover what usually happens is that the focus and efforts performed in order to assure a successful downsizing, in addition to the high level of stress complicate the decisions makers’ task and make them forget, for a while, that their company is also supposed to fulfill other responsibilities. Therefore the company finds itself in a delicate situation, the economical responsibilities are not fulfilled and ethical as well as legal problems arose.

From the ethical point of view, our cases and literature review show that when a company downsizes its corporate social performance deteriorates. The massive layoff of independent workers and the closing of beneficial factories are viewed by the public opinion and other stakeholders as an unethical action, it usually leads to negative consequences and damages in the company image. Moreover legal consequences are also possible, in many cases the companies are confronted to juridical proceedings conducted by different parts.

Consequently besides the failure in the realization of the economical responsibilities, companies do not succeed in their legal and ethical responsibilities either. Thus downsizing influences negatively the organizations’ Corporate Social Responsibility.

**The reasons behind the negative outcomes**

Now that we are conscious of the negative outcomes of downsizing we wonder why the companies’ managers continue to practice this activity even if most of the scholars and literature agree about the destructive consequences. We also want to know if it is downsizing itself that harms the organization or the way in which this one is implemented, in other words we want to know if the problems come from the strategy or from its management.

Concerning the reasons making corporate leaders continue to resort to downsizing, Pfeffer (2010) argues that the pressure coming from the financial specialists, Medias and
competitors makes them obliged to react and imitate the leading companies by the adoption of their practices even if the context and conditions are always different. In fact in some situations the managerial strategies are contagious and numerous companies imitate their peers and copy their behaviors, this “adoption effect” is one of the reasons making companies downsize. Nikonoff (1999) argues that the managers downsize because they follow the stock exchange rationale, however it is very dangerous to base an organization decisions in the stock exchange anticipations, especially when we know that their anticipations are wrong in 66% of the cases.

Nevertheless the fact of copying other strategies and imitating the leading companies does not prove that downsizing is the direct cause of the failure in the realization of the expected advantages. We analyzed the arguments of several scholars concerning this topic and there is a divergence about the reasons of the failure in the achievement of the expected results. Appelbaum, Everard & Hung (1999) reviewed the justifications of some scholars, their main conclusions were that the design, execution and management of the downsizing projects were not always conducted adequately and this was the reason of the failures. In other studies the reason it is the non expectation of the different problems that downsizing provoke by companies and their non preparation to face them. Moreover the opportunities that downsizing generates to reshape the company and its strategy are not always grabbed, instead of implementing advantageous changes firms focus on their internal efficiency, they want to become smaller and realize the same or even better performances with less resources.
The role of companies’ leaders during and even before downsizing is very important. In fact because of the several damages and repercussions that this strategic action is likely to engender, it is judicious for every business leader to first consider all the possibilities and different actions that may avoid the recourse to downsizing, and on the same occasion limit the risk associated to its implementation. It is essential indeed to consider this kind of strategy as a last option and to resort to it only in the extreme situations when there is no obvious alternative.

In this chapter of our thesis we introduce the different options allowing a good management of the organizations without any recourse to downsizing. We present the ensemble of behaviors and attitudes that help the leaders in their tasks and allow them to run their companies efficiently. We also provide examples of companies that avoided downsizing and crossed critical periods adopting an exemplary ethical conduct.

If a considerable number of scholars identified and proposed several alternatives to downsizing, it is nevertheless important to be conscious that their implementation is not always easy and in some situations the circumstances and general conditions surrounding an organization may leave no option. Therefore downsizing seems to become the only possible strategic action and it is primordial for business leaders to manage it properly in order to realize the anticipated positive outcomes and limit the possible negative consequences.

To this aim we define the aspects characterizing an effective downsizing and identify the different steps that make its realization easier, we also determine the methods and ways emphasizing on the human side and making downsizing ethical.

In fact the objective of downsizing is always the implementation of strategic changes at different levels. If it is not the improvement of the productivity, it is the competitiveness, the efficiency or another aspect which is at stake. Hence it is also important to define the methods allowing the implementation of successful changes directly after the downsizing to make the organization benefits directly from its strategy and not undergo any unanticipated consequences.

1. The alternatives to downsizing

Nowadays companies are evolving in economies characterized by fast and permanent changes, they are trying to adapt and find the best solutions to constantly improve their performances and respond to the needs of their customers. Several actions are conducted to this aim, such as mergers and acquisitions, reengineering, restructuring... in most of the cases they all cause downsizing which is supposed to cut the costs of companies. Nevertheless this option is very radical and affects the employees loyalty, therefore it is important to first identify the alternatives allowing a cost cutting process that do not influences the commitment of the workforce.

Maurer (2009) argues that in front of the growing pressure that organizations face, it is essential for the leaders to think about the changes to implement. Those usually affect the staff, therefore it is important to consider and respond to a set of questions before taking any decision.
In fact in this context it is judicious for every leader to detect the skills that its organization needs in both the short and long term, it is also very essential to check if the present workforce offers these skills and if the current number of employees is the right one. The reflection about this issue and its future evolution is central, its comparison with the competitors and other businesses is also very revealing. In fact if business leaders fail in this task they will be forced to make fast decisions in time of crisis, in this situation they tend to react rapidly and inconsistently, they chose downsizing even if this action is risky and in 50% do not allow any improvement.

Here we introduce all the options permitting to obtain the same results as those anticipated when deciding to downsize, according to the Human Resources Magazine (2009) two kinds of alternatives exist. The long term recruitment alternatives and the cost saving strategies, they both rely on two important principles, the first one is the sharing of the pain which signifies that all the components of the companies, from the CEO to the employees, contribute to the saving money strategies and undergo the consequences. The second principle is the creativity of the Human Resources department, this one is required to develop programs helping the leaders in the management of the workforce, we mention for instance the placement and redeployment opportunities as well as the benefit packages.

1.1 Long term recruitment alternatives

**Recruiting functions of the company vision**

The Human Resources department is required to recruit the candidates presenting the competences that the company needs in the present and the future. The mastery of the recruitment processes and the right selection of the candidates during the job interviews allow the company to possess the appropriate workforce, therefore there is no need to conduct massive layoffs and rehire other employees because the organization already owns the adequate skills (the Human Resources Magazine, 2009).

**Cross Training**

When a company knows the skills that it needs in the present and the future, it helps the individual workers to identify what efforts they have to do in order to stay advantageously employed. Moreover it gives the organization an obvious idea concerning the kind of training that the employees need. Therefore they remain productive and contribute constantly to the development of their organization (Maurer, 2009).

**Succession planning**

The identification of the different kinds of management and practical competences that the company requires is important. The Human Resources department needs to work in coordination with the leaders to determine the potential employees and prepare them for the positions that are likely to become unoccupied (the Human Resources Magazine, 2009).

**Redeployment of the employees within the company**

The redeployment is comparable to the “Alternative placement”, however this one occurs within the company. In fact an efficient redeployment is realized through a good career’ management which helps the managers to identify the available positions, it also requires assistance to the employees so that they become prepared for these positions. When organizations connect their strategic goals to the employees’ career planning the individuals recognize the objectives of the company and know their exact role for their
achievement, therefore if they stay in the company they have more chances to succeed (Maurer, 2009).

**Creation of new opportunities**
Here certain employees propose new products or services that the company can offer for sale. 3M, for instance, is very active when it comes to this kind of initiatives, the company consider seriously the new opportunities and implement them if they are promising. This category of actions creates new opportunities and offer more positions to the employees. Along the same lines some employees propose to save failing business and propose alternatives to the selling of brands or closing of factories, it is the case of the engineers of Ford that proposed to keep Mustang by the reintroduction of a Ford version of this car, they started to develop new plans to meet to the requirement of the company’s leaders (the Human Resources Magazine, 2009).

1.2 The cost saving strategies

**A Comprehensive Model**
Maurer (2009) reported that several car producers and other businesses in Japan started to implement a succession of techniques that they apply instead of Downsizing, they use one technique after the other until the obtaining of the required level of savings.

- Compensation: half of the payment is fixed, the other half is functions of the returns and efficiency measures.
- The working hours: The number of hours is reduced, the employees work four days a week instead of five for example (Wolfe, 2010).
- The remunerations: The remunerations of all the workers can be reduced. Wolfe (2010) explains that except the health insurance advantages, other benefits such as the sick leave and vacation pay can be decreased. Companies policies ought to be reviewed to reduce the costs.

We personally believe that the employees may resist to this kind of measures, however in time of crisis it is obvious that the reduction of the costs through the remunerations is more ethical and less harmful than downsizing.

- Placement: The companies transfer some of their workers to other employers that accept their services, Maynard (1994) provides a good illustration of this kind of techniques, she exemplifies bye Rhino Foods that lent some of its workers to other firms instead of dismissing them.

All these techniques are very effective and considered as good alternatives to downsizing when the objective is the reduction of the costs. Because of their complexity and importance, we detail them below.

**Working hours’ reduction**
Companies decide to practice new policies when each employee is either placed in a specific class with a particular working schedule agreement or by giving the choice to the employees who want to benefit from the reduction of the working hours. The objective here is to diminish the hours performed by every employee (the Human Resources Magazine, 2009).

**Job sharing**
The job sharing is very similar to the hours’ reduction when it comes to the objectives. This technique aims to combine the competences of two workers, it helps them to keep their job and allows the company to cut the hourly costs. Even if some employees may express their
opposition to this kind of options, the reduction of hours and sharing of jobs remain better than the losing of their positions in the company (Wolfe, 2010).

**Wages’ reduction**
The objective here is to decrease the salaries in order to save money, several different programs exist, here are the principal and most used:
- The programs in which everybody is part of the wage’ reduction.
- The programs in which the executive compensation is the most reduced one, the one of the middle managers follows and the smallest percentage of reduction affects the regular employees.
In most of the cases, these programs are provisional and intend to cross a crisis or go through difficult times till another kind of reduction takes place (Maurer, 2009).

**Attrition**
Attrition is a managerial technique aiming to wait for the retirement of the employees or their voluntary departure. This strategy is implemented by two different approaches:
- Natural attrition: Here the jobs left by the employees who retire or leave the company are not filled, it works in the companies characterized by a high turnover allowing them to benefit rapidly from the savings.
- Voluntary offers: Here it is the company that offers to its employees early retirement programs as well as other kind of packages depending on several aspects such as the seniority or the position (the Human Resources Magazine, 2009).

**Alternative placement**
The alternative placement of employees usually occurs after the attrition programs. In fact companies resort to this option if the results of the retirement offers and other packages turn out to be not satisfactory.
Here the companies confronted to difficult circumstances make agreements with other organizations to replace its employees, this strategy is preferable to downsizing. Several examples exist, in addition to the one of Rhino Foods mentioned above AT & T conducted a similar action, the company that was planning a downsizing published advertisings to inform the different technology companies that a significant number of its skilled employees are available and ready to accept new offers. Even if they were accused for using this strategy as a trick to improve their public relations, the results of their action were very positive (Maurer, 2009).

**Leave of absence**
The managers offer their employees leaves of absence that include several benefits for a certain period, it helps the organization to cross a crisis. Here the employees are not promised a fixed position after the end of this period and may not get the same position and same level of wage as before. This option must be used as a provisional measure assisting the company during the downturn (the Human Resources Magazine, 2009).

**Employee buyout**
Several companies allow their employees to buy the failing activity that was menaced by a closing. It allows the buyer to start its own business (Maurer, 2009).

**Shared ownership**
Instead of cutting salaries the company allows its workers to own a part of its shares, therefore a part of their remuneration takes the shape of dividends or capital gain. This alternative needs an important level of employees’ involvement in the decision making.
process and is less effective when the owners of the shares are excluded from it (the Human Resources Magazine, 2009).

If several alternatives to downsizing exist, one must know that a business world without restructuration and massive layoffs is a utopia that we will certainly never know. When companies face difficulties and become non-profitable it is usually the radical changes and extreme solutions that are privileged, consequently it is necessary for the leaders to be prepared for leading such strategies and to be conscious of the practices and techniques allowing them to manage this kind of changes efficiently. To this aim we believe that it is judicious to first have a look at successful previous downsizings and determine the key elements that permitted their realization.

2. The characteristics of effective downsizing

Most of the studies show that companies leading downsizing fail in the realization of their objectives, however it is important not to forget the minority that succeeded in the implementation of this strategic action. If we consider for example the three last decades, several cases such as the one of Compaq Computer, Herman Miller, The State of Oregon, Stroh’s, Patagonia, Steelcase... prove that it is possible to lead downsizing successfully and realize the anticipated results if the managers adopt the appropriate attitudes.

One of the reasons making the companies fail in the realization of their objectives during downsizing is the human consequences that their decisions engender. The analysis of previous experiences by Appelbaum, Close & Klasa (1999) showed that when this aspect is taken in consideration the consequences are limited and the process is leaded productively, here are four key features that these scholars identified:

- Flexibility and communication: when the remaining workforce was allowed to react flexibly to the downsizing and massive layoffs, the procedure and different changes were implemented easier and without destructive resistance. Here the communication was the most important tool and the managers were constantly interacting with their workforce, this one felt valued and the credibility of the decision makers was higher. Moreover the negative effects associated to the “survivor’s syndrome” were limited because the victims were treated fairly and the efforts concerning their support were communicated to all the employees.

- Intuitive management: during the period that followed downsizing the managers were taking in consideration their intuition and feelings so that they understood the position of the survivors and created possibilities for improvement and development. In these cases workshops were organized to help the employees and make them share their experiences and express their feelings, trainings were also provided and aimed to make the survivors accept the new changes and see them as opportunities to improve their conditions and performances.

- Managers’ support: If it is essential to support the survivors and treat the dismissed employees ethically, the Human Resources department of the firms leading downsizing efficiently was supporting the managers as well. Here the first step was the analysis of the effects of downsizing on the executors during similar previous situations, afterward special trainings were provided to support them in their management. The focus was the communication during the meetings and different other moments in which the managers were supposed to answer the questions of the survivors as well as the victims, their treatment and the ways to help them were explained.

- Survivors’ assistance: an important number of initiatives and services were given to the survivors, in addition to the trainings and workshops organized by the Human Resources department the survivors were encouraged to support each other and directions were
provided to avoid inefficiency and implement positive changes. The solidarity within the organization and the intensive communication were central elements.

If the human side is very important during downsizing and requires an important consideration, the managerial side is also to take in consideration. A similar study, based on previous experiences of companies, conducted by Makawatsakul and Kleiner (2003) allowed identifying five other characteristics associated to efficient downsizings:
- Employee’s consultation and skills analysis: If it is the top of the company that implement the downsizing, the recommendations came from the employees. Here the analysis of the work and task processes was essential.
- New vision: The leaders create a new plan with an obvious image of the company’s future, they also identify the different steps to follow and supervise the changes.
- The survivors and victims’ management: As explained above these two categories require considerable efforts. The victims needed to be assisted after the downsizings, trainings, redeployment, replacement and other efforts were necessary. The survivors were supported through a permanent exchange of information.
- Data analysis: The companies analyzed all the information and data they had to identify the previous problems and focus on the improvement of their weaknesses.
- Higher activity: The leaders implementing the downsizing prepared their employees for higher activity, they explained the new objectives and vision of the company to the workforce and provided special trainings, during this period they involved the survivors in the management of the changes and exchanged information with them.

These aspects listed in the case studies of Appelbaum, Close and Klasa (1999) and the study of Makawatsakul and Kleiner (2003) show that an appropriate management and adequate leadership’ practices ease the tasks of the executors and make them realize successful strategic changes. Therefore even if downsizing is risky and difficult to implement, it is possible to lead it fruitfully and limit its consequences.

Here it is essential to identify the steps allowing a productive downsizing as well as the different important characteristics in which the business leaders emphasis in order to obtain positive results. In fact an effective downsizing process necessitates a long preparation and planning that starts before the announcement and implementation of the strategic shifts.

3. The different steps to conduct a successful downsizing process

In our review of the literature we identified several series of steps allowing the realization of a successful downsizing, in most of the cases these sequences consist of four main steps. Here we combine two different series suggested by Band and Tustin as well as Makawatsakul and Kleiner. Therefore we have a process consisting of five main steps.
3.1 The downsizing decision

"Any company considering downsizing as a solution to its strategic concerns should first think through what its strategic concerns are and then fit downsizing into that context"

David Enfield

Deciding to downsize is a difficult choice that the business leaders must make with care, in fact this strategy is considered by most of the stakeholders as a failure because it reflects an outdated vision in which the human factor is considered as a cost and not as a core asset. Therefore before taking the decision to downsize it is important for the managers to first consider the alternatives mentioned above, it proves that the company is caring about its employees and do not only aim to reduce costs (Makawatsakul and Kleiner, 2003).

It is also important for the managers to determine the competitive position that they want to achieve and the adequate employees’ configuration to realize it. To this aim it is essential to conduct a skills’ analysis and a comparison between the required and available competences. This task is usually performed by the Human Resources department, therefore it is central to evaluate its existing practices and concerns during this first step.

Once these issues are taken in consideration, the management is required think about the negative consequences associated to each alternative and compare them with those that downsizing is likely to engender. As explained several times, it is judicious to consider downsizing as the last option and to resort it in the extreme situations (Band and Tustin, 1995).

The decision to downsize must be a result of the managers’ planning which aims to the optimization of the company’s human resources. Here it is important to determine the practices and time that the realization of the shift will take, downsizing must be a part of the global corporate strategy, it must be incorporated in the organizational culture and other functions such as the marketing, finances etc.

It is important to define the real reasons of the downsizing, the process cannot be motivated by short-term cost reduction needs and this kind of justifications is not tolerated except if the company survival is vulnerable. In fact the needed workforce structure must be determined by the short and long term objectives of the company (Band and Tustin, 1995).

3.2 The downsizing planning

Before the implementation of the downsizing and especially during its planning it is essential to consider the needs of all the stakeholders, in addition to the shareholders the managers are required take the concerns of the survivors and the dismissed employees in account. Those have to feel secure and trust the executors, it is important to make them feel that they are controlling their destinies even if they may be laid off.

To this aim it is central to involve some employees in the team which is planning the downsizing so that all the components of the company feel represented (Makawatsakul and Kleiner, 2003).

During the planning of the downsizing the managers are required to take in account a list of critical issues, each one of them must be considered and debated with the different executors. The objective here is to reduce the frustration of both, the employees who have to
leave the organization and those who stay. Band and Tustin (1995) identified several decisive criteria to consider before the downsizing:

- The identification of the downsizing' objective as well as the means allowing its achievement.
- The nomination of the team implementing and managing the whole process.
- The determination of the compensations that the dismissed workers will receive, here it is also important to determine the exact time of their allocation.
- The determination of the support programs to establish for both the victims and survivors.
- The determination of the employee representatives’ roles and limits during the planning.
- The selection of the information to communicate to the different stakeholders.
- The selection of the employees to dismiss as well as the time of the layoffs’ execution.
- The identification of the means that will be used to advise the victims, here the managers are also required to determine the time during which the advices will be given.
- The determination of a new structure and the different changes that the survivors' positions will be subjected to in order to achieve it. It is necessary here to provide trainings to the remaining workforce, therefore the managers must think about them and select appropriate trainers.

During this step it is important to be conscious that perceived justice is a central aspect in the diminution of the negative feelings that the employees are likely to express. If the layoffs conducted during downsizing must be fair, they must be considered as fair as well, in fact when the victims’ requirements are satisfied the motivation of the survivors augments. Here the communication is vital and the managers are expected to inform the employees about their intention to downsize before the implementation. In effect the more managers give time to their employees and inform them in advance the best it is, it gives the victims more time to find new jobs and when they see that the company cares about them and treats them fairly their productivity is not as affected as if the layoff came suddenly without any notification.

Moreover it is important that the executors of the downsizing make efforts to keep a high motivation within the company, the right planning of the victims’ redeployment and the announcement of credible reasons for the downsizing, such as the survival of the company, helps all the employees to stay motivated. It is also important to give appropriate trainings to the managers, those are supposed to keep them motivated, decrease or eliminate their guilt and especially prepare them to communicate properly during the whole process (Band and Tustin, 1995).

One of the critical factors during downsizing operations is the communication. As we explained in both chapter three and four, the lack of communication and the inaccessibility to the information complicate the task of the executors and increases the tension and distrust within the organization. Therefore it is extremely vital to prepare adequately the managers and give them the necessary knowledge to perform correctly this task.

In most of the cases communication trainings are provided during the planning stage, those aim to prepare the managers and show them how to communicate, in fact it is necessary to announce the downsizing compassionately and persuasively. The managers are expected to be convincing and ready to explain to the potential victims why they will lose their jobs, they know that this task is difficult and that the dismissed workers are likely to react negatively, consequently it is necessary to be prepared to deal with the situation and face the emotional reactions. The managers must be assisted during the whole process, psychological support is necessary to decrease the stress and guilt that they may express (Makawatsakul and Kleiner, 2003).
3.3 The downsizing announcement

After the long planning of the downsizing and the trainings provided to the managers in order to improve their communication skills, the time of the announcement comes and the company is required to show its concern for the workforce's needs. Furthermore, it is very essential and recommended to be sincere and open when it comes to the reasons of the downsizing. The organization must explain honestly why this decision was taken to decrease doubt and suspicion. It is necessary to evoke the benefits and different packages during the announcement, the dismissed workers must feel safe and in control of their destiny, therefore it is also important to mention the different programs such as the replacement and redeployment initiatives (Makawatsakul and Kleiner, 2003).

According to Band and Tustin (1995), it is necessary to be convincing during the announcement and gain the commitment of the employees. This task is not easy to achieve and one of the best ways to realize it is the high involvement of the employees. In fact, when employees believe that the process was indispensable for the survivor of the company and when the individual employment was assured for a certain time, the managers were considered as fair and trusted and the workforce was more motivated and committed, here the required changes are implemented easier.

Makawatsakul and Kleiner (2003) identified three critical aspects in which it is important to focus during downsizing announcements:
- The downsizing reasons: The managers are expected to explain clearly the motivation of their choices and how those are going to contribute to the organization's improvement. The communication of an obvious vision is necessary and contributes to an effective implementation of the changes in which the employees feel more powerful.
- Informing previously: When the employees are informed in advance they feel more confident and positive, a better planning of their future is possible and less pressure is present. Moreover, when the managers share adequately this kind of information and show concerns for the employees, the trust and confidence increase within the organization.
- Precision and appropriate timing: The downsizing announcement must come from the company, the employees are supposed, and prefer, to hear it from the organization itself and not from the Medias. Hence it is very important to choose the best moment for the announcement and to communicate it to all the affected parts concurrently.

3.4 The downsizing implementation

During the implementation stage, the communication and sharing of information remain crucial. The managers are required to foresee the employees' questions and prepare adequate answers, they are also expected to listen to them and to do everything to understand their situations and respond to their demands.

The implementation of the downsizing is extremely sensitive because it influences the survivors' attitudes, in fact, they anticipate their future relation with the organization and base their speculations on how ethically the dismissed employees are treated. Therefore, the selection of the employees must be done with care and according to consistent criteria that fits with the future vision of the company. Moreover, it is necessary that the company continues its efforts until all the victims find satisfying positions, in fact, it is possible to redeploy them in other units of the organization or to resort to outplacement agencies which try to find similar positions in other firms. In addition to the efforts conducted in the redeployment and replacement, companies are required to provide other benefits to the
victims to make them feel not discriminated and treated fairly. Here several kinds of trainings aiming to reduce the level of stress and to help the victims in the finding of new jobs exist. A successful downsizing implementation does not only focus on the fair layoff of employees, in fact it is necessary to involve the survivors in the improvement of the company processes. Usually the remaining workforce is able to offer creative ideas concerning the changes affecting their jobs, it facilitates the organizational redesign (Makawatsakul and Kleiner, 2003).

3.5 The downsizing evaluation

After the implementation of the downsizing it is important to evaluate the process and appraise its effectiveness, there are numerous questions that the managers are expected to raise. The first one concerns the achievement of the desired structure and the changes affecting it since the beginning of the process. If this objective is realized and the answer is positive the management is required to evaluate the flexibility of the firm and its aptitude to handle the changes. Here a flexible company which does not undergo negative consequences because of the strategic shifts means that the managers succeeded in their downsizing, otherwise it is necessary to review all the implementation process and make the appropriate strategic adaptations. The problem is that downsizing is not reversible, if the organization did not realize the planned changes it usually means that the global construction of the process was not made properly or that the downsizing was simply unnecessary! In this case the management should avoid other attempts which lead to unavoidable failures (Band and Tustin, 1995).

4. The downsizing’ opportunities

When the business leaders decide to downsize, they are usually motivated to make changes and reshape several organizational aspects. In fact layoffs and strategic actions accompanying downsizing are risky and present possibilities of failure, however they are also capable to engender constructive opportunities that the management is required to grab in order to implement positive changes. The improvement of the work processes, the achievement of better performances and better exploitation of the individual talent are possible, moreover downsizing offers great possibilities to redesign the organizational cultures and reinforce the companies’ capabilities.

**Work processes’ improvement**

During the implementation of a downsizing it is essential not to focus only on the reduction of the workforce, the companies succeeding in the realization of their objectives are those that grab the opportunity to achieve changes that are not possible to realize easily in normal times. In fact the leaders reconsider the work processes and how the different tasks get done, they restructure their production units and remove the procedures, individuals and divisions which do not contribute satisfactorily to the value creation. Here the objective is not a cost reduction but an improvement of the productivity for a better satisfaction of the customers. Moreover downsizing offers possibilities to combine different departments and eliminate the unnecessary layers, here the managers compare their companies to other entities and try to establish the best possible workforce’ structure. The merger and acquisitions cases are the best illustration, in fact in most of the cases the companies do not succeed in the
integration of the two structures, however when downsizing is well implemented by the leaders the companies start to benefit from synergies that did not exist before (Mark Nadler, 2008).

Better performances and exploitation of the individual talent
When the companies conduct massive layoffs it is essential to make a skill analysis which allows determining the non productive units and individuals to eliminate. Here the process must be conducted the right way and with high ethical standards, the remaining employees have to feel that the positions and individuals which were removed did not perform well. Furthermore it is important to motivate the survivors and help them in the improvement of their own performances, it essential to support them indeed and make them forget about the layoffs, they have to feel safe and do not think that they will be the next to be laid off. Supporting them and giving them the opportunity to use their talent and creativity in order to contribute to the organization improvement is what the leaders are supposed to do during and especially after the downsizing, the workforce’ reductions must be used positively to generate more space and a better use of the resources (Mark Nadler, 2008).

Organizational culture redesign
In the normal circumstances the organizational culture of a company arises slowly and after a long continuous process, sometimes the results of this culture and its general shape are far from what was expected. An appropriate leadership attitude during downsizing processes presents a remarkable opportunity to reshape the culture and redesign it faster, in fact during the implementation of the changes most of the usual practices are called into question and all the components of the organization are ready to accept new adjustments. The mergers and acquisitions illustrate this phenomenon, here the best aspects of each organization are brought together in order to design a new culture (Mark Nadler, 2008).

Strengthening of the organizational competences
Numerous companies become excessively reliant on some individuals, therefore when they leave the organization a considerable number of problems arise and the managers find themselves in critical positions. Downsizing offers a chance for the organizational leaders to reason in terms of permanent capabilities rather than focusing on individual skills, therefore the company makes efforts to install and keep an organizational memory. Here the leaders become conscious of the consequences related to the dependence on individuals, consequently they develop improved documentation processes and succession plans (Mark Nadler, 2008).

5. The leadership dilemmas

The leaders are constantly confronted to new challenges and situations when they have to make choices, opting for one possibility usually signifies eliminating others. Hence it is extremely important to analyze deeply each option and to take into account the possible positive as well as negative outcomes.
We personally believe that leading a company presenting positive results is easier than leading a company which faces complications, the choices that are made during a crisis or a financial downturn are more complex and present more possibilities of failures because of the stress, anxiety and pressures that the leaders are subjected to. However these choices are usually more decisive because the survival of the company is in play.

Downsizing is often viewed as a strategic solution to the complications and problems that organizations face, its appropriate management allows the improvement of companies’
situation and the achievement of constructive results. However and as detailed in both chapter four and five, the possibilities of failures and the occurrence of negative consequences are very high and in most of the cases the repercussions of downsizing are destructive. Therefore and as argued by several scholars, we believe that the resort to it must be considered as a last choice that comes after the analysis of all the other possible strategies. Consequently it is important for companies which realize positive performances and record high levels of productivity and competitiveness not to recourse to downsizing, the resort to this strategy increases the possibilities of failures and do not guarantee the realization of the anticipated results. Hence when a company is doing well downsizing is not justified and several less risky alternatives allow the realization of the same anticipated results.

When companies face internal problems and realize negative results the conditions are different, here the management is required to react rapidly by the implementation of strategies aiming to improve the situation. Downsizing is usually used, however it is important to identify all the possibilities before deciding to downsize, even if fast changes are necessary and the survival of the company is in play, the leaders are expected to think carefully and reflect on every possibility and its consequences. Here again it is important to consider the resort to this strategy as a last option.

Once the decision of downsizing is taken, the leaders are supposed to plan, announce, implement and evaluate the process appropriately, each step necessitates a considerable number of efforts and an involvement of more than one part. In fact during the entire process communication is very decisive and must be planned and conducted carefully, it is highly recommended to provide trainings to the managers and prepare them for the announcement as well as the other communicational actions in which they will have to justify this choice and face the victims.

During downsizing numerous companies emphasize on the victims and put most of their efforts in the workforce reduction procedures, we personally believe that this approach is not productive. In fact the layoffs and cuts in the headcount are just a mean allowing the realization of other objectives related to the improvement of the productivity, competitiveness and other indicators. Therefore it is important to focus on the strategic redesign of the company and on the motivation of the remaining employees as well as the managers, those are the principal factors of success. Nevertheless this does not mean that the victims must be forgotten, we believe that their ethical treatment is necessary and beneficial for both the company and all the stakeholders.
Conclusion

The social and ethical issues have always been accompanying the exercise of business, however the concept of CSR itself arose in the 1950s. Since this time the importance of its different components did not cease to grow and today all the companies are taking them in consideration in their strategies. If different definitions of the concept exist, they all agree about the fact that CSR includes the various responsibilities that companies have to the society, in practice CSR identifies the organization’s stakeholders and incorporates their needs in the organizational strategy. Those responsibilities are well defined by Carroll (1991) who distinguishes the economical responsibilities which represent the profit obligation that every company is required to assure, the legal responsibilities that embody the ensemble of laws and regulations ruling the organizations’ activities, the ethical responsibilities which refer to the principles and values that the companies integrate in their strategies, it is the different behaviors to adopt when treating the different stakeholders. The last kind of responsibilities is the philanthropic, it represents the corporate achievements allowing the company to respond to society’s expectations.

The classification of these responsibilities according to their importance show that the companies are required to be profitable more than everything else, however while achieving their financial objectives the firms are also required to respect the legislations and treat their stakeholders in an ethical and responsible way. Their contribution to society is necessary but it does not mean that a social responsible behavior decreases the profitability.

This thesis focuses in the ethical responsibilities of the companies and shows their importance in the managerial processes. The consideration of the Downsizing case illustrates perfectly how important the fair treatment of the stakeholders, and especially the employees, is. In fact downsizing refers to a set of actions conducted by the managers to improve the productivity, competitiveness and efficiency of an organization. This strategy is intentional and aims to reduce the size of the workforce, it affects the costs and reshapes the work processes.

The managers opt for this strategy because of several reasons, in some cases downsizing is viewed as the only option to cross a downturn or a financial crisis while in others the high level of the competition is the main motivation. In other situations it is the technological innovations, the mergers and acquisitions or the delocalization that cause massive layoffs. Several positive outcomes are possible, in fact when downsizing the business leaders expect an amelioration of the financial performances and an augmentation of the company’s value at the stock exchange, it is also probable to reduce the hierarchical levels and decrease significantly the costs. Nevertheless several studies prove that most of these anticipated outcomes are not realized and that the general consequences of downsizing are negative and very destructive.

Our case studies confirm the doubt concerning the effectiveness of downsizing, in fact the eleven cases occurring in France demonstrated that the companies adopting this strategy suffer from variant unexpected consequences. The case of Michelin which implemented a downsizing even if its performances were excellent revealed some negative aspects associated to this strategy; the company noticed a significant deterioration of its reputation, different public and political reactions, new law and regulations as well as an international denunciation. Along the same lines, Danone which was also in an irreproachable financial situation suffered from its decision to downsize its cookie unit Lu. The company underwent the most intensive negative Media coverage in the history of the French industry, its
reputation was also very affected and the popularity of the brand decreased significantly, moreover the reaction of the employees, trade unions and public opinion was very extreme. A boycott of the company’s products was organized and legal proceedings were conducted. The case of Moulinex is different, the company was facing financial problems and decided to conduct a strategy consisting of three downsizings. Here the consequences of this decision were very decisive and lead to the claim of a bankruptcy protection. Everything started by the negative reaction of the stock market, in fact the expected raise in the shares’ value did not occur after the downsizings. The managers decided to conduct more layoffs and the reaction of the employees was very violent, threats and deteriorations of the company’s proprieties occurred. This response reflects the psychological situation of the workforce which was hopeless and left without any employment alternatives. This violence and moral deterioration was also noticed in the case of Heineken which decided to close its unit in Adelshoffen. In addition to numerous strikes and sabotages, violent reactions and threats occurred. Moreover the company was accused by several organization and condemned by the authorities, it had to pay very high indemnities for its workforce.

These four cases are the perfect illustration of the possible failures that organizations may know when leading downsizings. Their results were confirmed by seven other companies that underwent the same consequences after their decision to downsize, eBay for example knew a consequent deterioration of its reputation while the CDT, Cellatex, Comilog, Lenoir-Et-Mernier, New-Fabris and Nortel recorded high level of protestations and violent reactions from the dismissed workers.

Our analysis of these cases demonstrated that the situations of the companies resorting to downsizing were different, 63% of them were facing financial troubles while 37% were recording very good results. Therefore it is obvious that the resort to downsizing is not a strategy which is peculiar to the companies crossing difficult times. We also noticed that the communication, during and even before the downsizings, was a critical aspect which is likely to engender destructive effects. Thus its control and the planning of its different aspects are extremely important. In our cases the reasons and motivations of the managers while downsizing were similar. In addition to economical reasons such as the productivity’ improvement, the value’ creation... some companies were downsizing in response to the competitors strategies. We personally believe that in most of the cases these justifications were not clear and we did not approve them for several reasons. Furthermore in all the cases destructive consequences occurred and were the principal outcome of the downsizing strategies. We distinguished between the immaterial repercussions, for instance the reputation’ deterioration and the psychological effects that both the employees and managers faced, and the material repercussions such as the sabotages, boycotts, production’ suspension, decreases in the sales, strikes etc.

The negative outcomes revealed in the case of the French industry are similar to those occurring in other countries, they are confirmed by several studies and surveys. In fact our literature review and the consideration of several scholars’ findings demonstrated that downsizings occurring in USA, Japan, New Zealand, Sweden, Australia, South Africa, Holland etc. were likely to engender the same consequences, moreover most of the strategies including massive layoffs in these countries failed and the general outcome was more negative than positive. Our fourth chapter recapitulates the results’ of an important number of studies concerning the downside of downsizing, here we distinguished between the negative effects of downsizing on companies, on the individuals and on society in general.
We first realized that during this kind of processes no value was instantaneously created and that the use of the “value’ creation” justification is very misleading. Moreover we found that the anticipated positive effects on the shares’ value at the stock exchange and the short-term beneﬁces associated to downsizing are not guaranteed, in several cases they did not occur.

The long term effects were also very revealing, in fact an important number of studies show that most of the positive anticipations concerning the expenses, proﬁts, productivity, competitiveness, sales, innovation and other indicators turned out to be erroneous and no obvious amelioration was noticed. Furthermore the companies recorded other destructive repercussions such as the skills and practical knowledge losses, centralization, loss of trust, non-commitment, dishonesty, higher absenteeism and stress, increasing conﬂicts, restricted communication, less teamwork and lack of leadership.

During downsizing the organization is not the only one to undergo the negative consequences, in fact the individuals suffer from this decision as well and all the components of the workforce are concerned. In our thesis we make a distinction between the dismissed employees, the remaining workforce and the executors of the downsizing. These three categories react differently and negatively to the strategic shift.

In fact depressions and law moral are very common reactions noticed among the downsizing’ victims, this category of people face health problems and decreases its consumption of alcohol, cigarettes and drugs. In some extreme cases suicides were committed. These consequences are due to the employment problems that the dismissed workforce encounters, in fact most of the employees do not ﬁnd other jobs easily especially when they are aged, their self-esteem deteriorates and the demoralization caused by the layoffs is likely to accompany them during the rest of their career. The general decrease in the moral increases violence and affects also the relations of the employees with their families and surrounding, dramatic consequences are possible such as divorces and familiar conﬂicts.

The remaining workforce is also affected. Doubt and suspicion concerning the values and principles of the organization are expressed, the disappointment and intention to leave the company augment and several other changes in the attitude of the survivors occur. The “survivors’ syndrome” recapitulates all the negative changes and reactions of this category of people. In general the survivors express employment insecurity, injustice, pressure, anxiety, less motivation, frustration, suspicion and non-commitment etc. Here the perceived justice and the fairness in the treatment of the victims are very inﬂuent and contradictory reactions occur, both compassion and envy are possible.

The last category of individuals suffering from downsizing is the managers, those undergo psychological and morale repercussions. In fact they express overwork, culpability and loneliness within the organization. They become more aggressive and isolate themselves from the rest of the workforce, hostility and depressions are very common.

In addition to the company and its workforce, downsizing affects society in general and inﬂuences the global economy. The overestimation of companies’ value at the stock exchange contributes to the creation of a ﬁnancial bubble, moreover some national industries suffer from the delocalization and the repetitive closings affect their growth and development opportunities. Employment problems arise and the appearance of a devastating cycle is possible.

Our general conclusion in the case of downsizing is that when companies focus on their economical responsibilities and put all their efforts in this direction, they just fail in the realization of their strategic objectives! It is indeed primordial for the managers to keep in mind the other responsibilities and fulﬁll them while leading the organization and
generating profit. Here we noticed that the companies which were trying to improve their economical situation through downsizing forgot essential aspects, they did not treat their stakeholders honorably and they faced juridical pursuits. Therefore it is obvious that the legal and especially ethical responsibilities are extremely important, their consideration in the business strategies is necessary and their underestimation is one of the reasons leading companies to failures.

Because of the uncertainty concerning its outcomes and the high possibilities of failures, the managers are required to think seriously and analyze the conditions of their organizations as well as all the strategic possibilities before the resort to downsizing. We personally believe that it is important and necessary for the companies recording positive financial performances and evolving in positive general conditions to avoid downsizing. In fact the resort to this strategy is very dangerous and capable to engender destructive consequences, therefore it is essential for the managers not to take an unnecessary risk that their company is able to avoid. Furthermore, even during the downturns and crisis several alternatives to downsizing exist and allow the realization of the same anticipated results. We mention for example the working hours’ reduction, the job sharing, the wages’ reduction, attrition, alternative placements, employee buyout, shared ownership... All these cost savings strategies are very effective. They can be completed by long term recruitment procedures, those allow the company to possess a workforce which owns the adequate skills and fits with its strategic objectives. It avoids the resort to massive layoff and new recruitments.

In the few extreme cases when massive layoffs are the only possibility, it is essential to take in account several fundamental aspects. The communication, skills’ analysis, intuitive management, workforce’ support and employees’ consultation are all considered as key elements that facilitate the downsizing implementation, nevertheless it is indispensable to follow an ensemble of steps to downsize effectively.

Everything starts with the decision to downsize, here the managers are required to first view all the alternatives and identify the possible consequences of each one. The downsizing must be a part of the global corporate strategy and cannot be motivated only by short-term cost reduction needs. Once the decision is made, the managers are required to plan the whole process, during this phase they determine the objective of their action, designate the team implementing and managing the process, choose the support programs as well as the time and amount of the indemnities that the victims will receive, establish communication strategies... Here the most important and complicated issue is the determination of a new structure in addition to the identification of the organizational changes to implement. After these two steps the managers of the company are required to announce the downsizing, this task is complicated and needs a good preparation, in most of the cases the executors follow special trainings to achieve it successfully. Here it is essential to choose the best timing, to provide reasons justifying the decision and to announce the benefits, support programs and different packages that the victims will receive.

Once the downsizing announced its implementation starts and the leaders are required to emphasize on the victims and their ethical treatment. However it is also important to make efforts to direct the survivors and motivate them, in fact the success of the new strategies depends on them. The managers themselves are likely to undergo negative consequences therefore their assistance is necessary.

The final step is the evaluation of the downsizing, here it is necessary to make sure that the desired structure is achieved and that all the changes have been implemented successfully, if the objectives of the process are not achieved the leaders ought to review all the implementation procedure and make the adequate strategic adaptations.
If downsizing is considered as a risky strategy with high percentages of failures, its appropriate management presents several good opportunities. In fact the leaders are required to view this practice as an occasion to improve the work processes, enhance the company’ performances, exploit the individual talent, redesign the corporate culture and strengthen the organizational competences. Nevertheless we still believe that it is important to resort to downsizing as a last option, the consideration of all the alternatives and strategic possibilities must come first. Finally it is necessary and extremely essential to lead downsizing as well as all the other cost cutting activities with high ethical standards to avoid the destructive repercussions and achieve constructive changes.


Dodin-Deleau (2005), “Reamenagement du site Adelshoffen: Construisons le projet ensemble”, *Dossier de presse, site Adelshoffen*.


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