

*Every skill and every inquiry, and similarly every action and rational choice, is thought to aim at some good; and so the good has been aptly described as that at which everything aims.... (Aristotle, Nicomachean Ethics 1).*

# THE ETHICS OF DOWNSIZING

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**Abstract-**In general terms, downsizing refers to cutting down of employees in an organisation. It is a crucial step taken by the organisation, when it sees that costs of organisation is going overboard due to excess of employees in the organisation.

Most discussions about downsizing focus on the legal, economic, or psychological issues raised by this practice. These are essential concerns, but one rarely considers how or why downsizing is also an ethical issue.

This article looks at:

- The reasons for downsizing
- Employee's point of view
- Organisation's point of view
- The Survivor
- How to cope with the after effects of downsizing
- How to downsize ethically

Downsizing or doing layoffs is a toxic solution. Used sparingly and with planning downsizing can be an organisational lifesaver, but when layoffs are used repeatedly without a thoughtful strategy, downsizing can destroy an organisation's effectiveness.

## Introduction

In general terms, downsizing refers to cutting down of employees in an organisation. It is a crucial step taken by the organisation, when it sees that costs of organisation is going overboard due to excess of employees in the organisation. Downsizing may prove beneficial in an organisational front but it poses as a major threat in case of employees working in a firm. Downsizing may be due to internal or external changes in an organisation.

Most discussions about downsizing focus on the legal, economic, or psychological issues raised by this practice. These are essential concerns, but one rarely considers how or why downsizing is also an ethical issue.

## Normative Directives in Ethics

Philosophical morals has diverse fields of study. Regulating morals concentrates on good and bad. It is for the most part worried about applying a system of good code on a choice. Distinct morals, then again, takes a gander at the comprehension of a basic good conviction. The field of business morals is primarily centered around guiding an organization toward doing right and far from fouling up. It is chiefly normative. The field of business ethics endeavors to direct companies through morally troublesome choices.

## BUSINESS ETHICS AN OVERVIEW

The field of business ethics is relatively new. It emerged in the 1970s and gradually picked up acceptance as a scholastic discipline and practice during that time that took after. Business morals is fleeting, in other words that the managing rules that emerge through examination may shift after some time. While a few standards stay solid, social standards may shift after some time, driving once-satisfactory practices into outdated nature. The ecological development and the acknowledgment that we are pulverizing our planet may have changed people in general's view of petroleum derivative utilization. At the point when the vehicle business initially emerged, consuming more gas to gather more power was grasped, now effectiveness and limiting discharges is the more adequate standard. While some may trust that it is naturally evident that an enterprise ought to be morally obliged to act inside the standards of society, the unadulterated promoters of unadulterated private enterprise don't really concur.

There are the individuals who contend that moral requirements are superfluous and unsafe. They trust that the advance of an organization is obstructed through requirement and, in that capacity, the progression of the company toward its objectives are confined. The contention takes after that society in general endures as advance – medicinal, specialized or something else – is hindered.

While this view may appear to be extraordinary, the business writing proposes that isn't totally the case. Truth be told, in a universal examination in 2011 (1), just 30% to 80% of high administration trusted that a company had a commitment to do well by society notwithstanding profits.

The zones of an association conceivably subject to moral examination are for all intents and purposes. HR, contract transactions, new business improvement, bookkeeping and fund, would all be able to be liable to moral examination and limitation. What emerges after some time is a corporate culture that falls under the umbrella of the estimations of the

company. The company starts to hold fast to association morals yet additionally can self-characterize a working society in arrangement with society.

### THEORIES APPLIED

#### Individualism

Individualism is the notion that the primary goal of a company is to lawfully maximize profits. From the individualist standpoint, firms downsizing, did not do anything wrong. They were merely trying to protect their assets and profits from declining. Friedman's theory of individualism states "business should not attempt to be "socially responsible." Spending money on resources, employees, and donations to causes is wrong"

#### Utilitarianism

Utilitarianism is the idea that businesses should act in ways that maximize happiness in the long run for all individuals that are affected by the business action.

#### Kantianism

Kantianism's standpoint is to respect other individuals, without lying or deceiving them in any way to gain benefit for yourself, the notion of doing what is right, because it is the correct thing to do regardless of the loss or benefit of the outcome.

Going by the Kantian theory, employee rights are irreducible? that is, they are not to be abridged arbitrarily. The theory also suggests that employees are legally entitled to free and equal access to any rights guaranteed them by law. as well Legally, employees are entitled to information (i.e., advance notice) concerning layoffs (Cabot, 1988) the other factor that differentiates the modern industry from traditional ones is the relatively high importance of workers to firm profitability. High tech firms often do not invest a large amount of money in equipment or property. Their major investments are in intellectual human assets (Rogers, 2001). The concept of ethics suggests that employees have the right for the information as spokesman for America West Airlines have severely stated that "There's probably never a good time to receive news that your job has been eliminated. Many definitions of ethics can be related to the trust in the literature specify three main concepts: vulnerability (Currall & Judge, 1995), reciprocity (Zand, 1972), and expectation (Lewicki & Bunker, 1996). Drawing from Tzafrir and Dolan's (2004)s resulting from past positive mutual interactions. the value to be added or not by this disaggregation of management relevant immoral and/or noxious behaviour to three primary (albeit potentially overlapping) forms Or are they distinctions without a difference this question are considered for the answer where certain level of contradiction and confusion provides the context for any attempt to understand business ethics. Of downsizing The U.S. public appears to be soured on corporations and the executives that run them (Bernstein, et al., 2000; Stevens, 2004) the u s public appears to be stagnant on corporation and the executives which run them Stevens 2004 bernstein2000 as though the presence of an ethics training program in an organization appears to have a positive effect on employees' perceptions of their companies' ethical context (Valentine & Fleischman, 2004) but the amount of misconduct actually observed in organizations has not changed much in over a decade (Ethics Resource Center [ERC], 2005). and more and more organizations have formal ethics and compliance training programs (ERC, 2005), the willingness of employees to report observed misconduct has declined (ERC, 2005; Nitsch, Baetz, & Hughes, 2005). Corporate codes of conduct are generally thought to be important components in promoting ethical behaviour, so that the absence of one at WorldCom—and the reputed scorn of its CEO Bernard Ebbers for ethics codes (Schwartz, 2004)—prior to the discovery of the fraud in 2001 is considered illustrative. As also it is known that at the time of the Enron Scandals that organization had a 62-page code of ethics that had been circulated widely along with a four-page cover memorandum from the CEO, Kenneth Lay

#### Virtue Theory

Virtue theory focuses on the motivation of actions based on self-interest, or the interest of others. In addition, it evaluates character of the individual, as well as a company as a whole in regards to its corporate culture. Virtues are positive traits, whereas vices- the opposite of virtues- are negative traits.

### Case example

At the largest software exporter TCS about 500 members of its staff have "voluntarily resigned" after an annual performance check, while global IT major IBM is believed to have shown the door to 5000 entry-level trainee programmers across major offices in the country on the grounds of performance. "Employees with experience of two years and above across the company who were unable to meet performance requirements have been asked to look for other jobs commensurate with their abilities." It is the same story with many big and small companies. In many cases, downsizing becomes inevitable. Since, the best approach adopted was to downsizing with dignity and to ensure that those who were let to go were equipped with new skills to enhance their career prospects.

The reasons that force the company to opt for downsizing may be any of the following:

- 1) Competition
- 2) Technology
- 3) Automation
- 4) Outsourcing
- 5) Strategic alliances
- 6) Elimination of costs
- 7) Improve profitability.

### Employee's point of view

Downsizing evokes images of mass lay-offs, of jobless workers in a stagnant market, of emotional trauma, fear and insecurity. It brings with it the shame of defeat. The shame of rejection that haunts the future of many loyal workers, suddenly sent home with a pink slip in their hands and pin money in their purses.

### Organisation's point of view

Downsizing helps a company cope with enormous economic pressures. It increases the operational efficiency and productivity of the organisation. Labour costs, which account for a lion's share in internal expenses are greatly reduced, allowing valuable funds to be channelled to areas they are most needed. In addition, organisational re-engineering, simplified hierarchy, and importantly, a significant reduction in the number of employees may well strengthen the company as a whole, justifying such head hacking.

### The Survivor

But the people who survive the pink slip misfortune often suffer from what is termed the 'survivor syndrome'. The fear of persecution, inner tension, loss of self-esteem, lack of initiative, apathy and burnout torment them. They may feel paradoxically guilty about continuing with the company, when so many of their friends and colleagues have been given the axe.

### Coping with the after effects of downsizing

It puts a lot of pressure on a person and takes courage to face the trauma of downsizing. Now for some pointers on how to face the reality of downsizing for those who survived.

#### ➤ Attain insight

In all fairness, the company might have justifiable reasons for the downsizing exercise. Acquire an insight as to why the downsizing was carried out through straightforward and honest communication.

#### ➤ Face reality

Instead of hoping things would get better, face reality with courage. Figure out what needs to be done. Is your job in the company really secure or is it a stopgap arrangement? Would you like to continue working with the company? Friends and colleagues till yesterday have gone. How are you going to cope with their absence? These are aspects that need to be dealt with promptly.

#### ➤ Handle with courage

Perceive the changes brought about by downsizing as an opportunity for advancement of your career. Seek out rather than merely accept work. Be careful and vigilant. Be prepared for additional responsibility and meet change with hard work and creativity.

#### ➤ Be responsible to yourself and your job

The insecurity evoked by a downsizing exercise often leads people to blame others for their own mistakes. Be accountable, committed and decisive. Meet the requirements of your job with firm integrity.

#### ➤ Drive out insecurity

The root cause of most problems is insecurity. Being insecure about your job, your future or your place in the company can make you perceive change as a threat. It may drive you to compromise. You need to build up your self-confidence and be competitive.

#### ➤ Set Priorities

Set priorities for yourself. Concentrate on the more important tasks. With fewer people working on the same number of tasks, the less important tasks may be left undone. Train yourself to become faster, focused and more purposeful.

#### ➤ Don't get disheartened

Downsizing has been a global phenomenon. Millions of others are in the same boat as you are. It is a depressing and demoralising process for both the organisation and its employees, but it is a necessary evil. The very fact that you have outlasted the nemesis proves that you have got what it takes to survive. Build on that grit and maintain a positive outlook. Make yourself indispensable to your company through sheer hard work and cleverness. Never get discouraged.

There are many concerns that haunt the minds of employees who survive the downsizing exercise. The onus of turning the exercise into a positive one rests with the management. It is up to the management to allay the fears of its employees and demonstrate the career advancement opportunities in the restructured organisation, which will help in a smooth transition from downsized labour to a more efficient, productive and motivated workforce.

### Downsizing ethically:

#### ✓ Do it in person.

Employees should not be downsized on the phone or by e-mail. They should be informed in person. As uncomfortable as it is to end someone's employment, the right thing to do is to have a private conversation with him or her in person. The [ethical principle of respect for others](#) should be followed.

#### ✓ Do it privately.

Respecting others means honouring their wishes and values, and it is reasonable to assume that most people would prefer to have troubling news delivered in private. This means in your office, with the door closed.

#### ✓ Give the person your full attention.

Interrupting the conversation to take phone calls, check your mail, or engage in other distractions isn't just rude; it tells the other person that the matter at hand isn't all that important. That's yet another violation of the principle of

respect. The impulse to turn your attention to less troubling matters is understandable, but along with the privileges of being a manager come responsibilities, and downsizing with integrity is one of the most important obligations of a manager.

✓ Be compassionate

In practical terms, this means being forthright with the employee, but also choosing with the care the words, tone of voice, and demeanour you use. **Compassion** for the employee literally, "suffering with" someone—honours the dignity of the employee and speaks about the nature of the manager. We can't always **make things better**, but we shouldn't make things worse.

✓ Give Time.

A shock takes time to absorb. Give time and space to your employee to absorb the information, and you may have to explain more than once what is happening and why. How downsized employees are treated directly affects the morale and retention of valued, high-performing employees who are not downsized.

### Conclusion

Downsizing or doing layoffs is a toxic solution. Used sparingly and with planning downsizing can be an organisational lifesaver, but when layoffs are used repeatedly without a thoughtful strategy, downsizing can destroy an organisation's effectiveness. The extremely difficult decisions of who must be laid off, how much notice they will be given, the amount of severance pay, and how far the company will go to help the laid-off employee find another job are given less than adequate attention. These are critical decisions that have as much to do with the future of the organisation as they do with the future of the laid-off employees. One of the most important outcomes of downsizing must be to preserve the organisation's intellectual capital.

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