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Downsizing is the elimination of large numbers of personnel to enhance organizational competitiveness.

Under the current economic situation, what are the reasons for downsizing? Discuss.

An organisation should level its fixed costs organisation within the actual break-even point (BEP) eyeing the contribution to its Net Present Value (NPV) upon10 years forecast while constantly getting prepared for at minimum 3 major crisis (for example past and ongoing trade war USA/China, bank crisis and or COVID19) within the next 10 years, avoiding or limiting the nasty consequences to the organization, labour and eventually the local community by **downsizing** big numbers of headcounts.

I will elaborate further but let us first investigate the definition of downsizing.

´Downsizing means reducing an organization its size of manpower or eliminate its unproductive human resources and operating cost with the objective to optimize productivity within the same workload existed before the exercise takes place. In simple word, firing the employees or reduce the payroll payment. ´

This (to be avoided) exercise normally takes place when the management find out that the company is not performing well but at the same time, the operating cost are high and in combination leading into high liabilities with reducing shareholders their equity.

To be avoided ´downsizing´

Downsizing is basically a slap in the face of strategic planners, building for growth, spending without hedging as of a crisis would not affect them.

In the event of downsizing, two crises arise at the same moment. Conflict upon conflict, damaged reputation and eventually riding both conflicts out in bankruptcy. Its of why it should be avoided.

Downsizing in big numbers should be avoided by constantly trimming the organization, by constantly building-in flex workers and supported by a salary structure of basic plus bonus or profit share.

Trimming the labour organization is the answer.

Constant trimming the labour organization is stretching out in timely and costly manner the brute effect of downsizing to companies its budget and people their jobs and avoiding shockwave and *losses of attention to building up during crisis*. Not only that, but a company also losing its credibility that makes their business suppliers or customer hesitant to continue business or rendering the service from them as downsizing is a sign of company bad financial and organizational phase.

´Is the organization mature and crisis proof´ is the ongoing question

It´s a must for both Strategic Human Resource Manager (SHRM) as CFO to build enough budget space to stretch with crisis it´s heavy toll of meeting market turbulence. CFO with the need to go for hedging program, for the HR to keep on analysing the actual labour organisation facing the uncertainty in the future. As we learn, the only certainty is that the crisis will be met once per three years. It is not certain if this comes with bank crisis, trade wars or virus such as COVID-19 for example.

SHRM in its role as good planner would not be easily surprised by a crisis and have set the records straight and have put the people in the right mindset to fight the crisis and not to fight the company and each other. SHRM should anticipate and provide an actual crisis playbook in place before any crisis affect the organization badly and it should be covered with sufficient budgets`. SHRM should focus to the need to keep the organization lean and mean and on par with the market circumstances.

A **mature** company, keep its organisation (related individual workers) focussed and pays time and money on education and mentality building (example *Admiral McRaven*) to get each single worker in the right mindset, in the right structure, in the right position to be a flexible and mature worker in times of crisis.

A mature company stores its vital knowledge and skills at a level where downsizing will not be likely happening and shall built upon that layer an additional ´taskforce´. A taskforce with a mixture of fixed contracts and outsourced based contracts. By then, sizing back the number of people will not affect the fixed contracts during a crisis while the vital competences are still secured.

Downsizing for reasons of no or bad choices made by the organization its strategists.

Downsizing with big numbers is basically draconic and destroying (human) capital is often the result of bad strategic planning and operating *as of tomorrow the sun always will shine*. For those strategists, COVID19 and USA/China trade wars are merely excuses, covering up the mistakes made. The bitter reality is that immature organizations with lacking attention to anticipate to any crisis would have been shaken out, with or without a facing crisis. **Exceptions are always there of course** but basically; my views apply to most of companies affected by a crisis and being in the need of downsizing.

A final word

Is it for reasons of facing ´worldwide crisis, a bad economic condition, a merger, or acquisition, underperforming of the labour organization, and or being at the end of a product or service lifecycle, *nothing comes with surprises all could be foreseen and could be tackled by constant analysing the trends in conflicts and choices made?* Tackled by constant trimming the organization and by mentality building of its work forces.

A remembrance of the late Albert Einstein ´Look deep into **nature**, and then you will **understand** everything better´ is forgotten and with fast living, barely thinking, the brains just come out with draconic downsizing with often dramatic effects to societies.

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