

SURVEY OF DOWNSIZING EFFECTS ON
U.S. BASED CORPORATIONS IN THE
ROCKY MOUNTAIN REGION

by

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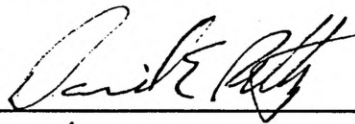
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ABSTRACT

The major purpose of this study was to determine the implications of corporate downsizing in today's business environment. The population selected included corporations with greater than 500 employees located in the Rocky Mountain Region of the U.S. The sample size was 160 corporations. Data was gathered through a literature review and a survey instrument. The survey was mailed out with a 47.5% response rate.

The main conclusions of the study were:

1. Most large corporations in the Rocky Mountain Region have downsized within the past year or will do so in the coming year;
2. Almost all firms provide at least one form of assistance to departing employees;
3. Almost three quarters of the managers have taken on additional responsibility since downsizing;
4. Three fourths of the firms that have undergone downsizing have experienced no change in market share;
5. More than half have experienced a deterioration of employee morale;
6. The main reasons for the downsizing are: Cost savings, survival, and enhanced communication.

The main recommendations were:

1. Firms who have downsized should conduct follow-up research with terminated employees to determine which forms of assistance were most helpful, and if they have found suitable employment;
2. Those firms who are considering downsizing in the future should communicate all aspects of the downsizing effort to employees, and develop programs which will improve employee morale for remaining employees;
3. Business educators should prepare students for the changing business culture of the 1990's and beyond;
4. Business educators should stress the importance of flexibility in the workplace.

CHAPTER 1

INTRODUCTION

In the past, American companies have been considered the one dominant force in world markets. This is no longer the case. American companies, facing fierce competition from all quadrants of the world, have slipped out of the #1 position. A.T. Kearney, one of the most respected U.S. consulting firms, states:

The U.S. has lost its dominant competitor position.
On an asset basis, two-thirds of the worlds 100
largest publicly held corporations are non-U.S.
(Kearney, 1991).

This has forced American companies to analyze their positions in the marketplace and determine what changes are necessary in order to regain their competitive edge. As a result, a great number of American corporations have undergone restructuring during the last decade. "Lean and mean" could best be described as today's corporate motto. In fact, the corporation of the 1990's looks amazingly different from the corporation of the past. This massive move to restructure has been initiated mainly by large U.S. corporations and has taken place within the last decade. The most visible affect of restructuring can be seen in the area of reduction of

employees, or "downsizing". Downsizing has become very widespread in the corporate environment and is expected to continue throughout the 1990's. Peter Drucker states:

Businesses will undergo more and more radical restructuring in the 1990's than at any time since the modern corporate organization first evolved in the 1920's. By now a great many, maybe most, large corporations have cut management levels by one-third or more. (Drucker, 1989)

Research done by the American Management Association in 1990 supports this statement (Lawrence, 1991). Fully 36 percent of the 1,219 companies polled in their survey reported eliminating jobs in the previous 12 months, and 15 percent expected more cutbacks within the coming 12 months.

If a major goal of business education, at the college level, is to prepare students for employment in the business world, these comments should bring about some concern. Is the business curriculum changing to meet the changing needs of American companies?

Problem Statement

The major purpose of this study is to determine the implications of corporate downsizing in today's business environment.

Specific questions to be answered:

1. How has the workload of each employee changed due to downsizing?
2. Has management been delegated additional responsibilities?
3. Has the length of the typical work day changed?
4. How has customer service been effected?
5. Has product quality been effected in any way ?
6. What effect has downsizing had on the competitive position of the corporation?
7. What are some of the future implications of the corporations' reduction in work force?

Need for the Study

This study is important because it concerns future changes in the corporate structure within the United States. It is crucial to gain an understanding of how companies as a whole, as well as individual employees, are being affected by downsizing. It is important to determine if corporations are achieving their desired results through downsizing. It is imperative that business educators have the ability to identify the representative corporate structure in order to disseminate current and reliable information. Robert Tomasko stated:

Downsizing is not a pleasant topic, but it is an important one. Despite its importance, however, it has not received adequate attention in academic research and management literature. The information offered on the topic has been confined largely to casual observations by investigative reporters and occasional articles in business journals (Tomasko, 1988).

Limitations of the Study

The following limitations were placed on the study:

1. Participating companies were limited to U.S. based corporations employing an excess of 500 employees within the Rocky Mountain Northwestern portion of the U.S.
2. Companies surveyed were limited to corporations who appeared in "Compaq Disclosure," a data base which contains information on all publicly held corporations in the U.S. Compaq Disclosure is located in the Renne Library at Montana State University.
3. Survey participants were limited to human resource/personel.
4. The survey was further limited to the responses of the individuals who returned a completed questionnaire, and the results are applicable only to the population surveyed.

Definition of Terms

The following definitions are presented to assist the reader. These definitions were obtained in the World Book Dictionary (1987), the Dictionary of Business and Economics (1983), and the Report of the President (1989).

1. Disseminate: The distribution of information to interested persons (World Book Dictionary, 1987).
2. Downsizing: To reduce in size; scale down (World Book Dictionary, 1987).
3. Outplace: To assist an employee who is about to be fired by sending him or her to an agency or organization that specializes in helping such people find new employment (Dictionary of Business and Economics, 1983).
4. Severance Pay: Payment in addition to regular wages to an employee who has been dismissed. It is usually based on both wage rate and length of service. Frequently the payee has the option of taking a lump sum or deferred payments (Dictionary of Business and Economics, 1983).
5. Retraining: A technique for preparing employees already within an organization for new skills requirements that are created by various internal (organizational) or external (economic, social, technological, etc.) changes (Dictionary of Business and Economics, 1983).

6. Morale: The extent to which an employee's needs are met and the extent to which the person perceives that satisfaction as stemming from his or her total job situation (World Book Dictionary, 1987).
7. Large Company: "under 20 employees, very small; 20-99, small; 100-499, medium sized; and over 500, large. These breaks are consistent with standard business employment, asset, and receipt size classes established on May 18, 1982, by the Office of Management and Budget to be used by all federal agencies when publishing data" (Report of the President, 1989).

CHAPTER 2

LITERATURE REVIEW

Introduction

The purpose of this chapter was to review literature published in the area of corporate downsizing. Surveys and literature relevant to the writers study were examined and some of the more significant findings and conclusions are presented in this chapter.

An examination of literature reveals three major areas in which research has been conducted: (1) the reasons for corporate downsizing, (2) effects of downsizing, and (3) future implications of downsizing.

Reasons for Corporate Downsizing

The American Management Association feels that downsizing has become an addiction for companies as they reach for greater efficiency (Hage, 1993). According to a New York based consulting firm, Wyatt & Co., 29% of companies laid off people in 1991, and 27% were expected to in 1992. In addition to this 27%, another 18% were expected to freeze all new

hiring. This addiction has given rise to numerous reasons for downsizing, with each company providing its own justification. Within each company's set of reasons however, there do seem to be some similarities. Research suggests that three of the most commonly cited reasons for downsizing are; worldwide competition, cost-savings through improved staff utilization, and anticipated downturns in the economy.

Involvement in the worldwide marketplace is very important now, and will become much more important in the years to come. In order for large U.S. companies to be able to effectively compete, they must be prepared. Tomasko (1988) believes that overgrown corporate bureaucracies have weakened the competitive position of large companies, and now management must streamline or perish.

Manufacturing and industrial based companies seem to be the hardest hit, and have come to realize this. Steingraber (1989) notes that 46 percent of U.S. manufacturing and industrial firms believed that they had a significant competitive advantage five years ago; but that figure has dropped to 26 percent today and will likely drop further in the next five years. Although manufacturing industries are generally the primary source of job loss, the 1980's saw a huge increase in job loss in the service and retail industries. For example, in 1984, retail trade accounted for 11.2% of job displacements. By 1990, however, 17.7% of displaced jobs were accounted for by the retail trade

industry. In fact, all of the top ten share gaining industrial sectors for the period of 1984 to 1990 were retail and service industries, while six of the ten biggest share losers were manufacturing industries (Podgursky, 1992).

In a frantic effort to regain world competitiveness, U.S. companies seem to have selected the route of downsizing, in an attempt to better utilize staff and reduce the costs associated with doing business.

In a 1989 survey of more than 1,000 human resource managers the American Management Association found that in 30 percent of the cases, the stated rationale for downsizing was improved staff utilization--i.e., attempts to increase productivity by having more work done by fewer people (Greenberg, 1990). For the largest firms in the sample, those with annual sales of more than \$500 million, "improved staff utilization" was the most frequently cited rationale. However, the 1990 survey showed the percentage of companies downsizing because of improved staff utilization to be decreasing. By 1990, only 23% of companies made cutbacks for this reason (Greenberg, 1991). It seems larger companies are finding that bigger is not always better, and that they may be able to perform as well, or possibly even better, with fewer employees and fewer managers as well.

An economic downturn can be a devastating thing for a company that hasn't had to deal with over-staffing problems. This is illustrated by looking at the recent cutbacks

undertaken by International Business Machines. IBM was a company that had experienced nothing but growth. So, when an economic downturn forced IBM to eliminate 25,000 jobs (Career Opportunities, 1993), the company did not know how to deal with it. Lives of former employees were shattered and the entire structure of IBM was weakened.

The 1990 study by the American Management Association, showed that 55% of businesses were downsizing because of a business or economic downturn. These companies cut their workforces by an average of 10.7%, with 42% of the jobs lost being managerial or professional positions. The 1990 survey showed little significant change in the number of firms that are downsizing, however there was a very significant change in the rationales for these cuts. More firms are downsizing because of the economy. In fact, in the 1989 survey, 60% of the respondents felt that their cuts had nothing to do with recessionary expectations (Greenberg, 1991).

Effects of Downsizing

The decision to downsize can never be an easy decision to make. It is a decision that not only affects the future direction of the company, but also the lives of the employees. Bunning (1990) states that the effects of downsizing are felt beyond the employees who lost their jobs. The remaining work force is affected as well, and the results can be devastating for them. Furthermore, the marketplace's view of the company often is negative: Layoffs are interpreted as ineptness on the part of management. For this reason it is extremely critical that a move of this type be thoroughly thought out and planned. This is not the case however, in many instances. In a survey completed by Bunning (1988) he found that of the over 1,200 respondents, as many as 50 percent said that their company was unprepared to conduct a reduction in force.

There are many different approaches to down-sizing, and the method used can bring about a variety of results.

When a company is involved in the downsizing process it is understandable that they think mainly in terms of jobs and dollars. It is however equally important that the company not discount the fact that people are losing their livelihood. Bunning (1990) shows that employees who lost their jobs because of downsizing reported substantial domestic problems. In addition, spouses were forced to begin shouldering a burden

that they were unaccustomed to: sole bread winner. This has caused embarrassment and shock to these families. College students of parents who have lost their jobs are more cynical about social institutions and they don't work as hard as others (Hage, 1993). Also, 15 percent actually lost their homes.

Labor economists show a long-term negative effect on employee earnings as a result of a downsizing, not just short-term loss of income. In addition, the suicide rates for laid off workers is 30 times the national average.

These statistics are disturbing, but fortunately many of these problems can be substantially reduced through proper company planning.

One illustration of thorough company planning can be seen in the case study of Salt River Project (SRP), a utility company in the Phoenix area that employs approximately 6,000 people.

The survey conducted by Ulm and Hickel (1989) reveals that SRP reduced the number of positions in its organization by almost 14 percent, nearly 800 positions. SRP made these moves in response to early signs that the utility market was about to change dramatically.

SRP is a major employer in the Phoenix area, and its treatment of employees is closely monitored by the local community. Therefore SRP took several steps to ensure that the transition would be as fair and equitable as possible, while

at the same time maximizing the benefit to be derived from the reorganization.

To begin its restructuring, SRP identified twenty-one employees that were invaluable to the company: then it assembled them into a planning and review committee. This committee was then responsible for interviewing and surveying employees, conducting analyses, and developing recommendations. The recommendations were then reviewed by top management and approved.

The recommendations involved reducing the work force by approximately 800 employees. The way the committee proposed to do this was to utilize a top-down approach. This approach implies that the most senior salaried employee (general manager) select his subordinates, and so on down the line. To ensure that each employee had a fair chance at all available positions, SRP encouraged people to look outside their own departments to fill the positions beneath them.

At this point the general manager made a brilliant but risky move, he suggested that even his position be reviewed. This gesture made a very important point to his employees: every position was to be considered available until filled.

For the persons who did not retain employment through the downsizing, re-employment assistance was provided by an outplacement firm. Outgoing employees also received substantial subsistence.

Through careful planning and constant communications, SRP avoided a great number of negative affects, generally associated with downsizing, while achieving their desired results. The company, in the following year, saved in excess of \$50 million.

Future Implications

The concept of downsizing, which originated with large corporations, has spread quickly into all areas of business. Hospitals and Utility Companies have not even been able to escape restructuring and downsizing. The process of downsizing has many far-reaching implications, both positive and negative. It is however hoped that the benefits will far outweigh the detriments.

One implication as Steingraber (1990) states is that with the advancements in the ability to move ideas and information fast, and cheaply, large companies hope that communication will be enhanced by force reductions, rather than impaired. There will be less channels for information to travel through, therefore decisions can be made and acted upon more rapidly.

Drucker (1989) believes that reductions in force, will also allow the smaller departments the freedom to specialize and partner with outside companies, which might be better able to handle certain aspects of their business. This will also allow certain individual departments to attack niche markets. The Automobile industry provides a good example of this. Ford Motor Company for instance, a transnational automobile manufacturer, chooses to compete in multiple lines of auto's throughout the world. But the Auto industry also has room for small niche players like Rolls-Royce as well.

Negative aspects do however also exist. One negative aspect of downsizing is that a sense of stability will be lost for individuals working within large corporations. Labor economists (Lee, 1990) go so far as to predict the demise of job security. This will undoubtedly affect employee morale at all levels, to some extent.

Another negative aspect of downsizing is the increased workload put onto surviving employees. Americans are quickly approaching the twelve hour work day of the Japanese. A survey done by a Seattle consulting firm showed that 57% of employees work 46-60 hours per week, and 6% work more than 60 hours. Another survey done by the American Management Association revealed that 41% of middle managers have more work than time to do it (Winters, 1992). For workers who remain with the company, work may become a hang-up as employees work like crazy in an effort to keep their jobs. This can cause burnout, anxiety, and uncertainty that interferes with job performance. It seems ironic that while U.S. businesses are embracing the concept of TQM, they are undermining their efforts through increased workloads caused by improperly planned staff reductions.

In summary, there are any number of reasons for the massive move by American companies to downsize. Most of these reasons are valid, given each company's individual circumstances. These reductions in work force do however create a great number of future implications, both positive

and negative. It is this researcher's intent, through the use of this study, to determine what some of these implications are and how people are affected. The following chapter will discuss the research procedures involved in this study.

CHAPTER 3

RESEARCH PROCEDURES

Introduction

The purpose of this study was to determine the implications of corporate downsizing in the business environment.

The purpose of this chapter is to : (1) review previous literature, (2) describe the sources of data, (3) discuss the construction of the research instrument, (4) provide the reader with a time-line of the study (5) determine the population sizes, (6) discuss the methods of data analysis , and (7) provide a brief summary.

Literature Review

Literature discussed in the previous chapter indicates that corporate downsizing has been occurring on a large scale for the last decade, and will continue throughout the 1990's. A few of the justifications given for downsizing include; cost reduction, worldwide competition, better staff utilization, and improved communication. Whatever the reasoning behind the massive shift to downsize, literature indicates that a great

many Americans are being affected. Research further indicates that through the use of thorough planning and constant communication, the negative effects on employee morale can be significantly reduced.

Research Instrument

The research instrument used in this study was a mail questionnaire. The questionnaire was completed by a member of the Human Resource/Personnel Department at the firms sampled. A majority of the questions in this questionnaire were reviewed by BUED 524, Research Methods, at Montana State University, Summer 1991.

Upon completion of revisions, the instrument was approved by Dr. Norman Millikin, the researchers advisor, and then data collection began. The survey was intended to measure attitudes and affects of downsizing on employees as well as mangers, of large, U.S. based corporations.

Time-Line

Construction of the research instrument began July 10, 1991. The instrument was reviewed, and revisions were made 7/20-7/25/91. Approval of the instrument was received spring, 1993. It was determined that a response rate of 45% or better would be acceptable for the study.

The first mailing of the instrument was May 15, 1993. Two weeks were allowed for respondents to reply. At that point 76

surveys were received which constituted 47.5%. Data collection was then complete.

Analysis of the data was completed on 7/2/93, and the final report was prepared.

Participant Selection

The population chosen for this study was limited to Rocky Mountain corporations employing more than 500 persons domestically. The sample was randomly selected by means of Compaq Disclosure, located at Renne library on the MSU campus.

The sample included 160 firms in the following states: Oregon, Washington, Idaho, Utah, Colorado, Wyoming, Montana, North Dakota, and South Dakota.

Data Analysis

In analyzing the data, the researcher utilized cross tabulations and percentages, and reported correlations.

Summary

Chapter 3 addresses the research procedures. This includes previous research, factors used in determining the population and sample, construction and administration procedures were explained, a time-line was presented and the methods of gathering and analyzing data were described.

CHAPTER 4

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

A questionnaire was sent to U.S. based corporations located in the Rocky Mountain Region. The findings from the questionnaire are to aid in gaining a better understanding of the profiles of companies that downsized and their rationale for doing so. Also covered are the effects of downsizing on the workforce.

Of the 160 questionnaires sent to U.S. based corporations located in the Rocky Mountain Region, and employing greater than 500 employees domestically, 76 questionnaires were returned, a 47.5% response.

Responses to the questionnaires are analyzed in the order they appeared in the questionnaire. The responses are presented and interpretations are made.

Figure 1

Sizes of Companies (in percent)

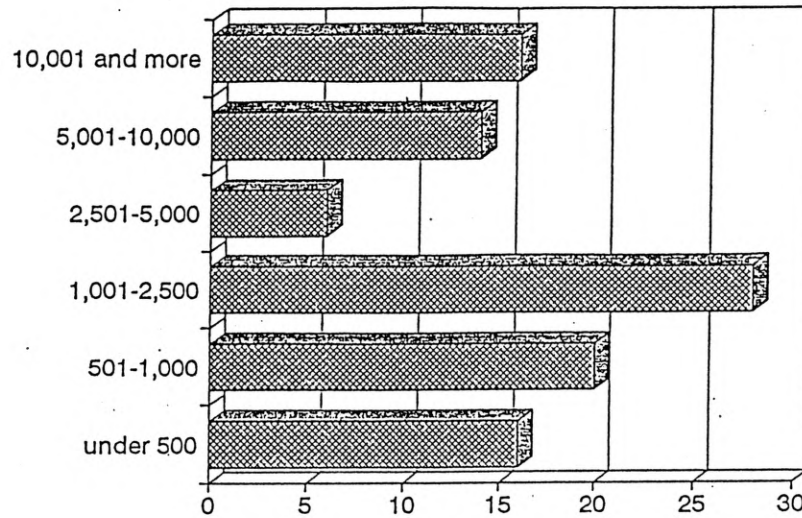


Figure 1 illustrates the number of individuals that are employed by the 76 responding firms. As can be seen, a good representation of different size companies was obtained.

Figure 2

Eliminated Employees in Last 12 Months (in percent)

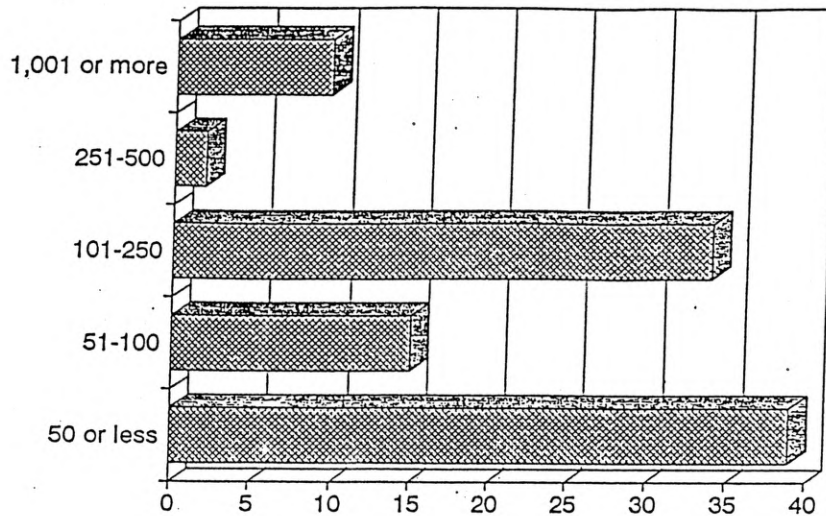


Figure 2 illustrates the number of employees that were eliminated through workforce reductions in the year preceding the survey. Of the respondents, -- companies, or 88% indicated that they had reduced their workforce in the last twelve months. Almost half of the companies that reduced their workforce eliminated less than 100 employees. Another -- companies, or 34% reduced their workforce by 100 to 250 employees. Nearly 10% of the companies surveyed reported greater than 1,000 jobs eliminated in the past twelve months. The remaining 3% of the firms eliminated between 250 and 500 positions. No firms reported reductions between 500 and 1,000 losses. It is evident that firms in this study have been downsizing their companies.

Figure 3

Expect to Eliminate in Next 12 Months? (in percent)

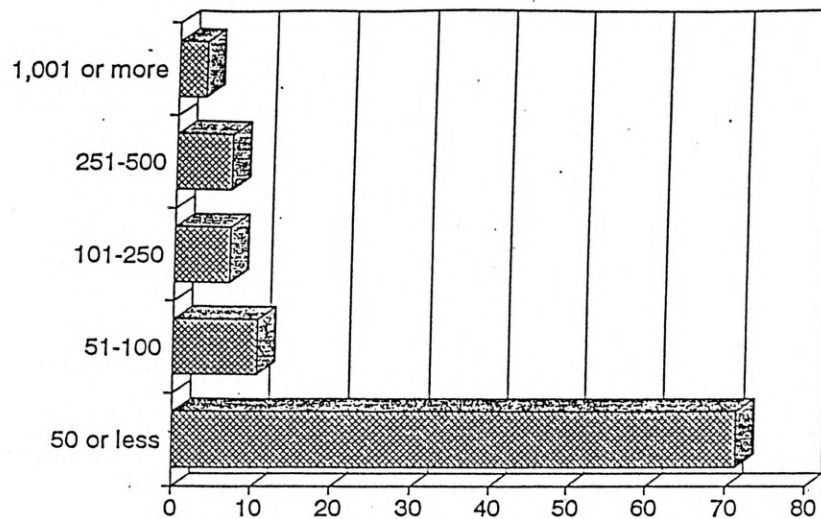


Figure 3 shows the number of employees that companies plan to eliminate in the twelve months following the survey. Of the firms reporting, 53% have definite plans to eliminate jobs. An additional 20% may possibly reduce their workforce in the coming year, and the remaining 27% have no plans to do so. Of the companies that expect reductions in the coming year, 71% believe they will reduce their workforce by less than 50 employees. The number of employees eliminated by the remaining companies were fairly evenly distributed.

As can be seen, the number of employees that firms plan to eliminate is fairly evenly distributed, with the exception of the "50 or less" group. A very large percentage of companies who plan to reduce their workforce in the coming year, plan to do so by eliminating 50 or less employees.

Figure 4
 Assistance to Eliminated Employees
 (in percent)

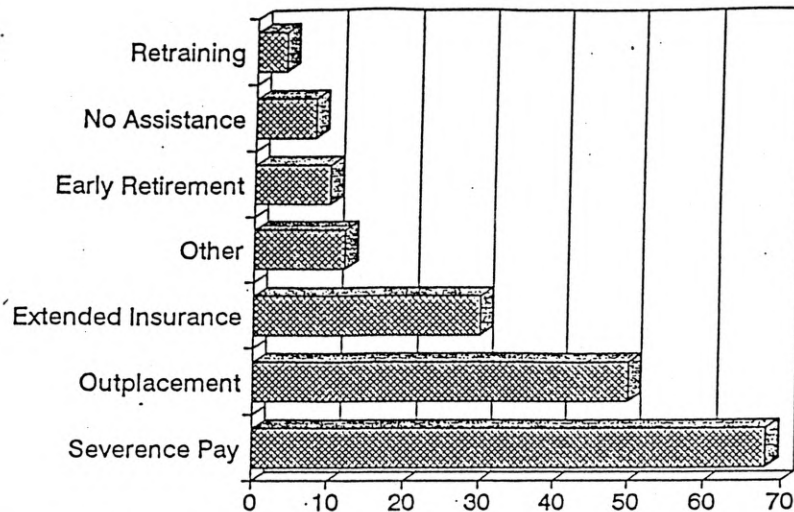
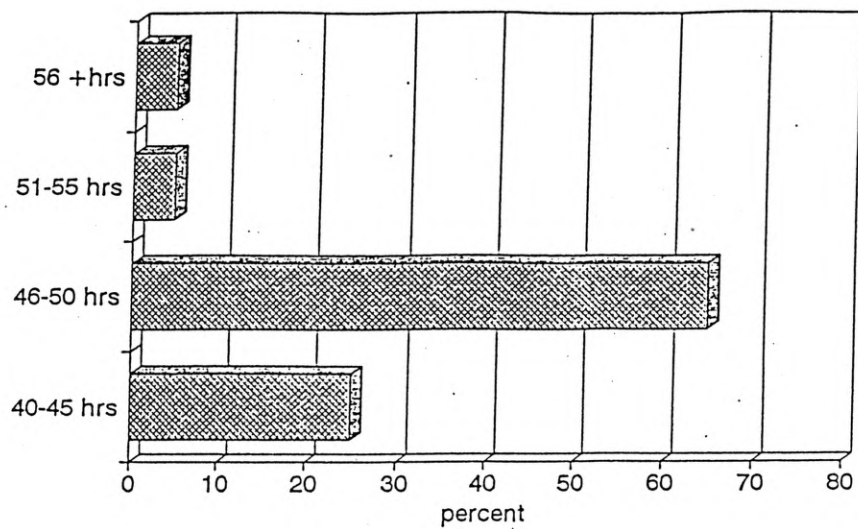


Figure 4 describes the forms of assistance provided by companies for their departing employees. The three primary forms of assistance provided were severance pay, outplacement, and extended insurance. Nearly 70% of the firms responding offered severance pay. Another 50% offered outplacement assistance, while 30% offered extended insurance coverage. Other forms of assistance provided were retraining (3%), early retirement (5%), and other forms of assistance (11%). Approximately 9% of the firms responding indicated that they provided no assistance to departing employees. The percentages in figure 4 total greater than 100% because many companies often offered more than one form of assistance. It is evident that most firms provide some type of assistance to departing employees, with some firms providing two or more forms of assistance.

Figure 5

Hours Worked Weekly for Managers before downsizing



after downsizing

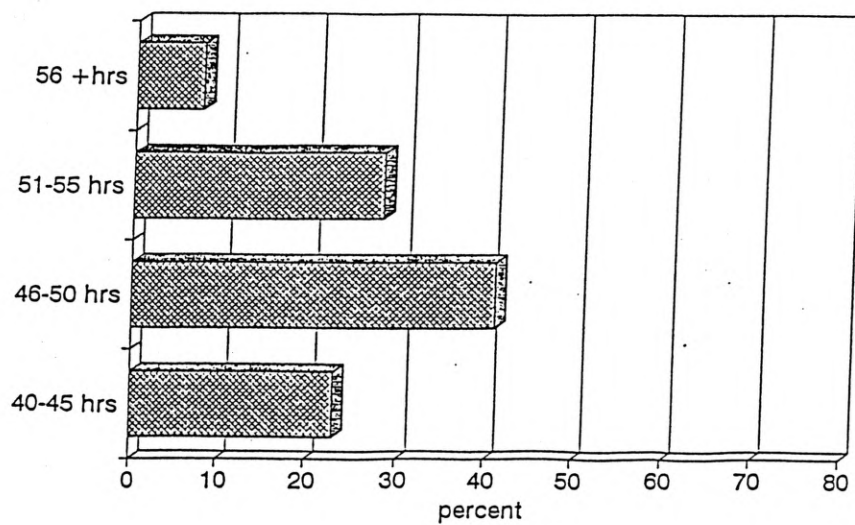
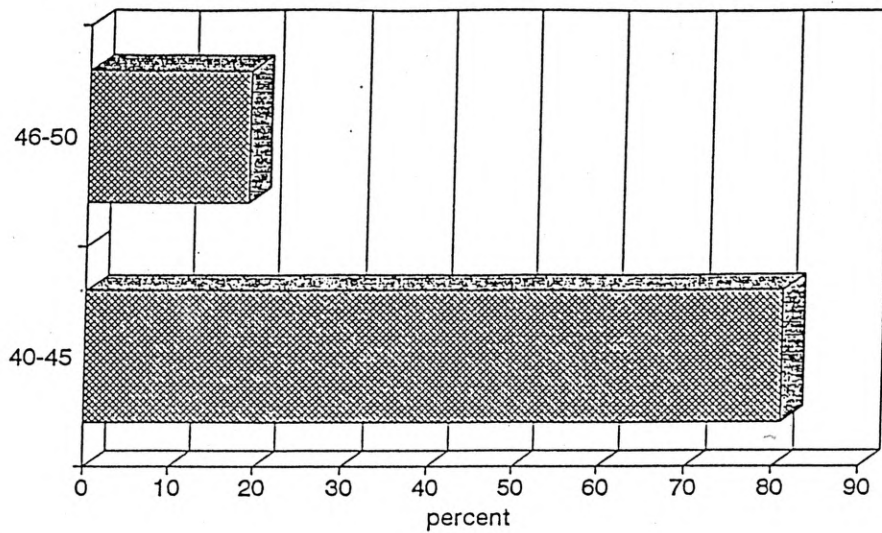


Figure 5 compares the hours managers worked before and after downsizing. The percentage of managers working 40 to 45 hours per week has remained virtually unchanged. The managers working 46 to 50 hours per week decreased approximately 22%. However, it appears that the workload has shifted to 51 to 55 hours with an increase of 24%. Only a few managers have increased their workload to more than 56 hours.

The shift from 46-50 to 51-55 is clear. Therefore, downsizing has tended to increase the hours worked for managers. In fact, although the shift is not as large as expected, the average number of hours worked per week by managers has moved from an average of 44 hours per week before downsizing, to an average of 48 hours per week after downsizing. While this shift appears to be minor, it represents the trend to work more hours.

Figure 6

Non-Management Hours Per Week before downsizing



Non-Management Hours Per Week after downsizing

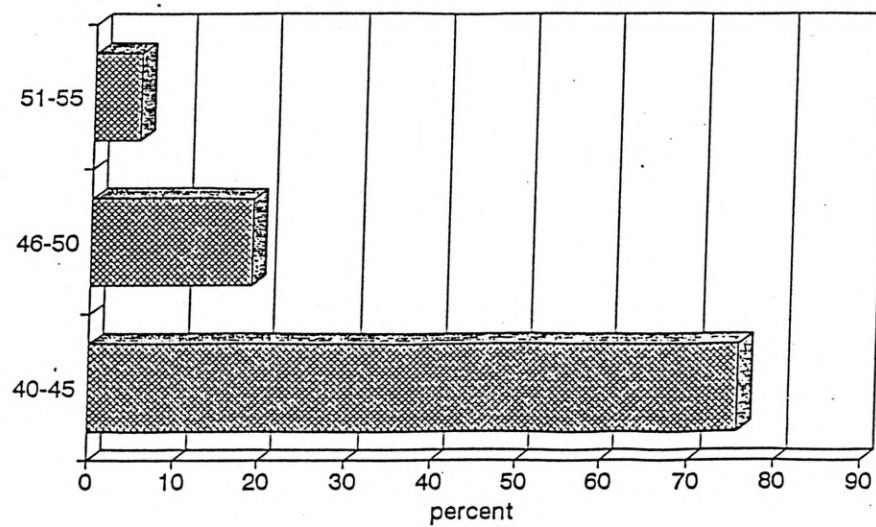


Figure 6 compares the hours worked by non-management employees before and after downsizing. Before downsizing, 81% of reporting firms indicated that non-management employees worked 40-45 hours per week. After downsizing, 75% of the firms reported that non-management employees continued to work 40-45 hours per week, while 19% worked 46-50 hours. The remaining 6% reported that non-management employees worked 51-55 hours per week since downsizing.

This figure illustrates a shift in workload. Although only a small percentage of the firms reported a change in non-management hours worked since downsizing, the shift has created a new category of hours worked. The average number of hours worked by non-management employees in the reporting firms moved from 41 hours before downsizing to 42 hours after downsizing. This is a very small increase in work, which is surprising.

Figure 7

Reflect any Changes in Customer Service since downsizing

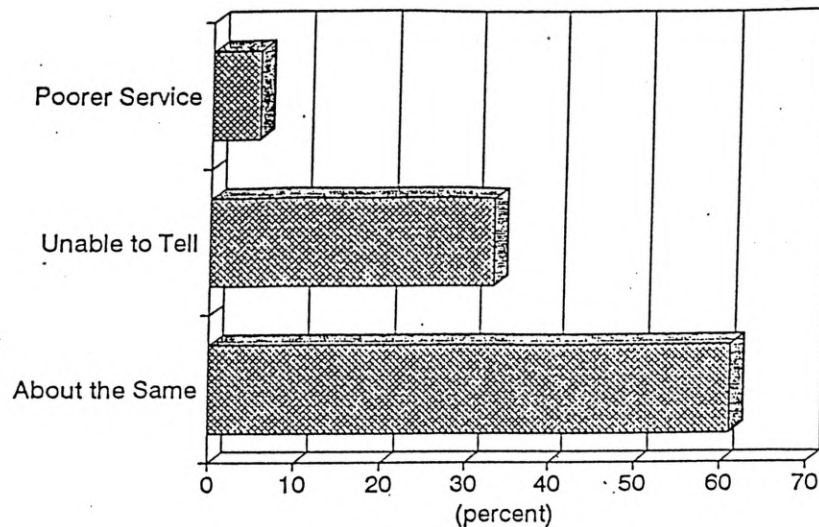


Figure 7 illustrates changes in customer service after downsizing. Of the 34 firms, 46%, that utilize customer service questionnaires, over 60% believe that their customer service has been unaffected. Only 6% feel that their customers receive poorer service. An additional 33% were unable to determine if their customer service had been affected by downsizing.

A majority of the firms surveyed feel that their customer service has not been affected by downsizing. These findings are not consistent with previous research. The rationale for the findings in this study could be due in part to the fact that this was self-reported information.

Figure 8

Reflect Changes in Product Quality since downsizing

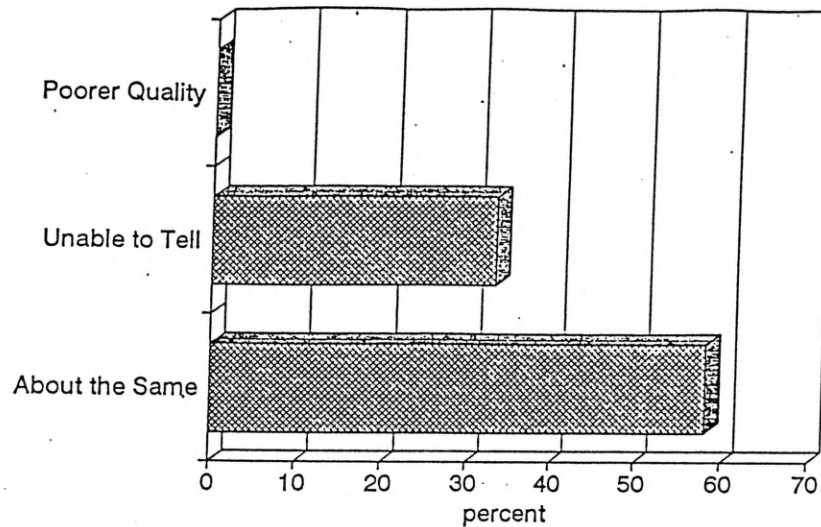


Figure 8 shows perceived changes in product quality since downsizing. Only 32% of respondents currently utilize product quality questionnaires. Of these respondents, 58% believe that their product quality is unchanged. Approximately 34% were unable to determine any changes in quality, while no companies reported poorer quality products as a result of downsizing.

It is clear that none of the reporting firms feel that their product quality has been affected by downsizing. This is inconsistent with previous research. Once again, this could be partly due to self-reporting. Another possible reason for these findings may be that, due to the limited number of firms using any form of quality measures, they have no way to gauge customer perceptions of quality.

Figure 9

Change in Market Share After Downsizing (in percent)

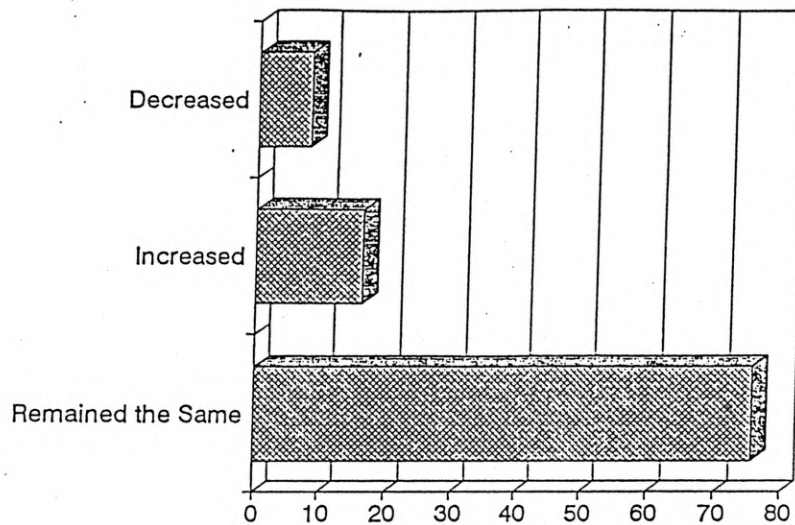


Figure 9 displays the perceived change in market share of companies after downsizing. Almost 56% of the companies surveyed did not believe that their market share had been affected by downsizing, and 38% were unsure of downsizing's effects on their market share. Only 6% of the companies surveyed felt that downsizing has influenced their market share. The majority of firms felt that their market share has been unaffected by downsizing efforts. Interestingly, 17% saw an increase in market share, while only 8% reported a loss of market share.

These findings are somewhat surprising. Over 93% of the firms reporting were either unsure if downsizing had affected their market share, or felt that it had not affected market share. Interestingly, the 17% of firms reporting an increase in market share would indicate that downsizing efforts had been successful, while the 8% of firms that reported a loss in market share indicate that their downsizing efforts may have affected market share.

Figure 10
How Has Downsizing Influenced Morale

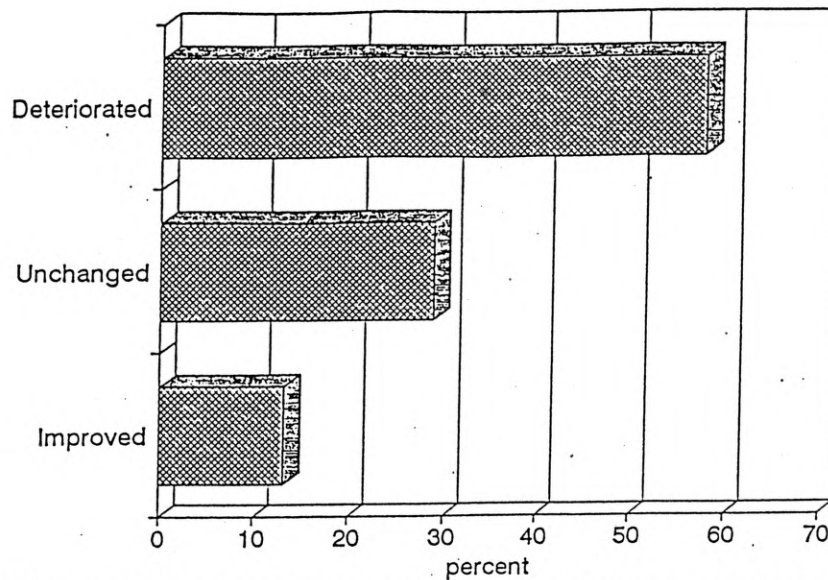


Figure 10 shows the personal effects of downsizing in the responding organizations. An astounding 58% of the firms reported a decrease in employee morale since downsizing occurred. About 29% felt that morale has been unaffected, and the remaining 13% reported that morale had improved since downsizing.

It is evident that a majority of the firms are experiencing a decrease in morale. This is consistent with outside research. Generally, a decrease in employee morale should noticeably affect employee performance. However, according to the responses in this survey, neither customer service or product quality have been affected. This is not at all indicative of what the general trends in business have been, as detailed in the literature review section. Once again, this may be a result of self-reporting.

Summary

In summary, the findings show that downsizing has had some impact on firms, mainly in the area of employee morale. The impact however, other than in decreased morale, was not as great as the researcher had expected.

CHAPTER 5

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

The purpose of this paper was to survey U.S. based corporations, located in the Rocky Mountain Region, who employed greater than 500 employees. The study was designed to determine the effects and implications of downsizing on these firms.

After researching similar questionnaires and findings in the area of business research, the first draft of the questionnaire was developed. The draft underwent minor revisions after input was received from Dr. Norman Millikin, the researcher's advisor, and the Research in Business Education class (BUED 512). Questionnaires were mailed to the human resource/personnel departments at companies employing greater than 500 people, and headquartered in the Rocky Mountain Region of the U.S. The total number of questionnaires returned was 76 or 47.5%. Of these 76 questionnaires returned, all 76 or 47.5% were usable.

Summary

The current study analyzed companies who had undergone downsizing in the past 12 months, or planned to do so in the

next 12 months. Of the 76 usable responses, the majority, 63%, were companies of less than 2,500 employees, with the largest portion of that group employing between 1,000 and 2,500 people. Another 30% of the responding firms employed greater than 5,000 employees.

Of the responding group the majority, 88%, had reduced their workforce within the last year. Another 53% have definite plans to eliminate employees within the next year, and 20% are considering the possibility. This represents a potential for up to 73% of these firms undergoing some form of employee reductions in the next year.

In an effort to help eliminated employees, employers have selected a number of different assistance plans. These range from severance pay, outplacement, extended insurance, early retirement or retraining. The results of this study indicated that many firms provide more than one of these forms of assistance. It is interesting to note that nearly 70% of the responding firms provide some form of severance pay, and 50% assist with outplacement. It is difficult to determine, however, how useful or successful these forms of assistance really are. Nearly 45% of the firms responding indicated that they are unsure whether or not the eliminated employees have found re-employment.

For the remaining employees, the workload and amount of responsibility have certainly seemed to shift since downsizing. Prior to downsizing almost 65% of managers worked

between 45 and 50 hours per week, and only 9% worked more than 51 hours per week. Since downsizing, only 41% work between 45 and 50 hours per week, while 36% now work greater than 51 hours per week. Furthermore, 68% of the firms indicated that managers had taken on additional responsibility. These findings appear to be consistent with other research.

The data from this survey indicates that non-management employees have not been affected as significantly as managers. While 75% of the firms responded that non-management employees had taken additional responsibility, the data indicates that the only change in workload was a 5% decrease in employees that had worked 40 to 45 hours per week to a 5% increase in individuals who now work 51 to 55 hours per week. This would seem to indicate that non-management employees, while taking on additional responsibility, are either able to complete these tasks in a relatively short period of time, or are they simply not completing them? Further research could be done to determine the outcome.

Of the firms surveyed, 46% utilize customer service questionnaires. Of these firms, 94% reported that their customer service had either remained the same or a change had not been noticed. Only 6% reported that customer service had suffered since downsizing.

The results were very similar for those firms that use product quality questionnaires. Only 32% of the responding firms regularly use product quality questionnaires. Of these

firms, almost 92% report that product quality has remained the same, or a change has not been noticed. No firms reported a drop in product quality.

When asked if downsizing had influenced their market share, 56% indicated that it had not. Another 38% were unsure, and only 6% felt that their market share had been affected as a result of downsizing. Of those, 12 firms felt that their market share had increased while only 6 firms reported a decrease in market share.

When asked "How has downsizing influenced morale?" the overwhelming majority, 58%, indicated that morale had deteriorated. Only 12% felt that morale had improved, while 28% believed that morale had been unaffected.

When asked to rank the company's rationale for downsizing, a variety of options were provided. Among them were: to compete in world markets, attack niche markets, cost savings, survival, ward-off competition, improve communications, and increase productivity. Cost savings was selected the most often as the main reason for downsizing, survival was a close second, with increased productivity not far behind.

Conclusions

The following conclusions were drawn from the 76 responses from the questionnaire sent to corporations that employed greater than 500 employees and were located in the Rocky Mountain Region of the U.S.

1. Most large corporations in the Rocky Mountain Region of the U.S. have downsized within the past year or will do so in the coming year.
2. There appears to be no major difference between the specific size of the organization and the number of employees eliminated.
3. Almost three quarters of the firms that plan to downsize in the coming year plan to eliminate 50 employees or less.
4. Almost all firms provide at least one form of assistance to departing employees.
5. Almost half of the companies are unsure as to whether eliminated employees have found re-employment. employees had found comparable employment.
6. More than one quarter of the managers now work more than 51 hours per week.
7. Almost three quarters of the managers have taken on additional responsibility since downsizing.
8. While three quarters of non-management employees have taken on additional responsibility, the majority continue

to work 40 to 45 hours per week.

9. Less than half of the large corporations in the Rocky Mountain Region utilize customer service questionnaires. Of those who do, more than half feel that their level of customer service has remained the same since downsizing.
10. Less than one third of the large corporations the Rocky Mountain Region utilize product quality questionnaires. Of those who do, almost two thirds feel that their product quality has been unaffected by downsizing.
11. Three fourths of the large firms that have undergone downsizing have experienced no change in market share.
12. More than half of the firms that have undergone downsizing have experienced a deterioration of employee morale.
13. The main reasons for corporate downsizing in the Rocky Mountain Region are: Cost savings, survival, and enhanced communications.
14. It is clear that downsizing is a major trend and both short an long term implications are many.

Recommendations

The following are the recommendations derived from the results of the study.

1. Firms who have downsized should conduct follow-up research with terminated employees to determine which forms of assistance were most helpful and if they have found suitable employment.
2. Those firms who are considering downsizing in the future should communicate all aspects of the downsizing effort to employees, and develop programs which will improve employee morale for the remaining employees.
3. Business educators should prepare students for the changing business culture of the 1990's and beyond.
4. Business educators should stress the importance of flexibility in the workplace.

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APPENDICIES

APPENDIX A
COVER LETTER

**College of Business**

408 Reid Hall
Montana State University
Bozeman, Montana 59717-0004

Telephone 406-994-4421

April 15, 1993

Human Resource/Personnel:

I am writing this letter to request your assistance with my **graduate research project**. The completion of my Masters degree is dependent upon the completion of a professional paper. This professional paper requires original industry research. I have chosen the topic of "Downsizing and the American Company" for this research.

I have selected your organization as one of 157 companies located in the Rocky Mountain, and West regions to participate. The results of this study will provide valuable insight into the effects of downsizing, or lack thereof. The name of your company will be held in strictest confidence. The data from your survey will not be reported individually, but only as a part of that collected from all the reporting firms.

Whether or not your organization has undertaken efforts to downsize, your input is critical to the success of this research. I have attached the questionnaire I developed for the survey, please take a few minutes to complete the questionnaire and return it in the self-addresses stamped envelope. Your help will be greatly appreciated.

If you would like a summary of the results of this survey, there is a space provided for your name and address. I will send a summary of the results as soon as I compile them.

Thank you in advance for your time and effort.

Sincerely,

David E. Petty
Graduate Student

Norm Millikin, Ph.D.
Graduate Advisor

APPENDIX B
RESEARCH INSTRUMENT

DOWNSIZING QUESTIONNAIRE

Directions: Please check the appropriate space for each question.
 ** All responses will be held confidential.**

1. How many full-time employees does your company employ within the U.S.?

Under 500	_____	1,001-2,500	_____	5,001-10,000	_____
501-1,000	_____	2,501-5,000	_____	10,001 or more	_____

2. In what country is your company headquartered ?

3. Has your company reduced its work force within the last 12 months ?

Yes _____ No _____

4. Do you expect any reductions within the next 12 months ?

Yes _____ No _____ Unsure _____

(If you answered no to questions # 3 and # 4 please stop, and mail the questionnaire back in the envelope provided.)

(If yes) how many full-time employees, do you estimate, will be eliminated in the next 12 months?

50 or less	_____	101-250	_____	501-1,000	_____
51-100	_____	251-500	_____	1001 or more	_____

5. Approximately how many full-time employees were eliminated in your work force reduction, over the last 12 months ?

50 or less	_____	101-250	_____	501-1,000	_____
51-100	_____	251-500	_____	1001 or more	_____

6. What forms of assistance, if any was your company able to provide for terminated employees ?

early retirement _____ severance pay _____ retraining _____
 outplacement assistance _____ extended insurance plan _____
 no assistance _____ other _____ (please specify) _____

7. What percentage of these terminated employees, in your estimation, have found re-employment?

_____ 0-10%	_____ 11-20%	_____ 21-30%	_____ 31-40%	_____ 41-50%
_____ 51-60 %	_____ 61-70%	_____ 71-80%	_____ unsure	

8. Of those who found re-employment did your company provide assistance to any of these individuals?
 ___ yes ___ no ___ unsure
9. Prior to your work force reductions, how many hours per week would you estimate managers worked ?
 ___ 40-45 hrs. ___ 46-50 hrs. ___ 51-55 hrs. ___ 56+
10. Since your work force reduction, how many hours per week would you estimate managers now work ?
 ___ 40-45 hrs. ___ 46-50 hrs. ___ 51-55 hrs. ___ 56+
11. Overall, have your managers acquired additional areas of responsibility since downsizing?
 yes___ no___
- (If yes) how much additional responsibility do you feel they have acquired?
 ___ 0-10% ___ 11-20% ___ 21-30% ___ 31-40% ___ +41%
12. Prior to the workforce reduction, how many hours per week would you estimate non-management employees worked ?
 ___ 40-45 hrs. ___ 46-50 hrs. ___ 51-55 hrs. ___ 56+
13. Since your work force reduction, how many hours per week would you estimate the average non-management employee now works ?
 ___ 40-45 hrs. ___ 46-50 hrs. ___ 51-55 hrs. ___ 56+
14. Overall, have non-management employees taken on additional responsibilities since the work force reductions ?
 yes___ no___
- (If yes) how much additional responsibility do you fee they have acquired?
 ___ 0-10% ___ 11-20% ___ 21-30% ___ 31-40% ___ +41%
15. Does your company utilize customer service questionnaires ?
 yes___ no___
- (If yes) have these questionnaires reflected any changes in customers perceptions of the customer service function, since downsizing ?
 about the same___ poorer service___ unable to tell___

16. Does your company utilize product quality questionnaires ?
yes____ no____

(If yes) how do customers view product quality since the reduction has taken place?

about the same____ poorer quality____ unable to tell____

17. Since downsizing, what has been the impact on market share for your company?

increased____ remained the same____ decreased____

18. If you have seen a market share change, do you feel that the reduction in work force influenced this change?

yes____ no____ unsure____

19. How do you feel that employee morale has changed since downsizing ?

morale has improved____ morale has remained unchanged____
morale has deteriorated____

20. Please rank 1-5 in order of importance, 1 being most important, what you feel the company hopes to accomplish through the reduction in work force ?

increased productivity____	cost savings____
improved communication____	attack niche markets____
ward-off competition____	compete in world markets____
survival____	other____

If you would like to receive a summary of the research findings, please indicate by filling out the portion below.

NAME_____

ADDRESS_____

CITY, ST, ZIP_____

PHONE # (____) _____

Thank you for your time and assistance.

David E. Petty