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Staff Restructuring:
Old Methods, New Challenges

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ABSTRACT

The number of staff restructuring processes has considerably increased worldwide in recent years, and their effects are increasingly dramatic. Furthermore, the global economic context is becoming more and more turbulent. All this poses a series of new challenges for firms that they will only be able to face if they utilize the traditional tools which are available to them. However, the research works about staff restructuring processes offer highly disparate results with regard to the effects of the methods used. This is precisely the reason which led us to focus the present work on analyzing those 'old methods' applied to restructuring with the aim of checking how they could be successfully utilized to cope with the 'new challenges' arising from this new economic context.

KEYWORDS

Downsizing, Human Resource Management, Labour Workforce, Layoffs, New Economy, Staff Restructuring

1. INTRODUCTION

Some 3,000 years ago, the wise King Solomon said: "What has been will be again, what has been done will be done again; there is nothing new under the sun" (Ecclesiastes 1:9; The Bible).

It can be stated that the staff restucturing phenomenon is "nothing new under the sun," and although Cameron said in 1994 that this was a scarcely studied topic and research works in this field have multiplied, it becomes easily visible that the methods utilized actually continue to be practically the same. As highlighted by Hallock, Strain and Webber (2012), who carried out quite an exhaustive analysis about this topic, things have changed little in this area during the last few years.

Nevertheless, without questioning Solomon's wisdom, it is actually possible for us to check that a new social, business, and commercial context has emerged. The economic data reflected by the press worldwide tell us that a lot still remains to be done in the context of staff restructuring. A slowdown has been observed in the economy as a whole lately: sectors which have suffered a significant reduction of their dimension, the development of commerce on a global scale, massive population migratory movements, etc.

As pointed out by De Mouse and Dai (2013), the number of firms which decide to undertake a staff restructuring process has grown to a large extent during the last two decades. By way of example, it is estimated that ca. 2,000 employees were dismissed in the United States every working day in the 1990s, and this number rose above 4,000 between 2000 and 2007.

Unfortunately, it has to be said that layoffs have kept increasing not only in the United States but also in the rest of the world during the last years of economic crisis. To this must be added, as

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Cappelli stressed in 2005, that economic crises are now more catastrophic because a higher number of workers are laid off faster and with fewer chances of being hired again; and those who keep their jobs see how their working conditions worsen.

All the above poses a number of new challenges for firm managers that the latter can only face using the conventional tools that they have at their disposal. It is precisely for this reason that the present work has as its aim to examine those 'old' restructuring 'methods' seeking to check the extent to which they can help to cope with the 'new challenges.'

2. THE STAFF RESTRUCTURING PROCESS: DEFINITION AND CONTEXTUALIZATION

The authors dealing with this topic have generally found that the effects caused by staff restructuring on business activity are not good. However, these negative data may be influenced by other factors (Guthrie and Datta, 2008) that mask or confuse the actual outcome of restructuring. As explained by these authors, staff restructuring processes lead to different results in different situations.

Precisely this was proved in the thorough analyses performed by McMahan, Pandey and Martinson (2012) and by De Mouse and Dai (2013), which bring together the outcomes of numerous empirical works where researchers have identified positive effects, negative effects, and no effects whatsoever.

Two studies can be mentioned as illustrative of these different results being obtained in various situations (Fernández Sánchez, 2006; and Fernández and Manresa, 2012) which precisely confirmed that for firms located in Spain during the periods 2003-2005 and 2008-2010. Results improved with any of type of restructuring, regardless of whether they were measured subjectively (according to managers' opinions) or objectively (based on the economic data corresponding to organizations). Nevertheless, another study in the same field –though referring to the period 1995-2001– identified negative results (Muñoz-Bullon and Sánchez-Bueno, 2010).

In short, following Hallock, Strain and Webber (2012), it is our conviction that the long-term effects of staff cuts on performance or productivity still remain unclear. There are contradictory results and it consequently becomes necessary to carry out further research in this regard.

This is in keeping with the news found in the recent economic press, which shows apparently contradictory results that lead to a curious paradox: while some firms collapse in the crisis and enter a process during which one restructuring is followed by another until they practically disappear, others largely increase their profitability instead. The economic press reveals that firms fully immersed in staff restructuring processes are considerably improving their economic results (net profit, total income, return on equity, productivity, etc.).

Having said all the above, the time has come for us to focus on the definition of the term 'staff restructuring' and on its most usual consequences.

Although some definitions of the term exist, the authors do not always agree on its meaning. This term is very often used to describe any modification in national policies, in capital structure, as well as in management or exploitation strategies, especially insofar as they affect social relationships.

Focusing more specifically on the context of Human Resource Management (HRM), it can be said that the process identified by us as 'staff restructuring' originally comes from the English term 'downsizing,' which literally means 'reducing size.' Hallock, Strain and Webber (2012) stress the difficulty to define this term, both from the firm's point of view and from that of the worker.

That is probably why most authors associate this word with the general process that leads a firm to reduce its size, with all the implications deriving therefrom, mainly as regards the number of workers (Cameron, 1994; McKinley, Sánchez and Schick, 1995; Budros, 1999; amongst others). It is worth citing in this respect the paper written by Datta *et al*. (2010), where this process appears defined as a planned set of organizational practices and policies aimed at the reduction of the firm's workforce with the aim of improving its performance.

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