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Introduction: Challenges in Human Resources Utilization and the Impact on Other Stakeholders from Globalization, Technological Advances, Restructuring, and Downsizing

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TONIGHT WE ARE GOING TO TALK about downsizing. I have to tell you, I am qualified to be presiding over this group because I have been in charge of downsizing programs and I have been downsized myself. After my three decades plus with Chessie System, now CSX, I retired as executive vice president.

About twenty-five years ago, we had our first experience with downsizing. At that time we called it an early retirement program. One section of the Department of Labor called it a reduction in force. Another section of the Department of Labor said it was age discrimination. We retained Tom Powers, who talked to you earlier. He worked with us in resolving the matter.

About a decade later we started thinking that we had not really restructured. We analyzed our situation and we engaged McKinsey & Company, and Jim Bennett. McKinsey & Company had done a lot of this kind of work, and based on the kind of operation that we had, he almost guaranteed a twenty percent reduction in the company. He told me he really did not like to do this kind of thing, but because it was their business, he did it. As it turned out, we got somewhat more of a reduction.

Another decade passed, and through a series of mergers and acquisitions of which I was a principal planner, it was decided that we were going to close down our Cleveland headquarters. I had the job of downsizing the headquarters until I was the last one left, and then I had to downsize myself. Fortunately, it occurred at a time when I was prepared to do it.

What surprised me last night was how much conversation there was from other speakers about downsizing or restructuring. I would like to quickly summarize three of the major thrusts that I heard in the past day-and-a-half respecting downsizing.

One thrust was, if implemented properly, downsizing, whether it be driven by restructuring, re-engineering, technology, merger, or deregulation, is a sound, long-term strategy with due consideration for the

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victims. This helps a company compete effectively in the global economy or in some cases even survive.

The second thrust came from Don Hastings. Briefly, he said downsizing is a sign of catastrophic failure on the part of management. Corporations that downsize suffer from too many managers who do not know how to lead. He offers as a model Lincoln Electric, which has not laid off anybody in forty-eight years. Lincoln has a strong, steadfast culture built on piecework, competitive peer pressure, and self-selection to the extent that in the first ninety days, at least this year, fifty-three percent of the people they hired decided they could not accept the culture or the piecework or the fact that if they made a mistake, they had to correct it on their own time. The company, though, is still quite successful and continues to move ahead. So we have the second thrust consisting of “management wimps” who rely on downsizing.

The third thrust is perhaps somewhat cynically stated: “Downsizing is a short-term play designed to get an increase in the stock price and a significant increase in C & O compensation.” We have three different views, and I hope that our speakers will peripherally or otherwise address them.

Jim Bennett is a director in the Cleveland office of McKinsey & Company, an international consulting firm. He has been with McKinsey for twenty-seven years. He is the fourth oldest guy at the company. He has worked with several large corporations on many different types of assignments. He has been a major factor in Cleveland in supporting the Cleveland Ballet. He came here in 1982, and Cleveland business has certainly benefitted from his presence. He has a B.A. from Cornell and a J.D. from Harvard Law School. He also attended the Harvard Business School. We will start with Jim, and then I am going to introduce our next speaker.

As it was with Jim, Harold Giles' résumé in the printed material handed to you was understated. I would like to tell you a little more about him. He is a group vice president of human resources for Bell Canada located in Montreal, Quebec. He joined Bell in 1995 after more than twenty-eight years at General Electric. While at GE, he held a variety of senior human resource positions in Canada, Europe, and the United States. During his career there, Harold experienced all of its transitions, from the very large but predominantly U.S.-based company that it was in the 1970s to one of the world's large global corporations. From 1982 to 1984, he was managing director of GE's European housewares business, returning to Canada as the vice president of human resources for GE Canada. In 1989, he left Canada for GE's headquarters in Fairfield, Connecticut. He then went to London, England, where he was responsible for GE's international human resources. In 1991, he became responsible for human resources in GE's lighting business here in Cleveland. Harold left GE last year to return
to Canada with Bell to assist with its transition.