

Massive Job Cuts -- A Really Bad Idea

By John W David

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Massive Job Cuts" --- just a really, really bad idea!

You've seen those Press Release Headlines... "Such-and-Such announces 12,000 more jobs to be Cut".

We can all appreciate that in the normal lifespan of an economic cycle there will be need and times for displacement and replacement of anything and everything that comprises the make up of a vibrant company.

However, there are clearly things you can and should do and things you just don't do.

Headers like the one above isn't just something you don't, but it is not much better than taking a fully loaded pistol, taking dead aim at a glossy target painted on one of your big toes, and squeezing the trigger.

This kind of announcement, all too common today, simply makes a bad situation much worse. It tells too many of people you need just enough for them to take cover for their own sake.

- a) It tells most industry leaders that this is a company that clearly grossly mismanaged its business in boom years.
- b) It tells everyone that this company's downturn plan is no better than the boom-years one that got them into this mess.
- c) It tells their best clients that they should consider placing some back-up orders with competitors... just in case.
- d) It tells best prospective clients that maybe they were right in not making the changeover to the distressed company as a potential supplier.
- e) It tells the company's best employees that they should start looking right now while they have a job and can negotiate a better package.

This means that much of the qualitative value of the company's products / services will begin to suffer.

f) It tells newer recruits to beware and maybe shop their skills, knowledge, and innovative mindset elsewhere... further impacting negatively on the company for many years to come.

g) It tells creditors and the people who fund the company's day-to-day operations that they should perhaps protect themselves by tightening credit / loan guidelines and reducing the amounts available.

h) It tells suppliers to reign in supplies and tighten terms making production runs often shorter and more cost-per-unit less effective and reducing per-unit profits.

i) It tells competitors that this company is in trouble and ripe for the picking.

j) It tells shareholders that maybe they should get out while there is still something to get out.

k) It tells new-money fund managers that this company is a higher risk than before the self-disclosed on-the-brink distress signal.

There is nothing positive in a negative press release. And, there is absolutely no reason for massive job cuts at any time unless to confirm that this management team is looking for a severance package. And, there are many who are.

In the final analysis, massive job cuts just toss out the baby with the bathwater, and totally remove its value assets necessary to stabilize, to re-energize, and to re-surge to prominence.

What positive can be gleaned by a business that can wreak such social and economic havoc on a village, town, or city and wipe out entire retirement plans of people who can least likely recoup any of it?

This isn't a social commentary on corporate responsibility or irresponsibility.

There are responsible ways to handle growth in boom years. And, there are even better ways to grow in downturns.

There is no reason why a small company can't triple its business in downturns and large companies show real growth of over twenty percent in downturns.

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