

## 13.5: Introduction to Downsizing

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### What you'll learn to do: Discuss the impact of downsizing on the organization and employees

Companies downsize for a number of reasons. Poor economic times, decreasing profitability, or a merger with another company—these are just a few examples of why a company may decide to downsize. Downsizing oftentimes has a negative connotation as it is associated with large-scale layoffs.

However, there are obvious benefits to downsizing—first and foremost is the ability to cut costs. It is probably safe to say that no one enjoys terminating employees. Nevertheless, when a company has to cut costs to keep itself afloat, downsizing often becomes more of a necessity than an option. This section will explore downsizing and the positive and negative impact it can have on an organization.

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