



From the Pandemic to Restructuring to Disruptive Corporate Behavior: 2023 as the Inevitable Year of Efficiency

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ARTICLE INFO	ABSTRACT
Published Online: 29 June 2023	Joseph Schumpeter's concept of creative destruction is being put to the test as each month of 2023 passes with the process of economic evolution and recreation being witnessed as a rapid pace of change is upon us. Mark Zuckerberg's pronouncement of 2023 as the year of efficiency was not a prediction but rather a description of the events that have unfolded in the Tech industry that has also spilled over to other key economic sectors. Are we seeing a normal evolution of the development of the next phase of economic realities or a major upheaval of the system to correct decisions and actions of the past that were ill conceived and executed? This study is an attempt to accurately identify this unique economic phenomenon that has been occurring since Spring of 2022.
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1. INTRODUCTION

Organizations of all kinds whether it be a business organization or an organization involved in not-for-profit change all the time. By their nature organizations are a combination of organic and mechanistic elements that determine the overall character and culture of the organization. As first introduced by Burns and Stalker (1961), organic organizations are sometimes viewed theoretically as being flexible living organisms that grow, contract, thrive, and react somewhat directly with the surrounding environment. Where living organisms need air, water and nourishment to grow and evolve as well as reacting negatively to harmful environmental elements, organizations do basically the same thing. The real difference is that the elements of growth and survival are things such as information, financial resources, people intellectual capital and competition. These elements are constant factors of positive influence or detrimental forces. On the other hand, mechanistic elements of organizations create a rigid culture of control that facilitates centralized decision-making, efficiency, growth and retrenchment based on machine like responses that are highly formalized instead of more flexible organic processes (Weber, 1947). Organizations that are mechanistic and machine-like protect their technical core of operations by filtering and screening out potential harmful elements that are perceived to hurt the survival and growth of an organization. Mechanistic organizations are in some ways

similar to military style of conduct because expectations are clearly defined for employees and the organization itself (Jewczyn, 2010). Organization theory acknowledges that all organizations to some extent regularly exhibit both of these characteristics. The exact mix or combination is not uniform or easily predictable. However, it is commonly known and accepted that the organic elements that direct and influence an organization's culture and strategy are the dominant feature which seems logical due to the need to constantly react to factors that are not only unpredictable in nature but also essential. Just think of the prospect of a human being not open to environmental influences and inputs that support the need to survive and to thrive along with the directing of decisions to be made.

The point is of course that changing organizational structure is natural and expected. Therefore, while the changes in corporate structures over the last year are not unusual, it is more highly volatile than normally seen. With a simple statement of explanation Mark Zuckerberg declared that the management theme for Meta for 2023 was to be the "Year of Efficiency" to become a stronger and more nimble organization (Vanian, 2023). It appears, at least to Wall Street, that profitability and efficiency are more important than growth, thus the major cuts in staffing by Meta and other tech companies.

2. THE NEED TO DOWNSIZE AND RESTRUCTURE

Over the years several firmly held propositions of effective organizations have come under review and reevaluation. For example, the idea that bigger organizations are better organizations, that unending growth is natural and desirable, adaptability and flexibility are dependent on slack or excess resources and consistency and congruence are the foundation elements of successful organizations all have given way to the evaluative elements of rightsizing, controlled growth, the wise use of resources and the need for change when needed (Cameron, 1994). Downsizing is not usually considered a natural or a phenomenon that just happens, it is a planned strategy driven by a variety of reasons ranging from reactions to the economy to being a strategic choice to better serve the organization's needs and competitive situation such as through economic efficiency. The strategic of economic efficiency strives to ensure that all goods and factors of production are used at a level at or near their capacity with a minimum of wasted resources (Barnier, 2020). The expectation is that the efficient use of resources generates the greatest good to producers and consumers. In this particular case, the Year of Efficiency is concentrated on a level of labor which has been reduced and restructured to achieve allocative efficiency in operations.

In the case of Meta, the underlying assumptions about past organizational success have been replaced in favor of new ideas and propositions that result in increased developer productivity and tooling, optimized distribution of work, and the removal of unnecessary processes that shows that flatter is faster, leaner is better, technology is the thing, and in-person time builds relationships that gets things done (Zuckerberg, 2023). Early indicators show that at least for now Zuckerberg's Year of Efficiency strategy seems to be paying off. During the early months of 2023, Meta actually added 37 million users and reported \$28.6 billion in revenue for the first quarter resulting in a 3 percent increase over 2022 (Bell, 2023).

With 2022 being the year of strategic retrenchment and reduced corporate operations, 2023 has been the year of carrying out the plans of corporate restructuring and reduction. In what has been described as a brutal year of corporate business with fast-rising interest rates, inflation, fast-declining tech valuations, the fear of a recession and an ad market as weak or weaker than during COVID, significant downsizing and consolidation are on the way as the new normal (Peers, 2022).

Many companies such as Amazon have actually rescinded job offers already made to potential new employees from the existing job market as well as newly minted college graduates (Nieva, 2022). For many college students who are about the graduate have for years relied in the internship route as a pathway to securing a job after graduation. As many did again in early 2023, students completing their internships were offered full-time jobs to stay on with the company after graduation. Unfortunately, as tech companies and other firms

lay off thousands of workers, many are now revoking job offers – sometimes just days before the start date (Masunaga, 2023).

A significant determinant of how the year 2023 ultimately turns out will be the actions taken by the Federal Reserve throughout the year. The aggressiveness of the Fed to continually pursue a course of action of tightening monetary actions caught the markets by surprise initially in 2022 and have continued to demand attention as 2023 has progressed (Eisenband, 2023).

3. THE COVID-19 FACTOR

It is obvious that the current state of flux in corporate structures cannot be examined outside of the disruptive influence of the COVID-19 pandemic. One cannot easily dismiss the labor market implications, health related mandates, the role of technology and political mandates when it comes to assessing the economy since early 2020 and with a short duration in time afterwards. COVID-19 dealt a major blow to the U.S. Economy with the loss of 22 million jobs between February and April 2020 (Krugman, 2023). Downsizing due to COVID-19 introduced the dysfunctional consequences of changing an organization's structure, culture, and basic operations for artificial reasons that may not be fully understood or dealt with in an effective way for years to come. With such a significant impact on structure, culture, macro policy and economic realities, the true irony of 2023 is that the restructuring initiatives undertaken in the tech industry are actually driven by a combination of economics and the pandemic in the aftermath of COVID. As workers and the population in general were told to quarantine and separate in early 2020, the tech industry was overzealous in their hiring practices which now must be addressed (Nieva, 2022). As organizations call their employees back to the office many realize that returning to pre-pandemic work operations calls for staff reductions.

4. RESPONSIBLE RESTRUCTURING AND CORPORATE DOWNSIZING

Employment downsizing to improve operational efficiency, as achieved through significant reductions in the workforce, has gained a degree of strategic legitimacy and has become the norm as driven by a variety of reasons, most of which because of economic distress and recession (McKinley et al., 2000; Cregan et al., 2021). While downsizing makes perfect sense in the short-run, many firms are negatively impacted in the long-run because of the consequences of reduced worker well-being and lower business performance (Cregan et al., 2021). In fact, a study conducted from 1980 to 2016 of organizations listed on the New Stock Exchange showed that firms quick to downsize did not do as well as those who delayed making large job cuts (Cascio et al., 2020). While the threat of an economic downturn loomed throughout 2022 and into 2023 because of high inflation and other factors, the reality is that the mass job cutbacks during 2023 (as deemed

as the Year of Efficiency) appears to have been undertaken for more reasons than just economic distress and fear. Mark Zuckerberg and other tech executives were driven to correct recent errors in hiring and a failure of long-term thinking. Therefore, flawed logic in mass hirings resulted in even more flawed reasoning for the quick dismissals. A better and more informed strategy would have been to employ a concept known as “Responsible Restructuring” which allows organizations to shift talent to address emerging business priorities (Schreiber-Shearer, 2023). Instead of rushing into drastic measures of mass layoffs, it might have been better to wait for a declared recession and to proceed to freeze recruitment and hiring, labor hoarding through the redistribution of work, removing agency and contract staff, insourcing and using excess work time for training and employee development (Johnstone, 2023). According to Cascio (2002), organizations are all too eager to pull the layoff trigger as compared to wiser companies who cut costs without cutting people through the use of effective human resource utilization methods and growth strategies.

5. CONCLUSION

In times of recession or when such an economic downturn is anticipated, as many currently believe could occur in 2023, organizations usually react by becoming more conservative and develop strategies that are very mindful of costs and possible cost cutting initiatives, related to labor and operations. The restructuring in 2023 is not new or considered short-term. It is significant and marks a period of intense evaluation and reflection for the future. Many managers and executives admit to this being not only a time of efficiency, as stated by Mark Zuckerberg, but a period of being conservative and to pivot quickly, a time to address urgent underlying factors, setting priorities, to re-engineer using artificial intelligence (AI), and providing affordability for consumers (Stahl, 2023). The layoffs and job cutbacks during 2023 coincide with a reorganizing around AI because some smaller, nimble and risk-taking firms have effectively challenged the tech giants making smaller seem better or more efficient (Chowdhury, 2023). Business organizations are struggling with the uncertainty that the U.S. economy will continue on with a mild to nonexistent recession. Therefore, to deal with inflation and an aggressive Monetary policy of the Fed, business organizations may see a soft landing as a myth and are reacting, especially those in the tech industry, with mass job cuts and downsizing (Carlsson-Szlezak et al., 2023). So where do we go from here? It is interesting to note that many are advocating the use of responsible restructuring alternatives that still may ultimately include dismissals to allow for the lessening the effect of a recession (Johnstone, 2023). Ultimately, the important thing for organizations to realize is that undertaking a year of efficiency has both short and long-term implications that cannot be ignored. Besides the economic consequences of restructuring, it is also important to be aware of the social and psychological effects

that such drastic programs bring, especially if, in the near future, there is an economic boom that may catch some organizations ill prepared to deal with such an occurrence. Layoffs create an unhealthy work environment with a range of emotions that hurt productivity such as fear, guilt, anger and disillusionment (MacLellan, 2023). Organizations find themselves in a very difficult place with the recent occurrences of mass layoffs and job cuts, an unpredictable economy and the demands by some to bring employees back to the office instead of continuing with remote work. The next few years may prove to be as challenging as what was seen during the pandemic, but for obviously different reasons.

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