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"AN INVESTIGATION INTO THE EFFECTS OF EMPLOYEE DOWNSIZING
ON BUSINESS ORGANIZATIONS IN KENYA"

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DECLARATION

This Research is my original work and has not been presented for any Degree or Diploma in any other University.

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DATE

This Research Project has been submitted for examination with my approval as Master of Business Administration Project Supervisor:

MR ELIUD O. OBERE

DATE
DEDICATION

This Project is dedicated to my father James Rori Nyabicha and my mother Florence Bosibori for their love and encouragement.

and

To my wife Imbosa; Children: Nyabicha, Kerubo, and Nyagaka to whom this should be a challenge.
ABSTRACT

Employee downsizing is a complex and pervasive phenomenon that has drawn the attention of most Kenyans. It is a phenomenon that strikes fear and anxiety in the minds of many Kenyan employees. It has actually become a legitimate multi-purpose tool to preserve and advance corporate interests. Employee downsizing has also been observed in other countries as rapid technological change, shifting markets, new competitors, revamped governmental regulations and increasing global competition have led organizations to seek lower labour costs and increased productivity. While employee downsizing has become a common activity, very little is known of its impact on the employer and the remaining employee during and long after implementation.

This research investigated on the effects of employee downsizing on business organizations in Kenya. The interest was on the effects of employee downsizing on business organizations, as most business organizations continue to downsize their employees in order to cope up with the now turbulent, more competitive, and less predictable market place.

A total of 20 business organizations were selected for investigation from a list of 30 large business organizations in Kenya that had downsized during the 1990s. Both secondary and primary data was collected from these business organizations for analysis. Two different types of questionnaires were used to guide the research's data collection. Data from the surviving employees and the employers in these organizations was obtained and analyzed using descriptive statistics and presented by use of percentages and tables.

The study revealed that most business organizations in Kenya downsized their employees because they felt they were over-staffed, non-competitive, and their market place had changed dramatically. Downsizing of employees was thus a measure for their health and survival. However, the research found out that this corrective measure is reactive, piecemeal and crisis motivated. The study further revealed that although there were several alternatives to employee downsizing, few business organizations considered them. The organizations used a variety of approaches including: induced retirements, involuntary retirements, separation with benefits, separation without benefits, induced pay to quit, retraining; few of these business organizations ever bothered to seriously address and identify the needed structural changes and strategic workforce planning to meet future challenges. This had led to critical employees being retrenched and organizations were being forced to re-hire. These organizations simply equate lowering operating expenses by employee elimination to show a greater profit.

The study also revealed that except for reduction of expenses for the business organizations and consequently increase in profits and dividends for shareholders, it has a negative impact on the
morale of those employees who remain after downsizing as it causes a 'survivor syndrome' due to lack of sufficient information, loss of trust and growing insecurity. The remaining employees, no longer believe in the concept of lifetime employment, and are concerned about their future chances for promotion and advancement, especially when they see their bosses or mentors being laid off. A fairly good number of them are also worried about their ability to function in a new environment as their jobs have been redesigned. Their feeling is that they will be the ones terminated next, so their attitude is one of "why try to do the best since I am going to be the next one to be laid off".

It was also found that, although employee downsizing enables the organization to release appropriate numbers of people, it affects social networks at the work place. This is because, when a person is laid off, an entire personal network of internal and external relationship in the business organization is lost as well. It destroys informal bridges between departments, disrupts the information grapevine, severs ties with customers. It even, eliminates the friendships that bond them to the workplace.

A few of the organizations complained of cash flow difficulty, as funds had to be set aside for payment of termination benefits. Managers also complained of being behind schedule, and burnout.

From the findings of the study, it was concluded that employee downsizing can lead to short-term improvements in profitability, however long term gains may be lost due to poor planning, implementation and monitoring. A good employee downsizing programme, therefore, is one that is based on the business organization's mission and vision guided by a clear workforce strategy.

Finally, the study has made a number of recommendations that may be considered for adoption by business organizations planning to downsize their employees in order to avoid the suffering from employee downsizing "success". It recommends that downsizing of employees should be done as a last alternative to reduce costs, increase profits, corporate strategy, or make the business more competitive. However, should employee downsizing be necessary, there is need to do an elaborate pre-downsizing analysis, have a comprehensive downsizing plan, do it with a humane face and as much as possible consider how the survivors shall be managed to avoid unnecessary survivor "syndrome".
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CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND TO THE STUDY

As proponents of free trade and globalization work to strengthen and extend the reach and power of trade institutions like World Trade Organization (WTO), there is a growing interaction of countries in world trade, direct foreign investment and capital markets. And as business organizations go through this international experience, business is becoming more turbulent, more competitive, and marketplaces are becoming less predictable than at any other time in life. The process has further been abetted by technological advances in transport and communications and by rapid liberalization and deregulation of trade and capital flows, both at national and international levels.

Economically, the liberalization process has not only created benefits such as easier access to new markets, and increased mobility of factors of production and competition for them; but it has also led to employee downsizing (retrenchment), dumping of low quality goods to the market and even closure of several corporate businesses. The increasing world competition has led organizations to seek lower labour costs and increased productivity (Chao & Kozlowski, 1994) Chao, Kozlowski, Smith & Hedlund, 1993), thus making organizational downsizing and particularly employee downsizing a common activity.

The effects of liberalization have increased Africa's problems, which according to the World Bank Report on Adjustment in Africa - Reforms, Results and the Road Ahead (1995:17), Sub-Saharan Africa, has the weakest economic growth among developing regions. The Report further says that, between 1965 and 1985, the region had its Gross Domestic Product per capita increasing by less than 1 percent a year on average. Its economic performance actually began deteriorating in mid 1970s. By the early 1980s, few Sub-Saharan countries had kept their per capita gross Domestic Growth in line with the rest of the world's, and many had a lower Gross Domestic product per capita than before independence some twenty years earlier. The economic situation worsened in the first half of the 1980s, with further deterioration in the terms of trade and sharply reduced access to international finance. The worst hit were the workers. Jobs not only became scarce but also insecure for those who were lucky to be employed.
By mid 1980s, symptoms of the malaise were evident almost everywhere. The returns on World Bank investment projects were much lower in Africa than in other regions, and more than a quarter of those projects failed to generate a positive rate of return. It was (and still is) almost impossible to attract foreign private capital - either in investment or loans - and portfolio investment flows were negligible. The international markets for Africa's government debt in secondary market were at the lowest for developing countries, reflecting the market's perception of African countries as uncreditworthy. The physical infrastructure, already poor, deteriorated from lack of maintenance, and the quality of government services suffered. Health and education indicators, though better than in the 1960s, were still along way below those for other developing countries. The public and the private sector was bloated with "unproductive" work force. Clearly, it was time for African economies and particularly Kenya, to begin to adjust. Employee downsizing, was the ultimate answer.

According to Prof. Ryan in a paper presented in 1993 at Nanyuki during 'The Chief Executives Forum' on the Impact of Economic Reforms and Privatisation on Corporate Management in Kenya, the first Structural Adjustment Programme (SAP) deal between Kenya and the World Bank, was struck in 1979. The economic reasons leading to the request for world Bank assistance in structural reforms at the time were twofold. Some of the factors were domestic while the others were external.

On the domestic front, Government response was urgently required to correct policy and institutional imbalances in macro-economic management. For instance everyone, including multi-national companies, wanted to enjoy government protection and state control of factor prices especially wages, materials, food, rent, interest and exchange rates. Exports suffered as a result of this policy.

The country began to experience acute balance of payments pressure despite the coffee boom of 1978 and the dramatic growth in tourism business over the same period. Internationally an even less conducive economic and political environment prevailed. World commodity prices especially tea and cotton were collapsing, the East African Community had collapsed, depriving Kenya of her 'golden' next door export market.

By 1978 and early 1979 it had become clear to policy makers that some structural adjustment measures were required to reverse the deteriorating trend in the performance of the economy. Negotiations for structural adjustment loan and stand-by credit arrangements were started with the World Bank. However, despite the World Bank loan, the required macro-economic goals were never attained. Policies remained intact, the number of parastatals increased, market imperfections became entrenched and no significant export
development took place. Kenya got into bad books with the World Bank. A clear re-examination of government policies and strategies against a background of continuing declining economy was thus necessary.

The result of this serious thinking was the launching of 'Sessional Paper No.1 of 1986, on - Economic Management for Renewed Growth'. The sessional paper detailed measures for export led development and the opening up of the economy to world markets; gradual dismantling of price and import controls; gradual disengagement of the government from non-strategic public enterprises through the reform, restructuring and final privatisation; drastic reduction in government expenditure across the board through reform of the civil service, retrenchment and adherence to efficiency in public administration and development management.

The response of the World Bank, the International Monetary Fund (IMF) and other donor community to Sessional Paper No.1 of 1986 was tremendous. A total of six Structural Adjustment Programme loans and credit were negotiated and disbursement started in 1987.

Due to the need to lessen the economic and social impact of these measures, progress on the implementation of the reforms were gradual. By the time the World Bank and other donors suspended assistance to Kenya in 1991, only three of the six loans agreed upon had been disbursed.

Events following the suspension of the World Bank/IMF and donor aid to Kenya were equally disturbing. Among other things, the following stood out: unprecedented increase in domestic money supply fuelled by the speculative behaviour and uncontrolled lending of some local banks; exchange rate instability which caused a lot of uncertainty among the business community; general world recession which depressed the performance of the tourist sector together with the continued decline in the price of coffee; high domestic political activities at the advent of the first multi-party elections in 1992. This tended to cause anxiety among the business community and in a way affected tourism.

The need to restore World Bank/IMF and donor confidence and support in structural adjustment caused the government to change to heavy gear in order to tackle immediately and more comprehensively the economic problems. Among the policy actions taken were: relaxation of private sector participation in the importation of agricultural inputs and the marketing of maize; decontrol of producer and consumer prices of agricultural products, including beef and milk; liberalization of import licensing; tariff reforms including the removal of quantitative restrictions on imports; establishment of export processing zones with very comprehensive incentives for local and foreign investors seeking to establish export
business; closure of banks and financial institutions operating outside the Banking Act; deregulating interest rate structure to stimulate competition among deposit mobilisation and lending institutions.

The policy changes which the Kenya government had put in place were to be of value if the country had regional socio-economic and political linkages with other countries. This need has further been emphasized by the United Nations Development Programme's (1996:19) Report on Sector Review on Capacity Building for Metropolitan Governance of Nairobi. According to the Report, the present trend in global economy is towards regional economic and trading blocks.

Thus, the resumption of the East African Community, and the formation of regional trading and business bodies like Common Market for Eastern and Southern Africa (COMESA), Southern African Development Co-operation (SADC), and East and Southern Africa Business Organisation (ESABO) as effective trading partners are expected to play a pivotal role in sustaining economic growth and stability. Businesses in the East African region like those in other regions the world over will no longer get away with operating loosely connected groups of businesses that happen to be located around the world, but must strategically integrate their policies and activities in the context of regional, multi-country economy and trading arrangements. Only those businesses that clearly understand the new rules of doing business in a world economy will prosper.

The immediate consequence for multi-national companies and many business organizations in Kenya has been the relocation of production plants, change in business missions, policies, strategies and initiatives so as to meet customer needs. Corporate executives have been forced to recognize and think differently about management. This according to the East African standard of Tuesday, 31st August 1999, page 28, has created redundancies, investment losses, loss of revenue, and loss of industrial capabilities. Describing the situation, Baden (1994), says that when drought hits and the feed gets short, the rancher can choose from two strategies: put all stock on short rations or take the stock to the market. Failure to cull will affect herd quality.

Baden's analysis is true of today's business environment in Kenya. Most business organizations have since the late 1990s been forced to employ radical changes and methods such as simplification, innovation, improvement of their products, development of an effective human resource management system with personnel capable of designing and implementing competitive business strategies; and quite a good number of them have
downsized their labour force so as to reduce costs and save money to enable them compete effectively at the global market place.

1.2 STATEMENT OF THE PROBLEM

According to 'Business Trend Review' of June 1992 the economic reforms implemented by the Kenya Government had immense impact on the business community. Many business organizations began facing a fierce global social, political, economic and even technological environment and gone were the days of protective government policies that had led to the proliferation of ‘white elephants’ and ‘sick’ industries, some of which could not be salvaged. Former monopolies were now being exposed to harsh competition. Most business organizations were being forced to compete, they had to learn on how to be more creative in everything they did in order to survive. Traditional survival techniques such as price increases, producing under capacity, mass production that has no regard for quality so as to cover costs, and restriction of entry into the same business by others were not possible in a liberalized economy.

In the circumstances, several business organizations including Kenya Breweries, Kenya Power and Lighting, Kenya Bus Services, Barclays Bank, Kenya Railways, East African Industries, Kenya Re-insurance and many others in Kenya; have had to retrench, layoff, reposition, reshape, or downsize their labour force in order to make the workforce leaner and more efficient, services more efficient and cost effective, improve staff morale, reduce costs, and to increase profits for the organizations so as to effectively respond to the ebb and flow of business demands.

As corporate executives put enormous commitments of time, energy and money so as to cut on employee costs and save money to gain a competitive advantage in the increasingly competitive marketplace, no evidence has so far emerged that employee downsizing as a business restructuring strategy has benefited the affected business organizations much. Secondly, a closer look at these objectives shows a contradiction as low demand for goods and services is likely to be created due to loss of purchasing power by the downsized employees. Thirdly, there is a possibility of employee downsizing having an effect on the morale of existing employees and even scaring off potential employees to some of the business organizations who may not have carried out employee downsizing in a humane manner.
This study has attempted to find out how employee downsizing has affected business organizations in Kenya that have employed it as an approach to organizational restructuring.

1.3 OBJECTIVES

Employee downsizing has become entrenched in most business firms in Kenya during the 1990s. It is difficult to pick up a newspaper or magazine or tune in to a television news program that does not mention the topic in some way.

The purpose of this study was to establish the effects of employee downsizing on business organizations.

1.3.1 Specific objectives

The following were the study's specific objectives:

a) To identify the major reasons for employee downsizing in business organizations.

b) To establish the process of employee downsizing in business organizations.

c) To find out the benefits of employee downsizing to business organizations.

d) To identify the problems of employee downsizing to business organizations.

1.4 SIGNIFICANCE OF THE STUDY

In her editorial page, Daily Nation of Wednesday 22 April 1998, stated that downsizing was now a fact of life in the corporate world. It was going on in the United States, where the world's leading transnationals such as: General Electric, Stroh, Motorola, and Lockheed are headquartered, in Europe, where German companies are fighting to stay in business, and in the developing countries. The paper further noted that it was going to be increasingly difficult to tell firms not to downsize when they must cut costs in order to stay in business and remain competitive.

This study, therefore, is mainly significant to business enterprises, and governments as they carry out employee downsizing. The study offers business enterprises, and governments, knowledge which will guide them in planning, organizing, and implementing successful employee downsizing programmes.
Finally, the study has tried to consider what employee downsizing and the current trends mean to managers, corporate leaders and today's Kenyan workforce - what can be expected, what should be done to prepare for employee downsizing in one's organization, and what workers can expect from their employers when downsizing happens. By understanding these, it is expected that Kenyan business organizations, and the Government, will be able to achieve their anticipated employee downsizing objectives.

1.5 ASSUMPTIONS OF THE STUDY
The study made the following assumptions:

a) Organizations have very good reasons for carrying out an employee downsizing exercise.

b) Downsizing of employees helps organizations to achieve business missions and objectives.

c) Downsizing of employees improves the job performance of the retained employees.

d) Downsizing helps organizations to be more competitive in the business world.

e) Employee downsizing increases the morale of the retained employees.

1.6 SCOPE AND LIMITATION OF STUDY
Due to shortage of time and money, this study was only be limited to the effects of employee downsizing on the employee and the employer in the manufacturing and service industries.

Although since the introduction of structural adjustment programmes (SAPS) in Kenya several large and small business organizations have downsized their workforce, this research, however, has only considered a small sample of twenty business organizations due to the limitation of time and funds. Every effort, however, was made to ensure that the sample of business organizations interviewed was representative with respect to the manufacturing and service industries. The research was also limited by local literature review as employee downsizing is a fairly new concept to the business community in Kenya.

1.7 AREA OF STUDY
The study shall be done within Nairobi City in the Republic of Kenya. The choice of Nairobi has been dictated by the nature of the research problem. This is because most of the
large business organizations that have carried out an employee downsizing exercise are located or have their head office in Nairobi.

The choice of Nairobi was also justified because these research was only carried within a period of three months and these were not enough to enable the researcher cover every town and area in Kenya.

1.8 DEFINITION OF TERMS

The following terms are defined, as they were used in this study. Where a different meaning has been given, such has been defined accordingly.

a) Attrition - Reduction of workforce leaving the organization for reasons of retirement, death or resignation

b) Brightsizing - A situation where an organization ends up releasing or removing her skilled workforce

c) Delayering - This is the removing through reorganization, one or more of the layers of management between the chief executive of an organization and the front or operational lines.

d) Deregulation - This is the clearing away rules, regulations, paperwork requirements or approval Processes that affect the performance of workers.

f) Downsizing - This is a deliberate and systematic reduction in the workforce.

g) Downscaling - This is the implementation of strategies intended to reduce the scale of an Organization's activities.

h) Downscopling - This is the implementation of strategies intended to reduce the scope of an Organization's activities

i) Large Size organization - A business organization with over 500 employees.

j) Layoffs - This is the termination of employees with or without advance notice and for reasons other than performance.

k) Reengineering - This is the radical rethinking and redesigning of work processes in Business organizations
l) **Re-organization** – Changes in organization structure

m) **Retrenchment** – This is when an employee’s service is terminated, as the organization can no longer provide work for the employee to do.

n) **Rightsizing** – It is a multifaceted attempt to reshape the total organization.

o) **Survivors** – Employees who remain during a downsizing exercise.

p) **Victims** – Employees who are downsized during a downsizing exercise.

1.9 **DOWNSIZING DEFINED**

The corporate term 'downsizing' has been around for at least twenty years. According to Cassidy (1996:51), the term began being used in the wake of the first Organization for Petroleum Exporting Countries' (OPEC) oil-price shock in 1975 when Detroit's engineers called the current trend 'downsizing' as they related the rising cost of gasoline to the decline in car sales. For many years downsizing was restricted to the automobile industry. In the early 1980s when the recession began, many companies began to lay off workers by the thousands and the term 'downsizing' became a common term recognized throughout many corporations and industries. Business magazines began publishing stories about layoffs of middle managers and white collar workers and the effects it was having upon them. In 1983, doctors and psychiatrists began reporting numerous increases in depressions and alcoholism among laid-off middle managers. In the last sixteen years since, news of downsizing has become journalized in newspapers, magazines, lectures, and books on a continuing basis. To Cassidy, (1996), it is to the point where all job losses are referred to as 'downsizing'.

Kozlowski, Chao, Smith and Hedlund (1993:267) describe downsizing as a deliberate decision to reduce the workforce that is intended to improve organizational performance. Lee (1997) looks at downsizing as part of a larger plan, where organizations analyze their core business and develop them to their fullest extent. To Lee, employee downsizing is a proactive restructuring strategy of an organization to obtain efficiency and market share.

Freeman and Cameron (1993:12) have defined downsizing as a set of activities undertaken on the part of management, designed to improve organizational efficiency, productivity and competitiveness. To them employee downsizing represents a strategy that affects the size of the firm's workforce and its work process. From the definition they have developed the following four key attributes of 'downsizing': downsizing is intentional; it
usually involves, although not limited to, reductions in personnel; it is focused on improving the efficiency of the organization; and it affects work processes knowingly or unknowingly. For example, when a workforce decreases, fewer employees are left to do the work, and this impacts how work gets done and what work gets done. Possible consequences are overload, burnout, inefficiency, conflict, and low morale. Positive outcomes may occur such as improved productivity or speed. And according to Mabert and Schmenner (1997), downsizing occurs because of an intentional decision by the management to reduce personnel in order to lower operating expenses by employee elimination to show a greater profit for the company.

DeWitt (1993) defines downsizing as reductions in the size of a firm's human or capital resources in response to the presence of both environmental and organizational decline. While DeWitt's (1993) definition is consistent with Freeman and Cameron's (1993) four attributes of downsizing, strategies to shift the firm's domain and strategies to strengthen the firm's position within its current domain are both subsumed under DeWitt's generalized rubric of downsizing.

Kozlowski et al. offer a more focused definition of downsizing as a "deliberate organizational decision to reduce the work force that is intended to improve organizational performance" (1993:267). This definition is also consistent with Freeman and Cameron's (1993) four attributes of downsizing, but has the advantage of clearly identifying downsizing as a deliberate reduction in the organization's work force and not just a reduction in capital assets, as DeWitt (1993) suggests.

In addition, Kozlowski et al. (1993), explicitly identifies improving organizational performance as the motive for downsizing. This also represents a departure form DeWitt's (1993) view that downsizing represents a reaction to environmental or organizational decline. Kozlowski et al's (1993) definition suggests that neither environmental nor organizational decline are necessary precursors of downsizing.

From the above definitions we can say, that employee downsizing is a deliberate and systematic reduction in the workforce, frequently made through layoffs for the purposes of lowering operating costs and improving on the organization's net earnings.
CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The rapidly changing world markets due to economic globalization, the speed of technological change and the increasingly sophisticated customer demands have brought a lot of changes within Kenya's business organizations. Reviewing these changes, Business Trend Review Magazine of June 1992, gave out the following as options that some businesses were taking in order to survive:

Cutting costs- Most business organizations as early as the 1990s had resorted to cutting business costs such as advertising, slashing of staff salaries, charities, donations, and replacement of capital equipment like machinery and vehicle fleets as early as 1990.

Reorganizing the marketing department- Most service industries have had to expand their sales department believing that with more people out in the field their sales will improve. Getting the right personnel has of course not been easy and most firms have been forced to offer lucrative packages with numerous incentives. One thing is however very clear; the marketing and sales profession has never been the same again in Kenya. Businesses have, therefore, continued organizing and reorganizing their marketing and sales departments, and staff in this section have been under enormous pressures to deliver and keep on delivering.

Adjusting target markets - Most businesses have had to target lower down the market than they have done before as a strategy to attract more business.

Diversification - Kenyan companies have aggressively diversified in recent years. For instance Securicor (K) Ltd, have introduced solar, cleaning and courier divisions to their well known security line. The principle behind diversification is to avoid the risk of putting all the eggs in one basket.

Developing new products and services - In trying to cope with the global competition most firms have tried to develop new products and services as a survival strategy. For instance most insurance companies have launched their education policies. In the prevailing circumstances one would expect the policies to be snapped up by many recession-hit parents who are naturally worried about the future and specifically the education of their children.
Laying offs and sackings - During the 1990s Kenyan businesses have had to make adjustments in their business strategies so as to keep pace with commercial changes in the global market while operating on cost efficient basis. In the circumstances some businesses merged with others, or reduced their production divisions, while others have implemented a vast programme of organizational restructuring and done away with outmoded practices and products in favour of consumer driven products which will maintain profitability and ultimately survival.

These changes have had drastic consequences on the human resource planning as several employees have been downsized. The literature review in this study touches on the general and specific works by scholars on human resource planning with particular emphasis on downsizing.

Marketing gimmicks - Several shops in Nairobi for instance employ people to stand at the door and woo customers in from the streets by shouting out the advantages of the wares in the shop. Petroleum companies, Coca-cola, and even Kenya Breweries have developed strategies all geared towards increasing sales.

Looking for export opportunities - Most businesses in Kenya have been forced to look for markets outside the country. For example, Kenya Ports Authority has had to open an inland office in Kampala, Kenya Breweries has opened up a factory in Tanzania and many other business organizations are venturing into the COMESA Region.

'Small is beautiful' is back in fashion - Many companies that enjoyed rapid growth and diversification during the good times are trimming down their set-ups. Open any newspaper and you will see businesses up for sale, something that was previously rare. For example most banks in Kenya especially Standard Chartered Bank, Kenya Commercial Bank and National Bank, have to reduce the number of their branches in the country. The businesses are unloading the extra weight so as to be light and versatile and able to exercise the advantages of being small again like specialization and the ability to react quickly to changes in the market place.

Price cuts - Most business companies in Kenya are currently using price cuts to secure as much business as they can in the recession hit market. There is actually a very vicious price war on the local scene and this is best exemplified by construction, consultancy work and consumer products.

Corruption - Even as words like transparency and accountability become fashionable in Kenya, corruption is still rampant. There is evidence in the local dailies to suggest that some companies are dishing out bribes to secure businesses from various government and
parastatal organisations. Although not all businessmen are creative enough to use alternative strategies for some, bribing is the only language and strategy they understand.

**Migration** - Quite a number of Kenyan businessmen have moved to Canada, Britain and the United States of America.

**Creative accounting** - This is an illegal option where some businessmen are keeping as much money as possible away from the tax man.

**Laying offs and sackings** - During the 1990s, Kenyan businesses have had to make adjustments in their business strategies so as to keep pace with commercial changes in the global market while operating on cost efficient basis. In the circumstances, some businesses have merged with others, or reduced their production divisions, while others have implemented a vast programme of organizational restructuring and done away with outmoded practices and products in favour of consumer driven products which will maintain profitability and ultimately, survival as shown above.

The changes stated above have had drastic consequences on the human resource planning to the extent of having several employees downsized. The literature review in this study touches on the general and specific works by scholars on human resource planning with particular emphasis on downsizing of employees. The purposes for employee downsizing, alternatives to, theories, techniques and strategies, approaches, factors, coping, morale and attitudes of employees due to employee downsizing.

### 2.2 PURPOSES FOR DOWNSIZING

The 1980s through the 1990s saw various business enterprises the world over acquire other businesses merge, enter into new businesses and get out of old ones. Such changes have had drastic consequences for personnel because some new corporate ones have trimmed a layer of management, changed benefit plans or closed divisions.

These new changes have made the strategic significance of the human resource management division to increase and as Daft (1988:333) puts it, more than ever before, strategic decisions for mergers or new businesses have had to be based on human resource considerations such as, whether to keep personnel after merger, solve various human resource problems caused by the merger, closing of divisions, reduction of personnel and to match skills with jobs.
As human resource managers and other corporate planners continue to seek answers to these problems, an attempt to reduce the number of managers and employees in order to make the business organizations more competitive is thus inevitable.

Reacting to these drastic changes in the world of business, Drucker (1988) discusses in his paper, the changes in a way that gives a broader look at what may be behind the downsizing trend. He suggests that business organization of the future shall have fewer than half the layers of management of their modern counterparts, and perhaps no more than a third of the managers.

Rather than have the common organizational model based on the typical manufacturing firm of the 1950s, Drucker contends that the business organization of the future will more likely resemble that of the hospital, the university, and the symphony orchestra. The reasoning behind this suggestion has to do with an increasing need for knowledge-intensive specialists, more like those in these three unlikely models of management. Drucker suggests that the business of tomorrow will be "an information-based organization."

Drucker sees little option for businesses, especially larger ones. Today's employees, and those of tomorrow, are more likely to be knowledge workers who resist standard military-like organization, and business economics demand that even large organizations become innovative and entrepreneurial. Beyond those reasons, however, the evolution of information technology is the force that most demands the change.

The first indication of evolution which Drucker points to is the impact of computer technology. Whereas detailed analysis of complex decision processes and economic forecasts were once incredibly labour-intensive, the power to perform such tasks quickly and easily can now be present on nearly every desktop of a modern office. The rapid availability of information which is gleaned from massive amounts of data makes decision making more of a science than an exercise in educated guess-work.

The second result from the evolutionary leap in increased data processing power is that the organizational structure falls under greater scrutiny. It becomes evident that the common organization has levels of management which exist only to serve as "relays" for information and data - they neither lead nor make business decisions. When examining the flow and why of the company's data the data can now flow through the organization with much greater ease without their processing and control.
Drucker (1988:46) states that "information is data endowed with relevance and purpose." The conversion from data to information requires knowledge which is, by definition, specialized, and he therefore concludes that the information-based organization which is now evolving will require far more specialists than the organizations of today. This is not to say that centralized service staff functions will be eliminated, but that the need for such functions without regular operating responsibilities will be dramatically reduced. The resulting flatter structure will resemble that of businesses a century ago, except that where knowledge then was focused at the top, knowledge in the new organization will be concentrated in the bottom levels. Along with the reduced number of layers, there will also be a greater degree of self-discipline and responsibility for relationships and communications. Drucker explains that this is much the same way hospitals and orchestras operate, and why he looks to such organizations for clues to the operation of an information-based structure. In a hospital, doctors and paramedics' skills are spread among a large number of specialized fields, each specialty having its own knowledge and training. Specialists come together to function as teams, as dictated by the needs of patients, and the heads of specialized areas normally report directly to the top management of the hospital staff, with very little middle management. While this differs from common business organizations of the present, Drucker foresees similar operations becoming the norm in organizations of the near future.

However, Drucker (1988:50) does see some unique problems with this new organization which must be addressed as it comes into greater use. One of these is the definition of structure for the delegation of tasks, another is the development of recognition and career advancement systems for specialists. Still another challenge is to instill in specialists a common vision. A key problem, however, is the matter of a source for new managerial talent, since the traditional lines of generalized advancement will not be as readily available to specialists. This is due in part to the lack of middle managers within the organizational structure. Drucker suggests that one possible solution to this problem might be the development of decentralized, semi-autonomous units within businesses which might function somewhat like the farm clubs of major-league athletic teams.

In his short article on 'Fewer Managers, better salaries for white collar workers' to the Purchasing Magazine of 9th April 1987, Richard Belous, a New York labour economist, said that painful adjustments were on the way for workers and employers alike as attempts were being made to hold down labour costs. Belous said that job consolidations and reductions of layers of management were to be expected.
White collar workers were expected to see four to six percent increases in earnings, and those surviving cuts and reductions were to have better-paid and enlarged jobs as a result. According to Cole (1995), a recent survey by the American Management Association (AMA), found between one third and one half of medium and large-sized firms in the U.S.A. had downsized every year since 1988.

Tomasko (1987:59), has pointed out some of the objectives for employee downsizing as being:

**Lowered overall costs** - Reducing costs beyond salaries is as important when downsizing. In some cases, this could mean actually adding more staff to departments that are under-staffed and could perform better with a larger staff.

**Improved communications** - A reduced number of managerial layers can help eliminate any distortion in two-way communications, and can also improve the speed and clarity of feedback.

**Faster decision making and reduced reaction times** - Business organizations may downsize, so as to eliminate excess management lines, unneeded inputs from too many staff, unnecessary committees and lengthy paths for information to travel before being acted upon. Prior consideration of decisions made regularly can also allow the head management to step back and give managers closer to the action authority to handle routine decisions independently and with less time delay.

**Higher manager morale and greater productivity** - By allowing managers to make decisions and reducing the number of managers with the power to second-guess lower managers, overall manager morale can be improved and individual responsibility emphasized. By widening the span of management, each manager will be responsible for a greater degree of the overall productivity of the business organization.

An attempt to analyze the reasons behind AMA's survey results on downsizing was made by Berry (1995) and he found that 6% of the companies cut jobs due to short-term business downturns, 44% laid off workers in anticipation of an economic downturn, 35% downsized in order to make better utilization of staff while 20% retrenched their staff due to automation or other new technology and 19% reduced their employees by transferring work to other plants or stations abroad. Berry, further found out that unskilled or hourly workers continued to be the group downsized in largest numbers. They accounted for 45% of job losses in 1994 at the 1,003 companies surveyed, and were likely to receive benefits such as out placement services, severance pay, and extended health benefits. Other job losses were accounted for by supervisory staff (18%), middle management (15%), and professional or
technical staff (22%). The significance of the 15% reduction in middle management group was that this group made up only five to eight percent of the workforce. Although these survey and analysis was made in the U.S.A. We have, during the 1990s witnessed a series of employee downsizing in Kenya. However, not much is known on its impact on the retained employees and the employer.

The purposes for downsizing have been summarized by Greenberg (1993) who states that, whether a business is large or small, employee downsizing may be effected in order to achieve any of the following objectives: to make the business survive a downturn; to improve on productivity: to be competitive in global market, and to improve operating profits by reducing the cost of personnel. And according to Palmer, Kabanoff and Dunford (1997:624), the main causes for the massive cases of downsizing in various business organizations have been due to: reduced demand for the business organization's products or services; financial losses in some of the businesses; organizations or businesses merging; bankruptcy; closing of plants; relocation of business across international boundaries; and changes in technology such as automation at the operational level.

However, much as we appreciate the fact that business organizations throughout the late 1980s to the 1990s, have been battling with what Doherty (1996) describes as a wave after wave of change driven by the need to control costs and respond to the onslaught of technological innovation, globalization, and business process re-engineering; we can not help asking ourselves whether the affected business organizations had no other alternatives to solving their problems other than employee downsizing.

2.3 ALTERNATIVES TO DOWNSIZING

According to Regina (1998), ending people's jobs has a huge impact on their lives. It not only has a financial impact but for many people it has an emotional impact on how they feel about themselves and a social impact on how other people relate to them.

Downsizing also takes a major toll on the business organization. It takes managers' time and energy. Regina (1998), and Maurer (1999), have therefore, recommended that before downsizing, organizations should consider:

- **Reduced hours** - A policy should be established that either places everyone in a particular job category on a flexible working arrangement or creates a flex-pool made up of volunteers from the department. The goal is to reduce the number of hours worked by each employee. By reducing everyone's hours (including their own) if the business volume isn't
there, the organization will be creating less work for everyone. Employers can also try to find out if anyone of their employees is interested in reduced hours (many people would like to spend more time with their families or pursuing other interests but aren't able to give up their whole income).

**Cross Training** - By understanding the skill mix of staff today and linking it to the skills needed in the future, the organization allows individual employees to determine what they need to do in order to remain employed. The organization can also reassign and retrain employees to take up new jobs.

**Job sharing** - If employers need some jobs but not others, they should try to find out if people are willing to job share.

**Expenditure** - It is advisable for employers to re-think about their "normal" and "budgeted" spending (for instance if they get a new company car every three years, may be it is time to move it to every five years). Employers also need to ask themselves whether it is worth laying off someone so that the organization can give the employees a Christmas party?

**Capital Assets** - As another alternative to employee downsizing, it has been suggested that the employers assess the amount of money they have tied up that doesn't need to be (for example inventory and equipment are big cash-hogs). If there are no major problems, it may be advisable to carry fewer equipment and use them for longer hours rather than getting multiple units.

**Hiring linking to vision** - The organization should identify the skills that will be needed to meet its goals, assuring that it is recruiting and hiring people who can meet future challenges.

**Succession planning** - Rather than leaving succession planning to chance, the human resource manager should endeavour to identify likely candidates possessing the managerial and technical skills needed for now and the future.

**Redeployment within the organization** - The organization should have a sophisticated career management process; a career assessment and a development activities programme that enable managers to identify open positions and the employees to occupy those positions.

**Creating value-added and revenue-enhancing opportunities** - The organization should have an "employee buy-out" within the organization where a group of employees may be allowed to create a new business or line of service that the business organization can market.
**Shared ownership** - The business organization may allow employees to trade pay increases or pay cuts in return for company stock.

**Lower wages** - Business organizations may reduce wages in order to save money.

It has been suggested by Regina (1998), that business organizations need to keep their eyes on the ball. They should target on what would make the difference for their business - is it higher sales volume, reduction of debts or increasing of profit margins? Business organizations need to focus on a few strategies and get cracking!

In the following literature review, we shall consider the theory of constraints and its relationship to workforce reduction.

### 2.4 THE THEORY OF CONSTRAINTS AND ITS RELEVANCE TO DOWNSIZING

The theory of constraints is a management philosophy that treats a corporation not as a collection of independent processes but as a complete system. According to Dettmer (1994), the theory maintains that every system is subject to at least one constraint, which prevents the system from achieving infinitely high levels of performance. For the system that is a corporation, there is often an unidentified constraint that prevents it from achieving infinite profits.

Dr E. M. Goldratt (1992), the originator of the theory of constraints, often explains his theory with a simple but effective analogy. He likens a corporation to a chain. Just as the links of a chain work together to form a complete system that is capable of transmitting a great force, so too the various divisions and departments of a competitive corporation work together to generate great profits for the stakeholders.

The theory of constraints provides the theoretical framework and the tools with which a team of knowledgeable executives can continually identify the constraint in their corporate chain and improve its performance.

According to Goldratt (1992), improving all the divisions and departments of a corporation simultaneously without identifying the choke point or constraint, does little to improve the performance of the corporation. The constraint, the choke point, continues to limit performance. Therefore, an organization's efforts and her limited resources are used far more effectively when they are focused on identifying and improving the constraint. Goldratt, offers a five-step process for diagnosing the problem and dealing with it effectively:

**Identify the constraint** - The first step for any organization that is experiencing problems or that is not meeting the stake-holder's expectations is to identify what the problem
is. In our case, it has been argued elsewhere, that organizations downsize their labour force so as to reduce the excess capacity.

**Exploit the constraint** - This implies, squeezing every last drop of capacity out of the constraint. In cases where the labour force is the constraint, we exploit it by making sure that labour is effectively deployed and efficiently utilized.

**Team work** - The success of the process or exploitation, depends on the co-operation of every part of the organization's profit-generating system. In our case, the success of the employee downsizing programme therefore, depends on the support from every member of the organization.

**Increase the capacity of the constraint** - This means making the best use of the constraint. In our case, it would, therefore, mean, identifying the capabilities of our labour force and making the best use of those capabilities.

**Start the process all-over again** - Problem identification and correction should be a continuous exercise. This is because, without it, a business risks letting inertia of the organization halt the improvement process.

Therefore, attempts to optimize the efficiency of a business organization should be done carefully if they are to achieve true or long lived gains. Haphazard cost-cutting measures may destroy the very competitiveness that they are meant to enhance. In the following section, we shall look at the various ways used when carrying out an employee downsizing exercise.

### 2.5 EMPLOYEE DOWNSIZING TECHNIQUES AND STRATEGIES

According to Bunton et, al (1997), employee downsizing process may be done by use of one or several of the following techniques or strategies:

**Attrition** - This is the normal reduction of the workforce caused by employees leaving the organization for reasons of retirement, death or resignation. This method is relatively painless and effective. However, there is a high probability of workforce imbalances unless the organization develops a plan to guide either internal redistribution of employees or limited hiring.

**Hiring freeze** - This is a temporary stoppage of employee recruitment. A hiring freeze, either total or partial, is a human resource strategy used by nearly every downsizing organization. This strategy may be sufficient in itself if normal attrition is substantial, and the downsizing required is modest and can take place over an extended period.
Early retirement - This is a strategy, whereby employees are allowed to retire with either full or reduced pension benefits at an earlier than normal age.

Buy-out incentives - This consists of offering a lumpsum payment to encourage employees to leave voluntarily, such incentives encourage attrition of those who are eligible/not eligible for either early or regular retirement.

Involuntary separation (layoffs) - This is a downsizing strategy where an organization retrenches her workforce without the workforce's consent.

Leave without pay - This is a strategy whereby employees are encouraged to take a leave of absence without pay with reduced benefits, but with a guarantee of being able to return to the job at the end of a designated period. While employees are on leave they are eligible for educational assistance, credit union participation, medical insurance; and payment for accrued vacation at the time leave without pay starts.

Leave with income averaging - Under this strategy, the employer, offers his employees leave but with an income averaging. Employees can take leave without pay for between five weeks and three months within a year. Pay is averaged out over the year to reflect the reduced time, but their pension and benefit payments as well as insurance coverage continue at the old levels.

Pre-retirement Transition Leave - This is a strategy, by which employees who are within two years of full retirement eligibility can reduce the workweek by as much as 40 per cent. Pay is reduced accordingly, but their pension and benefit payments and insurance coverage continue at previous level.

2.6 APPROACHES TO EMPLOYEE DOWNSIZING

When a business organization decides to downsize her labour force, a detailed and well-planned programme has to be implemented to make it successful. According to Zimmerman (1989:36) approaching downsizing correctly with a valid set of objectives is at least as important as the actual execution of the plan. Unintended results from downsizing can harm a business organization as thoroughly as inaction could leave it to grow out of control. In this section we shall explore various guidelines to be followed in employee downsizing, including determining the purpose of a downsizing effort and considerations for job security.

Zimmerman, further argues that downsizing when properly implemented, can make vast structural improvements in terms of organizational design, work flow, and function. Executives looking over old, over-grown business organizations or newly-acquired
businesses realize that they can achieve full economic success only if duplicate staffing and functions are eliminated. However, the potential disruption to the business during the restructuring and the emotional cost to those adversely affected make it imperative that, once made, the positive effect of any cuts are lasting and beneficial to the business.

On his part, Tomasko (1987:56), emphasizes the need for planned downsizing by stating that cost cutting and the quick, massive layoffs that often go with it are usually short-term in nature. He says this could easily be the case especially in industries that experience roller-coaster-like fluctuations, keeping extra staff weight off is much like trying to keep the figure achieved through a fad crash diet - a feat which is impossible to maintain.

For business to get the "weight" off and keep it off, Tomasko (1987) and Regina (1998), have presented principles that may be used. The duo suggest that it is necessary for organizations to identify the kind of jobs that exist in an organization and the number of employees that will be released. This they say is important since deep, quick cuts can limit the ability of remaining personnel to deal with threats to the business organization's well being while still dealing with the after-effects of the de-massing. To them, making reasonable cuts, with measured, deliberate thought can ease the prevailing tension in the process considerably, and streamlining over a period of time enables employers to discover other possible alternatives. can allow possible alternatives that avoid actually having to fire people.

It is also necessary to prepare for employee downsizing so as to avoid over-done, across-the board cuts as they are like using a shotgun to kill a spider on your foot - you will hit the spider, but the cost will be tremendous. Tomasko (1987:57) makes the point that if given the opportunity to plan the downsizing, a careful, focused approach can allow a more delicate pruning of the business' various levels. Likewise, making continual cuts and adjustments in the company's size and shape will lessen disruptions caused by a full radical housecleaning operation.

Management should keep the broader objectives of employee downsizing in mind when considering any downsizing effort, especially when laying out a plan of action. Tomasko advises management to ask itself what it truly aims to achieve in the effort before any cutting begins. Knowing beforehand what the desired results are a plan can be designed with the least painful means of achieving the objectives at hand. Rather than swinging wildly at headcounts with the hopes of hitting an unknown target, the business organization can take aim at defined problem areas, and lessen the damage to the business organization overall.
In his article in the National Productive Review of Autumn 1987, James M Robertson argues that successful downsizing, no matter the reason, includes having more than just a scaled-down version of the original organization when the smoke clears. Success in downsizing is achieved by emerging with a less costly organization, resources properly allocated, and tasks able to be performed in a more profitable manner.

According to Robertson (1987) successful employee downsizing requires that managers directing the downsizing effort do three things:

**Focusing** - Managers need to keep a clear focus on the results instead of getting bogged with the details of the process. Before and during any reduction, attention must be focused on the anticipated benefits of the action.

**Strategy** - Keep the strategy for achieving the results clear and specific. As important as it is to know what the end destination is, the organization needs to have some rough idea of how it will get there. Vague statements about the goal are of little use to the manager delegated to making determinations about which employees to cut. If an area of the business organization is to be emphasized, it needs to be known what resources must be increased to achieve that objective, and where those resources will come from. Inconsistency and uncertainty can also add to instability in the midst of a downsizing effort, and the more specific top management can be about its strategy, the less confusion there will be during implementation.

**Speed**.- One should move ahead promptly to avoid distractions and prolonged disruption of productive activity. Although the temptation to step back and re-analysis the process may arise, over-analysis rarely generates any better solutions to ease what will inevitably be tough decisions. Prolonged analysis generates distractions among employees and hurts morale. Finally, the faster costs can be reduced and the business organization restructured for better profitability, the faster the business' financial picture will show improvement.

Several approaches to employee downsizing have been proposed. However, for the purposes of this research we shall only review those that are relevant to our research. Robertson (1987), has suggested the following methods for the identification of jobs and individuals to be displaced:

### 2.6.1 Product or Service Approach.

According to Robertson (1987), the product or service approach begins with the assertion that sound cost control is based on the end product or service produced, rather than on the people involved in the production. In that light, the organization is evaluated for
products and services which can be either streamlined or eliminated, and staffing is then determined accordingly.

The evaluation is usually conducted as a six-to twelve-month project with many task forces and committees which develop and review suggestions for streamlining the organization. There are generally four steps to the project:

**Analyze** products and resources consumed. In developing an understanding of the products and services offered by the company, it must be determined exactly what is produced, who uses it, what the resource cost is to the company, and what the organizational work flow is that goes into delivering the final output. Data can be gathered with the use of specially designed forms to be filled out by supervisors and managers throughout the business organization. Depending on the volume of data to be processed, information may then be entered into a computer for analysis.

**Determine** proposed products or services and related organizational changes. By involving employees, supervisors, and managers, ideas are generated for reducing the cost of products and services, leaving no activity or mission unquestioned for its potential reduction, elimination or streamlining. In the course of this process, the foundations of the company's revised strategy are laid, and ambitious goals are set.

**Identify** individuals for positions. As a result of the second step, various positions are proposed for elimination, and the third step involves selecting the most qualified personnel for the remaining positions, while the least qualified personnel are targeted for displacement.

**Implement** - At this stage the manager is supposed to implement and manage reductions. Finally, employees are actually removed from the payroll, whether by means of layoffs, firings, voluntary retirement, or other means. Most important in this step is that the management resists the temptation to step back from the employees. Instead, management needs to maintain consistent support and communication with the remaining staff with whom new policies will be implemented.

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**2.6.2 Management System Approach**

Unlike the product or service approach, Robertson's (1987) management systems approach to downsizing, makes extensive use of standard systems already in use within a business organization. Since the corporate budgeting system is the most influential management system commonly used in most organizations, the management systems approach tends to be budget-driven, supplemented by the use of other management systems.
The approach focuses on changing the organization’s systems, culture and attitudes of employees not just the size of the workforce, configuration of the structure, or the magnitude of the work.

This strategy involves redefining downsizing as a way of life, as an ongoing process, as a basis for continuous improvement instead of a programme or target. Downsizing is equated with simplification of all aspects of the organization. Instead of being the first target for elimination, employees are defined as resources to help generate and implement downsizing ideas in other areas. All employees are held accountable for reducing costs and finding improvements. Serving customers, meeting their needs, and exceeding their expectations remain a core goal of downsizing activity, not just size reduction. This strategy is most compatible with Cole's (1995), principles of total quality management. The five steps common to this type of approach are:

**Allocation of resources** - By translating their strategic vision into allocation resource levels for various areas of the business, top managers make determinations regarding where financial changes need to be made, and the various alternatives available to meet the required changes.

**Assessment of head-count impact** - Given the allocated resources and the stated goals, managers determine how many people they can employ while meeting constraints.

**Analysis of products or services and organization** - Evaluation and ranking of end products and positions lead to matching available human resources with products, and products which cannot be funded are modified or dropped. Although top management expresses its strategic vision in step one, it still remains in steps (2) and (3) for individual managers to make decisions affecting products and services in a manner consistent with that vision.

**Identification of individuals for positions** - As in the product or service approach, individuals are matched with the positions available, preferably in a competitive manner so that the most productive members of the company are retained.

**Implementation of reductions and changes** - Employees are removed from the payroll in various manners.

Although there may be a tremendous amount of planning and guidance in this method, it is unlikely that all unnecessary products and positions will be dropped, and likewise, that no worthwhile positions or products will be cut. Business organizations using this method will find that several months of fine-tuning will follow once changes have been implemented.
Other possible approaches that have been recommended in the event of an organization deciding to carry out an employee downsizing exercise include the following:

2.6.3 Downsizing: A structured Approach for Lasting Gains

According to Tourangeau (1987), downsizing is not only here to stay, but it has become a standard tool of chief executives in watching over the fundamentals of their businesses. To him downsizing has entered the mainstream of progressive business as an element of prudent and decisive management. This approach aims at cutting out work in addition to or in place of eliminating workers. Strategies include eliminating functions, hierarchical levels, divisions, or products; consolidating and merging units; and reducing work hours. The focus according to Cole (1995), is on work reduction over manpower reduction.

In light of this, Tourangeau (1987), presents a structured methodology for chief executives looking forward to downsizing their labour force. He offers a systematic five-phase employee downsizing systematic program for either one-time use or continuing management of employee costs. In brief, these phases are:

Set Target- According to Tourangeau (1987), the key to any successful plan depends on the need for giving a focus and a sense of urgency to the downsizing program by means of a realistic staff reduction goal. Setting a target can be done by means of a diagnostic examination of the company itself, comparing the organization with peer, or through a survey of employees.

Getting the facts - After setting the target, getting the facts that will enable the downsizing program to reach the target is the next step. At this stage organizations should sort the relevant from the irrelevant.

Recommending changes - At this phase, the task force orchestrating the downsizing program takes the gathered information and presents its recommendations, addressing structural changes first, and then staffing changes. Structural changes are based solely on the boldness, experience, and understanding of those making the recommendations. Standard options often include centralization for economy of scale, decentralizing work flow, grouping functions for synergy, and shifting decision making to more customer oriented points, but in the end changes depend on the vision of those involved.

After settling on structural changes, staffing recommendations can then be based on the new levels of staffing need to support the new structure. Among the activities that are most vulnerable to cutting at this point fall into several categories, and they may include:
ancillary activities in which unnecessary functions are performed, or necessary but minor functions are over-performed; empty jobs for tenured employees which are really just deadwood; fake career path jobs which resulted from too many managers and too few positions; training and roving positions in which employees "help out" or act as "understudies" to another manager; and previously unpruned tasks, in which already unnecessary functions continue to be performed, such as checking computer calculations.

Modifications of recommendations by Senior executives- After receiving the recommendations from a task force or committee, the chief executive then tests them by sharing with his key people the facts gathered, the proposed changes, and the possible alternatives. By allowing his or her senior managers the chance to "buy in" to the action, the chief executive also allows his people to turn their attention to fine-tuning the downsizing effort. Also, although the modifications submitted by senior executives are frequently merely cosmetic, they may turn out to be material changes that result in further savings.

Implementing the changes - Beginning with the top of the organization, implementing the improvements includes identifying personnel to be terminated. Since there is a natural desire to keep the best personnel, regardless of current position, those being let go will not necessarily be those in positions slated for elimination. Performance appraisal systems must be employed to properly identify employees to keep and employees to be let go. Timing must also be considered in order to allow for smooth transfer to new positions. With proper consideration given to severance packages and legal matters, staff reduction can begin.

Throughout and after the downsizing program, internal communication must be kept open and clear to avoid misunderstanding. Keeping to announced timetables is also important, both in consideration of the needs of individuals and in order to avoid unproductive time within the company while employees are in limbo with regards to their status.

In the end, the consideration given to the effects on all employees, both those staying and those let go, will determine the morale and commitment of the employees remaining with the company. It is through this commitment that the business organization will be able to implement its new strategies for prospering in the competitive marketplace of the present.
2.7 FACTORS TO CONSIDER BEFORE DOWNSIZING

According to Robertson (1987), before a business organization downsizes, it should consider several factors so as to avoid most of the problems related to employee downsizing. These factors include:

**Definition:** It can be very difficult to define the improved, competitive strategy before actually downsizing. Nonetheless, it must be done to prevent an unfocussed effort which could cripple the business organization. Using the organization's best and most innovative managers to review the business organization and form recommendations is the key to a well-defined strategy from which to begin.

**Outside consultant:** For many business organizations, this is the first significant reduction in the work force. Managers being asked to make decisions unlike any they have made before. Taking into account the business organization's culture and the corporate environment, the expected results might not be achieved the first time. Top management must realize this and give the process a chance, possibly using an outside consultant to direct at least the first effort.

**Taking up to the responsibility:** Business organizations used to making decisions by committee may encounter problems in downsizing if the same methods are used to determine necessary actions. Because downsizing can become an emotional and personal issue, managers must be able to face up to the responsibility of making tough choices and getting on with the programme.

**Reputation:** Business organizations, should ensure that as much as possible that the firm's image is not injured as they drive towards improving cost efficiencies. The business organization's reputation can only be maintained during downsizing if the exercise is done through well-planned, selective actions taken in a timely manner.

From the above, it is important that business organizations know where they are going in order to make appropriate decisions with respect to downsizing efforts. Using vision and a clear business strategy, business organizations can use downsizing to change the course of their organizations. It is only with a clear vision and a sound implementing process that full lengths can be realized. To do otherwise is to risk getting mired down in reaching a consensus.
2.8 AVOIDING THE DOWNSIDE OF DOWNSIZING

In this section we look at some of the negative aspects of downsizing and the steps that may be taken to minimize their effect.

As stated elsewhere in this literature review, downsizing has become a very popular strategy as businesses attempt to cope with fundamental, structural changes in economies and markets. However, if it is used as a "quick fix" to reduce the costs of doing business, cutting large numbers of employees over a relatively short period of time there are possibilities of it producing little long-term cost reductions.

According to Zimmerman (1989:68), although downsizing may be received positively by the shareholders of a business, employees of a business facing downsizing efforts which threatens their jobs may be panic stricken. This panic, may kill morale, lead to lowered productivity and even breed rumours that can fuel even more panic, until the business grinds to a halt and this is one of the first things management needs to take steps to avoid.

Fisher (1988), reports a classic example of this type of downsizing reaction which occurred at American Transport and Telecommunication Company (AT&T), where the workforce had been cut by 66,000 between 1984 and 1988. Fisher, reports that, when top management prepared to begin to cutting in 1984, they confided their plans for massive reductions to security analysts in New York before telling their employees. Security analysts immediately let the word slip out, and as a result, many employees found out about the impending layoffs from the newspapers before their bosses were even told.

To make matters worse, once the layoffs began, gossip - fueled by fear and lack of any communication from top management - ran rampant, and work came to a standstill while employees speculated about what was yet to come and who would survive the next cuts. In the mean time no one in top management stepped forward to say the rumours weren't true.

Writing in the "Business Month" of February 1989, Murray, said that although AT&T had downsized and emerged with fewer staff and a new organization, the sloppy handling of their downsizing programme caused them low employee morale, and the productivity gains as a result of the downsizing exercise were disappointing.

In their study on the downsides of downsizing, Drake, Beam and Morin, Inc.,(1995), found that downsizing apart from being exacting a devastating toll on workers and communities, reducing employee loyalty and motivation; the costs to the business organizations can be quite high. Northwestern National Life (1991) reported that among the
employees who remain after downsizing, more than half report increased job stress and symptoms of "burnout." The physical toll on workers translates into a financial toll on employers. And according to Cascio (1995), many downsizing firms end up rehiring some of their employees or recruiting new hires to replace them.

And, although financial performance is the "bottom-line" and the most objective validation of the basic rationale for downsizing, results of an exploratory study by Cascio and Morris (1994) on the effects of extreme downsizing on the financial performance of 25 large firms over a 7-year period, however, suggest companies did not realize cost efficiencies to the extent they may have expected prior to making dramatic reductions in levels of employees.

To avoid disasters like those experienced by AT&T and others, the following suggestions have been offered:

### 2.8.1 communicating

- It is obvious that much of the turmoil at AT&T was caused by the simple fact of the employees not knowing what was going on. Although it is impossible to fully eliminate the trauma associated with the possibility of losing one's job, communication with employees is the key to reducing it. Zimmermann (1989:70) says that although it is impossible to fully eliminate the trauma associated with the possibility of losing one's job, communication with employees is the key to reducing it.

Bunton et al (1997) adds that early and continuous communication among management, employees, customers and affected communities is a key ingredient in successful downsizing. Conveying the reasons for such a painful change is important. Employees need to understand the business' reason for reducing headcount, and how the change will be managed. Breaks in communication are seen as sinister and lead to rumours. Attempts to deny the reality of the painful aspects are seen as insensitive.

The implementation plan should identify how this will be accomplished. Fisher (1988) says that if managers can communicate some sense of what is happening and what lies ahead, the panic will not be nearly as great. Even if a manager does not know everything that is going on, or does know but cannot say due to Securities and Exchange Commission regulations or other rules, some accurate information and communication must be given to lay the fact that business organization will survive and employee's needs will be taken care of. Silence is always the worst policy.

It is important for us to note here that knowing the when and how of downsizing is not enough especially in the case of employees who will hopefully remain. There is need for them to understand and accept the business organization's strategy and reasoning behind the downsizing. The explanation has not only to be logical but must be tied to the
advantages the business organization expects to gain, or the move will never make sense to the employees.

2.8.2 Taking the message to the people - Fisher (1988), says that how to get information and the new strategy to the employees without distortion is a task that needs special attention. Management should make a choice between personal appearance of the top managers, use of business newsletters or beam electronic newsletters to every employee within sight of computer terminal.

2.8.3 Keeping the stars - Employees kept in the dark can according to Fisher (1988), be dangerous if they feel betrayed by a lack of trust on the part of the business organization. While that may be bad enough, that employee's departure could also send a signal to other young, rising stars, and cause them to look for greener pastures as well. The firm therefore has to make the young all-stars to feel that they are really wanted and that they have a "fabulous" future where they are right now. Nothing should be taken for granted.

Justifying this Murray (1989) reported that Arco cut its workforce by 6,000 in the summer of 1985, no one told the company's brightest managers that there might be good reasons to stick around. As a result, when offers started to come in, several key people took the bait and ran. At First Boston, two managers of the mergers and acquisitions department left to set up Wasserman Perella & Co. in the aftermath of layoffs, losses, and various upheavals. Shortly thereafter, seven more stars left to also form their own company as well. Finally Boston took action to hold its staff together and keep other potential stars from going off to join in the new ventures. Director's actions ranged from energetic pep talks and other morale boosters.

2.8.4 Company Vision - According to Noer (1994), presenting the company's new vision and goals to employees can help survivors understand and adapt to the changes of restructuring. This can foster employees' commitment to the company. Furthermore, delivering a credible, clear, well-thought out strategy for the company's future may help those who stay understand where they are headed to. A focus on renewal, future growth, and teambuilding can be helpful to get employees working together rather than against each other.

2.8.5 Revitalize before downsizing - Non-survivors, should be treated with dignity and respect, this Noer (1994) says may defuse some of the anger, and send a message to survivors
whomay go job hunting figuring they are next if firings are ruthless. Organizations can also smooth the downsizing process by providing quality outplacement and assistance in finding another job. They can also minimize damage by providing supportive methods and treat employees with respect to minimize negative emotional and social consequences.

2.9 COPING WITH DOWNSIZING

In an attempt to explain the question of what holds an organization after all the layoffs, early retirement, downsizing and restructuring, Noer (1994) views downsizing as a natural paradigm shift from the old employee contract guaranteeing lifetime employment to a situation in which every employee is a temporary worker in an organization. He suggests that we help workers who remain in an organization to adjust; let go of outdated theories and beliefs; align strategies with the new paradigm; help direct employee's self-esteem into what they can do rather than where they work.

Mishra, et al (1998:88) in their contribution on how to cope with downsizing suggests the involvement of open communication. To them employees who have full knowledge of the company’s finances and its industry feel personally in control amid the uncertainty. This, they say makes downsizing less of a crisis and more of an expected path.

According to Noer,(1994) too many organizations focus entirely on assisting those who are leaving the organization in finding new jobs, providing severance packages and counseling for adjustment. It is the layoff of survivors – those who stay in the organization – who need attention so that they can adjust and remain productive employees and that is why our study is keenly interested on the effects of downsizing on business organizations.

2.10 EMPLOYEE MORALE DURING DOWNSIZING

Organizational morale has been defined by Rue and Byars (1992:368) as an individual's feeling of being accepted by and belonging to, a group of employees through common goals, confidence in the desirability of these goals, and progress toward these goals. Living with a possibility of redundancy, and watching others leaving has become part of the working experience of many employees. In such circumstances most employees feel unsettled during down sizing and lack of morale may be an inevitable consequence. They see the business organisation as having behaved unjustly and unfairly. They may not only feel
less secure but may lose the belief that their contribution to the business will be rewarded in future.

According to Kettley (1995) the above responses may easily threaten business performance, and Survivors of employee downsizing may become unduly risk averse and narrowly focused and therefore less creative and open to change. In the circumstances we are tempted to conclude that Greene's (1972) thesis that good performance from employees is automatic as long as management keeps the workers happy, may not be forthcoming.

Based on the above review we feel, it is important that necessary interventions are put in place to build morale. Kettley (1995) has suggested several broad kinds of action, which may help, build morale.

2.10.1 Communication - Communication of what is happening to the business organization during downsizing is what employees want from their employer.

Lack of proper communication was the main cause of resistance to downsizing by the Reserve Bank of Zimbabwe (RBZ) employees as reported in the Financial Gazette of Thursday 2nd April 1998. Kenya Power and Lighting Company employees also went on strike 21st April 1998 as reported in the Daily Nation of 22nd April 1998 over what they described as "imminent massive lay-offs".

In both cases the management was not prepared to listen to grievance from the employees. They had made up their minds on the employees' behalf without adequate consultation and that was what the employees were resisting.

Communication therefore has to be honest in dealing with negative feelings of employees. It is also important to communicate throughout the change period, not just at the beginning.

2.10.2 Support to Survivors - Giving direct support to the survivors' as well as the "victims" of downsizing leads to other types of intervention. They may address such areas as stress management and careers counselling.

2.10.3 Organizational Development Initiatives - Organizational Development (OD) initiatives may be used to try and improve the effectiveness of the emergent organization. They may include work to rebuild relationships through teambuilding activities. Enhanced access to training and work experience may be needed to help staff adjust to new job demands.
2.10.4 Performance Management - Performance Management often needs attention to ensure that staff feels that the new demands are realistic in terms of the reduced staff resource. They also need to be clear of what is expected of them in the new organization. Reward strategies may also need realigning.

2.10.5 Employer-Employee Relationship - The employees' relationship with their line manager may have significant effect in how well they cope with downsizing. Organizations should hold regular forums with employees throughout the change period so that the employees may not feel isolated.

2.11 DOWNSIZING AND EMPLOYEE ATTITUDES

Our literature review has so far shown that in today's competitive market, many organizations have found that staying in business means employee downsizing. We have also seen that the decision to downsize in most business organizations is due to strategic and financial reasons. The expectation is that the expense reduction will lead to a positive impact on the bottom line as will ultimately be reflected in improved profitability and productivity.

In an attempt to determine the impact of downsizing, the effects of job insecurity and economic need to work on employee attitudes was examined by Brockner and his colleagues in 1992. In this study, Brockner decided to use work effort as a measure of job attitudes. The study found that high job insecurity coupled with high need to work resulted in increased work effort following a layoff. High job insecurity coupled with low need to work resulted in no change in the level of work effort. This seems to indicate that when there are high levels of job insecurity, as would be expected during downsizing, employees with high need to work will increase their work effort, while those with a low need to work will have no change in work effort.

While this result is interesting, of more interest was the finding that variables moderated observed relationship specifically, Brockner found that the remaining employees' perception of the fairness of the lay-off process and their attachment to the layoff victims coloured their views.
CHAPTER THREE

3.0 METHODOLOGY OF STUDY

3.1 INTRODUCTION

In this chapter, the methodologies that were used to collect the data that was analyzed are presented. The research made use of both primary and secondary data. These methodologies were guided by the study objectives.

3.2 SAMPLING DESIGN

From a list of 30 large business organizations that was supplied by Federation of Kenya Employees (FKE) as having downsized their labourforce during the period of between 1990-1998, the top 20 were selected to complete the questionnaire. These 20 business organizations, take into consideration almost all the sectors of the economy that employees.

The top twenty businesses that were selected to participate in the investigation are:

i) Kenya Breweries

ii) Kenya Airways

ii) Kenya Power and Lighting

iii) Standard Bank (K) Ltd.

iv) Smithkline-Beecham (K) Ltd.

v) Kenya Railways

vi) Kenya Times

vii) Kenya wildlife Services

viii) Lornho Motors (K) limited

ix) National Bank of Kenya

xi) Bata shoe Company

xii) East African Industries

xiii) Kenya Airways

xiv) Firestone (K) Ltd

xv) British American Tobacco (K) Ltd

xvi) Kenya Co-operative Creameries

xvii) Kenya Bus Services

xviii) Kenya Re-insurance

xix) Farmers Choice

xx) Securicor Company Ltd

These twenty companies represent 66.6% of the list of large business organizations in Kenya that had downsized their workforce between 1990-1998 as submitted by the Federation of Kenya Employers.
To every business organization, two different kinds of questionnaires were distributed. The two questionnaires were filled by two different groups of respondents. Two of the questionnaires to each of the organizations were filled by respondents from the senior management level and six of the other questionnaire were filled by six employees from middle level management and below of the given business organization. This was necessary so as to get data on the effects of employee downsizing on the employers and the employees.

The two respondents from the senior management and the six from the employees were picked through random sampling. However, the respondents must have worked for the organization for a period of not less than five years. This was to enable the respondents to effectively fill in the questionnaire since it was assumed that they must have witnessed the downsizing exercise at their organizations.

3.3 DATA COLLECTION

Data was collected from the employers and the employees of the selected businesses for the purposes of testing the assumptions of the study. These data was subjected to both qualitative and quantitative analysis. Quantitatively, the organizations were screened on the basis of why they downsized, the methods they employed and how they implemented the downsizing exercise. Qualitatively, the research focused on the emotional and behavioural dispositions of the employer and employees after downsizing.

The data collection exercise also involved data from daily newspaper reports, business journals and various newsletters from business organizations on issues related to employee downsizing this was to assist the research to deal with a larger number of business organizations than would be covered by primary data collection alone. The secondary data was also meant to assist in filling up the gap that was to be created in the event of non-response on the questionnaires delivered to some of the various organizations already sampled for research.

3.4 INSTRUMENTS

Two questionnaires were constructed: - one for the employers and the other for the employees. Appendix "A" was filled by the employers and Appendix "B" by the employees.

Each questionnaire was divided into 3 parts. Part A was on the background information of the respondents. Part B sought to find the reasons for downsizing and part C was to find out the effect of downsizing to the organizations and comments on how
downsizing could be successfully implemented. The questionnaires were delivered at the business organizations and collected after one week.

3.5 DATA ANALYSIS

The data was coded and analyzed using descriptive statistics. Percentages were used to present the data. Where applicable, frequency distribution tables were also used.

Percentages and tables were used because they are easier to read and interpret by a variety of readers. From the percentages and tables presented, the data was analyzed, interpreted, and conclusions and recommendations made.
CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

Since early 1990 employee downsizing has been in full swing and these reductions in labour force have become a fact of life in the world of work. Most business organizations have used employee downsizing approach to let go "surplus" workers. However, although this strategy has been employed by many business organizations in Kenya, not much is known of its impact on these business organizations.

This study, thus, set out to investigate the impact of employee downsizing on business organizations in Kenya. The research focused on: the reasons for downsizing, steps followed when carrying a downsizing exercise, and the effects of downsizing on both the employer and the employee and how the employer was managing the survivors.

In this chapter, an analysis of the data collected through questionnaires is made. The analysis is made on the understanding that employee downsizing is permanent separation from the business organization. An employee downsizing exercise is also not a dismissal for individual incompetence, but rather a decision on the part of management to reduce the overall workforce. The data has been presented by showing the actual numbers of responses and corresponding percentages.

The following general areas have been considered in the analysis:

a) The background information of the respondents.
b) The reasons given for employee downsizing in the business organizations.
c) Alternatives to employee downsizing.
d) Types of employee downsizing methods that were employed
e) The reactions of employees towards the business' decision to employee downsize.
f) Steps followed by the business organizations when carrying out an employee downsizing exercise.
g) The effects of employee downsizing on the employer.
h) The effects of employee downsizing on the employee.
It has been necessary in some of the above areas to analyse data from different samples separately depending on the nature of the instrument used but generally the data has been wholly analyzed.

4.2 BACKGROUND INFORMATION OF THE SAMPLES

Two groups of people were used for this study. All samples from the groups were selected at random. As was explained in chapter three. The samples were drawn from the employees of the organization and the employers. 14(70%) of the 20 business organizations investigated had downsized at least once since 1990 ,4 (20%) had downsized twice since 1990, and 2 (10%) of the business organizations had downsized thrice since 1990. (See table 1, pg 72).

The fact that 6 (30%) of the business organizations had downsized more than once since 1990, is an indication that employee downsizing may not be a panacea to all the problems facing business organizations.

4.2.1 Background of the employee respondents

A sample of 120 employees from the 20 organizations that were surveyed on was selected to complete the questionnaire. 84 (70%) of these employees were male and 36 (30%) were female. (See table 2, pg 72).

The employees' age varied as follows: 78 (65%) were between 25 and 35 years old, 30 (25%) were between 35 and 45 years old, and 12 (5%) were 45 years and above. (See table 3 pg 72).

Their level of education indicated that: 12 (5%) had only primary level education, 60(50%) had only ordinary level education 30 (25%) had certificate and diploma level education and 18 (15%) had university level of education.

The employees in the sample also had a varied length of the number of years they had worked in their various organizations. 66 (55 %) of them had worked for their organizations for a period of between 5 and 10 years, 42 (35%) had worked in their organizations for between 10 to 15 years, 8 (6.6%) for more than 15 years, and 4 (3.4%) for more than 20 years.

On their status at the organization, 24 (20%) had supervisory roles and 96 (80%) were on non-supervisory roles.

This means that most of those that filled the questionnaires are in their early and mid adult age groups. This is the most active group among the working groups. All the
respondents have had basic education and majority had worked for their organizations for a period of more than five years.

4.2.2 Background of the Senior Management

A sample of 40 members from the senior management from the 20 organizations that were surveyed on was selected to complete the questionnaire. 28 (70%) were male and 12 (30%) were female. (See table 4, pg 73).

Their age ranged as follows: 8 (20%) were aged between 25 to 35 years old, 20 (50%) were aged between 35 and 45 years old, and 12 (30%) were 45 and above years old. (See table 5, pg 73).

On their level of education, 8 (20%) had ordinary level education, 12 (30%) had diploma level education and 20 (50%) had university level of education. Their job titles varied as follows: 4 (10%) were heads of sections, 24 (60%) were heads of departments, 8 (20%) were deputy chief executives and 4 (10%) were chief executives.

The analysis indicates that most of the managers have had more than basic education, they therefore, are likely to have the ability to plan, organize, direct and control organizational objectives.

4.3 STAFF REDUCTION POLICY

In today's climate of downsizing, when employee downsizing and layoffs have become common, employers need to develop a staff reduction policy that can keep laid-off employees from crying foul or affect the morale and attitude of surviving employees. In this section we sought to find out whether the business organizations we were investigating had any staff reduction policies prior to employee downsizing.

All the 20 (100%) business organizations reported that they had a clear staff reduction policy. This therefore implies that all the organizations studied understood, the importance of a staff reduction policy.

Having confirmed the above basic facts, the research analyzed, the reasons that these organizations gave for carrying out employee downsizing.
4.4 THE RATIONALE FOR EMPLOYEE DOWNSIZING

The first step in managing employee downsizing is to talk about the reasons that are behind the exercise. Employees need to know both the context and information. They need context to understand that the changes are the result of overriding corporate circumstances and not a comment on their own value of the work they are doing.

The 160 respondents from the various samples were asked to give us the reasons as to why their business organizations carried out employee downsizing. The following are the various reasons as given to the respondents by the management explaining why their organizations downsized the labour force.

4.4.1 REDUCED TRADE BARRIERS LEADING TO EXTERNAL COMPETITION

86 (53%) of the respondents reported that the decision to downsize employees was basically a response to threats to market share from rising competition. But according to the questionnaire report, 78 (65%) of the employee respondents did not agree with the reason given by the employers since according to them the employers was losing competitiveness not because of the reduced trade barriers but due to poor market positioning, inadequate logistics and customer support.

Downsizing efforts in these organizations were launched not because the firms had posted losses in profits and earnings per share but to gain better control over operating costs, eliminate redundant services and reduce excess capacity so as to meet the challenges of external competition.

4.4.2 AUTOMATED CHANGES IN THE INDUSTRY

80 (50%) of the respondents said that the decision to downsize employees was due to advanced automation in machinery and assembly, and the rapid changes in information technology; which allowed workers to become more productive and thus made it necessary to reduce the amount of workers necessary for a given level of profit.

4.4.3 TO CUT COSTS

72 (45%) of the respondents said that their organizations downsized because they wanted to cut on costs. However, according to 60 (50%) of the employees, they felt the organizations were downsizing because they wanted to optimize production by building shareholder wealth more directly.

4.4.4 REDUCED PROFITS

56 (35%) of the respondents reported that they had carried out employee downsizing as there was a decline in the industry, reduced profits due to rising competition and increased automation and technological upgrades during the 1990s. However, 108 (90%) of the
employee respondents felt that the high cost in production and reduced profits was due to a weak competitive performance as a result of high management overhead which had built into product prices.

4.4.5 TO INCREASE THE PROFITS

40 (25%) of the respondents reported that employee downsizing was done because, trimming the payroll liability was an easier way through which their business organizations could increase profits in the short term.

Looked at from the management's point of view, a move to adjust employment might be a painless way to boost cash flow, when compared to selling out part of the business or equipment to obtain cash. A buyer might not be readily available and the purchase price would not be certain.

4.4.6 DOWNSIZING AS A CORPORATE STRATEGY

21 (13%) of the respondents said that employee downsizing was done as a corporate strategy and not as a result of demand-driven layoffs.

Downsizing to these business organizations was thus an effective technique in making earnings look better in one year as compared to previous years.

4.4.7 NEWSWORTHY

16 (10%) of the respondents reported that their organizations downsized employees because they believed that the shareholders would react positively and that is what the board of management wanted. To them downsizing was newsworthy and got word out that the organizations were serious about their cash flow. To these firms, the actual impact of a reduction in the payroll to firms' health was the critical message to the shareholders and the market. (See table 6, pg 73).

From the above analysis, it is clear that most business organizations downsized their employees as a result of corporate restructuring actions that were designed to make work processes more efficient and or eliminate less profitable, obsolete and unnecessary functions; and reduce overstaffed areas. Reducing employees was seldom the initial objective. Rather it was a consequence of eliminating unnecessary work so as to show a greater profit for the business organizations.

The analysis further indicates that the most popular were those that emphasized on improving or restoring performance and or competitiveness through doing things differently.
while maintaining the same scope of business. These adaptive responses may have been due to environmental pressures such as: eroding market share, international competition, rising labour costs, development of new technologies or products that make current processes or products obsolete. Only one reason (as a corporate strategy) was given focusing on doing different things rather than doing things differently. This could have been triggered by such changes as new goals or renewed focus on core business or strategy.

With the reasons why business organizations decided to downsize their employees having been analyzed, the research, sought to find out whether these business organizations did carry out any planning before they downsized their labour force.

4.5 PLANNING FOR EMPLOYEE DOWNSIZING

An employee downsizing exercise, calls for the adoption of a clear guiding strategy developed through proper workforce planning.

Workforce planning is particularly essential as it helps in identifying positions to be eliminated and pin pointing specific employees for potential separation. It involves looking at what adds value to the organization's existence and how a particular employee's position and work contributes to that value. It is on this basis that an employee should be retained or separated. If an organization, simply reduces the number of its workforce without having a clear strategic focus or checking on and if possible changing its work processes, staffing growth may eventually recur.

32 (80%) of the senior management respondents from the business organizations investigated on, said they found it important to plan out how the reductions would be carried out so as to retain a viable workforce when the reductions were completed. The remaining 8 (20%) of the respondents from the firms investigated could not tell whether they planned carefully for their employee downsizing exercise as they said the decision to downsize was made by the board of directors and that it was done very fast, and there was no ample time to fully prepare for the exercise. (See table 7, pg 74).

Managers from 8 (50%) of the firms that planned their employee downsizing exercise reported that decisions to downsize, were the result of organizational restructuring based on strategic planning designed to shape and guide their organizations' future directions. However, the effectiveness and success of the downsizing exercise of the 4 (20%) that did not plan may be hampered since by simply reducing staff does not make the work the laid off staff were doing go away. Proper planning for the purposes of downsizing of employees,
may also increase the chances of organizations targeting specific skills that the organizations may no longer need in their revised structure.

4.6 ALTERNATIVES TO EMPLOYEE DOWNSIZING

36 (90%) of the senior management respondents said their organizations prior to employing direct employee downsizing approaches had tried other alternatives. 4(10%) of the senior management respondents said they had no alternative other than to employee downsize. The following are some of the alternatives the respondents said they had thought of trying or tried.

4.6.1 NATURAL ATTRITION

36 (90%) of the senior management respondents from the business organizations we investigated on, reported that they tried to employ attrition as the sole tool to employee downsizing. Attrition is the natural and normal process of employees quitting their jobs, retiring, or dying. The end result for the employer, if these employees are not replaced, is a reduction in the workforce.

Though this method may have the least impact on the job security of existing employees, we feel it may not be sufficient to reduce employment levels in the short term. Moreover, using attrition as the sole downsizing tool can result in skills imbalances in an organization's workforce because the employees who leave are not necessarily those the organization determined to be excess.

4.6.2 DELAYERING THE ORGANIZATION

16 (40%) of the senior management respondents from the business organizations investigated, reported that they had a horizontal slice of the organization removed. Middle managers were reassigned or laid off and not replaced.

This could mean that more senior managers take over decision-making responsibilities of the managers who leave. It is also likely to decentralize the decision-making process. If not well handled, it can lead to loss of institutional memory, managers being overworked, excessive retraining and transition costs.
4.6.3 CONTRACTING SERVICES

12 (30%) of the senior respondents from the investigated business organizations, reported that they had contracted at a lesser cost a variety of their business activities which they considered as not part of the core activities of their organizations.

However, it is worth noting that although this method promises early and immediate cost savings to the business organizations that may employ it, it requires a careful diagnosis to ensure that activities contracted have no diminution of the quality of the work which can easily lead to long term cost increases. It is also possible that the contractor may not understand the true needs of the organization so that co-ordination and quality control costs may outweigh the anticipated cost savings. There are also chances that the method may bring up other costs such as co-ordinating, the activities of a number of sub-contractors, lack of control over sub-contractors, and need for time to train sub-contractors in the business organization's specialized requirements.

Also, although long term cost savings could easily be justified, a lock-in with a contractor, may be costly in the long run especially if the contractor takes advantage of his specific knowledge of the organization's requirements.

4.6.4 USE OF CONSULTANTS (OUT SOURCING)

8 (20%) of the senior management respondents from the business organizations investigated, reported that they out sourced most of their services so as to save on expenses that accompany hiring and firing permanent staff, thus making elaborate recruiting, benefit packages and severance pay not necessary. The firms also reported that they gave the downsized workers the first chance of being consultants of the job they were initially doing.

Although the move may release the business organizations from the costs of maintaining workers' health care, and even pension contributions, implicitly the firms can still pay for these costs in the consulting fee remitted.

There is also the danger that the consultants may not be dedicated to the firms as their experience in those firms could be applied to other clients and if the consultants ever got busy, the firms would have to wait their turn behind other firms in the queue for its former employees' services.

From the foregoing, it is difficult for this research to determine whether firing workers and re-hiring them as consultants is a wealth-creating move for these firms as the consultants would be doing the job at more or less the same cost.
4.6.5 DROPPING OF PRODUCT LINES OR PROGRAMMES

12 (30%) of the senior management respondents from the business organizations investigated, reported that they had closed and even dropped the business lines that were not profitable and only those employees in these departments were to be affected and not all employees of the organization.

Although this move may make the firms more cost effective or profitable, there is a possibility of some customers stopping to make purchase since the downsized employees who may have been part of the consumer family no longer have their purchasing power.

4.6.6 INVESTMENT IN RESEARCH AND DEVELOPMENT

16 (40%) of the senior management respondents from the business organizations investigated, reported that they had tried to substantially invest in research and development.

Though this may be a good choice, in the short term it may not have any immediate effect on the profit and loss statement no matter how profitable it may be seen.

4.6.7 EMPLOYEE TRAINING PROGRAMMES

22 (55%) of the senior management respondents from the business organizations, reported that they had tried employee training programmes as an alternative to downsizing as it was meant to make the employees more productive and sensitive to the needs of their organizations so that the organizations could withstand the competition and even increase their profit margins.

However, looked at closely, this definitely may not be a good choice in the short run for a business organization that is faced with stiff competition and a fall in profits. Moreover, news of an employee training programme or a complete overhaul of the organization's structure would be exciting enough to be considered "news" that would be reportable or have a major impact, particularly if the benefits can not be realized for another year or two. Also, such a strategy would be expected by the market as something necessary to compete with other business firms, and would not greatly impact the market's perception of the firm's value.

4.6.8 POSTPONE WAGE INCREASES

18 (45%) of the senior management respondents from the business organizations reported that they had tried to postpone wage increases but the trade union representatives could not hear of it.

However, although these organizations had the stated alternatives. Only 12 (60%), had tried the alternatives. Of these alternatives, 8 (66%) tried natural attrition and
outsourcing of their services, 4 (33%) tried dropping some of their product lines and programmes, 2 (16%) tried to delayer their organizations, and employee training programmes, and only 1 (8%) tried to postpone wages. (See tables 8 and 9, pg 74).

Why then did these 18 organizations who had alternatives other than employee downsizing decide to downsize their labour force? The senior management respondents gave the following as to why their business organizations did not pick on the alternatives: 36 (90%) of the respondents said that the cost savings were not great enough and the situations of these organizations required that they react quickly. 24 (60%) of the respondents, said employee downsizing was an easier method. While 16 (40%), said that management did not see the need to use alternatives, and 14 (35%) said that the alternatives were not feasible in their industry. The investigation further revealed that 14 (70%) of the business organizations that employee downsized, could not achieve any meaningful cost reduction from employee downsizing alternatives and 6 (30%) of the business organizations investigated, had no alternatives and actually never tried any. An analysis of the methods they used to reduce their labour force reveals the following:

4.7 THE DECISION TO DOWNSIZE

We also sought to find out how the senior management members reacted to the decision by the board of management to employee downsize. The results on how the senior management reacted towards their organizations' decision to employee downsize indicate that: in 10 organizations only 50% of the senior management agreed, in 4 organizations only 25% agreed, in 4 other organizations only 75% agreed and in 2 organizations there was 100% agreement.

In the circumstances, therefore, the business organizations, employee downsized although they did not enjoy total support from some members of the top management. This is not conducive for the success of a downsizing exercise, since the senior managers are normally considered as the engineers who build to the architect's design and specifications. They are the ones who reconstruct the organization according to the chief executive's vision and if they do not fully support a programme then its planning and implementation may be at rocks.

We shall now look at the types of employee downsizing that was carried out by the various business organizations that we investigated.
4.8 TYPE OF EMPLOYEE DOWNSIZING CARRIED OUT BY ORGANIZATIONS

Once the business organizations realized that separation through attrition or any other method that could not cause much impact on the job security or future of the employees, could not help them to achieve the employment reductions needed to make them meet efficiency, competitiveness, profitability, span of control or other restructuring goals the investigated business organizations reported that they had to institute an employee downsizing exercise. (See table 12, pg 75).

4.8.1 EARLY RETIREMENT AND VOLUNTARY TURNOVER

Of the respondents that filled the questionnaires, 140 (85%), reported that their organizations used early retirement and voluntary turnover method.

In this form of employee downsizing, the business organizations offered opportunities to those near retirement to retire early with no financial cost.

6 (30%) of the business organizations, offered their employees incentives so that they could quit the organizations. The incentives were based on age and length of service. No one was forced to leave.

5 (83%) of the business organizations that used this method, reported that higher paid employees were quite positive and they opted to leave under the scheme. The human resource executives in these business organizations said that early retirement programmes were part of their downsizing effort because the programme seemed more compassionate and better for morale.

However, business organizations implementing this method need to have a clear strategic employee downsizing plan, otherwise, the downsides are significant. Early out programmes are extremely expensive ways to coax people out of a business organization's workforce. There are other negatives too. For instance, it's very difficult to target where the reductions will come from. They may downsize their high performing employees as these employees unlike non-performers, have a chance to employed elsewhere. This can easily create major human resource gaps in units with more senior employees. The loss of corporate memory and tacit know-how may also be quite severe in such organizations.
ACROSS THE BOARD CUTBACKS

20 (50%) of the respondents from the firms investigated reported that they used across the board cutbacks to reduce their labour force. In this type of employee downsizing, each department or unit is expected to cut a fixed percentage of its workforce. 80 (50%) of the respondents in whose organizations the approach was employed, reported that every department was affected equally. And the pain of employee downsizing was thus shed across the organization.

Though this method may help to cut down on numbers across the board, it is likely to hurt the efficient parts of the organization more than the less efficient; as the efficient departments are already running a tight operation, and have a lesser ability to absorb cutbacks.

Across the board cutbacks can be described as a 'grenade strategy' since just like a grenade, when an organization does across the board downsizing it does not know who is going to be affected when it explodes.

16· (40%) of the senior management respondents reported that the kind of across the board employee downsizing that was carried out in their organizations was actually not guided by any clear strategic plan. It was like throwing out the baby with the bath water. This may affect the success of the employee downsizing exercise in these organizations as lack of a strategic plan offers little opportunity to transfer of good employees from one part of the organization to another. Across the board cuts also, do not take into account an organization's structure and workflow. The cuts may thus end up rewarding the inefficient and punishing the efficient since reducing staff does not make the work to go away.

BUYOUT

6 (15%) of the business organizations investigated reported that they had downsized their labour force by paying the employees separation incentives.

Although these organizations may have had good intentions, there is a danger that highly qualified and well paid workers may opt to retire and the business organization may be forced to re-hire them on fresh terms.

From the analysis of the methods employed to downsize the labour force, attrition and hiring freezed was employed by all the organizations. However, this method may not be effective for business organizations that require results within a short term. It is not surprising therefore, that the use of monetary incentives to encourage at "risk" employees to
resign or retire if they could not be re-deployed to other jobs was a popular method to most business organizations.

4.8.4 INVOLUNTARY SEPARATION

30 (19%) of the respondents, reported that their organizations used the involuntary downsizing strategy, because they were not able to get enough employees out through the voluntary method. 24 (80%) of the respondents reported that their organizations, used involuntary separations with pay, while 6 (20%) reported that their organizations used separations without benefits.

This method, may not be very good especially with the surviving employees as they begin fearing for their future. Now that their colleagues have been jerked out like pieces of meat.

4.8.5 HIRING FREEZE

62 (38%) of the respondents said that their organizations used the hiring freeze method to assist in reducing the number of employees.

This strategy may not be sufficient in itself, as it may lead to human resource and skills imbalance in some departments.

4.9 EMPLOYEE DOWNSIZING AND THE SURVIVAL OF THE ORGANIZATION

14 (70%) of the business organizations investigated on reported that all avenues of cost cutting had been exhausted before employee downsizing was effected. 6 (30%) of the organizations reported that they had no any other avenue to cost cutting other than employee downsizing.

However, 90 (75%) of the employees that filled the questionnaire, said that the downsizing was unnecessary and was simply a result of ineffective, perfunctory human resources management. 72 (80%) of these employees said that the downsizing would have been avoided with strategic, bottom-line human resources management. They suggested that the organizations should have tried avenues such as: wage freeze or cut, hiring freeze, elimination of some of the executive perks or employee benefits and even done selective cuts instead of downsizing the employee.
4.10 TRADE UNIONS AND DOWNSIZING

A trade union is an organization which consists wholly or mainly of workers of one or more descriptions and is an organization whose principal purposes include the regulation of relations between workers of that description or those descriptions and employers.

Since a trade union is mandated to protect the interest of members particularly with regard to unfair dismissal, the research sought to inquire from the respondents whether their organizations involved trade union representatives when they decided to downsize.

158 (98%) reported that their organizations had trade union representatives. 2 (2%) of the respondents reported that they had no trade union in their organization. 88 (55%) of the respondents reported that their organizations involved members of the trade union during the planning and implementation of the downsizing exercise. 48 (30%) involved the trade union members at implementation while 24 (15%) never involved the trade union members at both planning and implementation of the downsizing programme.

The involvement of a trade union in a downsizing exercise is an action in the right direction since the trade union is supposed to act as a platform for consultation between employees and employers. Business organizations can use trade unions to teach workers to maintain industrial peace, improve on production, efficiency and plugging losses. Therefore, the 24 (15%) or rather the three business organizations that did not involve any member from the trade union, may have a problem in driving their downsizing programmes through successfully and winning the total support of the survivors. The non-participation of trade unions could lead to mistrust and underdevelopment of a labour policy which neither biased against the employer nor the employee. Instead of the trade union representatives in these organizations working towards uniting their members in order to boost productivity in their areas of production, they instead encourage indefinite industrial demonstrations which could easily paralyze the smooth running of these business organizations. The loss of man hours spent on demonstrations may lead to a decline in productivity and steady economic progress, which the downsizing programme was meant to resuscitate.

Also since out of the 20 organizations that downsized, 19 (95%) were unionized it can easily be concluded here that unionized organizations are more likely to be downsized than non-union counterparts. This could be due to lack of flexibility in union contracts, preventing
the use of alternative cost saving measures such as reduced working hours or cuts in hourly wages.

4.11 GUIDING STRATEGY TO EMPLOYEE DOWNSIZING

As we earlier on stated, the adoption of a clear guiding strategy and choosing of the downsizing approach to that strategy is critical to the success or failure of a downsizing exercise. In this section we look at the criteria the business organizations used in making their decision on who was to go and who was to remain.

4.11.1 DECISION ON WHO TO KEEP AND LET GO

The most critical aspect of an employee downsizing exercise is not the method that the organization will use to reduce her work force but the criteria to use on identifying the employees who are to be separated. A variety of approaches were employed by the business organizations investigated on. The following were given by the respondents as the criteria the organizations used in identifying staff to be downsized: (See table 13, pg76).

4.11.1.1 Performance appraisals of employees (competence) - 28 (70%) of the business organizations investigated on identified the employees to be downsized by use of performance appraisals of the employees. They were specifically interested in the competence of the employees. However, although performance appraisals may give information as to the employee's competence and how an employee performed, to effectively and efficiently identify who the stars or high achievers and performers are, it will need to be comparative if it is to work as a good criteria (showing which employee performed better than whom).

4.11.1.2 Seniority- 32 (80%) of the business organizations reported that they kept workers who had the longest tenure. This was because they did not want to lose their qualified and experienced staff and also because they feared that this group of employees were to be compensated heavily if they were to go. However, more years may not necessarily mean more experience and greater value to the organization.

4.11.1.3 Salary recovery- 10 (25%) of the respondents reported that they downsized on the basis of one's salary. Their objective was to eliminate high salaried employees, as they were the ones from whom the organization could "recover" more salary for the budget. Although this means bad news for fewer people, it may mean
setting aside a larger amount for settling claims especially for those firms whose profits are dropping.

4.11.1.4 The fast downhill- 18 (47%) of the respondents reported that their organizations asked each of their departments and sections to do a reappraisal of all personnel in their sections so that the records would show the differences in the performance needed to select the ones to be laid off. However, this criterion, has the danger of people targeted for downsizing ending-up receiving a sudden drop in their evaluations, just before layoff are announced.

4.11.1.5 'X percent' across the board- 34 (86%) of the respondents, reported that they cut a certain percentage in all their sections and departments. The danger here may be that valued performers, may end up being downsized and all sections or departments may not have equal direct or indirect value to an organization.

4.11.1.6 Key skills- 30 (75%) of the management level respondents reported that their organizations identified the various skills in every department and decided on which skills they had to retain and which they did not require. 144 (90%) of the total number of our respondents reported that the semi-skilled and the unskilled employees formed the bulk of those who were downsized.

This is advantageous to the organization as it will not affect an organization's qualified staff but it will require that the numbers to be retained be also calculated and another clear criterion be again developed to identify the 'victims'.

4.12 ANNOUNCING THE DOWNSIZING TO THE WORLD

102 (85%) of the employee respondents reported that they learnt about the impeding downsizing in their organization from their chief executive, notice board, meetings, union officials, radio, newspapers and the organization's newsletter. 18 (15%) said that they learnt of the downsizing from the employees who had received their letters in regard to having been downsized, union officials, their supervisors and from the managers within their departments.

The survivors, need attention immediately following a downsizing. They need to know what has happened and why. But as the organizations arrange to give information, it is
important that they consider the manner and the person who informs the world on the management's decision to employee downsize as this may be very critical to the success of the intended programme. Employees getting to learn of the downsizing from their colleagues who have been downsized may not be a good way of getting these kind of information.

4.13 EMPLOYEE REACTIONS TO DOWNSIZING

Being downsized does not only mean loss of upward career movement, but also loss of economic stability and self-respect. This investigation also looked at the reaction of the employees upon hearing that their organizations were to downsize. 108 (90%) of the employee respondents said that upon sensing that their organizations were to downsize, people, went moving around looking and checking for information and signals on when the downsizing was to be done, and who and who were to be downsized.

The 84(70%) of respondents reported that people could be seen in small groups and could be heard discussing about their future. 60 (50%) of the respondents said that some of the employees went to the extent of accusing their organizations for witch hunting or fault-finding in tracking people to downsize. 54(45%) of the respondents said that there was a general feeling among the employees that they were being sacrificed not because their corporations were in serious economic trouble, but rather because the profits being made were not high enough. 36 (30%) of the respondents said that the move to downsize would have been taken a long time ago when their business organizations were almost collapsing due to the emergence of competition and recession. 30 (25%) of the respondents argued that it did not sound positive to retrench workers who endured all the suffering and worked hard to ensure that despite the recession organizations met their targets. 24 (20%) of the employees were happy with the announcement to have them downsized.

These reactions indicate that the employees concentrated on seeking information and reassurance rather than productivity and this could easily lead to lowered productivity. The unquenchable thirst for information caused by downsizing may also lead to rumour-mongering or grapevine which is dangerous for the stability of the business organization's human resources.

The positive response from some of the employees could may be, be attributed to those organizations that had sensitized their employees effectively or were giving a good take home package.
4.14 COMMUNICATING WITH SURVIVORS

The success or failure of a downsized organization depends on the workforce remaining after the downsizing. Organizational goals are unattainable without the enduring commitment of members of the organization. In this section, we look at whether apart from informing the employees that the organization was to carry out an employee downsizing exercise, the organizations talked or gave information to their employees about the reasons why they were downsizing. 96 (80%) of our employee respondents said that their organizations tried to explain to them why they were downsizing. This could be healthy for the remaining employee as it will help him or her to have a clear understanding of where they fit in the revised organization.

Communicating with employees during and after downsizing is vital. Conveying the reasons for such a painful change is central. Employees need to understand the business reason for reducing headcount, and how the change will be managed.

24 (20%) of our employee respondents said that management never explained to them why their organizations were downsizing. This could imply that some of the business organizations may have made assumptions that their staff would automatically see the links between downsizing in their units and the broader strategic and environmental issues affecting the future of their organizations.

This may be an ill advised approach considering that employees are likely to feel unsettled during and after downsizing particularly as they watch their colleagues leaving.

Keeping silent and expecting employees to understand may bring about some unwanted impact on the remaining employees who may see the organization as having behaved unfairly and unjustly. This may make them to feel less secure. They may even lose the belief that their business will be rewarded in future.

4.15 EFFECTS OF EMPLYEE DOWNSIZING ON BUSINESS ORGANIZATIONS

The impact of employee downsizing does not only affect the 'downsized' but also those who remain. Respondents were asked to give what they thought had been the benefits of employee downsizing in their organizations and they responded as follows: 88(55%) of the respondents said that downsizing had helped their organizations to restructure themselves, 72(45%) of the respondents said that it had helped their organizations to cut down costs, 56
(35%) of the respondents said that downsizing had enabled their organizations to change into their core business, and 32 (20%) of the respondents said that downsizing had helped their organizations to adapt to the changing business environment.

This indicates that to some extent business organizations had benefited from employee downsizing.

The research also requested the respondents if they thought downsizing had had any negative effects to their organizations and the responses were as follows: 128 (80%) of the respondents said that downsizing had led to low morale, 96 (60%) of the respondents said that it had led to reduced loyalty of employees to the organizations, 88 (55%) complained of being overburdened by being reassigned the job functions of terminated employees, 72 (45%) said that downsizing was a frustrating exercise as it had no compensation or recognition for the greater work output they were now handling, 64 (40%) complained that downsizing had made their place of work stressful, 56 (35%) of the respondents also said that employee downsizing had made them to feel like a less valued lot in the organization, 48 (30%), said that employee downsizing not only led to cash flow difficult as funds had to be set aside for payment of termination benefits but it had also let to crisis management as the organizations were constantly reacting to unforeseen problems, difficulties and backlogged work rather than growth. 32 (20%) said that downsizing had led to a fall in productivity, 32 (20%) complained that they found themselves behind schedule and that their jobs were boring with little satisfaction or creativity, no sense of joy or accomplishment.

The above data indicates that although employee downsizing had some positive effects on the organization, it also impacted negatively on the business organizations.

Respondents were also asked whether after having gone through the downsizing in their organizations, they believed in the concept of lifetime-employment and whether they were committed to the goals of their employers six months before downsizing and six months after downsizing.

108 (90%) of the respondents said that six months before downsizing was done in their organization, they believed in lifetime employment and they were committed to the goals of their organizations. 8 (7%) did not believe in lifetime employment and were not committed to the goals of the organizations, while 4 (3%) were not sure. On being asked of what they thought of the concept of lifetime employment and their commitment to the goals of the organization six months after downsizing, 84 (70%) of our respondents reported that they no longer believe in the concept of lifetime-employment neither do they share commitment to the organization. 28 (24%) said that they were not sure of their feelings, while 8 (6%) said
they believed in the concept of lifetime employment and were committed to the goals of their employers.

On whether they trusted their organization, 102 (85%) of the respondents said they no longer had confidence in the organization, while 18 (15%) were not sure.

This indicates that employee downsizing shatters employees' trust and empowerment. This is likely to make them to be less initiative in getting the work done. They may also end up developing an attitude of 'why try to do the job since I am going to be downsized next'. Secondly an atmosphere of mistrust may not be healthy for the organizations since it can squash innovation since innovation thrives in settings relatively free of excessive management layers.

From the respondents there is reason to believe that employee downsizing has had an impact on how the employees look at their employers and what they think about their future in the business organization. The insecurity that has been caused by the downsizing exercise could be considered as the real cost of employee downsizing to organizations.

4.16 COPING WITH EMPLOYEE DOWNSIZING EFFECTS

Change one number in any set of calculations, and every other number will also be affected. So it is in the world of work. As seen elsewhere in this research, employee downsizing event has certain outcomes such as feelings of betrayal, loss of trust on management, anger, guilt, and cynicism.

This typically leads to a widespread lack of commitment throughout the organization. But downsizing can also bring significant opportunities for creating new energy and enthusiasm, which often go unrecognized.

The questionnaire, therefore, asked senior management respondents what their organizations were doing to cope with the survivors of employee downsizing. The following were their responses: 32(80%) of the respondents said that their organizations had encouraged their departments to hold off-site meetings where people are encouraged to talk out freely about how downsizing is affecting them. During these meetings employees are supposed to be informed about the future of the business. 32 (80%) of the respondents also reported that their organizations, had significantly invested in the re-training and upgrading of employee skills.
This training and upgrading of the skills can provide a very tangible message of corporate investment in the individual's future.

12 (30%) of the respondents said that their organizations had encouraged the departments to be holding parties and celebrations for employees leaving. This could be a good indicator that the concerned organizations truly values all their employees.

4.17 IF WE HAD TO EMPLOYEE DOWNSIZE AGAIN

In reviewing the employee downsizing process, 32(80%) of the senior management respondents gave the following six points for consideration: examine the organization's mission, establish a mission statement for the exercise, establish a grievance process, use a tighter notification period, take alternative actions before resorting to layoffs and carry out the layoff process in phases. 8(20%) of the senior management respondents, said that they had no comment.

On their part 108 (90%) of the junior employees made the following recommendations: the organizations should copy and improve on previous standards, their should be a clear focus on the purpose for the downsizing, an organization should show commitment to the retrenched and remaining employees. The employees also suggested an organization should use current skill inventories when downsizing. Those with skills should be retained and those without but have the skill potential should be retrained, and the remainder released. But most of all, they said, employee downsizing should be done against a well set plan. 12 (10%) of the junior employees of our respondents had no comments to make.
CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This research investigated on the effects of employee downsizing on 20 of the largest business organizations in Kenya that had downsized during the 1990s.

This chapter summarizes the findings of the study as analyzed chapter four. Conclusions and recommendations have also been drawn from the study and suggestions for further research have been made.

5.2 SUMMARY

Significant facts about the effects of employee downsizing in business organizations have emanated from this study. The research found that most business organizations had carried out staff reduction exercises because of advances in automation, being over-staffed, non-competitiveness, or their market-place had changed dramatically due to changes in global economy and thus leading to the need to employee downsize in order to survive. To some, employee downsizing was a strategy towards the lowering of operating expenses to show a greater profit for the business organization.

It was also found that most of the business organizations had downsized their labour force for more than once and even as this research report was being compiled, it was gathered that some of these business organizations were in the process of carrying out another employee downsizing exercise.

The majority of employees that have been downsized are the unskilled or semi-skilled, and the most favourite method for employee downsizing in these organizations was across the board through the principle of 'last in first out'.

The study further found that most business organizations base their downsizing decisions on corporate restructuring and work requirements, carry out downsizing exercises after identifying needed structural changes and strategic workforce planning; few business organizations rely on attrition or hiring freezes to achieve significant workforce reductions, but use a variety of approaches including redeployment, retraining, and separation incentives.
Employee downsizing, retrenching, or lay off were found to be words that strike fear and anxiety in the minds of most of the employees in the business organizations investigated and only quite a few of the business organizations investigated were making an effort to address this fear and anxiety. It was also found that very few organizations emphasized the importance of open communications during downsizing to an extent that some of them were somehow unwilling to fill our questionnaires terming the issues raised by the questionnaire as 'confidential'. An even fewer number provided employee and family counselling, relocation assistance, and career retraining services. Most of the employee respondents said they were not happy with the manner in which the exercise had been done. They cited insufficient notice, lack of up-front communication, and an apparent lack of strategy as reasons for bitterness in the aftermath of downsizing efforts.

From the study, it appears that downsizing, leads to increased profitability, at least in the short-run. It was also found that downsizing creates an environment in which the work to be done remains the same while the number of people available to accomplish the work shrinks. Remaining workers were doing more with less, creating critical shortages of time, talent and commitment.

As a result it was found out that some of the business organizations, were paying severe penalties for laying off older and experienced workers as it led to loss of organizational memory and experience. There were also reports of increased workload on the remaining employees most of whom were less qualified. A fairly good number of the employees expressed feelings of distrust, insecurity and complained of fatigue. The belief that business organizations could offer steady, meaningful employment and a chance to make lasting contributions had pretty much vanished. The remaining employees felt that loyalty to the business organizations would not provide loyalty by the business organizations in return.

5.3 CONCLUSIONS

Downsizing of the workforce is an overwhelming task for the affected business organizations and the human resource specialists in particular. This is because the exercise is not only expensive but the business organizations are expected to be innovative and creative about how to do their existing work with fewer people.

From our research findings, we feel that the business organizations that did employee downsizing focused on cost cutting through the elimination of people rather than on revenue growth through the changing of work processes.
The lack of sensitivity in the treatment of terminated employees especially in those where there was minimal information about the impeding downsizing exercise in some of the business organizations we investigated has left a bad taste in the mouths of those leaving the organizations. This may be the reason why survivors in these organizations have had to experience an emotional shock, which has made them to freeze almost like 'deer in the headlights', and prevented them from suddenly changing direction. It may also be the reason why they have developed a wait and see what happens attitude, as they do not know what to do.

It is also possible that employees suffering from the survivor's syndrome are not likely to think about developing new services or products for their customers. Secondly, since they feel insecure in their job, morale problems are likely to be exhibited as the remaining employees reevaluate the character of the business organization in light of economic problems. It may even make them have a tendency to hold back their ideas for cost savings or improving processes.

In the circumstances most of these organizations that downsized may fail to meet their financial expectations or have a lasting positive impact.

Thirdly, they may not trust their managers and colleagues and they may be less than enthusiastic about supporting the renewal process. Without trust, there is no basis of hope for individuals to find personal meaning in their work or for any employee to give the best of his or her energy and skill to the business organization.

From the research, it is clear that some of the downsizers acted as if the organizations were a collection of independent individuals ... like a crowd. To them, eliminating people simply, reduces overcrowding. They seem to have forgotten that what makes an organization different from a crowd is the network of formal and informal relationships people build with each other. And that it is this social network which makes every organization to function and flourish. It may therefore not be possible for an organization with a poor network to be very productive.

The emergence of a cottage industry of small contractors, free lancers, independent entrepreneurs and temporary workers so as to carry out the duties that were formerly being done by employees who were downsized as a result of the business organizations' employee downsizing implies that downsizing doesn't necessarily make business organizations smaller, more efficient nor does it boost their long term profits, or drive down wages but is a clear indicator of a business organization's failure to address the real problems that are facing it.
Finally, it is worthy noting that the lost time, waning productivity, and devastated morale create hidden costs, may far outweigh the usual cost-savings predicted from a downsizing exercise. And as this study has shown workforce reduction alone may provide a quick boost in profitability, but with serious side effects. Thus, chances are high that the quick-fix approach may lead to subsequent rounds of layoffs as short-term benefits dissipate.

Therefore, while it is too early to know the long term effects of employee downsizing, the research can nevertheless, conclude that the benefits of downsizing or downscaling are mixed at best, and that short-term results may well be gained at the expense of long-term competitiveness.

5.4 RECOMMENDATIONS

Employee downsizing involves reductions in a business organization's work force that are intended to allow the business organization perform the same function as before, but with fewer people. This therefore, implies that the remaining workers must do more with less, thus creating critical shortages of time and commitment that exacerbate future problems.

The research has shown that employee downsizing has far reaching effects on an organization's performance and employee morale especially if the employers do not carry out the exercise with a well planned strategy. In this section recommendations have been made and if considered when an organization is carrying a downsizing programme, the efficacy of the programme may improve.

5.4.1 CONSIDER ALTERNATIVES

Before an organization embarks on any full scale downsizing programme, there is need to consider a number of alternatives such as:

5.4.1.1 Reduction of the work, either as an offer to employees on an individual basis or as an organization-wide policy
5.4.1.2 Early retirement as a way to voluntarily shrink the workforce.
5.4.1.3 Across the board salary cuts.
5.4.1.4 Effecting a hiring freeze and discontinuing the recruitment process
5.4.1.5 Offering job retraining that would effectively readjust the available workforce skill to match organization needs.
5.4.1.6 Consider transfers of employees to shift unneeded employees to areas with a need for additional personnel.
5.4.1.7 Confer with the employees to be downsized (or unions) for possible alternatives and or concessions.

5.4.2 PRE-DOWNSIZING CONSIDERATIONS

A very intensive and wide consideration of the following factors should be made before embarking on any employee-downsizing programme.

5.4.2.1 Goals and objectives- before carrying out an employee downsizing exercise, there is need for the business organization to identify the organization's goals and objectives for downsizing and determine how the downsizing method selected will help in achieving the set objectives. This will assist the organization in linking the method to the objectives, thus avoiding the inducement to retire employees that shall be needed in future.

5.4.2.2 Productivity and service levels- before making downsizing decisions, consider how productivity and service levels will be maintained with fewer employees. This would entail, for example: re-deploying employees, re-inventing work processes, automating processes and contracting out. An organization should not get rid of people unless it has considered how it will manage her work without them.

5.4.2.3 Cost saving- Prior to downsizing, organizations should make sure that the actions planned to maintain productivity and service levels do not cost more than the savings generated by reducing the workforce. Otherwise it will beat no logic to reduce staff if there are no cost savings.

5.4.2.4 Prioritize- An organization should prioritize among personnel working in varying positions, programmes, occupations, grade levels etc. This should be done in accordance with the organization's objectives to help ensure that critical employees are retained while surplus employees are separated. This will help the affected organization while downsizing.

5.4.2.5 Identify employees likely to take buyout- Identify employees likely to: for instance take a buyout by obtaining information their eligibility for early and regular retirements, the rate at which they are likely to accept buyout by getting information from businesses in a similar line that has downsized and other factors. Such an analysis will help the organization to determine potential savings and will aid in planning.

5.4.2.6 Economic analysis- Perform an economic analysis to determine the savings generated by a given method relative to other separation strategies. Such an analysis
will help business organizations to determine whether a given method of downsizing would provide the anticipated cost savings.

5.4.2.7 **Give priority**- Give priority for downsizing to those employees resigning or retiring early. This will help the organization to reduce payments made to those who probably would leave without financial incentives.

5.4.2.8 **Exclude**- Exclude certain employees from downsizing when they are financially and operationally advantageous to the organization as they are likely to come back as contractors.

5.4.2.9 **Maximize current year savings**- Maximize current year payroll savings by downsizing employees early in the financial year.

5.4.2.10 **Prohibit the reemployment of downsizing recipients**- The re-employment of downsizing recipients should be prohibited unless they repay the full amount of the buyout payment before the first day work.

5.4.2.11 **Tracking system**- Establish a tracking system to report relevant data on employees who take buyouts. This can help an organization to determine where buyouts are occurring and who is taking them. Spot trends that would result in workforce imbalances and take timely corrective action.

5.4.3 **DOWNSIZING PLAN**

Upon making a consideration of all the factors mentioned above, the business organization should develop a comprehensive and strategic downsizing plan.

By developing an effective strategic plan, a business organization will be able to eliminate massive employee downsizing. Small and continuous adjustments will be made as the business environment changes. Seismologists argue that it is better for the earth to have a series of small, surface tremors to relieve pressure than to experience a major quake. Likewise, we recommend that organizations have a small number of employment adjustments than experience periodic massive reductions in force. Planning will also help business organizations to redesign their work so as to avoid the problem of overloading fewer workers with the same amount of work using the same organizational arrangements. The plan should include the following:

5.4.3.1 **Establish a layoff policy for use as a guideline**- A business organization that is an employee downsizing exercise, should develop a clear layoff policy guideline. The policy guideline should not only keep in mind the human element but should also be
sensitive to the needs of the employees as this is likely to play a major part in achieving the goals set by the management.

To avoid losing high performers, an organization can use a scaled comparison. This will help the organization identify the highest and lowest performers across different divisions, departments or areas.

5.4.3.2 Conduct management briefings - Meetings with the management personnel should be held to prepare them for the potential emotional problems experienced by their employees, and to solicit ideas and distribute information about downsizing process. During the meetings, top management should not only be visible but they should clearly explain the organization's vision. They need to explain what they intend to do, why they are doing it and the schedule for doing it.

As much as possible management should ensure that as many people as possible at various levels of the organization can be responsible for developing and implementing the changes. This kind of involvement may not create but may enhance commitment and good feelings about the changes. At the same time, fear and uncertainty among the survivors may be reduced.

5.4.3.3 Notify impacted employees - Employees impacted by the downsizing should be notified by their immediate supervisors, and then again by letter. During the notification, materials for the outplacement programme should be distributed and explained to the employees.

5.4.3.4 Conduct departmental meetings - Managers should hold discussions with the remaining employees to go over the status of the business organization. During these departmental meetings arrangements should be made for a member of the senior management to attend. Involving the senior management at the departmental meetings is just what managers need and the rest of the organization needs as well. The presence of the senior managers is likely to make the employees feel like they are having some kind of contact and input, no matter how subtle, into the future directions of the business organization. These discussions should also be used to gain feedback and to answer questions of survivors reducing the feeling of insecurity and any unexpected resignations that could have occurred.
5.4.3.5 Institute an outplacement programme- An organization should institute an outplacement programme in accordance with its layoff policy, and should provide support to all exiting employees.

5.4.3.6 Conduct exit interviews- The human resources department, should conduct interviews prior to the end of the notification period to gain additional feedback and opinions of exiting employees. The interview should be used to further explain employee status and available benefits.

5.4.3.7 Track employees- It is desirable to maintain a system of mailing and phone lists of exiting employees so that you can be able to track them in case of need in future.

5.4.4 TAKING THE HUMANE APPROACH

In light of the negative effect that employee downsizing has on the remaining employees, it is clear that the benefits of employee downsizing can backfire if not well planned and implemented. To fight off the possibility of sagging performance in light of layoffs, a business organization should find a way to ease some employees off the payroll while still motivating the remaining employees to remain loyal and committed to meeting the challenges of a leaner operation. Because layoffs are hard to justify especially in those firms that may not be in a "do-or-die" crisis situation, we stress that the intention to downsize and the actual downsizing exercise must be well-communicated.

A business organization should not only remain sensitive to the needs of employees being let go, but to also have a positive effect on the employees who will remain in the new organization. The most important thing to fight against is the negative attitude and confusion which can almost cripple an organization. As the research found out, not only can the uncertainty and fear cause employees to be sluggish and reactive, it can also undermine the commitment to the objectives of the business and its future goals.

A business organization should maintain well planned communications during the downsizing effort. Communication should not only remain clear, but should also be informative. Clear and informative communication will not only deal with the fear of the threats perceived by the impending downsizing exercise, be they economic, psychological or social but also help in managing the stress among the employees. As much as possible room should not be left to the rumour mills as they can easily twist and distort the whole programme.
To manage the situation more efficiently and effectively we suggest that a booklet should be prepared with all the information regarding the downsizing exercise. This should be distributed to all managers and where possible to all supervisors so as to enable them handle the questions and fears of employees when the downsizing is first announced. The booklet should include a schedule for the downsizing, a letter from the business organization's chief executive which explains the factors which necessitated the downsizing, a communications plan, a listing of all employees in the business organization including their status before and after downsizing, a schedule for managers and executives who would be briefing employees, answers to anticipated questions, and information for outplacement and severance programmes.

With the distribution of the booklet, managers are likely to feel more comfortable dealing with the plan's effects, responsible for its successful implementation. Once the general announcement is made managers will be able to deal with the few problems that may occur.

Once information is handled openly, surviving employees are likely to develop a positive attitude about rebuilding the business organization for better productivity, and the resulting organization may allow the business organization to move forward as a low-cost producer in the industry.

5.4.5 EMPLOYER SURVIVAL STRATEGY IN THE WAKE OF DOWNSIZING

Employee downsizing in an organization, affects everyone. It is a crisis that demands for the business organization's full attention. It is a time when an organization needs to address the fundamental problems causing the inefficiency and lack of competitiveness rather than wielding the axe. It is a time when managers should identify both the positive and negative effects of downsizing on networks and help the organization recover by constructing new and better relationships. And it is also an opportunity for the organization to improve her networks and not just reduction of numbers.

Therefore as the organization embarks on downsizing, employees should not only be well-informed of what is going on, but they should be involved in the decision-making and where possible an employee assistance programme (EAP) should be set up to help the employees with issues of stress and career transition. Remaining employees should also not be forgotten as they may require counseling and special training. This is important because the success or failure of a downsized organization does depend on the remaining workforce.
Training also makes the organization to have a better chance of retaining the loyalty of the surviving workers.

In helping employees to cope with the uncertainty of losing their job, management should emphasize on open communication as this is vital for the organization and the employees' well being. Employees who have full knowledge of the business organization's finances and its industry feel personally in control amid the uncertainty. Downsizing becomes less of a crisis and more of an expected path. In addition, sharing sensitive financial or competitive data assures employees that they can trust management to be open and honest.

There is also need for the organizations that downsize to apart from creating trust in the remaining employees to help them overcome that 'survivor syndrome'. The organizations need to encourage amongst her employees independence rather than dependence, to focus on work and the customer rather than internal politics.

During downsizing an organization should devote great attention to human resource development and network rebuilding so as to empower and boost performance. Management also needs to establish a clear strategic vision for the organization of tomorrow, as that is where her success lies.

Management should try to revolutionize the way people work together, communicate and interrelate. They should manage the organization as a network of relationships and not just reduce headcount.

Much as this research appreciates that business organizations cannot guarantee lifetime employability anymore, there is need for the organizations to create conditions that stimulate, update skills and tap human potential, rather than destroy it. Business have responsibility not only to their investors, but also to other stakeholders - particularly its employees. It needs to do more in order to ease the pain of downsizing.

Finally, business organizations should remember that they are artificial creatures chartered by society, and are subject to society's values and approval. This makes it imperative that employee downsizing be done humanely and those who remain behind be given professional growth.

5.4.6 EMPLOYEE SURVIVAL STRATEGY IN THE WAKE OF DOWNSIZING

Employee downsizing, leaves a business organization with an atmosphere of mistrust between the employee and the employer, fear of inadequate performance, and insecurity. It destroys the social networks in the organization and leaves the employees disillusioned and
unmotivated. This is not good for an employee's future in the organization and every effort should be made for their survival in the organization.

Those who survive a downsizing exercise, should get out of their 'silo' and not only be able to build bridges with other sections, departments and divisions, but should try to become team builders and active members of multi-functional teams. They have to learn on how to live and work in a downsized organization. They should struggle to make themselves valuable whether it means getting training in areas valuable to their business organizations and pertinent to their job. That might be in business management, computer-related technology, engineering or technology, ISO 9000, marketing etc.

They should not only rebuild and manage co-operative relationships with superiors, subordinates, and peers around the business organization, but they should initiate and nourish external relationships with customers, suppliers and even competitors. These networks should be build even if an employee's job isn't currently in jeopardy, so as to not only make him or her a more valuable contributor (and this covers layoff odds) but to also give him or her more and quicker information about impeding job cuts or have allies to protect him or her when the cuts come. The personal contacts may even later turn out to be sources of new employment when the dreaded downsizing finally strikes.

Finally, employees should try to evaluate their roles in the business organizations. They should try to find out whether their roles are inside or outside the 'core competence' of the business organization or they are in a peripheral, non-vital department, division or workgroup. They should also take a critical look at their organizations and identify some 'weak' spots that they could tackle and make a difference. This will make them better placed and prepared for any eventuality. It is also worth noting that no matter how well a firm is, jobs will always be at jeopardy.

5.4.7 MANAGING SURVIVORS

The research findings indicated that management should pay more attention to the survivors and what is going on in their minds following a downsizing. The traditional thinking that people who survive downsizing would be grateful to have jobs and would, therefore, be more productive no longer holds any water.

As an organization downsizes her labour force, it needs to keep in mind the survivors' emotional turmoil. Such concern is key to realizing the productivity and profitability gains that employee downsizing was intended to bring about in the first place.
Business organizations should avoid negative feelings amongst the survivors by positively handling the downsized employees. Organizations should reassure confused and vulnerable employees that a change of job is normal. They should express their commitment to the dismissed workers (through care-taking activities of providing severance pay and outplacement counselling) even as they are in the process of becoming uncommitted to them by laying them off. Such an action from the employer will certainly make a survivor to be committed to the organization.

Employers should frequently communicate with the employees. By communicating with employees, making them feel part of the organization, and working to restore loyalty, it is possible to avoid some of the most dangerous pitfalls of downsizing as realized during our research.

Communication and particularly through personal appearance of the senior management will help to curb the worry among the employees and re-direct employee energies to the job at hand. The senior manager should talk about where the organization is headed and describe any plans for growth. Downsizing should be discussed as a step towards a more efficient and profitable business with an attractive future. The senior management should never be silence as is the worst policy!

As they communicate with the employees, employers should ensure that their communication covers: the reasons for downsizing, explain the purpose of downsizing, explain the need for growth and profitability, and if possible the communication should explain future plans including detailed plans for restructuring, upgraded technology etc. Organizations should communicate whenever possible that though downsizing is necessary, each employee who is let go, will receive severance pay and job placement assistance.

Where possible, the employer should emphasize that laid-off employees will be treated with respect and dignity. This is important for managing and maintaining remaining employees' morale and commitment to the organization. The employer should listen very carefully to employee concerns and adequately address each concern to whatever degree possible. This must be done with sincerity and no sense of condescension such as 'calming the mob'.

It is also important that the employer justifies the layoff. This is extremely necessary, especially if the times are good and the downsizing is a part of strategic growth and profitability. Employees need to understand that the employer, sincerely needs to make these cuts and it is not a whim or a mistake.
Lastly, long after downsizing is completed, the employer should continue communicating with employees to rebuild security and trust. Management should not assume that the remaining employees are merely grateful to still have their jobs. Remaining employees need to feel they are valued, have a place in the organization, and that management believes that they are an important part of the success of the organization. Management therefore needs to restate to the remaining employees its vision of the future, establish a revitalized culture which rewards individual and team initiative, and create new alliances across departments and divisions.

The team-based culture formed, will help surviving employees to deal with the emotional impact of loss as well as focus their attention on the future success of the organization.

However, this creation of a new corporate vision requires a sense of closure concerning the mistakes of the past. Management must, therefore, identify these mistakes, take responsibility for them, and address them in a way which assures employees they will not happen again. This requires personal integrity as expressed through candor, honesty and directness.

Finally, employee downsizing will only yield the expected results if it is looked at as a way of life, as an ongoing process as a basis for continual improvement rather than as a programme or target.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

This study covered only the impact of employee downsizing on business organizations. There is need for research to be done on the following areas:

a) Effects of employee downsizing on employee morale.

b) How business organizations are coping with the effects of employee downsizing.

c) Effects of employee downsizing in the public sector
## TABLE 1

Number of Times business organizations downsized

<table>
<thead>
<tr>
<th>NUMBER OF TIMES</th>
<th>NUMBER OF FIRMS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once</td>
<td>14</td>
<td>70</td>
</tr>
<tr>
<td>Twice</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Thrice</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>20</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

## TABLE 2

Background information of employee respondents (Sex)

<table>
<thead>
<tr>
<th>SEX</th>
<th>NO OF RESPONSES</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>84</td>
<td>70</td>
</tr>
<tr>
<td>Female</td>
<td>36</td>
<td>30</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

## TABLE 3

Background information of employee respondents (Age)

<table>
<thead>
<tr>
<th>AGE BRACKET</th>
<th>NO. OF RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 – 35</td>
<td>78</td>
<td>65</td>
</tr>
<tr>
<td>35 – 45</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>45&gt;</td>
<td>12</td>
<td>05</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
### TABLE 4
Background information of the Senior Management respondents (Sex)

<table>
<thead>
<tr>
<th>SEX</th>
<th>NO. OF RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>28</td>
<td>70</td>
</tr>
<tr>
<td>Female</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

### TABLE 5
Background information of the Senior Management respondents (Age)

<table>
<thead>
<tr>
<th>AGE BRACKET</th>
<th>NO. OF RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 - 35</td>
<td>08</td>
<td>20</td>
</tr>
<tr>
<td>35 - 45</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>45+</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

### TABLE 6
Rationale for downsizing employees

<table>
<thead>
<tr>
<th>NO.</th>
<th>RATIONALE</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Reduced trade barriers leading to external competition</td>
<td>53</td>
</tr>
<tr>
<td>2.</td>
<td>Automated changes in the industry</td>
<td>50</td>
</tr>
<tr>
<td>3.</td>
<td>To cut costs</td>
<td>45</td>
</tr>
<tr>
<td>4.</td>
<td>To increase the profits</td>
<td>25</td>
</tr>
<tr>
<td>5.</td>
<td>Corporate strategy</td>
<td>13</td>
</tr>
<tr>
<td>6.</td>
<td>News worthy</td>
<td>10</td>
</tr>
</tbody>
</table>
**TABLE 7**  
Planning for employee downsizing

<table>
<thead>
<tr>
<th>PLANNING</th>
<th>NO. OF ORGANIZATIONS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned</td>
<td>16</td>
<td>80</td>
</tr>
<tr>
<td>Did not plan</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>20</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**TABLE 8**  
Alternatives to employee downsizing

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>NO. OF ORGANIZATIONS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Had alternatives</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>Had no alternative</td>
<td>02</td>
<td>10</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>20</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**TABLE 9**  
List of alternatives to employee downsizing

<table>
<thead>
<tr>
<th>NO.</th>
<th>ALTERNATIVE</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Natural attrition</td>
<td>90</td>
</tr>
<tr>
<td>II</td>
<td>Employee Training Programmes</td>
<td>55</td>
</tr>
<tr>
<td>III</td>
<td>Postpone wage increases</td>
<td>45</td>
</tr>
<tr>
<td>IV</td>
<td>Delayering the organization</td>
<td>40</td>
</tr>
<tr>
<td>V</td>
<td>Investment in Research and development</td>
<td>40</td>
</tr>
<tr>
<td>VI</td>
<td>Contracting services</td>
<td>30</td>
</tr>
<tr>
<td>VII</td>
<td>Dropping of product lines</td>
<td>30</td>
</tr>
<tr>
<td>VIII</td>
<td>Use of consultants (outsourcing)</td>
<td>20</td>
</tr>
</tbody>
</table>
### TABLE 10
Why alternatives were not picked

<table>
<thead>
<tr>
<th>NO.</th>
<th>REASON</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Cost savings were not great enough</td>
<td>90</td>
</tr>
<tr>
<td>II</td>
<td>Employee downsizing was an easier method</td>
<td>60</td>
</tr>
<tr>
<td>III</td>
<td>No need for alternatives</td>
<td>40</td>
</tr>
<tr>
<td>IV</td>
<td>They could not lead to meaningful reductions</td>
<td>20</td>
</tr>
</tbody>
</table>

### TABLE 11
Support for employee downsizing by management

<table>
<thead>
<tr>
<th>NO. OF ORGANIZATIONS</th>
<th>DEGREE OF SUPPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>75</td>
</tr>
<tr>
<td>4</td>
<td>50</td>
</tr>
<tr>
<td>10</td>
<td>25</td>
</tr>
</tbody>
</table>

### TABLE 12
Type of employee downsizing carried out by business organizations

<table>
<thead>
<tr>
<th>TYPE</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Early retirement</td>
<td>85</td>
</tr>
<tr>
<td>II Across the board cutbacks</td>
<td>55</td>
</tr>
<tr>
<td>III Hiring freeze</td>
<td>38</td>
</tr>
<tr>
<td>IV Involuntary separation</td>
<td>19</td>
</tr>
<tr>
<td>V Buyout</td>
<td>13</td>
</tr>
<tr>
<td>NO.</td>
<td>CRITERIA</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>1</td>
<td>'X Percent' across the board</td>
</tr>
<tr>
<td>2</td>
<td>Seniority</td>
</tr>
<tr>
<td>3</td>
<td>Key skills</td>
</tr>
<tr>
<td>4</td>
<td>Performance appraisal</td>
</tr>
<tr>
<td>5</td>
<td>The fast downhill</td>
</tr>
<tr>
<td>6</td>
<td>Salary recovery</td>
</tr>
</tbody>
</table>

TABLE 13
Criteria for downsizing employees
REFERENCES

5. Business Trend, (1992) vol. 2, No. 6, "What Kenyan companies are doing to survive"
16. Lessie Lissner, (1997) Pacific Business News "Downsizing is here to stay but ease the process with sincerity, and support", 15-09-1997
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<table>
<thead>
<tr>
<th>Reference</th>
<th>Title</th>
<th>Author(s)</th>
<th>Publisher/Location</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. DETTMER R 1994)</td>
<td>The theory of constraints, a systems approach</td>
<td>University of Southern California, California</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>Team Management</td>
<td>Miller Howard Consult, Atlanta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. ZIMMERMAN C L (1989)</td>
<td>Downsizing</td>
<td>University of Iowa, Iowa</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX "A"

Please complete this Questionnaire appropriately and honestly. Your name is not required. The information you give will be treated with the strictest confidence and will only be used for the purpose of the study.

PART A

1. Sex Female/Male (tick one)
2. Age
3. What is your highest obtained educational level?
4. For how long have you been with the organization?
5. What is your supervisory status? Non-supervisor _____ Supervisor ________ (Tick one)

PART B

6. Downsizing is defined as a managed reduction of employees in an organization (e.g. early retirements, layoffs, termination of employment contract...). Has your employer downsized within the last five years? YES _____ NO _____
7. What type of downsizing have you witnessed in your employment organization? (tick all that apply)
   (i) Induced retirements
   (ii) Involuntary retirements
   (iii) Separations with benefits
   (iv) Separations without benefits
   (v) Hiring freezes
   (vi) Induced pay to quit
8. What reason(s) were given for the type(s) you ticked at 7 above?
   (i) 
   (ii)
9. When was a downsizing exercise done last at your organization? (Give in Number of years e.g. one year ago)  

10. A) About how many employees were downsized? 

   b) What criteria was used to identify the employees that were to be downsized? (tick where they apply) 
      i) Number of years in service 
      ii) Position 
      iii) Educational level 
      iv) Sex 
      v) Department 
      vi) Terms of employment (casual, temporary, permanent) 

   c) How was the downsizing done? In phases _____ all at once ______ (tick one). 

11. Were they from ( tick one ) 
      (i) One department only 
      (ii) Two departments only 
      (iii) Three departments 
      (iv) All departments 

12. Which department was the greatest loser of working ________________

13. Please give at least Two reasons that the management gave for downsizing? 
      (i) ____________________________________________________________ 
                                                  ____________________________________________________________ 
      (ii) ____________________________________________________________ 
                                                  ____________________________________________________________ 

14. (a) How were the employees informed about the downsizing exercise? (tick appropriately) 
      (i) Notice Board 
          Memo 
      (ii) Meetings
(iii) Through union representatives
(iv) Radio

(b) Who informed you? (tick appropriately)

(i) Managing Director
(ii) General Manager
(iii) Supervisor
(iv) Union Officials
(v) Newspapers

15. (a) What was the reaction of most of the employees to the news of downsizing (tick one)

(i) Very positive
(ii) Positive
(iii) Fairly positive
(iv) Negative
(v) Very negative

(b) Give TWO reason for your kind of answer to 15 (a).

(I) 

(II) 

16. Give at least TWO reasons why they reacted as ticked in 15 (a) above.

(i) 


17. Is there a trade union representative(s) in your organization? YES ____ NO ____
<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did the management involve a trade union representative(s) in the downsizing exercise?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has there been any change of duties since downsizing took place?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Were you given any training for the new duties?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
PART C

Expectations about work are expected to change over time. You are being asked to evaluate the following statements based on how you felt during two distinct time periods. Tick YES or NO against the question.

**FEELINGS ACROSS TIME**

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>TIME PERIODS</th>
<th>Six months before downsizing</th>
<th>Six months after downsizing</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. An employer should retain employees during periods of economic uncertainty.</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>18. I will work for my current employer until I retire</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>19. Organizations should practice downsizing only as a last effort towards maintaining its existence</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>20. Organizations should have well established job protections for employees (e.g. grievance, arbitration)</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>21. My work motivates me to do a good job.</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>22. I am committed to the goals of my employer(s)</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>23. Employees must be committed to their work</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>24. An employee must share the values of its employer</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>25. Employee enjoy their work</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>26. I have many other employment options</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>27. My skills are valued in many organizations</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>28. I can easily get a job at the same or better pay</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>29. I do not mind moving out of town for another position</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>30. I trust my employer</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>31. My employer meets my job security needs</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>32. Punishment for those employees who do not follow the rules has been appropriately handled.</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>33. I know exactly what my employer expects of me</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
<tr>
<td>My work benefits society</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
<td></td>
</tr>
</tbody>
</table>
36. What suggestion(s) would you make to your organization in case your organization was to carry another downsizing exercise in future.

(i) 

(ii) 

(iii) 

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APPENDIX "B"

Please complete this questionnaire appropriately and honestly. Your name is not required. The information you give will be treated with the strictest confidence and will only be used for the purpose of the study.

PART A

1. Sex ___ Female/Male (tick one)
2. Age ________________
3. a) For how long you have been with this business organization? _______________________
b) What is your current job title? _______________________

PART B

4. Downsizing is defined as a managed reduction of employees in an organization (e.g. early retirements, layoff, termination of employment contract...). Has your organization downsized within the last five years? YES ____ NO ____
5. What type of downsizing have you had at your organization? (check all that apply)
   (i) Induced retirements
   (ii) Involuntary retirements
   (iii) Separations with benefits
   (iv) Separations without benefits
   (v) Hiring freezes
   (vi) Induced pay to quit
6. What criterion was used by your organization to downsize the employees?
   i) Years of service
   ii) Position
   iii) Educational level
   iv) Sex
   v) Department
7. When was a downsizing exercise done last at your organization (give in number of years e.g. one year ago) 1____ 2____ 3____ 4____ 5____
7. How many employees were downsized? _______________________
8. (a) Do you have a clear staff reduction policy? YES ____ NO ____
     (b) If NO why?

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9. Kindly give at least **THREE** reasons why your organization downsized?

(i) 

(ii) 

(iii) 

10. Did your organization have any alternative to handling the reasons stated in 9 above other than downsizing? **YES** ___ **NO** ___

11. Kindly give at least three of the alternatives you had.

(i) 

12. Give at least **THREE** reasons why your organization chose downsizing as an approach to handling the objectives you stated in 9 above.

(i) 

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13. The decision in 12 above was agreed by about (Tick one) (i) 100% (ii) 75% (iii) 50% (iv) 25% of the senior management members.

14. When were the employees informed of the downsizing? (e.g.) one month before the exercise) 1 2 3 4 5

15. How were they informed? (Tick the appropriate).
   (i) Through radio
   (ii) Meetings
   (iii) Notice Board
   (iv) Staff newsletter

16. Is there a trade union representative(s) at your organization? YES __ NO __

17. Did you involve trade union representative(s) in your downsizing exercise? YES __ NO __

18. At what stage of downsizing did you involve the trade union? (Tick one)
   (i) At the planning stage
   (ii) At the implementation stage
   (iii) At the monitoring and evaluation stage

19. Give at least two reasons why you chose to involve a member of the trade union during your downsizing exercise.
   (i) ____________________________
   (ii) ____________________________
   (iii) ____________________________
   (iv) ____________________________

21. How long did it take to complete the organization's downsizing? (Tick one)
20. What was the reaction of the employees response towards your organization's downsizing proposal? (Tick one)

(i) very positive __
(ii) positive __
(iii) fairly positive __
(iv) negative __
(v) very negative __

(b) Give at least THREE reasons for your answer to 20 (a) above

(i) 
(ii) 
(iii) 

(c) Give at least TWO reasons why you think they reacted as indicated in 20 (a)

(i) 
(ii) 

21. How long did it take you to reach your targeted staff reduction figure? (Tick one)?

(i) Six month _____
22. (a) Were there any external Actors that may have affected your downsizing exercise?  
YES __ NO __

(b) Give at least TWO reasons to your answer in 22(a) above

(i) ____________________________________________________________
(ii) ____________________________________________________________

22. Has there been an increase in productivity per employee? YES_____ NO_______

23. When was the organization's net income high? Six months before downsizing OR six months after downsizing?

24. Has the business increased her relative market share since downsizing? YES____ NO_____

**PART C**

Expectations about work are expected to change over time. You are being asked to evaluate the following statements based on your observations and feelings during two distinct time periods.
### TIME PERIODS

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>Six months before downsizing</th>
<th>After downsizing</th>
</tr>
</thead>
<tbody>
<tr>
<td>22. An employer should retain employees during periods of economic uncertainty</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>23. Organization should practice downsizing only as a last effort towards maintaining its existence</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>24. Quality of product is good</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>25. Profits are quite high</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>26. Industrial relations are quite high</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>27. My job has been demanding</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>28. All departments are well staffed</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>29. There are no work hitches e.g. delays, shortages etc.</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>30. Employees don’t mind working extra hours without pay</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>31. Cases of absenteeism are low</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>32. Employees in understaffed departments are leaving</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>33. Employee’s are assured of retaining their job</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
<tr>
<td>The salaries are fair to the amount of work</td>
<td>YES ___ NO ___</td>
<td>YES ___ NO ___</td>
</tr>
</tbody>
</table>

33. If you were to carry another downsizing exercise are there any changes you would wish to see made in your downsizing programme? YES ___ NO ___

34. (a) Give at least THREE reasons for your answer to 31 above

(i) 

(ii) 

(iii) 

(iv)
(ii) At what point would you wish to see the adjustments made? (tick as appropriate)

(i) Planning
(ii) Implementation
(iii) Evaluation
(iv) At all levels

(c) Give at least Two reasons for your answer

(i) ____________________________________________

(ii) ____________________________________________

35. Give at least THREE lessons you or the organization has learned from the downsizing exercise you last had

(i) ____________________________________________

(ii) ____________________________________________
36. Give at least THREE problems you are facing in handling the employees who remained

(i) 

(ii) 

(iii) 

37. What measures have you taken to cope with the problems mentioned in 36 above

(i) 

(ii) 

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38. What suggestions do you have for business that intend to downsize?