EFFECTS OF DOWNSIZING ON EMPLOYEE PRODUCTIVITY IN BARCLAYS BANK OF KENYA LIMITED

BY:

PORTIA NAMENYA KARANI

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DECLARATION

This research project is my original work and has not been submitted for a degree in any other university.

Signed_____ . 07.11.2011

Portia Namenya Karani

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This research project has been forwarded for examination with my approval as the university supervisor.

Signed_____ 8/11/2011

Mr. Jeremiah Kagwe

Lecturer, Department of Business Administration,

School of Business, University of Nairobi.

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DEDICATION

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ABSTRACT

Most employees and employers alike know that in this current economic climate there are a few businesses immune from the possibility of staff downsizing. This has been brought about by the global changes in the economic environment brought about by competition and other economic environmental factors. Though the psychological and behavioural effects of downsizing has been conducted the reasons and effects of the exercise on staff productivity has not been studied.

This research is a case study analysing the effect of staff downsizing on employee productivity levels at Barclays Bank of Kenya Limited looking at the productivity levels of staff members after the exercise was conducted in February 2011. The population of study will be the staff members of Barclays Bank of Kenya limited post downsizing and the researcher will seek information from five senior managers at the financial institution seeking their opinions on how this exercise has impacted on the remaining staff by looking at their levels of productivity. Data will be collected through interviews with the guidance of an interview guide drafted by the researcher that will be conducted with the chosen managers of Barclays Bank of Kenya Limited.

The interviewees pointed out in unison that downsizing exercise has led to reduced levels of productivity among staff members who survived the exercise. This was brought about by the reduced confidence levels among staff members and panic within the bank. The bank being in the service industry the mood of the staff members affects their output and this affects quality of service being offered to the clients.

The perception of employees on how companies handle staff downsizing is pathetic. The way companies are going about the exercise leaves a lot to be desired and their reputation may suffer as a result of mishandling the process. Therefore careful detail should be given to this exercise, which if poorly conducted affects staff directly and the staff being core in the running of an organisation should be looked at as valuable organizational resource. Therefore firms seeking to downsize should seek the help of professional human resource bodies for advice before undertaking this exercise which if done without careful planning leaves a company worse off. Firms seeking to downsize should explore all the other possible alternatives and choose downsizing as the last option to restructure a firm since the effects of the exercise are very severe especially to the surviving staff members.

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CHAPTER ONE: INTRODUCTION

1.1 . Background of the Study

In a business enterprise, downsizing is reducing the number of employees on the operating payroll. Businesses use several techniques in downsizing, including providing incentives to take early retirement and transfer to subsidiary companies, but the most common technique is to simply terminate the employment of a certain number of people.

Downsizing is the strategy to reduce the scale, size and scope of business to improve its financial performance (Robbins & Pierce, 1992). This is a reduction of the workforce as one of the ways of improving profitability and reducing costs. When business conditions deteriorate many firms turn to downsizing. And in most of these circumstances layoffs become the central focus of a plan to reign in expenses.

From the employee perspective, downsizing can raise havoc with stress levels. While those laid-off certainly suffer, those left behind, called survivors, may find it impossible to escape from the increased pressures in the workplace. The remaining employees may succumb to a wide range of responses from a short-term reaction called "survivor syndrome," to a more serious and protracted response called "Post Downsizing Stress Syndrome (Noer, 1993) whereby the remaining employees are stressed. Post Downsizing Syndrome, a term coined during the 1990-1991 recession, is now recognized as a significant problem that organizations need to address.

Unfortunately, downsizing is here to stay. Apart from its effect on the

human toll, it has become an accepted way of dealing with an intensely competitive global environment. It is a tool that will be used even in more prosperous times when organizations find it necessary to transform their products, services, organizations, and workforce in response to threats and opportunities of a rapidly changing and very competitive world economy.

In the process of companies trying to adapt to the external environmental changes in the job market, companies may opt to reduce costs and here downsizing of staff comes as an option. The company with the aim of cutting down on staff salaries may end up incurring higher costs such as reduced productivity from the remaining staff members who are not motivated to work in fear of job loss, reduced staff morale which will make the company incur more costs on training of the remaining staff members and doing team building activities to boost staff morale. Therefore it is important for a company to analyse downsizing weighing its pros and cons and analyse its impacts in detail before undertaking the exercise. Since the company may end up spending much more than they estimated reduced costs in plan.

The successful management of this process is ultimately the key to survival of any organisation. It should be the concern of all organisation members irrespective of their position. Therefore the organisations have to plan carefully how to undertake the downsizing process. Human resource consultant's advice is important at this point as the emotions and feelings of the staff members are directly affected through this process. Since employees' morale directly affects their output this process should be handled carefully with great expertise.

1.1.1. The Concept of Downsizing

Cameron (1992) defines downsizing as a positive and purposive strategy, a set of organizational activities undertaken on the part of management of an organisation and designed to improve organizational efficiency, productivity and competitiveness. This is a critical decision taken by organisation and human resource management have an important role to play here.

All employees should be informed why the downsizing is necessary what costs are to be cut, how long the downsizing will take and what strategies the organisation intends to pursue. Human resource management plays a vital role in downsizing to communicate the message in a right way that it will not harm the organisation's image and the employees have positive perception even after leaving the organisation.

Downsizing also impact on the mind of the employees working in the organisation. They feel insecure about their job. Especially the survivors' left behind post downsizing they develop fear not knowing when they would loose their jobs and this tends to impact on the employee motivation and eventually the level of productivity per employee.

Because of its negative connotation of giving people the 'axe' downsizing is not a term that many management consultants use. Many would rather use friendlier terms such as re- engineering, rightsizing and re inventing. On the other side of the spectrum there are researchers who are concerned that downsizing has become too closely associated with the process of organizational decline and its negative effects (Noer, 1993).

1.1.2. Employee Productivity

The concept of productivity is generally defined as the relationship between input (Consumed resources) and output (produced goods) in the manufacturing transformation process (Koss & Lewis, 1993). Productivity can be described as the quantitative relationship between input and output (Montreal Gazette, 1998).

Productivity is closely related to the use and availability of resources. It is also linked to creation of value. Therefore high productivity is achieved when activities and resources in the transformation process add value to the produced outcome. The opposite of productivity is represented by waste that then must be eliminated to improve productivity (Koss & Lewis, 2002).

Creating a work environment in which employees are productive is essential to increased profit of an organisation. Principles of management dictate how exactly to maximise employee productivity and it centres around two major areas of focus: personal motivation and infrastructure of the work environment. One of the key ways of producing highly productive staff is through motivational incentives based on salary raise and promotions. In addition a motivating work environment must be one in which employees are treated fairly. No matter what level of input a particular worker has in relation to the business process as a whole. It is essential for a manager to give each employee a sense of playing a dynamic integral role in something much larger. Indeed endangering loyalty is a key element of motivating workers and thereby increasing the overall productivity of operations (Noer, 1993).

One of the reasons companies tend to ignore the importance of employee productivity is because they link overall productivity and profitability as one issue. Productivity is

an important aspect to analyse in any organisation as productivity affects the profitability and performance of an organisation. Therefore the two concepts of productivity and profitability are totally different and one affects the other.

1.1.3. Downsizing and Employee Productivity

It's a common adage that exists in every culture: you reap what you sow. In business perspective this might apply to the quality of product or service. Better quality means more customers. Businesses are dependent on the quality of staff that the business will have as the staff members being the direct people involved in the production process will directly affect the quality levels of the goods being produced or the quality of services rendered (Tomasko, 1990).

There is a direct correlation between lower productivity and downsizing. A study published in the Academy of Management Journal showed that downsizing is so demoralizing for the remaining staff that many of them feel motivated to leave the job and find work elsewhere. The staff cut is so damaging to the morale and this leads to lower productivity levels as the remaining employees seek knowledge on who will be next to go home instead of focussing on their assigned duties. This process also rids the company off talented staff who before their productivity levels affected the overall organizational productivity. These disruptions in company dynamics result in lack of productivity. Plus the company might incur the cost of replacing talented staff (Montreal Gazette, 2008).

People are the single biggest asset and expense for almost all companies. Companies therefore have to hire well and keep the talented staff motivated all through in order

for the staff to remain highly productive. Companies have to ensure that the workforce feels the company practices are equitable and based on performance. The employees will then be more engaged and satisfied with their jobs thus become more motivated to work and this will increase the output level per employee and the overall organization productivity level (Koss & Lewis, 2002).

1.1.4. The Banking Industry in Kenya

The Companies Act, the Banking Act and the Central Bank of Kenya (CBK) Act govern the banking industry. The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Ministry of Finance docket, is responsible for formulating and implementing monetary policies and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial bank and non-banking financial institution, interest rates and other publications and guidelines.

The banking system comprised 53 commercial banks, 11 non- bank financial institutions, 2 mortgage finance companies and 4 building societies. The institutions under statutory management stood at 4 while the number of forex bureaus increased to 48. 35 of the banks most of which are small to medium sized are locally owned. The Industry is dominated by a few large banks foreign owned, though some are partially locally owned (Central Bank of Kenya).

Six of the major banks are listed in the Nairobi Stock Exchange namely Barclays Bank, CFC Stanbic Bank, Diamond Trust Bank, Equity Bank, Kenya Commercial

Bank, National Bank of Kenya Limited, National Industrial Credit Bank, Standard Chartered Bank and Cooperative Bank of Kenya Limited. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a smaller number offer other services including Investment banking. The banking industry has most recently witnessed a rapid changing environment characterised by stiff competition, changing customer needs, declining margins, low liquidity and higher financial risks.

1.1.5. Barclays Bank of Kenya Limited

Barclays bank in Kenya is one of the largest banks in the East African country the bank boasts of a balance sheet worth $ 1 billion that is equivalent to 10% of the country Gross Domestic Product. This bank is a subsidiary of Barclays PLC and it has been operational in Kenya since 1916 and it has extensive branches all over the country. The business units of Barclays bank fall under retail, corporate, treasury and card services supporting segments of small businesses to small to midsized companies (SME's).

The bank has 69 branches around the country. Almost 30% of the retail market in Kenya is under the control of Barclays. The largest outlet of the bank is in Nairobi and this branch is Queensway branch however the head office is situated at Barclays Plaza. The bank entered the Nairobi stock exchange in 1986 and since then it has been actively trading in the market with the bank having around thirty four thousand shareholders. The bank currently has approximately 1,890 staff members with Adan

Mohamed a Harvard business school graduate as its Managing Director. (Barclays bank website).

The banks financial strength coupled with extensive local and international resources have positioned Barclays as the number one provider of financial services in the market for the past several number of years. The company's year over year financial performance has built confidence in the banks leadership and management with the bank having over 60,000 shareholders. The Vision of the bank is to be the best retail and commercial bank for every customer, every market, every product, every time. The mission of the bank is to be the leading retail and commercial bank in Kenya.

1.2. Research Problem

Organization downsizing has been a pervasive managerial practice for the past decades. If a firm finds itself in financial difficulties the widely accepted corporate panacea has been to cut down personnel. While strong empirical evidence suggests that reduction in force activities rarely return the anticipated economic and organizational gains (Cassio, Young & Morris, 1997), there is increased understanding and awareness that downsized companies are forced to deal with the human and societal after- effects in a post downsizing phase.

Research shows that the human consequences of layoffs are costly and devastating for individuals, their families and the entire community. While workforce reductions cannot always be completely avoided, downsizing- related layoffs must be a managerial tool of absolute last option rather than first option. During an economic

downturn, a company must carefully consider its options and assess the feasibility and applicability of cost-reduction alternatives before adopting layoffs as a strategy (Littler, 1998).

To meet environmental demands, the organization may make changes to its structure, strategy, products and services. Population ecology theory and institutional theory provide alternative perspectives on organizational change. The population ecology theory emphasizes the significance of environmental pressures highlighting how these pressures affect survival. The organizational change underscores the importance of maintaining legitimacy by meeting societal and industrial expectations (Hannan & Freeman, 1977).

According to the population ecology theory the external environment determines the optimal characteristics of the population of organizations. To survive in their environment, organizations must adapt to constraints (Hannan & Freeman, 1977). The adaptation process may force organizations to decrease their size, product of service mix. Population ecology theory states that rampant downsizing in an industry occurs when the environment imposes an optimal form for organizations. By meeting the demands of the environment through downsizing an organization increases its chance of survival in the environment.

DiMaggio & Powell (1983), offer an institutional perspective for why organizations may choose to downsize. This theory views downsizing as one response to the environmental uncertainty. The organization chooses this strategy because it provides a semblance of control. When executives are unable to predict the environment, they

are likely to adjust in a way similar to other organizations in the same environment. An important nuance of this theory is that imitation can occur among organizations without any credible evidence of a casual link between improved performance and downsizing. From this theoretical perspective, downsizing serves as a legitimating strategy and buffers the organizations against further chaos associate with uncertainty.

Although managers may not explicitly view downsizing from a particular theoretical perspective, they create implicit assumptions among other organizations when they use this strategy. Many studies have been conducted to assess the impact of downsizing on the remaining employees known as survivors' morale. The unanswered question is why do organisations downsize and how does downsizing impact on the productivity levels of an organization?

Noer (1993) did an intensive research on the trauma of downsizing on the remaining employees. In his book healing the wounds basing on his study he emphasized on ways in which companies need to motivate the remaining staff in order to make them overcome the trauma associated with downsizing and get them to work productively.

Wamuyu (2001) did a research on the strategies adopted by commercial banks due to external change. In this research he pointed out strategies adopted which includes product differentiation as a way of increasing sales for the banks and thus increase revenues to the specified financial institutions. Kibett (2006) looked at the effects of downsizing on employee morale and operations at Trans National Bank. He focussed his study on how downsizing affected the staff morale and the general bank

operations prior and post downsizing. Kibbet like Noer focussed his study on the morale of the staff post the downsizing exercise.

This study will focus on downsizing exercise that took place in 2011 February at Barclays Bank of Kenya Limited. To analyse the comparison of productivity the analysis will focus on productivity levels of previous year 2010 with that of 2011 post the downsizing exercise. The scope of study will be for two years.

The research question will be how has downsizing affected productivity levels at Barclays bank of Kenya level? The researcher seeks to find out if the downsizing exercise led to increase or decreased productivity levels post downsizing.

1.3. Research Objective

The objective of the study is to determine the effect of downsizing on employee productivity in Barclays Bank of Kenya Limited.

1.4. Value of the Study

The research project will provide academics analysis of downsizing. It will make contribution to both theory and practice. To organisations being private, governmental and other parastatals this study will bring out potential benefits and negative effects of downsizing, assist professionals and top management in organisations in formulating guidelines that concern implementation of downsizing in organizations so that minimal negative effects can be felt after the exercise has been implemented. This study will enable a firm planning to undertake the exercise weigh the pros and cons carefully before engaging downsizing looking at the positive and negative effects that come as a result of downsizing.

To academicians and researchers, the findings will update existing body of knowledge on downsizing in organisations. There have been extensive researches done on downsizing mostly dealing with how this exercise affects the morale and mood of employees within an organisation that has undertaken downsizing. This study will incorporate how downsizing effects productivity of staff members in an organisation adding to the existing knowledge on downsizing.

CHAPTER TWO: LITERATURE REVIEW

2.1. Definition of Downsizing

Hickok, (1995) defines downsizing as a proactive (planned in advance and usually integrated with a larger set of objectives) or reactive(typified by cost cutting as a last resort after prolonged period of inattention to looming problems of management). Fierman, (1994)) came to a conclusion that for most organisations, labour costs account for a large part of expenditure and since these organizations generally enjoy a certain amount of latitude in terms of their payroll they are tempted to cut salaries first to achieve immediate economic benefits.

For several years now there has been a strong tendency to adopt downsizing to deal with economic pressures from the environment. In Kenya this practice was first witnessed in the private sector. Some of the private sector companies that adopted this strategy include: East African Breweries, Bata Shoe Company, Kenya Shell and BP Company among others (Kibett, 1992).

This practice of downsizing has extended into the government organizations and parastatals such as Kenya Power and Lighting Company, Kenya Airways, Kenya Tea Development Authority and Kenya Commercial Bank Limited. In civil service various ministries have been reducing their staff since 1994 in an effort to reduce costs and increase efficiency (Kibett, 1992).

Downsizing is not a new phenomenon: workforce reductions, closure of branch offices, regions have been going on since the great depression of the 1930's in the

United States of America and is part of the normal economic business reorganization process. But something new is happening at the moment in terms of magnitude , scale, the target involved and the causes and effects of downsizing i.e change in the business environment as opposed to traditional causes where it arose out of normal business cycles. (Tomasko, 1990).

Downsizing as above can be said to refer to the voluntary actions of an organisation to reduce its expenses. It refers to an array of initiatives implemented by an organisation in response to a decision to reduce headcount. The outcomes that organizations seek from restructuring may include productivity, improved quality, enhanced competitive advantage and potential regeneration of success. (Tomasko, 1990) In addition organizations hope to achieve lower overheads, less bureaucracy and more effective decision-making, improved communication leading to greater innovations as a result of downsizing.

Organizations therefore choose to downsize for a variety of reasons including economical and social factors. The rationale for downsizing is an integral part of the issue wether downsizing efforts are effective or wether they fail. Like culture downsizing is problematic because its associated with giving people the 'axe' in organization. On the other hand researchers who are concerned that downsizing has become too closely associated with the process of organizational decline and its naturally negative effects.

2.2. Causes of Downsizing

Although we might think reasons for downsizing are well thought out many of the reasons are purely social ones. American Management Association survey done in 1994 proposed that the three social forces that precipitate downsizing efforts are constraining forces, cloning forces and terms of managerial actions. Cloning effects are the result of imitation or benchmarking. Learning forces are those that take people through educational institutions and professional association, Cost account methods encourage downsizing as a legitimate business activity.

A true and fuller understanding of the forces shaping downsizing today comes from an appreciation of increased global competition and changing technologies which in turn are profoundly impacting the nature of work, increasing availability of contingent work (Fierman, 1994) and shifting balance of power among organizational constituents away from rank and file employees and in the direction of shareholders and chief executives who serve as their proxy.

Huka, (2003) concluded that companies may resort to staff downsizing due to reasons such as economic forces. The national economy affects performance levels in companies. If an economy hits recession companies may opt to downsize in order to cut down on costs. Companies may also adopt downsizing as a way of reorganizing and restructuring. In this way downsizing is chosen as one of the tools of company restructure whereby the jobs are redefined and restructured thereby some staff are laid off in the process of fitting in the new laid structures. Competition due to liberalization may also force an organization to undertake downsizing. Competition in a market is dangerous and hazardous for company profits depending on factors

affecting production of goods and services. When other factors including materials and technology cannot be altered, then labour may be affected and downsizing comes in as a way of cutting down on production costs.

Huka, (2003) further explained one of the reasons of downsizing being chosen is when a company has over-employed staff. Over- employment of staff can be caused by poor or lack of Human resource planning and when a company comes to the realisation of this they can choose downsizing as a way of cutting back on staff. One of the major reasons why companies opt to downsize is due to reclining profit margins. Profits is what drives companies and when profitability levels begin to recline companies may opt to use downsizing as one of the tools of cutting down on cost.

Kazlowski et al, (1993) came up with reasons why firms downsize and according to him companies can opt to undertake downsizing as a way of reducing costs, This is by cutting down on staff salaries of those employees who will be laid off. A company can want to reduce the management layers and by this process increase decision - making speed within the company. Therefore the company may downsize the staff along the management chain reducing the chain.

According to Kazlowski (1993) a firm can sharpen its focus on core competencies of firms and outsource peripheral activities. Some skills can be outsourced such as Information technology can be outsourced rather than the firm hiring a permanent staff. Therefore when the Human resource is able to identify some positions within

the firm that can be outsourced the top managers can opt to downsize these positions if they are filled.

Companies also can seek to generate positive reactions from shareholders and this is through the improved stock valuation price in the stock market. Also companies can seek to increase productivity and thereby take up downsizing as one of the ways of ensuring productivity levels are increased. The staff remain productive and those that are not performing are laid off thereby ensuring the firm always has alert and productive staff members.

Brockner et al, (1994) discovered that executives showed several common rationales for downsizing and these were factors such as removing non- value adding entities within the firm. According to Brockner downsizing could help companies see new opportunities and core competencies that had not been discovered before. The firm could reduce costs and increase productivity and eventually profitability. The study concluded that while managers had taken a variety of actions in their efforts to downsize few had achieved the desired results.

The reasons for downsizing in businesses are different for both public and private sector. Private sector entities must reduce costs to remain competitive in an increasingly global economy and to maximise the returns of their shareholders. Public sector downsizing is primarily driven by budget reductions and technology improvements that allow fewer workers do the same amount of work.

2.3. The Downsizing Process

The process of downsizing is a very challenging process to the employer. (Brockner et al, 1994)) Suggested before an employer undertakes this process they should first consider alternative options to reduce costs before undertaking the downsizing procedure. These alternatives include auditing the company for other excess costs and eliminate these costs if possible, when someone terminates their employment leave the position vacant and the company should not immediately seek to re- employ someone to fill in and if not possible part time workers and consultants can be hired and outsourced by the firm.

The organizations management should talk with the current staff honestly describing the company's position and if they are salaried ask them to work longer hours if the staff are paid hourly ask for more overtime to increase productivity. The company should reduce or eliminate non- core benefits they were providing for their staff members. These include benefits such as medical, dental cover and other insurance policies being offered. Such incentives such as salary bonuses at the end of the year should also be eliminated. Salary raise to staff should be deferred. The company's management team should speak with each employee if possible and ask for increased performance, The management team can also reduce the salaries and benefits of highly compensated employees having clear discussions with them explaining the current state at which the firm is at. At one firm he studies when the employees learned that the founder reduced their salaries in order to reduce layoffs the staff were less resistant in considering their own wage reductions to save jobs.

When the above strategies fail then the Company will have to reduce the workforce through downsizing. Brockner (2004) further explained the downsizing process step by step as follows; the firm should first document the reason as to why it is undertaking this process. The Human Resource personnel should further write down the reason for selecting an individual for layoff. Select those to be laid off by using equal performance standards applied fairly to all individuals in the job to be reduced. The human resource personnel should consider each individual to be laid off as just that, an individual. Further a severance package of some kind should be formulated. Here the firm should seek professional advice regarding written severance agreements and their contents.

When the individuals have been selected now the human resource personnel should deliver the announcement to each individual privately. A well-handled and compassionate layoff can dissuade ex-employees from causing you and the company grief. The human resource personnel at this point ought to have all the necessary paperwork and final pay ready at the time of the announcement. If the company has a professional Human resource department have the employees immediate manager deliver the news with the Human resource department ready to take over the dismissal procedures. Make sure employees are fully informed about options for health coverage and retirement packages. If the company has no proper human resource department the company can consider obtaining management and legal assistance this can go a long way in making this unpleasant event manageable.

Brockner further suggested that the final process of downsizing is dealing with the remaining employees in the organization. The organization should remember the fear

that will be instilled in the minds of the remaining employees after the workforce reduction. Come up with ways of dealing with this fear among surviving employees to prevent a dispirited workforce and a drop in customer service or product quality. This can be done by team building and workshops being held by the organization that will seek to reassure and re affirm the remaining staff that they are still valuable employees and they are not going to face the axe anytime soon hence reassuring their confidence levels when working within the organization.

2.4. Effects of Downsizing

Researchers have come out with both positive and negative effects on organizational performance following a downsizing and the promised payoffs of downsizing have been mixed at best. Cascio (1993) found that many organizations the anticipated economic benefits like lower expense ratios, higher profits, increased returns on investment and boosted stock prices failed to materialise. Similarly other anticipates organizational benefits like lower overheads, smoother communication, greater entrepreneurship and increase in productivity do not develop.

A major finding in the downsizing literature (Cameron et al, 1994) established that most organizations do not accomplish the desired improvements but instead experience the negative consequence. A survey of 1005 firms between 1986 and 1991 found out that only 46% actually reduced expenses, 32% increased profits, 22% increased productivity and only 17% reduced bureaucracy, although each of these goals was intended. A significant issue that is becoming increasingly common in downsizing operations currently is that middle managers are being targeted more and more (Floyd & Woolridge, 1994). They further found that along with headcount

reductions the organization ends up loosing valuable organizational memory, knowledge base and experience of these middle level managers.

Downsizing is viewed as having a profound effect on the organization and the personnel including those who are terminated and those who survive. (Kazlowski et al, 1993) state that employees who remain in the organization will be affected by downsizing strategies intended to improve organizational flexibility, increase employee responsibility and streamline operations. Employees may respond with reduced trust and organizational commitment when the organization breaks the 'psychological contract' with them. Cameron, (1994) state that managers report that layoffs have a negative effect on subordinates productivity, morale and overall commitment to the organization. We will therefore analyse effect of downsizing on staff motivation, productivity and profitability of a company.

2.4.1. Organizational Operations

Changing an organization is a messy, complicated business. A study by Kotter and Heskett (1992), indicated that culture change becomes tougher as organizations become more established and successful. Prevailing models provide uncertain guideposts for example it is standard fare within the leadership literature to depict the need of a 'vision' of a desired future state of enterprise. What If elements of a vision clash with each other? What if a leader embarks on total quality management culture built on trust and at the same time embarks on a series of layoffs which brings mistrust among the same employees?

If we broaden our conceptualization of culture change to include both planned change and unplanned change then downsizing is a catalyst for culture change. Organizational theorist Lewin (1951) insisted on a need for a destabilizing element in any change process. In order to shift the balance (in favour of change) the situation needs to be 'unfrozen' in other words people have to be rocked out of their comfortable existence so they will be alerted for the need for change.

2.4.2. Staff Motivation

Noer, (1993) in his study of downsizing observed that survivors of a layoff are frequently left with as many negative emotions and beliefs as those who were laid off. Surviving employees usually transition through a number of negative emotions and negative beliefs about work, management and the company. Some of the negative emotions include confusion, anxiety, stress, victimization, grief, mistrust, apathy and hostility.

One negative response among surviving employees is increased absenteeism and sick offs with obvious costs to the organisation, increased job demands, decreased job control and decreased social support and its entirely possible that such effect on absence and health of employees. The experience of stress can also increase, alcohol consumption and smocking an emotion focussed copying strategy and such health risky behaviour particularly in men who have been found to be associated with sickness and absence from work.

The resulting negative beliefs that can develop following a downsizing include employee's believing that their jobs are not secure, that the company has lost direction

and vision and that the organisation does not care about its employees. Following a downsizing Noer further recommended that supervisors should spend time focussing on rebuilding the employees attitude and emotions back to where they were during the last growth face/ hiring phase in the organisation.

The number of victims, survivors, destroyed careers and career paths and cynicism has gone up while trust in organizational leadership has gone down. Survivors are forced to work harder with lesser rewards, multiple downsizing often occurs over a few years (Noer, 1993). Sometimes those who loose their jobs are considered better off because they can get on with new things instead of waiting with uncertainty about their future.

2.4.3. Employee Productivity

There are some organizational level analysis that descend from the litany of praise for downsizing. (Fierman, 1994) argues that an organization does not exist only for profits; that is, profits should be viewed as a means to other desired ends rather than as the sole end. His view is that shareholders have taken over too much of the power. They should, instead, be only one element of a hexagonal ring of stakeholders - which also includes employees, the environment, community, and suppliers.

Fierman, (1994) reflects the concern that institutional shareholder activists have gotten too greedy and imposed too large a price on the thousands upon thousands of employees who have lost their jobs; performance increases may be at the expense of hollowed out companies. This rational decision by companies to undertake the

downsizing process affects productivity levels of employees and eventually the company profitability levels negatively.

Hamel and Prahalad, (1994) do not question the legitimacy of downsizing, but argue that time spent on determining core competencies and relating those competencies to the external marketplace is time much better spent than restructuring and downsizing staff; the latter affects the company's current position and does very little to prepare the company to compete in the market in future.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter provides a description of procedures followed in conducting the study. This includes research design, sample and sampling procedures, research instrument, data collection methods and data analysis methods. The study was carried out by obtaining information from five middle level managers at theBarclays Bank of Kenya Limited's head office at Barclays Plaza and one of the banks largest branch office Queensway Branch branch in Nairobi .

3.2. Research Design

The research design is a case study. A case study is a study focussing on one organisation selected from the total population of other organizations. A case study was chosen because it enabled collecting in depth data on the population being studied. The case study will focus on one of the financial institutions in Kenya that is the Barclays Bank of Kenya Limited.

3.3. Data Collection

Primary data was used to obtain information from the interviewees with the aid of an interview guide with both open and close- ended question structure, the researcher went ahead and carried out interviews on the interviewees as they filled in the interview guide to get more detailed responses. The study is based on Barclays Bank and the data was obtained from five middle level managers at the Barclays bank of Kenya limited two of the managers being located at Queensway branch and the remaining three at Barclays plaza. The researcher chose to interview the middle level

managers since this was the target group that the bank opted to downsize and these managers are also able to indicate the effects of the downsizing process on the output per employee in the departments they head.

3.4. Data Analysis

Data was collected from these five interviewees from Barclays Bank of Kenya Limited and the researcher used content analysis to analyse the data giving responses obtained from the interviewees. Therefore the data analysis will reflect the responses obtained from the interviewees. Content analysis is a methodology for determining the content of written or recorded communication via a systematic and objective procedure. This allowed the researcher to draw inferences about the characteristics and meaning of the obtained qualitative data and evaluate the effect of downsizing on employee productivity in. Barclays Bank of Kenya Limited,

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Effect of Downsizing on Productivity Levels

According to all the five interviewees four of them agreed that this exercise has led to decreased productivity levels among the remaining bank employees. One of the interviewees pointed out that there was increased productivity levels among the remaining staff members of the bank He pointed out that after the downsizing exercise the few employees left behind were working more covering the workforce that the previous employees were doing. Thus fewer employees were left doing more work hence increased output level per individual indicating improved productivity level per staff.

The four managers argued that before the downsizing exercise their subordinates were more productive. The staff were highly motivated and did their jobs very well and this downsizing exercise affected the staff members and after the process of downsizing the productivity levels dropped since the staff had reduced confidence levels based on the fact that they did not know of their job security and Barclays Bank being in the service industry when the staff members are not able to deliver the service efficiently then the productivity levels of the staff members drop.

Some of the factors indicating reduced productivity levels among the subordinate staff include delayed daily reports from the subordinate staff members. Due to the nature of work being in the service industry the junior staff report to their immediate supervisors the managers noted that the daily reports regarding the job related activities took a longer time to be obtained from the immediate juniors.

When the daily reports came they also had many mistakes which meant that they had to be reviewed and redone most of the times thus showing lack of concentration when they are being made and even indicating more time was being taken at a specific job.

The five managers in the human resource department argued that this exercise did not benefit Barclays bank as an institution. The managers viewed downsizing as a tool that companies undertake when seeking to cut down costs and since Barclays bank was not incurring any losses at this particular time the companies found that the exercise did not benefit the institution instead it caused panic in staff reduced confidence levels that the employees had in the bank and further reduced productivity levels among staff members. These managers felt that with the bank incurring these profits they ought to have maintained their current staff abstain from employing new staff wether on contract basis or permanently and maintain the staff to avoid the negative effects that came from the downsizing process.

4.2. Factors That Reduced Staff Productivity Levels Brought Directly by Downsizing

Productivity is described as the relationship between input and output. Downsizing has been identified as the major effect that affected productivity levels within the bank in 2011 as compared to the previous two years. There are many behavioural factors that affected the staff members who are the core service providers in Barclays Bank of Kenya Limited and these factors ended up influencing the staff productivity levels negatively. Absenteeism was highly reported during and after the process. This greatly affected the productivity of staff. The staff avoided coming to work perhaps being scared to face the tough news of being laid off.

The morale of the staff members was another factor noted as highly having reduced the productivity levels of the staff. The bank staff members were not motivated to work due to the pressures brought about by this exercise. They felt that they could put in all the hard work today and the next day they could have been fired and being send packing to go home. Their confidence levels highly declined and they were not able to offer their best services during the period when the bank was carrying out downsizing. The individuals being laid off would normally be informed by the management in the evenings just before the staff would go home of the banks decision of laying them off. Therefore during the downsizing exercise the staff would hang around the office towards the afternoon waiting for the news in the evening. The staff appeared sick and weary most afternoons and lacked morale to carry out their jobs efficiently.

Staff gossip was also noted during this period and this slightly affected the productivity levels. The staff members would congregate in the morning and late afternoons gossiping and discussing about who will next face the sack. So the banks staff members speculated of the individuals in the list trying to figure out which criteria and by what means the bank decided on those staff members who will be send home. Since none of the staff members had been asked by the bank to willingly resign the senior management board chose the middle level managers to downsize the remaining staff members had no idea on which criteria the bank chose those staff to lay off. The period took approximately two weeks on which the staffs being laid off were being informed of the banks decision daily by their immediate bosses. During this period that's when the uncertainty caused a lot of staff gossip and word was being spread around the company about this process and this was staff time in which they

would have been giving their services to the bank instead they were talking among each other consulting and gossiping about the downsizing process.

Job security is an important factor that affects the attitude of staff members. Employees feel loyal to a company when they sense that they have job security. However the downsizing exercise carried out in the bank threatened the staff positions that they had they had before. The employees felt threatened and this led to reduced levels of loyalty the staff felt towards the bank. Barclays bank being in the service industry when the staff members are emotionally affected this ends up affecting the quality of service they render to the banks customers. This lack of loyalty led to declined services from staff and reduced productivity levels among the staff.

The bank has witnessed massive resignation from staff members post downsizing and this indicated that the staff members were searching for employment within other financial institutions and non- financial institutions. This indicated that the staff members were not seeing themselves working for Barclays bank in the long run and lacked confidence in the bank. This led to massive loss of skilled manpower from the lost services that the resigned staff used to provide. Therefore this has greatly reduced productivity levels that the professionals offered the bank after their resignation from Barclays Bank.

4.3. Other factors that led to reduced Productivity Levels

Although the productivity levels of the staff members reduced the managers argued that the downsizing exercise was not squarely to blame for this reduced productivity levels. There were other factors that had been raised by the staff members that

affected their performance at work and this includes system failure. At times the systems being used by the bank fail and this causes delays in processing transactions for the customers. During this time the employees will have to wait until the systems are fixed since currently the bank has got no manual way of processing transactions. Thus the employees are idle this period when the systems are fixed until they start operating again reducing productivity levels of staff.

The new staff members in the bank who are currently being recruited are being employed on contract basis. The staff's contracts keep on being renewed from time to time and this affects the productivity levels of these staff members. The bank has not been able to confirm these staff members on contract and this has affected the quality of service being offered by these staff. These contracted staff members do not feel attached to the organization and without their loyalty to the bank, these staff members are always seeking for employment in other firms and they offer poor quality service to the bank.

Increased paperwork and workload also led to reduced productivity levels among the current staff members of the bank. The bank was not employing new staff to replace the individuals who resign or exit the bank. This therefore leads to a larger workload that has to be covered by the existing staff members and this has made the current staff members take up more roles at their duty stations. This has then made the quality of service being offered by these staff poor. They work for long hours to cover the job and this had increased workloads per individual and subsequently reduced quality of service.

Staff salary was another issue that the managers raised when discussing reduced productivity levels among the staff. The staff members at Barclays bank feel they have been underpaid. They recognize that the bank has been making profits year in and out and the bank continues to make profits, meanwhile the staff workload per employee is increasing and the remuneration they are being given remains the same. This has led to these staff members complaining to the management board about salary raises yet the salary remains unchanged overtime. The managers noted that the junior staff especially those dealing directly with the customer transactions are highly overworked and underpaid. These staff members leave the bank past normal working hours on most occasions in order to clear up their workload and the same staff receive low wage rates and this has ended up leading to poor quality of service being offered by these staff.

Barclays Bank as an institution developed and adopted a way of staff being reviewed and analysed by their immediate bosses. The immediate supervisors carry out performance appraisals of their juniors and thus recommend them for promotions, however one of the interviewees argued that the middle level managers had greatly misused this process. They ended up using this process to intimidate their juniors and this has led to great intimidation being felt by the junior members in the bank and thus ends up reducing the quality of service they offer due to the duress and pressure they receive from their immediate supervisors. These junior staff members raised this issue of working under extreme pressure and fear of their immediate supervisors who would review their work and recommend them for promotions or detain at the same level of work.

4.4. Alternatives to Downsizing

The managers went ahead and suggested alternatives that the bank should have opted for instead of choosing downsizing as a tool of company restructure. The staff members who left the bank willing through resignation or retirements should have no replacements and this means the bank should have maintained its staff levels rather than hire new staff members. All the interviewees agreed that the bank could comfortably have maintained the 200 middle level managers and stop the recruitment of graduate trainees employed yearly by the bank.

The interviewees further suggested that the bank should have opted to structure a retirement package that would stimulate the older staff members to willingly resign if they so wish based on the lucrative retirement package that will be offered by the bank. In October Kenya Commercial Bank was seeking to reduce the number of staff members adopted this strategy and the bank management formulated a lucrative retirement package that targeted the older employees of the bank. The managers recommended this type of staff reduction since those that opt to leave will have done so willingly and not coerced to leave. The bank could have offered lucrative packages for the staff members such as offering them rebates on loans and this would have acted as a way of encouraging some staff members to willingly resign and take advantage of these loan rebates.

The managers suggested outsourcing those activities that are not core for the banks daily operations. Staff such as the cleaners and messengers and other lower posts can be outsourced from other firms. This will reduce the staff number on the payroll and leave the professional and qualified staff only on the payroll. These should especially

target those employees very junior in the banks payroll and those that are not core in the running and management of the banks transactions. There are companies offering cleaning services and such companies can be outsourced rather than the bank hiring tea girls and messengers increasing the payroll size.

There is a huge disparity in staff remuneration packages being offered by the bank. Especially those staff members who have worked for the bank over a long period of time have lower salary scales as compared with the young professionals that the bank has been employing recently and this also has caused a lot of discontentment among those staff members that have worked for the bank over a long period of time. Therefore two of the interviewees suggested that the board members should come up with a way of synchronizing this huge disparity in the salary packages of staff members in the bank such that a fair and equitable salary package is set for certain job groups within the bank.

Human resources are deemed to be the most valuable resources any organisation can have. When the organisation realises that staff members are core in the running and operational activities of the firm they will seek to obtain the best in the market and retain and maintain them to keep this skill within the organization. The managers suggested that the bank should obtain a professional human resource firm's advice on how to go about this process since it directly affects the staff members' levels of productivity. This human resource firm would plan on the right number of staff that the bank should maintain and how the bank can maintain these professionals how redeployment will be done within the banks structures and in case of expansion how the new staff will be employed. With the expertise of a human resource firm even the

bank would have obtained some professional knowledge on how to conduct this exercise in the most human friendly way that would have not ended up affecting staffs productivity levels.

4.5. Discussion

According to this research it has clearly pointed out the negative effects that downsizing has on employee productivity levels. From the research findings after the downsizing process was conducted in Barclays Bank of Kenya Limited the employees performed their normal daily work duties much slower than before. From the literature review downsizing affects organisational operations, staff motivation and employee productivity. And with the case study focussing on the productivity levels the research like the literature indicates that downsizing affects the productivity levels negatively.

From the research downsizing contributed to reduced productivity levels however there were other factors which contribute to reduced productivity levels. Such factors established from the research conducted include system failure within the bank, staffs being retained on contract basis for long terms without confirmation, failure by the bank management to hire enough staff thus increased paperwork and workload, staff members felt they were not being compensated enough for the work they do in the bank and supervisors frustrating their subordinate staff members with performance appraisals. Therefore even with reduced productivity levels the downsizing process is not wholly to blame. Therefore the research as well as the literature indicated the importance of organisations choosing the downsizing process as its last resort when it comes to company restructure due to the negative effects of the process.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents a summary of the findings of the study, conclusion and suggests some recommendation. At the end of this chapter areas of further study and research are suggested. These are areas that in future can be explored to further the knowledge and research on the downsizing exercise.

5.2. Summary of Findings

Downsizing has become an integral part of organisation restructure in the current business world. In 2011 we have seen two banks carry out this process this is Barclays Bank which restructured early in the year and Kenya Commercial Bank which restructured using downsizing mid 2011. Companies carry out this exercise seeking to obtain specific and certain goals such as obtain competitive advantage, reduce costs especially costs associated with staff payroll and other various reasons. However when the company seeks to obtain these goals using this method of restructure ends up affecting staff morale and their confidence and as discussed based on the findings of productivity levels in Barclays bank of Kenya Limited the productivity levels of the staff is reduced tremendously.

From the case study of Barclays Bank of Kenya Limited we have observed that after this exercise the levels of staff output decreased and this was as a result of the process of downsizing as well as other factors within the management of the institution that affected the morale and output per individual.

5.3. Conclusions and Recommendations

Downsizing has been practised overtime however the exercise if not carried out with great care ends up affecting the staff morale of employees of an organisation. Organizations should consult with professional human resource firms and consult before downsizing its current staff members. Since the negative effects associated with the exercise affect the morale and attitude of the remaining employees within the organisations.

An organization might opt to downsize and instead of achieving the desired benefits the negative effects of this process might affect all the positive effects such as reduced productivity levels, reduced staff morale and lack of confidence in performing the staff duties. Therefore companies should approach downsizing cautiously since this exercise in the long run might leave a company worse off than before downsizing as recorded with Barclays Bank of Kenya Limited whereby the productivity levels have greatly reduced following downsizing.

Organisations therefore should try if possible and use other methods of company restructure other than downsizing. And for those organizations that have recently undertaken the exercise should seek ways of motivating the staff members such as using team building as a way of improving staff morale among the staff members. Incentives can be used to boost staff morale and increase confidence levels and this can be in the form of salary reviews, promotions and increasing benefits and even involving staff in critical decision making procedures which can end up increasing the levels of confidence that the staff have in an organisation.

5.4. Limitations of the Study

One of the limiting factors experienced by the researcher was lack of total and outmost disclosure by the interviewees regarding the exercise especially when dealing with the negative aspects that were experienced. These interviewees wanted confidentiality and even when answering they replied with great caution. One of the interviewees pointed out that by disclosing everything he felt like he was betraying his employer and only disclosed partial information.

Interview time was also limited since this research was conducted during normal working hours and the managers kept on being interrupted during these discussions. The interviews kept on being interrupted and this affected quality of output as some of the issues under discussions after the interruptions the interviewees were not able to address and explore these same issues in detail. Some interviewees wanted to avoid spending a lot of time during the interview since there was some backlog of jobs they wanted cleared on their desks before the end of the working day.

5.5. Suggestions for Further Research

There are areas that still need further research and this can seek to expand the body of knowledge when it comes to dealing with company restructure as a tool of management. More research can be conducted in Barclays Bank of Kenya Limited looking at the reasons why the bank's management decided to downsize and did the management obtain the objectives that it needed to be fulfilled after the exercise? Since most companies downsize due to competitive pressure, reduced profits and external market forces which of these forces pushed the bank to choose downsizing as a method of restructuring in 2011.

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Appendix 1. Introduction letter

To The Manager,

Barclays Bank of Kenya Limited,

P. O. Box 30120-00200,

Nairobi

Dear Sir/ Madam,

RE: INTRODUCTION

I am a student undertaking an MBA degree course at the University of Nairobi. Having completed my coursework I need to start on a research project in the area of Strategic Management and Human resource focussing my study on downsizing. With Barclays bank having recently undertaken this downsizing exercise it would offer me an excellent case study on establishing the link between downsizing and employee productivity.

I therefore kindly request you to assist me with the relevant information needed with the help of the interview guide to obtain information regarding downsizing. All information in this study will be treated with confidence and would be used only for academic purposes.

Yours faithfully,

Portia Namenya Karani,

Student of the University of Nairobi, School of Business.

Appendix 2: Interview Guide

Interview Guide seeking to find the effect of downsizing on employee productivity in Barclays bank of Kenya Limited

(Please tick where appropriate and fill in where necessary).

Position held_____

1. In your view do you think downsizing has increased productivity levels among the remaining employees in general at Barclays Bank?

YES ( ) NO ( )

2. Comparing the productivity levels before and after the downsizing exercise in which period were your subordinates more productive looking at their performance standards?

Before downsizing ( ) After downsizing ( )

3. Do you think the downsizing exercise is wholly to blame for this reduced productivity?

YES ( ) NO ( )

4. Do you think the downsizing exercise has benefited Barclays Bank as an Institution?

YES ( ) NO ( )

5. As an individual do you think you are more productive now or before the exercise?

NOW ( ) BEFORE ( )

6. What are some of the factors indicating delayed productivity levels among your subordinate staff members? (In the daily job schedule)

_____

_____

_____

_____

_____

_____

_____

7. What other factors do you think have contributed to reduced productivity levels apart from downsizing?

_____

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_____

_____

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_____

_____

8. Based on the below table rate the following factors as they have affected the staff you directly supervise in Barclays Bank of Kenya Ltd following the downsizing exercise.

	Very Good	Good	Average	Poor	Very poor
Quality of service after downsizing					
Quality of service before downsizing					
Staff morale after downsizing					
Staff morale before downsizing					
Staff salary after downsizing					
Staff salary before downsizing					

9. Grade some of the factors you think have led to reduced productivity levels according to the below table

	Greatly affected productivity	Slightly affected productivity	No effect on productivity
Increased absenteeism			
Lack of morale among staff members			
Staff gossip during working hours			
Reduced confidence levels among staff			
Reduced loyalty to organization by staff			

10. If you were to advise the bank about downsizing what would you ask them to do?

_____

_____

_____

_____

_____

11. Do you think downsizing is a genuine exercise?

YES ( ) NO ( )

12. What are some of the possible alternative methods that you would advice the management board of Barclays Bank to opt for instead of downsizing?

_____

_____

_____

_____

_____

_____

_____

Date_____

Thank You.