PERCEPTION OF ORGANIZATIONAL EFFECTS OF STAFF DOWNSIZING ON MOBILE NETWORK OPERATORS IN KENYA

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DECLARATION

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

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This research project has been submitted for the examination with my approval as the University

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DEDICATION

This work is dedicated to my loving husband Benjamin Bett, and my beautiful daughters Victoria and Vanessa for their unwavering support, encouragement, prayers and the understanding they showed when I was not available for them during my studies.

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ABSTRACT

Staff layoffs within Mobile Network Operators in Kenya seem like the most common solutions available to management teams of operations faced with economic difficulty. This study targeted Mobile Network Operators in Kenya with a view of finding out the drivers to downsizing; its outcomes (costs and benefits); other factors impacting these outcomes; and ways of enhancing the success of the strategy.

In line with the review of literature, the study found that downsizing is motivated by economic, strategic and technological reasons. The positive outcomes are increased profitability, improved productivity, better strategic positioning and leaner structures. On the negative side, the adverse effects include reduced staff morale, hampered innovative capacity, injured corporate reputation and loss of valuable knowledge and company strategies.

Analysis of the outcomes of downsizing in relation to their underlying drivers therefore suggests that staff layoffs in themselves may be more damaging to the mobile network operators than beneficial. Positive outcomes can be achieved by other means. Key findings therefore indicate that downsizing should only be used as a strategic initiative aimed at increasing productivity and/or efficiency while retaining the most valuable resource in operations and that is the human capital.

Key recommendations to human resources managers within mobile communications industry in Kenya is that: they should have knowledge of the context in which downsizing is taking place. Such knowledge makes them effective in deciding the criteria, processes and procedures to be adopted when downsizing and, there should be differential of treatment of employees during and after downsizing. This might lead to the strengthening of commitment towards the new organizational order. However, it might also lead to strengthening negative perceptions of deepening discrimination among the survivors.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The incident of living with the possibility of redundancy, and watching others leave, has become part of the working experience. Though generally referring to an overall reduction in the size of a firm's work force, downsizing is a term that has come to have an almost generic meaning (Hitt et al., 1994). Accordingly, a wide range of actions, such as rightsizing, resizing, restructuring, delaying, and reengineering, have been addressed under the general rubric of downsizing. Regardless of the terminology used, however, the desire to be leaner, more flexible, and more responsive has made downsizing "the most pervasive form of organizational change" (Hitt et al., 1994).

In today's spirited market, many companies have established that staying in business means downsizing. Downsizing has its background, processes, and consequences; it is a competitive organizational strategy where human resources, the most significant expenditure for an organization are reduced Mone, (1994), A workable definition of downsizing is that it is a purposeful reduction in the size of an organization's workforce to improve efficiency, productivity, and competitiveness (Cameron, 1994).

Organizational downsizing has also been observed in other countries as increasing global competition and has led organizations to seek lower labor costs and increased productivity (Chao & Kozlowski, 1994; Kozlowski, 1993). While organizational downsizing has become a common activity, it remains a phenomenon that has received relatively little theoretical or empirical attention (Cameron, 1994). Cameron calls downsizing "probably the most pervasive yet understudied phenomenon in the business world" (Cameron, 1994).In the early 1980s, downsizing came into prominence as a topic of both scholarly and practical concern. It became the management catch-cry of the 1990s which subsequently became known as the downsizing decade. As a strategic managerial tool, it has changed tens of thousands of companies and governmental agencies and the lives of millions of workers around the world Brockner, (1990).

1.1.1 Perception

Perceptions of trust in the Top management would promote the perceptions of legitimacy and fairness of staff downsizing. Mishra and Mishra (1994) found trust to be a critical factor affecting the efforts of the executives to downsize and manage organizational change. The four dimensions of trust were openness, competence, caring, and reliability.

Perceptions of trustworthiness of top management minimize the threat inherent in downsizing by helping survivors to understand and believe in management's intentions and expected behavior Mishra, Aneil K.(1993). Trust is defined as a willingness to be vulnerable to others, based on the prior belief that those others are trustworthy Mishra, Aneil and Mishra, Karen,(1994). In a downsizing context, this willingness to be vulnerable may be manifested in high performing survivors who remain with the organization, even though they could get good jobs elsewhere found procedural fairness perceptions to be positively related to trust in management.

1.1.2 Concept of Organizational staff Downsizing

In wide-ranging perspective, the effect of downsizing on organizational future performance is mixed. Whether downsizing outcome is positive or negative depends on the downsizing strategies. Conceptualizing the causes of downsizing is problematic and exhibits its inherent complexity. While scholars have asserted various downsizing driving forces, no single cause can explain and account for the pervasiveness of the phenomenon (Mishra, 1994;).

Downsizing through organizational redesign focuses on eliminating work, not workers. Strategies used in redesign are aimed at eliminating functions, structural elements, and streamlining organizational processes (Cameron, 1987). Key decisions made by management to accomplish these strategies are about job design, departmental bases, spans of control, and delegation of authority. Management's goal in organizational redesign is to improve effective organizational performance in the areas of quality, production, efficiency, competitiveness, development and survival (Dunlap, Joanna C, 1994). Downsizing through workforce reduction and work redesign strives to achieve economic goals in a short period of time by altering the composition of the workforce and the process of work. (Cameron, 1994).

Mishra and Mishra (1994) assert that firms have downsized in order to cut costs, seeing few alternatives for coping with the increasingly competitive global market-place. They contend that the kind of downsizing that took place in the 1980s was mainly an effort to reduce the number of employees in order to remain competitive, a trend that continued well into the 1990s.Ryan and Macky (1998) distinguished between downsizing as a reactive and downsizing as a proactive strategy. The former is regarded as a strategy implemented predominantly prior to the late 1980s in order to temporarily adjust to a cyclical downturn or to avoid organizational demise and bankruptcy.

Harrington (1998) attributes downsizing to surpluses of both employees and facilities. This in itself is seen as a direct result of increased competition, increased efficiency, reduced need for middle managers resulting from de-layering and employee empowerment, and improved quality and reliability of products which require fewer resources for maintenance. In a similar vein, Appelbaum et al.(1999) view downsizing as one of many cost-containment strategies like Total Quality Management (TQM), reengineering, transaction processing, and information systems implemented in order to streamline activities and to reduce waste and inefficiency.

1.1.3 Effects of Staff Downsizing

The new thinking that managers should enhance financial performance by preventing their firms from employing too many people and from operating with overly bureaucratic structures. Its competitive advantages should include employee empowerment, fluid communication, management by people rather than numbers, better customer service and agility in the face of shifting market competitions.

These are the key benefits that mobile network operatos like Airtel, Telkom Kenya, Safaricom and YU were aiming for when they carried out their downsizing programs. (Burke et al, 2000); Concluded that many downsizing efforts have shown to produce financial results that are dismal and economic consequences that are devastating. (Gandolfi & Neck, 2008); Indicated that the overall picture of the reported financial effects of downsizing is bleak. (Sahdev, 2003): Indicated that the majority of downsized firms have not been able to reap improved levels of efficiency, effectiveness, productivity, and profitability.

When managers are faced with downsizing, they tend to focus on the immediate and practical needs that emerge at the time when staff are being let go. The Mean and mean' conception rejects the core assumptions of its predecessor that bigger is better, continual growth is desirable and that adaptability is promoted by loose coupling, redundancy and slack resources .

1.1.4 Mobile Network Operators in Kenya

Mobile Network Operators (MNOs) in Kenya commenced in the year 1997 with the first Network Operator (Safaricom) rolling up networks in Major cities covering Nairobi, Kisumu and Mombasa.

Safaricom, which started as a department of Kenya Posts & Telecommunications Corporation, the former monopoly operator, launched operations in 1993 based on an analogue ETACS network and was upgraded to GSM in 1996 (licence awarded in 1999).Safaricom Limited was incorporated on 3 April 1997 under the Companies Act as a private limited liability company. It was converted into a public company with limited liability on 16 May 2002. Following the offer and sale of 25% of the issued shares in Safaricom held by the GoK to the public in March 2008, the GoK ceased to have a controlling interest in Safaricom under the State Corporations Act and therefore the provisions of the State Corporations Act no longer apply to it. Safaricom expected to have 3 million subscribers by 2020 yet in only six years (2005), there were more than 4.6 million wireless subscribers in Kenya, split between the two carriers. By 2011 this had grown to about 23 million subscribers.

Bharti Airtel Limited, commonly known as Airtel, is an Indian telecommunications company that operates in 20 countries across South Asia, Africa and the Channel Islands. It operates a GSM network in all countries, providing 2G, 3G and 4G services depending upon the country of operation. Airtel is the world's third-largest mobile telecommunications company with over 246 million subscribers across 20 countries as of March 2012. It is the second largest cellular service provider in Kenya, with over 4.5 million subscribers at the end of June 2012. It is known for being the first mobile phone company in the world to outsource all of its business operations except marketing, sales and finance.

Essar Communications is a global player with a presence in telecom services, consumer durables and IT retail. Yu, its GSM-based mobile services network in Kenya; in the telecom retail space, the MobileStore which has over 900 retail stores across India. Essar Communications under its telecom services has over 140 million subscribers in India, Kenya, Uganda and Congo.

Telkom Kenya was established as a telecommunications operator under the Companies Act in April 1999. It provides integrated communications solutions in Kenya with the widest range of voice and data services as well as network facilities for residential and business customers. The company, as at June 2012, had a customer base of over 2,800,000 customers on GSM, fixed and CDMA wireless platforms with a country-wide presence. Telkom Kenya's partnership with France Telecom Group, saw the launch of the Orange brand in Kenya in 2008.

1.2 Statement of the Problem

In 2007, in the wake of stiff competition in the mobile telephony companies embarked on aggressive relent and talent search to mob-up the top management as a strategy to remain competitive and capture the requisite market share. This was characterized by unprecedented 'poaching' of talent and professionals from competitor firms. The firms over-valued talent and offered astronomical perks to management staff. Realizing that high salaries offered to bloated management teams cannot be sustained, companies embarked on a restructuring process to trim the management teams and cut down on huge salary budget for the executives as overpaid managers have been eating into returns.

Mobile phone operator, Safaricom, has undertaken restructuring year after year since 2007. According to the firm's management, the process is expected to see the firm become more customer-centric, cost efficient, and eliminate duplication of roles and functions through optimum use of resources. The firm says that re-organization of its operations is meant to deliver a more effective management structure. This is aimed at providing for manageable management spans of control and clarity of accountabilities, facilitate speed of decision-making and execution as well as provide for organic business expansion. Involuntary downsizing schemes were used.

Airtel has undertaken restructuring year after year since 2002. Airtel's new business model, which is expected to inject a new lease of life in the company's operations, involves downsizing, centralizing and merging certain key functions and outsourcing non-core functions (Airtel, 2011). The Kenya layoffs which targeted finance, sales, information technology, customer service and technical operations departments, come after the company's Average Revenue Per User went down to US$4 even before the full impact of the two new market entrants Essar and Orange were felt. Involuntary downsizing schemes were used.

Mobile phone operator, Essar- yu, has undertaken restructuring year after year since inception in 2008. According to the firm's management, the process is expected to see the firm become more customer-centric, cost efficient, and eliminate duplication of roles and functions through optimum use of resources. Involuntary downsizing schemes were used.

Telkom Kenya began with early retirement option where enticing packages were offered to entice employees. They then went ahead to retrench those who were between 50 years and above and they too were given good packages including pre-retirement counseling in order to help them cope .Telkom Kenya then moved to voluntary and involuntary downsizing strategies by offering employees varying levels of economic security, indicating that employee protections were relatively high in these cases. The Telkom Kenya retrenchments were driven purely by the fact that the telecommunications industry had been deregulated and other players such as Safaricom and Airtel which are mobile phone operating firms had come in.

Moi (2002) strived to identify the nature of responses of survivors to downsizing in the ministry of education and also determine the roles these factors play in managing the survivors of downsizing. Mwangi (2002) sought to find out factors which influence the perception of surviving workers concerning downsizing in banking institutions and how to determine the perception ofjustice and trust towards retrenchment process within the banking industry. Guyo's (2003) area of inquiry was towards establishing the reasons why oil firms in Kenya resort to staff downsizing and how the downsizing is undertaken among these organizations. Besides, he also tried to establish if there was any relationship between the practice of downsizing and other characteristics of firm. Gacheri (2004) carried out a survey of the criteria used by commercial banks to identify employees to be retrenched as well as to establish the frequency of use each criteria of retrenchment. She also sought to determine association between criterion of retrenchment and size, age and ownership of the bank. Shivo (2006) examined trauma forms of redundancy programmes on post redundancy survivors in private sector organization and to evaluate deliberate management programmes aimed at addressing post trauma redundancy. Kaloki (2007) strived to establish the perceptions of survivors on downsizing and find out how organizations have addressed problems of survivors of downsizing.

From the previous research studies, most have looked at survivor's effects, trauma, responses, and factors which influence the perception however no study has been carried out on Perception of organizational effects of staff downsizing and this study will thus add into existing body of knowledge.

The key research questions for the study were (1) what is the perception with regard to organizational staff downsizing for mobile network operators in Kenya? (2) What are the effects of downsizing on survivors for mobile network operators in Kenya?

1.3 Objective of the study

The objective of this study was to determine the Perception of organizational effects of staff downsizing on mobile network operators in Kenya

1.4 Value of the study

The findings and recommendations of the study may aid the company's top management and human resource practitioners in formulating a policy guideline that will assist its regional directors and supervisors as they make crucial decisions on downsizing and academicians may use the outcome of the study for reference and as a basis for further in depth research related to downsizing.

Secondly may provide valuable information in guiding organizations resorting to staff downsizing on how staff downsizing are conducted, the subsequent effects on the remaining employees in response to staff downsizing and insight on how organization may help to alleviate the stress of future staff downsized.

Thirdly may enable mobile network operators to understand employee perceptions and feelings toward the organization during downsizing. Specifically, perceived organizational support, and empowerment, on organizational commitment, trust, and turnover intentions of the survivors. This will enable the mobile network operators to formulate policies and practice concerned with the impact of downsizing on the "surviving" employees.

CHAPTER TWO: LITERATURE REVIEW

2.1 Organizational staff Downsizing

A substantial body of downsizing literature has accumulated over the last two decades; however, this literature has several conceptions. Downsizing is often not distinguished from related phenomena, such as restructuring and declining. The literature mainly gives descriptions of the downsizing actions and prescriptions for solutions or steps that can be taken for improvements. This chapter gives a review of the Organizational downsizing literature, its effects to organizations and to survivors .The chapter builds up to the conceptual model to be used in this research.

Even though downsizing has been prevalent and has affected millions of workers, downsizing has not been precisely defined by many authors. Therefore, different concepts, different levels of analysis, and different measurement criteria have been applied to this single construct (Cameron et al., 1993). Cameron and others report that terms encountered as synonyms of downsizing include resizing, declining, restructuring, reorganizing, re-engineering, leaning-up, streamlining, reduction-inforce, rightsizing, retrenching, slimming, researching, non adaptation, consolidating, and many others. Each of these concepts may share some meaning with downsizing, but each may also produce different connotations and criteria for assessment.

Downsizing should be clearly defined in order to be precisely measured. Organizational downsizing constitutes a set of activities, undertaken on the part of the management of an organization, designed to improve organizational efficiency, productivity, and/or competitiveness. Downsizing represents a strategy implemented by managers that affects the size of the firm's workforce and its work processes (Cameron et al., 1993).This definition will be the one used in this research. It has become the one most adopted by succeeding authors, such as: (Freeman and Cameron, 1993). Downsizing has four major attributes that help define and separate it from related, but non-synonymous concepts such as decline and layoffs. These four attributes, intent, personnel, efficiency, and work processes.

2.2 Levels of Organizational Downsizing

Even though a large body of empirical literature investigating downsizing has begun to take shape, different conclusions are still drawn regarding the implications of these studies. Some claim existing results point to clear negative consequences of downsizing (Brockner,1992), others assert that results show positive outcomes, and another group suggests equivocal outcomes.

Perhaps the most substantial difference between those who predict positive or negative performance-related impacts from downsizing is the standpoint from which they view this phenomenon. On the one hand, theorists concentrating on employee reactions have proposed that the threat of downsizing generates anxiety and job insecurity among those who remain, potentially increasing stress, dissatisfaction, and turnover (Greenhalgh & Rosenblatt, 1984).

Downsizing has been approached from different levels of analysis which have produced different definitions and approaches to downsizing. The effects which downsizing produces could be researched from three different levels of analysis. Those levels of analysis include a macro level, and organization level and micro or individual level (Cameron, 1994). The most dramatic consequences occur on the individual level since this strategy has the most negative influence on those who leave the organization.

At the micro or individual level of analysis, Layoff refers to a work force reduction entailing the involuntary departure, not for cause, of one or more employees. It is the involuntary loss of one's employment or the removal of people from a work force. This research does not consider temporary or seasonal job loss as layoff. Research at this level also includes investigations of downsizing impacts on financial well-being, health, personal attitudes, family relationships, and other personal factors (Kozlowski et al,, 1993).

In mobile communications industry, it is difficult to infuse new skills and abilities into an organization when not hiring. Many, though not all, of the problems of downsizing can be associated with low levels of trust between those making the decisions and those on the receiving end and this is where clear communication is vital. Most managers find this process difficult and very often don't receive the training and support required to deal with these challenges.

2.3 Measures of Organizational Downsizing

It is evident that increasing globalization and high competitive pressures often force companies to engage in employee downsizing, aiming at securing liquidity flows and long-term competitiveness. In addition, there is an increasing number of economically well-situated firms that downsize human resources in order to systematically and strongly improve both financial and nonfinancial targets (Vanderheiden et al. 1999). However, most companies fail to meet the aims they hope to achieve by implementing downsizing measures. With regard to financial objectives, many firms are unable to reduce costs, increase profitability measures, or boost stock prices (De Meuse et al,2005).In addition, the majority of downsizing companies fails to achieve non-financial targets like the augmentation of productivity measures, or the improvement of internal communication and decision-making processes (De Meuse et al,2005).This raises the question why firms so rarely achieve the targets they associate with employee layoffs.

2.4 Effects of Downsizing to Organizations

It has been commented that the literature on downsizing is disjointed and uneven (Smith, & Hedlund,1993). A research stream has provided documentation of the harmful effects downsizing can have on "survivors." These results have been described in terms of high stress, lower morale (Armstrong-Stassen, 1993), and a "syndrome" marked by anger, envy, and guilt (Noer, 1996).

Anticipated organizational benefits include lower overheads, less bureaucracy, faster decision making, smoother communications, greater entrepreneurship, and increased productivity (Burke, 2000). Downsizing is expected to generate financial and organizational benefits (Palmer, Kabanoff, & Dunford, 1997). The major economic benefit that is expected is a direct increase in shareholder value. The rationale is that future costs are more predictable than future revenues and cutting costs should translate into higher profits. Since people represent a considerable component of operating costs, the cutting of employees seems a rational, natural response. While some studies have shown positive organizational outcomes following downsizing (Macky, 2004), most empirical findings suggest that the majority of restructurings and downsizings fall short of objectives (Cameron, 1994).

2.5 Positive and Negative Effects of Downsizing

The dynamism in business environment dictates that executives continually change their strategies in order to remain relevant in the market place. Sundaram & Inkpen (2004) largely classify the business environment into two parts 1 .The Micro environment which include economic, technological, political and social dynamics; and 2.The task environment characterized by the actions and reactions of competitors, suppliers, partners and customers.

The downsizing process has from time to time been blamed on tough economic conditions. Periods of economic slowdown are characterized by reduction of the purchasing power of the customers which ultimately depress the revenue of the firm (Lurie,1998).Research and development in various fields bring forth new technologies that are cheaper or more productive. Baumohl, (1993) further identified that new production lines may result in more preferable products that customers appreciate and wish to be recognized with. In a bid to remain competitive business leaders must evaluate the possibility of replacing the ancient machinery. Such a move may result to staff layoffs if the new machines require less heads to run.

The main goal of an organization are to retain competitiveness, ensure survival during turbulent times and to re-invent itself in order to remain relevant (Sundaram & Inkpen,2004).However, the market forces dictates business realities such as economic downturn, regulatory changes or technological advancements all which may call for staff layoffs from time to time. The outcome of downsizing is largely pegged on how the staff layoff process is managed and how the business leaders deal with forces that impact the downsizing firm. Given the fact that firms engage in retrenchment in a bid to rejuvenate themselves (Lurie, 1998), it is essential that the management conducts the exercise in a manner that does not compromise the underlying fact. If management downsizes without achieving a corresponding productivity increase, a potentially critical situation can evolve.

2.6 Positive Effects of Downsizing

Although downsizing is largely motivated by budgetary constraints (Lurie, 1998) there exist other reasons such as strategic motives and technological advancements reasons. Changes in technology lead to obsolesce of product or service lines, and downsizing allows organizations to respond to dynamic business environment to protect profitability Casio & Wayne, (1993). In mobile communications Industry firms respond to reduced sales, either due to recession or by competitors gaining market share, by eliminating jobs wherein they reduce their payroll outflow and maintain or achieve specific levels of profitability. Lurie (1998) notes that a move to reduce the employment levels and thus staff costs is viewed as less painless to way to boost cash flows, when compared to more drastic options as selling plant and machinery to obtain cash, especially bearing in mind that prospective buyer may not be readily available.

2.6.1 Increased Profitability

Like paper clips or light bulbs, people are easily interchangeable or replaceable, one with another. In mobile communications industry, staff cost is potentially single largest cost. Thus during times of economic slowdown, business leaders trim payroll costs as this seems to be an easier way to increase profitability in short run. Vahtera et al (1997 concur that when implementing a strategy to minimize costs, it seems logical that reducing labor would result in higher levels of financial performance efficiency.

2.6.2 Strategic Positioning

In a bid to reduce overall costs, firms may join alliances that result in the synergies of two companies that may either be in the same industry or different sectors (Mirabal & Young, 2005). Lurie (1998); indicates that from the strategic positions of unions and workers, the downsizing games between the management and the owners determine the firm's value, in which one of the strategies of management is to manipulate the level of employment.

2.6.3 Leaner Structures

The premise that implementation of flat structures and flexible working practices improves performance is often quoted as the key motivation behind downsizing (Muirhead, 2004). Eliminations of positions and management layers through retrenchment may result in better communication channels which create an internal environment suitable for generation and survival of new innovative ideas (Ross, 1974). Thus, the term downsizing became associated with workforce reduction (Littler & Gandolfi, 2008). Accordingly, downsizing became a strategy to streamline, tighten, and shrink the organizational structure with respect to the number of personnel employed by the firm. As downsizing becomes more prevalent, the term becomes applicable to a broader range of managerial efforts to improve a firm's performance (Gandolfi, 2008).

2.6.4 Increased Productivity

Anticipated organizational benefits include lower overheads, less bureaucracy, faster decision making, smoother communications, greater entrepreneurship, and increased productivity (Burke & Cooper, 2000). Appelbaum et al. (1999) assert that technological advancement and innovations resulted in increased productivity and a decrease in required workers. As documented by (Burke & Cooper, 2000). Appelbaum et al. (1999); the negative aspects that are normally associated with retrenchment such as lower motivation, if managed properly may result in higher productivity within the organization. Love and Nohria (2005); indicates that workers will choose to maximize their individual effort only if they believe that their interests are aligned with those of the organization.

2.7 Negative Effects of Downsizing

For all the positive effects that downsizing brings about, it does come with some major disadvantages. The positive effects that have been highlighted above are often countered by the adverse consequences of downsizing. Specifically downsizing effects of increased staff turnover, and loss of skilled and reliable workers (Clarke, 2005). Reduced morale, lower innovation capacity and knowledge transfer to other companies especially competitors. Regardless of the merits of the lay-off, downsizing results in disruption of interpersonal relationships at work, both formal and informal that has taken root over the years (Mellahi and Wilkinson, 2004).

2.7.1 Poor Reputation

Effectively managing work force reduction is of increasing importance in Human Resource Management practice not least because of its greater scale and frequency but also because of the potentially serious negative effects of its mis-management (Wilkinson 2005). The mis-management of work force reduction can clearly cause major damage to both the organization's employment and general poor business reputations. Damage to the former can seriously affect an organization's selection attractiveness with potential future employees by producing an uncaring, hire and fire image and affect the employer brand (Dewettinck and Buyens, 2003). Similarly, bad publicity over retrenchment can cause customers to worry that the firm may go out of business or give rise to problems in the continuity or quality of supplies and services.

2.7.2 Loss of Knowledge

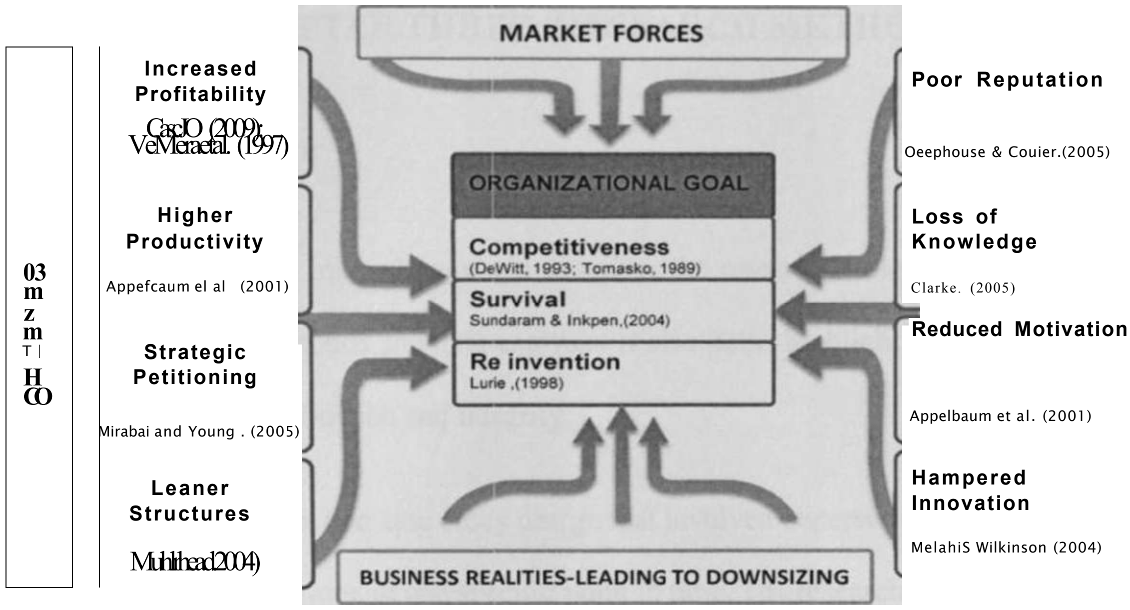
In the current knowledge based economy, the durability of competitive advantage depends to a large extent on the value of human assets and intellectual capital and ability to capture and use tacit knowledge which requires a stable work environment (Guthrie and Datta, 2008). Arguing that downsizing damages social networks (Shah, 2000), leads to loss of knowledge (Cole, 1993), and disrupts learning capacity (White, 1990), it views downsizing as a practice that is harmful to organizational innovation capability as it produces a work environment that inhibits innovation through loss of knowledge. Downsizing affects organizational stock of knowledge which Ritcher, (2006) describes as the collective competence among employees of the organization including formal and informal relationship.

2.7.3 Reduced Motivation

In instances where downsizing is not well managed, those who remain the survivors are often described as suffering from survivor sickness or survivor syndrome (Appelbaum et at, 2001). Noer (1996) defines survivor sickness as a term that describes the attitudes, feelings and perceptions that occur in employees who remain after involuntary staff reduction. Survivors may exhibit a range of emotions including fear, insecurity, uncertainty, frustration, resentment, anger, sadness, depression, guilt, unfairness, betrayal and distrust.

2.7.4 Hampered Innovation Capacity

Downsizing which is designed towards retrenchment is likely to reduce the ability of the organization to innovate D'Aveni, (1989). Downsizing may further reduce innovation because it is likely to generate particularly high levels of stress and uncertainty among employees following from the lack of an interpretable goal for the downsizing among those who remain D'Aveni, (1989). The best and brightest employees will often leave the organization, and yet, it is precisely these skilled individuals with their energy and their creativity that the organization needs if it is to survive (Dupuis et al., 1996).



Source; Mueller, et al, (1981);

The potential benefits as shown in the diagram above may not be realized as anticipated but instead may turn into losses. For instance the mobile Network Operator's profit may not increase despite downsizing stemming from other negative implications such as poor reputation, reduced morale, loss of high level technical knowledge to the competitors or weaker strategic positioning arising from hampered innovation capacity following knowledge transfer to the competitors. This study will seek to confirm or reject this framework model.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This chapter covers the methodology and describes the research design, population of study, sample size, data collection methods and data analysis. It also helps highlight the sources of information for the research and data validation and integrity.

This study used cross section case study design that involved observation of a representative subset of the mobile network operator, at one specific point in time. The researcher aimed to provide data on the entire population under study using the cross section case study design to explore and understand people's beliefs, experiences, attitudes, behavior and interactions to document numerical data that were used for analysis of organizational staff downsizing in mobile communications industry in Kenya.

This was supported by the use of a questionnaire. Within the case study in-depth interviews was conducted with the company 'change agent', the (4) HR Directors of all subject mobile network operators in Kenya. The interviews covered a variety of topics surrounding the redundancy process, survivor's perceptions of organizational commitment, morale, stress, relationships with co-workers, management and their work environment.

3.2 Data Collection

The primary data was collected through self administered questionnaire the questionnaires contained open-ended and closed questions in order to give a detailed level of content. Items of the questionnaire that were close-ended measured objective responses while open ended clarified objective responses and enhanced formulation of useful recommendations to the study. The questionnaires were divided into two sections, section (1) and (2). Section (1) was designed to give general information on person and organizational profile. Section (2) consisted of questions relating to effects of downsizing. The researcher had a set of predetermined questions. The researcher encouraged subjects to express their views at length. The collection of data was directed to company 'change agent', the (4) HR Directors of all subject mobile network operators in Kenya.

3.3 Data Analysis and Presentation

Descriptive technique was used to analyze data. Descriptive statistics such as means, standard deviations and percentages were used to analyze the data. The Microsoft Excel package was used in the analysis. Data was input into Microsoft Excel spreadsheet developed by the researcher in order to help group the various responses by sectors of the mobile network operators. The same spreadsheet was used to aggregate multiple responses from the same company in order to come up with an organization's position in relation to the research questions. Further analysis of the data was aided by scales developed for specific questions such as those aimed at finding out the benefits and / or costs that underpin the downsizing strategy and also to understand the variables that ensured the success of downsizing. The results of different individual research studies was combined and analyzed to determine the commonality and possible relationships of the findings of these studies. The various statistics reported in the relevant studies was presented by use of pie chart to determine the statistical significance of the effect, and possible relations or biases. The key points were recorded in Microsoft word document.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

This chapter commences with brief overview of how the whole research process was conducted. It is followed by segments with outline of the frequency of downsizing, drivers and outcome touching on advantages and disadvantages of downsizing. Also included in this chapter is a section showing the organizational perception of downsizing on output as well as whether the downsizing efforts achieved the desired results.

This research was conducted across all the four mobile network operators in Kenya. The data were collected by first sending the questionnaire followed by preliminary review. The study involved sending the questionnaires to all heads of human resources departments to Safaricom, Airtel, TKL Orange and to YU networks. The questionnaires were coded 01 to 04, A total of 4 individual were received from all the four mobile network operators in Kenya translating into 100% response. The primary purpose of this study was to determine the Perception of organizational effects of staff downsizing on mobile network operators in Kenya. Chapter four of this thesis brings together the analysis of the various drivers that pushed companies to lay off employees from time to time; the perceived benefits and draw backs that accrued to the Mobile Network Operators that downsized; the losses that downsizing organizations suffered.

4.1 Frequency of downsizing

50% of the mobile operators indicated that they had downsized at least three times in the period between 2005 and 20011 as shown in the table below.

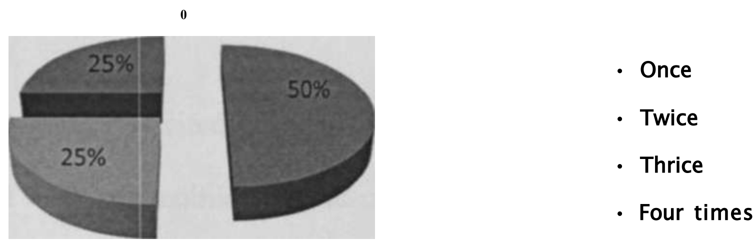


Figure 4.1: Frequency of downsizing

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012 .

4.2 Drivers for downsizing

Respondents drawn from the 4 mobile network operators in Kenya gave individual reasons for downsizing. These respondents were required to categorize the responses as economic, strategic or technological. From figure 4.2 shows the categories of the responses.

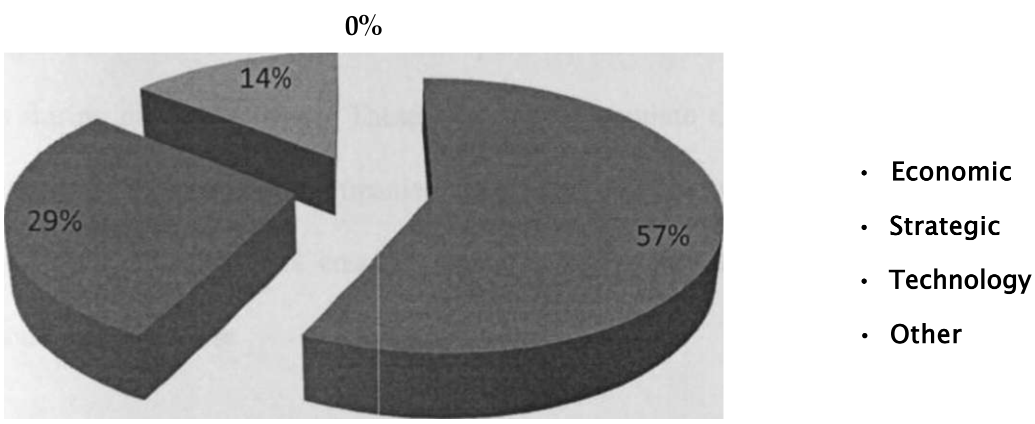


Figure **4.2: Reasons for downsizing**

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012.

4.2.1 Downsizing due to economic reasons

More than half of the responses (57%) cited economic reasons as the key motivator to downsizing although the rationale varied from one mobile network operator to another. According to respondent 02, the operator faced competitive pressures from price war targeting low income earners, that reduced its market share resulting into dwindling sales on the back of unchanging cost structures thus pushing the once profitable venture into a perennial loss maker.

While some mobile network operators in Kenya were pushed to lay off staff due to an ever increasing cost structure, others were driven by the desire to boost revenues by employing better technology which would guarantee higher data throughput, quality of service, hence higher revenue per user of services. Further, as eluded by respondent 01 competitor entry in the year 2008 into the market resulted in fewer customers necessitated retrenchment because of the ultimate reduction in revenues.

The management teams of mobile network operators are faced with the challenge of retaining all employees during difficult periods. These findings substantiate Cascio (2005) who pointed out that with a leaner staff complement, companies are able to produce output levels that are commensurate with the existing demand, thus ensuring that the idle staff capacity does not form part of the organization's cost structure.

Retrenchment due to economic justifications that were picked by the majority of the respondents were due to increased competitive pressures and increasing cost of mobile network operations. The combined effect of these factors results on reduced revenue base on the back of a relatively stagnant cost structure which necessitated mobile network operators to innovate cost effective ways of operation including managed services outsourcing and tower sharing initiatives. Respondent 01 indicated that increased competitive pressures within the mobile network operators dictated that operators slash their overhead costs. This has been achieved through introduction of more resource efficient operations technologies, either through innovation bank or by adapting higher cutting edge technologies at low cost of ownership resulting in a reduced headcount. This practice aligns well with Gibson et al (2004) contention that the proponents of downsizing state that in order to stay competitive in today's global marketplace, there remains an increasing 'need' for implementation of 'flexible' workplace practices and flexible cost structures.

Economic connotations were also cited by mobile network operators albeit at a lower scale with technological reasons taking a greater influence. When respondent 03 was probed further about why economic reasons were less prominent in this sector compared to the others, he pointed out that fixed costs push mobile network operators to continuously improve their technological platforms in order to benefit from increased efficiencies as well as returns on investment. This increases the credence of Worrall, Campbell, and Cooper (2000) that the gaining popularity of global benchmarking has driven businesses to perennially compare their cost structures with those of the competition.

The respondent from mobile network operators 04, indicated that when formidable competition emerged into one of its markets, the mobile network operator would do a cost benefit analysis of whether to continue fighting the competitor or scale down its operation by closing of the branch and operate the station using regional sales agencies. This inevitably meant that the lower cadre staff members would be laid off while still retaining reasonable levels of revenues without incurring such fixed administrative and establishment costs as salaries, rents and retainer fees for professional services such as lawyers and auditors. The restructuring process gave rise to the realignment of core business activities, which resulted in the regrouping of functions, amalgamation of some and obsolescence of others.

In a bid to concentrate on the core business of the mobile network operators, management teams have tended to outsource departments that offer support services in order to focus on primary activities. Respondents 01 and 02 indicated that their companies had outsourced some services, stating that certain functions that do not form part of the profit centers were subcontracted to competent players with adequate expertise in such areas. The rationale behind outsourcing was the fact that these external providers offer standard services to a number of customers hence are able to bid competitively lower prices given that they benefit from economies of scale. The most commonly subcontracted functions according to respondent 02 were network operations as managed services. This is in agreement with Worrall et al (2000) who stated that many companies outsource functions that they no longer regard as core businesses resulting in decreasing the headcount.

Outsourcing is most prevalent in mobile telecoms industry given the myriad of functions that are involved in making the whole business run optimally. Respondent 02 indicated that by outsourcing the network operations and IT functions to a contracted outsider, which unavoidably resulted in retrenchment of most of the employees in this company, had achieved savings of over 20% on the original total cost in the first year of the arrangement. This is because the company no longer incurs any fixed employee costs but also such latent expenses as communication, idle time and medical charges.

Respondent 01 indicated that there were voluntary exits at some senior positions in their organization after the company due to economic strategies acquired a smaller competitor. These were driven by some managers' refusal to work under others whom were considered new comers. This finding aligns well with Lurie's (1998) contention that merging may result in downsizing within the company as some positions inevitably fall away.

4.2.2 Technological reasons

Relentless research and developments in telecommunications industry results in technological advancements that bring forth better and cheaper ways of performing the same operations. The enhancement of previously complex systems with cost effective and more user friendly technologies has dictated that business leadership teams reduce the number of employees involved in the unskilled tasks. Further, innovation of cost effective processes in mobile communications industry has resulted in reductions in staff headcount sizes alluding to Cefis & Marsili (2005) research that innovation has long been regarded as critical success factor for a firm's competitive advantage and survival.

The introduction of Customer Relationship Management tools in mobile communications industry integrating the accounting, human resources, customer relationship management and logistics functions means that single solutions could be used to reduce duplication of duties. Numerous data entry functions for the same set of information can be cut down as was seen in company 01 and 02 where once an invoice was captured at the goods inwards stores, the same invoice number would be reflect at the payment cashier, the manager approving the invoice as well as the tax accountant. Previously, all these roles would have to either keep copies of the actual invoice or spreadsheets of invoice numbers. This technological upgrade has not only increased the accuracy of data within company 01 and 02 but also inescapably resulted in a reduced manpower levels.

Research and development within the mobile communications industry has improved operational efficiencies and benchmarking, hence increasing Return On Investment. This therefore means that the industry players are continuously pushed by market forces to adapt to more advanced ways of operations in order to cling on to their market positions. A mobile network operator able to deliver low cost services without compromising on quality can easily drive its competitors out of the market by lowering its tariffs below that offered by the other players, thus creating effective churn machinery. This was evidenced in company 02 which faced with increased operational costs had to relook at its operations efficiency resulting in network operations outsourcing thus necessitating downsizing. Arising from the popularity of benchmarking within mobile communications industry in Kenya, business leaders tend to match their efficiencies with peers. Hence players within mobile communications industry are motivated to operate within a uniform technological platform in order to adequately compete, thus giving credence to Worrall et al (2000) contention that benchmarking has permeated in both the domestic and international spheres.

Mobile communications industry have continuously employed new technologies that are not only more customer friendly but also cost effective to deploy and to operate. The introduction of Internet Protocol technologies within the Mobile communications industry have enabled them to reduce costs, improve network data throughput and hence better customer service while keeping costs under a firm grip. Companies 01, 02 and 030 have embraced VSat technologies within their networks for deployment of services in remote areas like Lokichogio and Mandera this was aimed at reducing their network rollout costs while increasing time to market.

The introduction of interfaces between the various functions of the business has resulted to the reduction of employee numbers resulting in financial savings. For example, the entry of e-credit, MPESA pay bill, MPESA bank, in the industry not only reduced the time taken for customers looking for services but also lowered the number of revenue evaluation accountants required to professionally prorate the services amongst customers.

Online recruitment systems in mobile communications industry have also greatly reduced the challenge that Human Resource practitioners underwent in the process of selecting the right candidates to shortlist for interviews. Manual selection is not only less accurate than an electronic one, but it also introduces elements of bias in the recruitment process resulting in short-changing some genuinely able candidates. However, two respondents questioned 01&02 this system citing the inability of technologically challenged candidates to adequately fill in the online recruitment tools thus disqualifying themselves from proceeding to the next process.

Network Operational inefficiencies have also pushed mobile communications business leadership to seek ways of improving share holder value and quality of service. As a result mobile network operators have ended up introducing new technologies that render some previously menial roles redundant as was experienced in operator 02 upon the introduction of a remote fault location and resolution technology for their base stations. Operator 01 introduced a service delivery platform for faster to market operations, the services that delivery platform support range from plain old telephone sen ice (POTS) to video conferencing, broadband and mobile TV, communities, music stores, video on demand, multiplayer games, news, and weather. This upgrade of service renders some previously menial roles redundant

4.2.3 Strategic reasons

New telecoms business realities have forced mobile network operators to re-look at their operations in order to enhance sustainability. As was propounded by Mirabal and Young (2005), the desire to continue operating may necessitate convenience partnerships between two organizations that were previously competitors. In so doing, these mobile network operators benefit from each other's experiences and markets thus resulting in a more synergistic bloc that can effectively take on the other competitors. Operator 01 and 02 emphasized that operator collaboration is a new wave of strategic thinking for survival. Although Operators 01 and 02 felt very strongly that the communication with regard to downsizing were made prior to the event, the downsizing plan and implementation were not communicated to employees, and it was a general feeling that the communication was not clear enough to result in proper employee understanding of the process and buy-in to facilitate new strategies in market positioning in short or long term.

4.3 Perceived benefits of dow nsizing

This section discusses two aspects of the perceived benefits of downsizing. Respondents drawn from all the 4 companies gave anticipated benefits of downsizing variedly; majority of the operators felt strongly that downsizing was aimed at increased profitability of the operations. The respondents were required to categorize their responses as Increased Profitability, Strategic Positioning, Improved Productivity, Leaner Structure or any other. Figure 4.3 below shows the perceived benefits of downsizing to mobile network operators in Kenya between 2005 and 2011.

Increased profitability, made possible by leaner structures, accounted for the largest percentage of the anticipated benefits after being identified by all mobile operators in Kenya. Leaner structure which involved reduction of the number of management positions came second with 75% of responses. Increased productivity was cited by 50% of responses, who according to respondent 01 , the reduction personnel numbers was within the organization was expected to increase the average utilization per man-hour while the replacement of people with high technology machines was aimed at quality operational efficiency. The craving to improve the strategic position of the organization in terms of revenue growth was alluded to 25%.

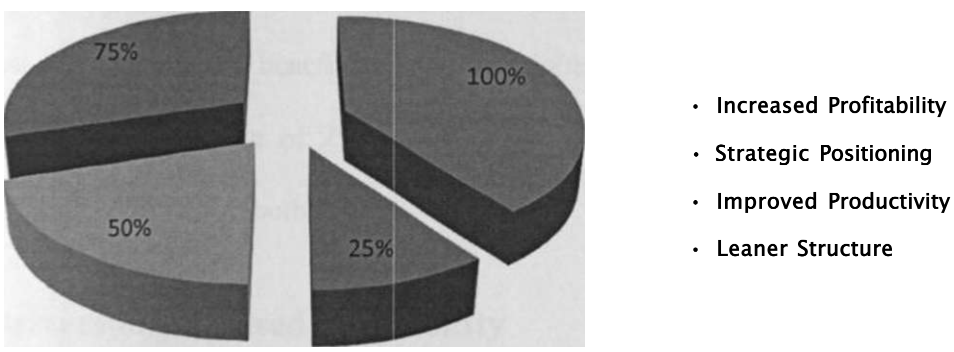


Figure 4.3: Perceived Benefits of downsizing

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012

4.3.1 Perceived actual benefits of downsizing

Although downsizing was justified by certain benefits that the respondents expected to realize, those benefits were not always achieved. Figure 4.4 below gives a comparison of between the responses on anticipated benefits of downsizing and responses on actual benefits. The 4 mobile network operators involved were all disappointed that downsizing fails to meet all targets equally.

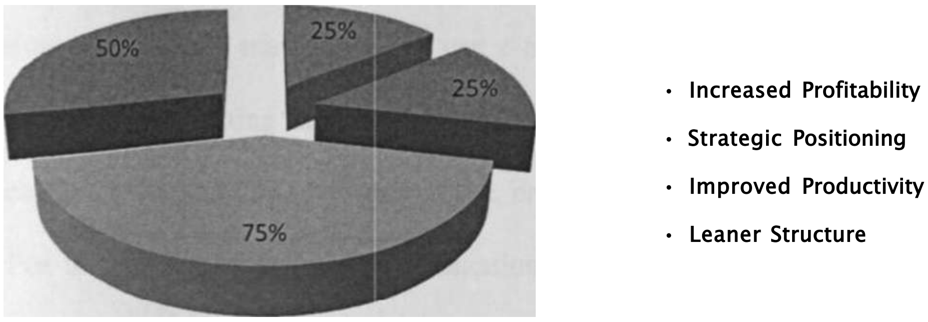


Figure 4.4: Realized benefits

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012.

Although Increased Profitability was the most anticipated benefit as shown in figure 4.3. Figure 4.4, shows that this was not the benefit that had the highest rate of being realized. Increased productivity achieving the highest score of 75% while leaner structures got 50.0% strategic positioning and increased profitability were both at 25%.

4.3.2 Drivers to increased profitability

The main objective of business is to maximize shareholders wealth mainly through increased profitability which may be done through higher revenues or lower costs. Downsizing in mobile communications industry in Kenya, though conventionally a cost cutting measure may be used to increase revenues to the operator. Retrenchment that normally instills fear in the employees may be used as a punitive measure to motivate underperforming company staff. As was cited in company 02, the growth of its mobile communications business is largely attributable to increased sales force made possible by the transferred sales staff. This represents an aspect of rightsizing rather than downsizing as was propounded by Lurie (1998).

The introduction of new technologies allows mobile network operators to use non-traditional channels of marketing its products and services. An operator that previously sold its products and services using sales people may choose to use e-marketing methods that may be more penetrative than the former thus resulting in headcount losses. Company 02 witnessed a 12% growth in its turnover despite a 5% reduction in its sales force, driven by internet sales of refills done through the e vouchers. For this reason, downsizing organizations benefited from both the reduction in overhead costs but also achieved higher revenues hence increased profitability and consequently the shareholder value. Figure 4.5 below shows a summary of how the respondents rated the drivers to profitability of their mobile network operations.

The majority of the responses at 75% indicated in their remarks that the market perception of the operator is absolutely necessary in driving the profitability of the mobile network operators. The number of customers was seen to be a key component in determining the ultimate profitability of the mobile network operators as 50% of the responses rated this parameter either as necessary or absolutely necessary.

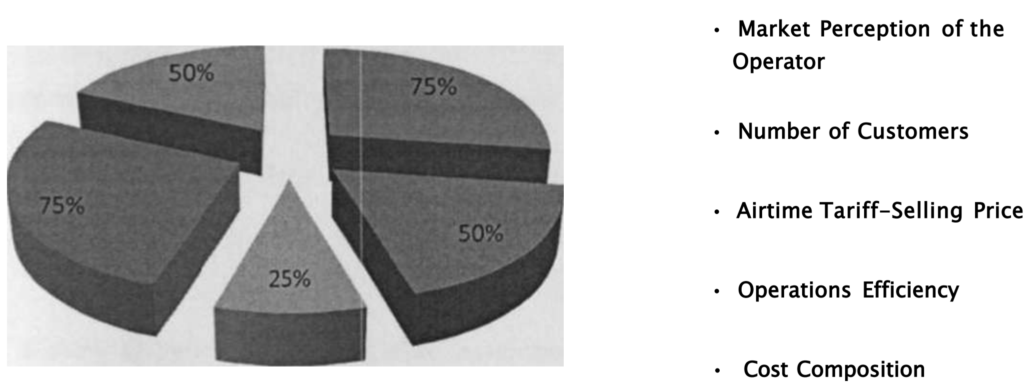


Figure 4.5: Drivers to profitability

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012.

The pricing tariffs of the airtime of mobile network operators were found to have little influence in determining its ultimate profitability. Operations efficiency of the operator seemed to be the most important aspect in determining the profitability of the company as 75% of those who responded reported either necessary or absolutely necessary. The cost composition of the firm was also seen as critical to determining its eventual profitability as 50% of the respondents rated it as absolutely necessary.

From the ongoing discussion reducing headcount numbers has the effect of lowering company controllable costs. Respondents 01 and 02 indicated that challenged by the escalating cost of mobile network operators driven by high energy costs in 2007, their companies chose to reduce the overall staff complement. This move was not only aimed at reducing mobile network operators total costs but also sending strong messages to the entire working fraternity that times were hard and that there was need for all to tighten their belts. These acts are in line with the 1997 research conducted by Vahtera et al who contended that since the employee overheads are the largest controllable organizational cost, when implementing a strategy to minimize costs, it would seem logical to reduce labour expenses because they would result in higher levels of financial performance and efficiency. By trimming the number of people held in mobile network operators payroll, not only do the salaries and allowances overheads reduce, but also other attendant expenses that are incurred as a result of keeping the individuals in the company such as communication (telephones, fax, and internet), medical or transport costs.

Faced with a more knowledgeable customer base, mobile network operators management teams are challenged to better the quality of services while maintaining their tariffs if not reducing them altogether. Additionally, newer players may join the industry with new mobile wireless technologies thus forcing incumbents out of business unless adequate fall back measures are taken. Increased competitive pressures inevitably results in reduced revenue per user of for a stagnant market segment because mobile network operators jostle for the same customers. This trend invariably tends to reduce return to the shareholders' forcing the business leaders to innovate means of reducing their cost components in order to retain profitability levels.

Operators 01, faced pressure from an influx of cheap imports of mobile sets into the country rendering their branded mobile sets very unpopular to the ordinary Kenyan necessitating major changes in their cost structures which included a reduction in manpower numbers. Mobile Network Operators have from time to time been forced to invest in newer technologies that can accommodate additional traffic without the need for more human capital. This has led to increased layoffs in mobile communications business sector as more mobile network operators improved upgraded their technologies. Respondent 02 informed this researcher that mobile network operators benefit from increased return on investments and economies of scale since the same network other than increment of transceivers are used to serve a bigger customer base without compromising on the quality of service.

Technological advancements in mobile communications industry have been pushed by the desire to continuously improve network quality of experience. As was stated by respondent 04, newer technologies within the industry were churned out after between four to six years, at times before the projects had fully paid off. This renders a number of workers jobless from time to time because mobile network operators have to constantly look out for how these advancements affect them and where possible make appropriate adjustments. Such improvements may come with additional features that increase the operations efficiency either by reduced network capacity wastage levels or increased operational efficiencies. Mobile Network Operators therefore benefit from increased profitability both by increasing the revenue streams as well as reduced costs.

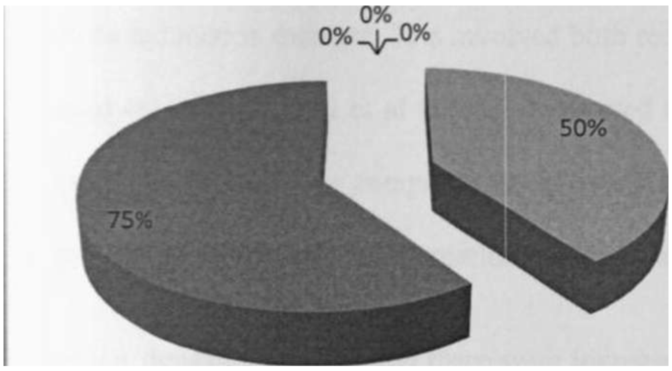
In order to improve on the management systems of various mobile network operators, benchmarking has gained popularity amongst business leaders who need to see how their companies's operations compare with those in either same industries or of the similar size. Thus financial ratios such as cost of operations as a percentage of turnover or overheads as a percentage of cost of services sold is often shared amongst peer CEOs. A mobile network operators that finds out that its ratios are materially adverse compared to others within the industry or size may strive to achieve these standards either by investing in new technology or reducing its cost structure by downsizing.

4.3.3 Drivers to better strategic positioning

Mobile Network Operators business entities may engage in acquisitions that are aimed increasing their market presence whilst reducing the overall expenses. For example, as was seen in company 01, the operator acquired the controlling stake for most of data operators in the country in order to lock out a potential entrant into the lucrative broadband market and also reduce competitive pressures at infancy stage. This observable fact is not unique to the mobile communications industry as was seen in company 02, in the service industry, which was acquired by a major conglomerate in order to expand its market presence within African region while consolidating some unique synergies. A further benefit that was realized by both mobile network operators came from savings in employee costs following the retrenchment of some of the staff employed by the either companies.

The dynamism within mobile communications industry may necessitate that companies join forces in order to increase their combined economic presence. Such business dynamics may emanate from the regulatory framework as increased statutory capitalization levels for mobile network operators in Kenya; Figure 4.6 below summarizes the responses from the mobile operators in Kenya and how different attributes impact the level of strategic positioning of the mobile operators.

From the figure 4.6 below the most significant aspect that determining the future strategic position of an mobile network operator is its innovative capacity whose mean 75% represents a score of necessary. The market position of the mobile network operator was also found to have a significant role in determining its strategic influence as 50% of the responses were either necessary or absolutely necessary.



- Nature of business
- Number of players in the Industry
- Market position relative to competition
- Innovation capacity of the operator
- Stage in business life cycle

Figure 4.6: Drivers to strategic positioning

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012.

4.3.4 Drivers to increased productivity

High investment in new mobile communications technologies, research and development initiatives and training programmes within the industry results in improved ways of running business operations. Respondents 01, 02, 03, and 04 seemed to agree that over time, management teams expect to better the operational efficiency levels generated per employee and thus an increased necessity for companies to only hold staff complements that are commensurate with the anticipated output. This move is aimed at guarding against holding under-utilized employees in the payroll and also results in involuntary staff headcount losses during periods of low output.

As already made known earlier in this thesis, benchmarking has been used as possible justification of downsizing given the rising practice by mobile network operators to compare amongst peers their various business ratios within the country and regionally, say units of output per employee, average revenue per user, average revenue per employee. Management within mobile communications industry are many times dictated to by industry realities to reduce staff numbers in order to remain comparable with operators as was seen in company 03. Respondent 02 informed the researcher that by comparing the Average Revenue Per Employee ratio it was found out that these employees were underutilized and had to be reduced in number. This involved both redeployment and separation with the company. This is consistent with Worrall et al (2000) who stated the increasing popularity of global benchmarking, businesses is increasingly comparing their overhead and cost structures not only with the domestic competition but also with the international competitors.

In the HR department, although there were increased applications for any available openings, it took much less time to sift through thousands of applications in order to identify the potential candidates who would make the shortlist. As regards the logistics section, there was reduced stock out incidents because the tool could trigger email reminders to the buyers and stock controllers once the preset re-order levels were reached. Finally, managed services contracts entered between the mobile network operator and vendors has not only reduced the headcount but has facilitated operational efficiencies through performance contracts. Figure 4.7 below shows the various attributes that impact the productivity of a mobile network operator.

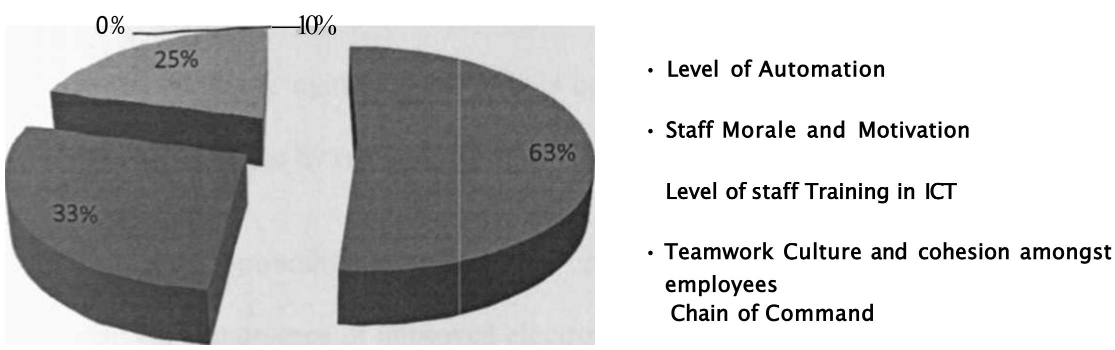


Figure 4. 7: Attributes impacting productivity

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012.

The research indicates that the prime driver of productivity of mobile network operators is the level of automation employed in that particular organization. 63% of all responses indicated that the level of automation in mobile telecoms industry is absolutely necessary in determining its productivity while 21% scored this element as necessary. 33% of the respondents reported that the motivation levels within an entity are absolutely necessary in determining the overall productivity of the mobile network operation. 25% of the responses reported that the levels of ICT training within an entity are absolutely necessary in determining the overall productivity of the mobile network operation.

4.3.5 Drivers to leaner structures

Downsizing inevitably results in a lower headcount level which may translate into a flatter structure. Mobile Network Operators that are faced with a many layers of authority tend to have bureaucratic procedures that translate into long periods in decision making thus hindering their overall performance. Faced with this situation, change managers tackle the challenge by reducing the number of management structures thus resulting in a downsizing. Muirhead (2004) contention that implementation of'flat' structures and 'flexible' working practices improves performance is consistent with this research as it was found out that when mobile network operators 02 changed the reporting structure for the sales team from several regional managers to one head office manager there was a significant growth in the market share. This is because of the reduced lead time in making decisions which was made possible by retrenching all the five regional operational managers.

Two thirds of the responding mobile network operators cited leaner structures as a potential benefit underscoring the importance of improved electronic systems within these companies. As competitive pressures increase within an mobile communications industry, there arises need for the players to re-evaluate ways of operation that will increase shareholder value while maintaining costs under firm grip. This is made possible by the increased use of computerized systems which necessitate reduction of reporting structures hence manpower. Gibson and Wagar (2004) correctly stated that by downsizing companies would increase their net profitability as a number of operating layers are reduced.

The introduction of online recruitment systems in mobile communications industry has resulted in the reduction of manpower levels within the human resource functions. This has increased the potential pool of qualified applicants while reducing the amount of time required for selecting the qualified candidates to move to the next interview phase. Manpower that were previously charged with the responsibility of short-listing candidates for interviews have now been replaced by computerized systems that perform this task faster with a higher level of accuracy. Further, incidents of manual intervention which is prone to bias, have been reduced thus increasing objectivity of the Human Resource practices.

There have also been reductions in personnel numbers within the finance roles in companies where integration within the various functions has occurred. For example, in company 01 and 02 which has over 30 regional offices within Kenya, the introduction of an ERP system in the organization reduced the number of finance department's staff in these branches by half since most of the day to day operations could easily be transacted from the shared service centre at the head office without additional headcount requirements. This has not only increased the integrity and efficiency in production of monthly results but has also reduced the overall salaries payable to the finance team. This is consistent with the other Findings above from the respondents in the finance and human resources departments. Figure 4.8 below represents the different elements that determine the mobile network operator's structure.

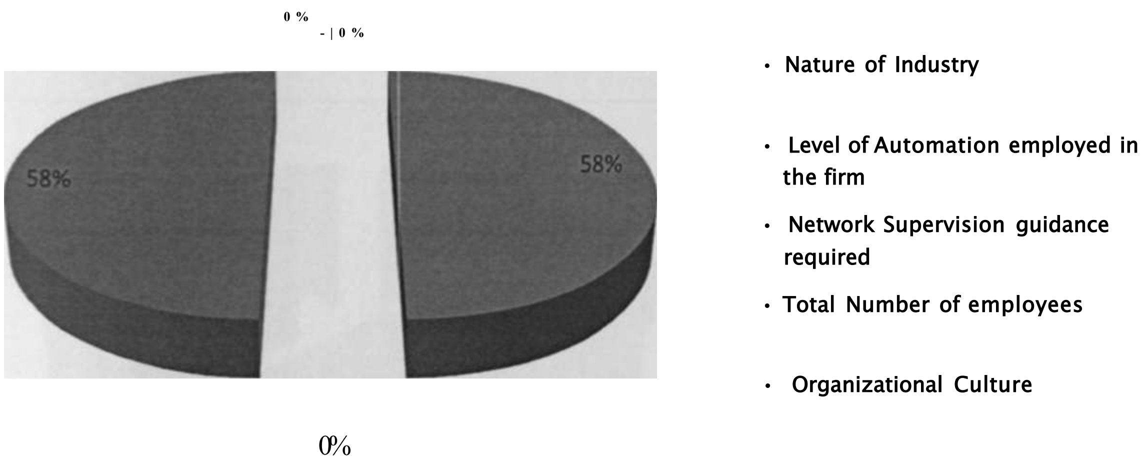


Figure **4. 8: Determinants of the organization structure**

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012.

The number of employees in an entity is the most critical factor in deciding its organization structure. The majority of the respondents (58%) placed this aspect as being necessary. The other key aspect that was identified when deciding the organization structure was the level of automation employed by the operator. This score is consistent with the majority of the responses (58%) who replied that the attribute as necessary.

4.4 Costs associated with downsizing

Respondents from the four mobile operators in Kenya recognized various losses arising from staff layoffs, which were classified into five categories, namely increased staff turnover, reduced staff morale, higher levels of absenteeism, lower innovation and reduced reputation. However one respondents also anticipated increased inconsistency levels and higher staff work load. When probed further the respondent indicated that inconsistency would result from the lack of interest in the future of the company which could be attributed to reduced staff morale. The respondent stated that an increase in staff work load would inevitably result to increased staff turnover and reduced morale

especially where there is no commensurate remuneration for the additional work which would hamper **innovative** capabilities. Figure 4.9 below shows the frequency distribution of each potential loss.

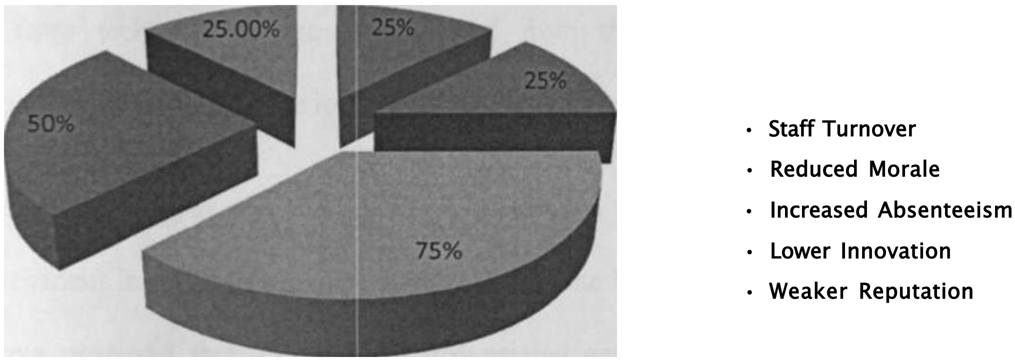


Figure **4.9: Effects and Costs associated with downsizing**

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012.

Respondents from three out of the four mobile network operators' respondents (75% of the population) identified reduced staff morale as the most probable loss arising from downsizing driven by the fear of the unknown. The uncertainty further resulted in increased staff turnover as current employees seek alternative employers perceived as stable as shown by 50% of the operators involved in this study. 25% thought that the reputation of the organization would be injured by downsizing and agreed felt that the retrenchment would result in lower innovativeness and higher absenteeism.

4.4.1 Perceived increased staff turnover

The effects and perception of mobile operators with regard to staff turnover saw the highest proportion of respondents alluding to this danger. Respondent 02 highlighted that during their 2005 retrenchment exercise there was a marked movement of technicians from their company to the competition. As a result although the company succeeded in reducing its workforce to the desired levels, 9% of the exits came from voluntary resignations that occurred prior to the actual retrenchment. The respondent further pointed out that immediately after the downsizing exercise was completed, many more employees from technical department resigned from the company in order to take up other opportunities elsewhere leaving the remaining team members extremely overworked.

Existing employees tend to seek alternative opportunities that they regard as 'safe' arising from the uncertainty evident in downsizing companies. On the one hand, theorists concentrating on employee reactions have proposed that the threat of downsizing generates anxiety and job insecurity among those who remain, potentially increasing stress, dissatisfaction, and turnover (Greenhalgh & Rosenblatt, 1984). Termination of co-workers may lead to perceptions of organizational injustice and distrust of top management (Noer, 1998). These negative attitudes may potentially reduce individual motivation and job performance Once plans to retrench are announced, those who fear for their future positions look for existing openings in the external job market while others leave the organization upon the completion of the downsizing exercise after being dissatisfied with how the whole process was carried out.

For these reasons, downsizing increases the levels of staff turnover within organizations as was seen in the Network and Systems Department of company 03 during the 2005 round of retrenchment when a division lost more staff from resignations rather than from layoffs. Respondent 03 indicated that by letting the more knowledgeable staff leave the organization, the entity exposes itself to a situation where most of the remaining players are on the learning curve since only those with limited expertise are left to run the business processes. This is consistent with Clarke (2005) who stated that the uncertainty that grips employees who are being threatened with retrenchment, resulting in most of them seeking external opportunities available in the market place. Figure 4.10 below summarizes the data received from mobile network operators in Kenya with relation to knowledge transfer and the various attributes that influence it consequent to staff layoffs.

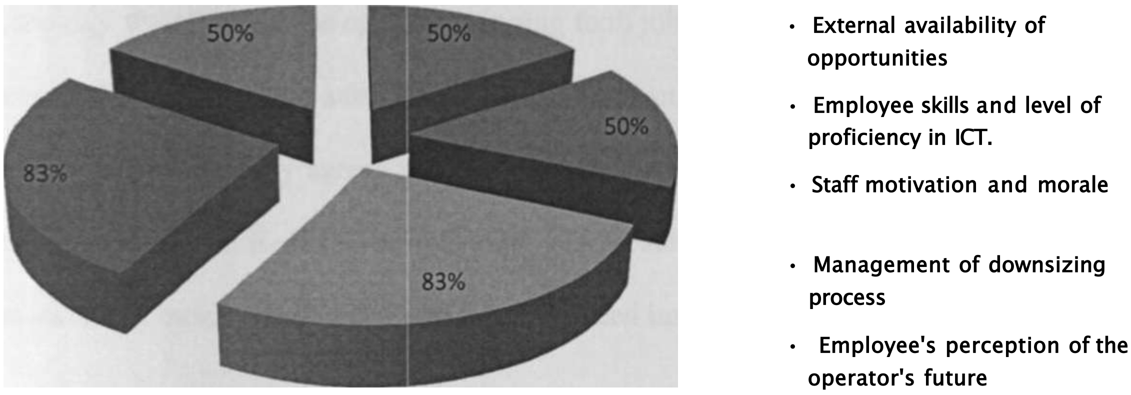


Figure **4. 10: Drivers to knowledge transfer**

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012.

The management of the retrenchment exercise as well as the level of staff morale at the time of downsizing were rated by the highest percentage of respondents as being absolutely necessary in influencing the employees' movement to other organizations. Supporting these contentions, perceived adequacy of managerial explanations of layoffs has been linked to higher organizational commitment and lower intention to turnover among those who are most uncertain about why layoffs occurred and who believe that future layoffs are likely (Brockner et al., 1990). In other words, communication may be especially effective when layoffs are seen as distributive unfair or unpredictable. This underscores the fact that mobile network operators are not very specialized thus opportunities can be sought across other mobile network operator's pool of staff. The skills and proficiency levels that the employees possess; the availability of suitable opportunities outside the organization; and employees perceptions about the future of the downsizing firms attained 50%.

4.4.2 Perceived reduced morale

Downsizing in mobile communications industry inevitably results in uncertainty within the existing high technology workforce of the operator bringing forth job insecurity. Therefore as a direct corollary, employees tend to deviate their attention to other unproductive areas resulting to de motivation, three out of four operators strongly agreed that the most common cost envisaged when downsizing was a reduction in motivation. Reduced morale may also result in increased absenteeism, higher staff turnover, increased incidents of theft & fraud and reduced innovative capabilities.

The HR respondent from company 04 indicated that the lowered morale was seen in reduced operational efficiencies with poor quality of service noticeable to customers. This was attributed to the fact that most individuals tended to spend many hours chatting amongst themselves rather than engage in productive activities. This attribute aligns well with Cameron et al (1991) who reported that downsizing can result to decreased staff morale and higher conflict levels. In some instances employees may stage sit-ins or deliberately increase wastage levels resulting in further losses to the organization in terms of longer fault resolution times, poor network quality and poor network optimization leading to increased operational expenditures.

The declaration to downsize sends mixed signals amongst staff as those who separate with the company may feel unjustly treated while the 'survivors' have a reliable doubt on whether their contribution in the business will be rewarded in future. Besides evaluating justice following downsizing, remaining employees may be concerned about their futures in the reduced organization, potentially resulting in job insecurity, defined as "perceived powerlessness to maintain desired continuity in a threatened job situation" (Greenhalgh & Rosenblatt, 1984, p. 438). This explains why firms that have downsized tend to have a higher level of staff turnover than those that have not. Respondent 02 informed the researcher that in 2006 a number of the sales people, who had survived retrenchment after the 2005 round of layoffs, moved to the competition for similar jobs after they were offered same pay package. They justified this action saying that the growth prospects in the new entrant were higher than in company 02.

Staff layoffs in mobile communications companies adversely impact the individual performances of employees arising from the mixed thoughts they hold about their jobs. This unfavourable mood within employees in the organization results in lowered outputs for the overall entity, as was witnessed in company 02 in the industry where the aggregate sales revenue reduced by 11% upon formal communication from management that staff numbers were to be reduced. The reduction in company output was not only attributable to the increased wastage levels but also to slower response to customer complaints. On the support, theorists concentrating on employee reactions have proposed that the threat of downsizing generates anxiety and job insecurity among those who remain, potentially increasing stress, dissatisfaction, and turnover (Greenhalgh & Rosenblatt, 1984).

Reduced morale may also be manifest by the increased level of long fault resolution time by operations field technicians. As given by respondents 01, 02, and 03, the field technicians teams are normally faced with the challenge of a higher level of fault location and resolution time inconsistencies once the plans to downsize are announced in the company. This not only emanates from the increased stress levels hence reduced concentration by the employees but also due to their deliberate attempts to show the need to retain all of them in order to increase checks and balances within the workflow. Further, new technologies may also be resisted by employees who wish to 'prove' the systems' inadequacy hence justifying the old tools that have been earmarked for replacement. This is supported by (Downs, 1995, pp. 4-5) indicating that a company that endures a layoff mercilessly bleeds critical personnel. It staggers from the loss of talent, knowledge, and morale for months, even years, after a layoff. The loss of productivity after a layoff is profound. Figure : 4.11 below shows the various elements that influence the reduction of staff morale subsequent to downsizing.

The adequacy of the internal communication networks in the organization represents the most important aspect in determining the motivation amongst downsizing firms. 83% of the responses reported that this attribute was absolutely necessary in influencing the morale levels within the mobile communications industry.

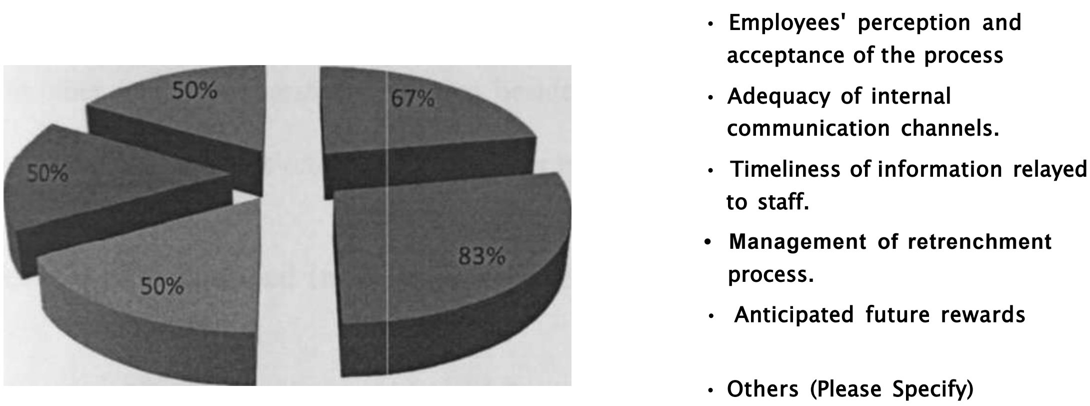


Figure 4.11 Perceived drivers to reduced morale

Source: Safaricom, Airtel(K),Orange , Essar-Yu, Research Survey, 2012.

Employee perceptions about the process of downsizing as well as the management of retrenchment exercise were placed by a majority of the responses as being absolutely necessary in determining the motivation of the employees. The timeliness of information relayed to staff regarding the downsizing exercise was ranked as necessary while the most respondents were neutral towards anticipated future rewards.

4.4.3 Perceived increased absenteeism

Research pointing to higher absenteeism among workers with the highest skill levels further suggests that the organization's access to human capital may be reduced during downsizing. However, given the relatively higher levels of unemployment in Kenya, this problem is not as conspicuous since one out of four Mobile Network Operators thought that downsizing could lead to absenteeism.

Respondent 04 mentioned that increased absenteeism was caused by the desire by the employees to seek **alternative** employment opportunities. He further noted that employees attend interviews in other **prospective** employers' premises either with or without seeking express permission from their managers.

The other cause for absenteeism seen was the decision by some employees to concentrate their energies to other income generating activities besides their formal employment. Absenteeism could also be temporary where staffs often take time off or report late for work.

4.4.4 Perceivcd dccrcascd innovative capacity

Given that most of the innovations within mobile communications industry are done in professional groups groups, delays occur in a number of incidents where key members of the development teams leave a downsizing company this is consistent with respondent 01. One possibility following from downsizing that has been enumerated by a number of theorists is the threat-rigidity proposition (Staw, Sandelands & Sutton, 1981; Sutton & D'Aunno, 1989). Based on psychological research on individual responses to stress, these authors note that individuals and organizations will restrict information capacity and attempt to increase control over their environments in the face of adverse circumstances. As a result, organizations may increase centralization of decision making following a reduction in resources, and individuals will reduce innovation and other risk taking behavior out of fear or because of stress.

Respondent 02 indicated that upon downsizing there was a reduction in the number of new products that were churned into the market. He further pointed out that while it would previously take the field operations technician a maximum of 2 hours to resolve a major fault in the network upon downsizing it now would take more than 4 hours to do the same. This has been attributable to increased staff turnover in the company as those who were previously skilled in technical operations were retrenched or chose to seek alternative employment. Figure 4.12 below shows the different characteristics that determine the innovation levels within an organization as gathered from mobile network operators.

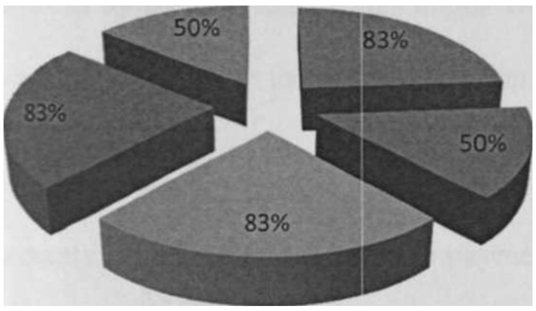


Figure 4.12: Drivers to innovation

Source: Safaricom, Airtel (K),Orange , Essar-Yu, Research Survey, 2012.

The morale of staff was rated by 83% of the responses as being absolutely necessary in influencing the level of innovativeness within a mobile network firms. Employees' level of training and proficiency together with their teamwork and cohesiveness was also rated as being absolutely necessary by a majority of the respondents in determining the innovative capacity of mobile network operators.

Majority of the respondents reported as being neutral towards resources allocation to research and development activities as well as the average workload per employee as factors that determine the innovation capabilities of mobile network operators.

4.4.5 Perceived weakened reputation

Downsizing may result in reduction of the Mobile Network Operator's standing from the society's view point because of the negative perceptions that are appended by different people. The reputation of the Mobile Network Operator may be injured by bad publicity in the external media; exodus of highly placed people in the organization and reduced level of service driven by lowly motivated or unskilled staff.

According to respondent 02 downsizing resulted in reduced sales 2007 because major customers shunned their products and services and opted for competitors. This was driven by the perception that most of the retrenched staff were experienced and that the customers were not confident about the standards availed by the new team which aligns well with the findings of Zyglidopoulos (2004) that layoffs have adverse effects on the firm's reputation for social performance.

Company 03 experienced a marked delay with network subcontractors who held back in servicing network elements citing potential lateness in payment. This was justified by the belief that companies that were pursuing the downsizing strategy were facing some financial difficultly and thus the suppliers are more wary when dealing with them. As Fombrun (1996) demonstrated, besides the investors who downgrade their perceptions of downsizing firms, the other constituents of the mobile network operator - the suppliers, customers and employees, all view the organization cautiously once plans to downsize are made public.

Further reduction in reputation resulted from the reduced level of workmanship due to lower skills levels within downsizing firms. Arising from the learning curve effect, the inexperienced employees left to manage processes in downsizing firms took longer periods of time to carry out tasks compared to the proficient leavers. Company 01 experienced a 6% reduction in its direct sales after the 2008 round of retrenchment attributable to a shift of customer preferences to procure its services from agencies rather than from the firm's own sales points due to the numerous errors committed by the inexperienced employees. The learning curve effect also resulted in reduced quality of operational efficiency and increased wastage levels as customers increase their returned orders. Upon having knowledge of this fact, customers tended to move to competition which offers more reliable services thus not only increasing costs but also reducing revenues.

Mone (1999) found out that feelings of loss of control over the situation and the uncertainty caused by the possible loss of their own jobs cause severe stress reactions in the survivors. These are further exacerbated by the sharp increase in the work overload, longer working hours, and fewer vacation days, leading to inefficiency and burnout. The job/work transition theory states that organisational change caused by downsizing results in changes in responsibilities, reporting relationships, co-workers, policies and procedures. Thus uncertainty underlying downsizing instills fear in potential employees who may want to take up roles left vacant by those voluntarily resigning from the organization to take up external offers.

Respondent 04 gave an account of how they had a challenging task to find a suitable replacement to one of the Radio Frequency Head upon retrenchment. The most qualified candidates were asking for salaries almost twice as much as the previous holder. However, this cost is not as material compared to that incurred as a result of reduced morale and increased staff turnover. One finding that researchers of the downsizing phenomenon agree upon is the cluster of reactions among surviviors in the organisation - a cluster that has become known as 'survivor sickness' (Noer, 1993) or survivor syndrome (Cascio, 1993). Other researchers (e. g., Barusch and Hind, 2000) refer to it as negative responses of employees who retain their jobs after downsizing. Survivor syndrome is the major factor that contributes to the failure of most organisations to achieve their corporate objectives after downsizing (Appelbaum et al., 1999).

Although not as severe in corporate downsizing as in major tragic traumatic events, 'corporate survivor's syndrome has proved to be no less physically or mentally devastating (Applebaum, Schmidt, Peytchev, and Shapiro, 1999). Respondent 01 eluded how as a result of downsizing, the survivor syndrome manifested itself in a number of ways. These included anger, depression, fear, guilt, risk aversion, distrust, vulnerability or powerlessness, loss of morale and motivation and reduced work and organisational commitment .Figure 4.13 below indicates how the various drivers to the reputation of mobile network operator are perceived.

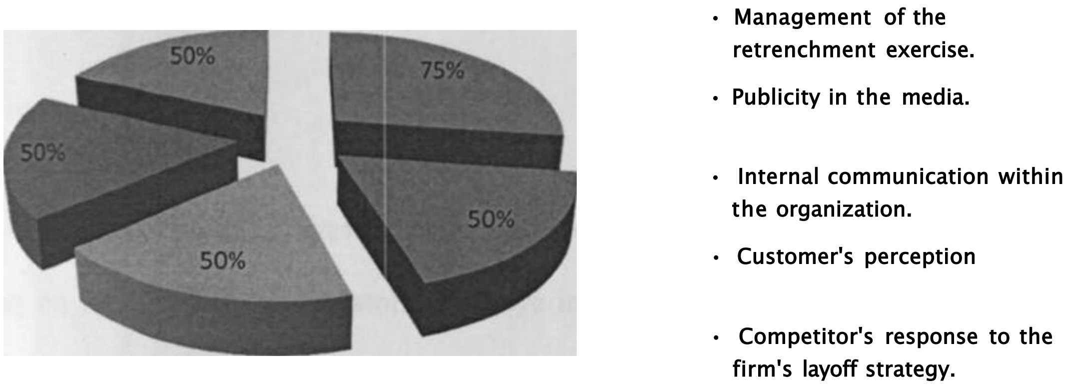


Figure 4.13: **Perceived Weakened Reputation**

Source: Safaricom, Airtel(K-),Orange , Kssar-Yu, Research Survey, 2012.

The reputation of a mobile network operator that has engaged in staff layoffs is largely dependent on how the downsizing process was carried out. 75% of the responses placed handling of the retrenchment process as absolutely necessary in determining the reputation of a downsizing organization.

CHAPTER FIVE: SUMMARY, CONCLUSIONS, RECOMMENDATIONS

5.1 Summary

The aim of the research study was to determine the Perception of organizational effects of staff downsizing on mobile network operators in Kenya in terms of economic, strategic or technological reasons.

The framework for this research work was envisioned as weighing scale where the a range of advantages and disadvantages were conceptualized as pulling in different directions. As was shown in chapter 2, downsizing results in both positive and negative outcomes. However, these eventualities are also the products of other externalities that may or may not emanate from staff layoffs in mobile communications industry. The following is what this study established.

The study found that downsizing is motivated by economic, strategic and technological reasons. The positive outcomes are increased profitability, improved productivity, better strategic positioning and leaner structures. On the negative side, the adverse effects include reduced staff morale, hampered innovative capacity, injured corporate reputation and loss of valuable knowledge and company strategies.

Analysis of the outcomes of downsizing in relation to their underlying drivers suggests that staff layoffs may be more damaging to the mobile network operators than beneficial. Positive outcomes can be achieved by other means. Downsizing should therefore only be used as a strategic initiative aimed at increasing productivity and/or efficiency while retaining the most valuable resource in operations and that is the human capital.

The findings of the research indicate the existence of the survivor syndrome in the in mobile network organisation in Kenya after the downsizing resulted in the large exodus of key skills and talented employees as evidenced by the employee turnover rate which was much higher than that of previous year after downsizing.

During downsizing mobile network organisation do not communicate the downsizing plan and the implementation strategy. Although half of the mobile network operators felt very strongly that the communication with regard to downsizing were made prior to the event ,the downsizing plan and implementation were not communicated to employees, and it was a general feeling that the communication was not clear enough to result in proper employee understanding of the process and buy-in.

Survivors do not believe that the process of identifying redundant employees during a downsizing exercise is fair and consistent. The survivors also believe that the terminated employees were treated unfairly.

Downsizing in mobile network organisation makes survivors feel insecure about the future of their jobs. The findings show that the downsizing process had a negative impact on all (both affected employees and survivors) and that it also made the survivors feel insecure about the future of their jobs and careers.

Mobile network operators -Kenya tend to concentrate on terminated employees and provide no support programmes or counseling for the surv ivors after the completion of the downsizing. However contrary to management's view the respondents did not seem to believe that the survivor support program or counseling was necessary and would not have made those employees who left to stay.

The workload of survivors generally increases after the departure of the terminated employees. The mobile network operators expect survivors to continue performing at their best or even better after downsizing. The survivors however, are not adequately prepared for their new roles.

New working relationships for survivors are not redefined after the downsizing process. Survivors do not, therefore, understand their new roles and how they fit into the new organisation. A new contract is not put in place immediately after the downsizing exercise. The findings indicate that due to operational pressures, management did not make the time to redefine the new roles and scope of the employees and explain how they fit into the new strategy of the organisation.

Survivors leave the organisation, because they do not see many career advancement prospects. The proposition is false because the perception of limited future career prospects has not always led to survivors leaving.

5.2 Discussions

There are many aspects of the downsizing process that mobile network operators did well and others that they did not do so well. Communication is a critical component downsizing (Appelbaum and Donia, 2001), although the mobile network operators seems to have communicated adequately and frequently during the planning and implementation phases of downsizing, they unfortunately did not use the opportunity to create a new culture. During downsizing management has the opportunity to set pace and begin to create the culture it seeks to foster in the new organisation which can be achieved by "what and how" communication is done. It is therefore important that management does not fall into the trap of feeling that it is now time to "get back to business as usual" (Appelbaum and Donia, 2001).

Immediately after the downsizing takes place the mobile network operators should enter into a maintenance phase in which communication remains at the centre. During this final phase the mobile network operators should gear themselves up for the new challenges and employees will need to know and understand management's new vision and company direction with regards to aspects such as financial goals and competitive environment (Appelbaum and Donia, 2001). The mobile network operators over the years that they exercised downsizing programmes did not go into the maintenance phase because of network operational pressures and the new leadership was still trying to pull their act together. The new objectives can be accomplished by seeking employee input for innovative and practical solutions for the challenges likely to arise. As suggested from the interviews with the HR - Director in company 02 it is important for the leadership to create a picture of a realistic positive picture and encourage open dialogue with employees on the challenges facing the organisation.

It is clear that managers play a significant role in the preventing or alleviating survivor syndrome even after the downsizing. Special consideration must be placed on the availability of both career planning and supporting services because the organisation that emerges after the downsizing is fundamentally different. Issues to be addressed include opportunities for upward mobility within the organisation, opportunities for skill advancement, job and financial security. It is also up to managers to seek to find out how survivors'jobs can be enriched, such that more interesting work will help contribute to higher productivity and morale. This is important given the tendency after layoffs for surviving employees to believe there are no good opportunities left, while in fact these are just different from those which were previously available (Appelbaum and Donia, 2001).

5.3 Recommendations

There seem to be changes in survivor attitudes, commitment and motivation after downsizing in a highly volatile environment. Additionally, survivors of downsizing in context volatile economic environment experience high levels of uncertainties. The implication of these conclusions for human resources managers within mobile communications industry in Kenya is that: they should have knowledge of the context in which downsizing is taking place. Such knowledge makes them effective in deciding the criteria, processes and procedures to be adopted when downsizing and, there should be differential of treatment of employees during and after downsizing. This might lead to the strengthening of commitment towards the new organizational order. However, it might also lead to strengthening negative perceptions of deepening discrimination among the survivors.

Career paths should be made explicit since the psychology of hope continues to be a great motivator and will enhance the vision of a more secure future. An individual's relationship with his or her manager has the greatest impact on job satisfaction. Managers should take steps to support their employees' career goals. They should let them know of any internal resources that might further their objectives such as mentoring programs and provide access to formal training where required. By understanding individual objectives and priorities the manager can direct projects to the right people and make better personnel decisions (Messmer, 2004).

Employees should be made aware of the new rules and how these will impact on their jobs thereby helping to create a new psychological contract. Increased focus should now be directed toward assisting surviving employees with their new workloads. Management should be readily available to help survivors cope with the increased demands and pressures. The organisation should actively seek to eliminate those non value adding activities and streamline its business processes quickly to create an environment in which employees can thrive and not feel overwhelmed. Managers who back up their staff during challenging times build loyalty.

Lastly it is important that serious consideration be given to retention strategies of critical skills and talent during the downsizing effort and not hope that the fairness of the process will automatically retain them. In many cases, organizations do not need to spend much money to boost morale and give employees a reason to stay (Messmer, 2004), and thus the need to create a new employee value proposition (a compelling reason why employees should stay with the company). Many comments made by the respondents reflect that the organisation contributed meaningfully to their careers and these factors need to be highlighted during times of uncertainty. The organisation should however not underestimate the importance of compensation in retaining staff. While it is not always a leading factor when employees move on, it often plays a role in the decision making (Messmer, 2004). As the results indicated many employees got higher pay with the new employer when they left the organisation. Underpaying employees may send the message that they are not valuable to the company's future success.

5.4 Conclusion

Emotions play an important role and may be the most difficult obstacle for management to overcome during the downsizing process. It is therefore important for the mobile network operators to make efforts that boost morale, minimize the damage of trust, aid renewal and fuel increased productivity of the surviving employees. Leadership is critical at this point and top management should be visible and open to communication. It is also necessary that survivors are reassured of their job security and their future with the organisation (Simone and Kleiner, 2004). The findings indicate clearly the emotional trauma that both terminated employees and survivors went through during downsizing. The different experience, perceptions and interpretation of the process by the survivors is what ultimately determines whether they leave or stay with the organisation. The findings indicate clear differences in experiences and interpretation between the current employees and the ex-employees who went through the exact same downsizing process.

This thesis has demonstrated that the despite the pros and cons of downsizing, other factors impact these outcomes. The majority of the respondents replied that mobile network operators would reduce headcount numbers when faced with challenging economic conditions. However, this research has shown that the human resource component is a fundamental factor in determining the overall outcomes of downsizing.

Downsizing within mobile communications industry not only reduces the staff motivation levels, but it also encourages knowledge flight in favour of the competition which in turn hampers innovation and consequently overall reputation. These adversities may lower staff productivity levels resulting to the requirement to increase reporting structures which may hurt its profitability thus negatively impacting its reputation. It is therefore important that mobile network operators leaders carefully evaluate the potential outcomes of staff layoffs before executing such plans. When tough economic times bite, managers should strive to increase the innovativeness of the employees rather than lay them off.

Once the decision to downsize has been made, management teams should ensure that this process is carried out with utmost professionalism where communication is adequate and timely in order to reduce anxiety amongst staff which diminishes output levels. Further, business leadership teams need to secure enough financial resources not only to meet the contractual obligations but also increase the success rate of downsizing by offering counselling to both the survivors and exits while offering credible alternative sources of income to those leaving employment. In conclusion this researcher therefore recommends that mobile network operators should only use downsizing as a strategic avenue in order to increase production and/or efficiency rather than as a cost cutting measure. As downsizing becomes increasingly prevalent within the industry, the issue of survivor syndrome must be addressed not as crisis management but as a fundamental aspect of the downsizing plan (Appelbaum and Magda, 2004). There is significant economic impact with mobile network operators losing any of its highly trained, technology servy critical employees, especially given the knowledge that is lost with the employee's departure (Ramlall, 2004).

Retention of critical skills and talented employees is a complex issue for many Mobile Network Operators in the normal course of business, it becomes even more complicated when an organisation is downsizing and the environment is destabilized.

5.5 Limitation of Study

The uniqueness and strength of this study is that it was focused on the investigation of the constructs of the Perception of organizational effects of staff downsizing on mobile network operators in Kenya

- terms of economic, strategic or technological reasons in a very dynamic and changing environment. However, there are limitations to and problems with the present study. These limitations include, collecting information from Human Resources Directors whose organizations had downsized in the previous one or two years. There was no guarantee for the researcher that some of the Directors still had the organizational memory of how the downsizing event had taken place.

The study is limited to Mobile Network Operators located in Kenya and therefore may not be applicable to other regions. It is further specific to the Mobile telecoms Industry. However, downsizing is a common business practice as indicated by the amount of literature and research available on the subject and thus other organizations going through the same process could learn from the experiences of Mobile Network Operators in Kenya.

5.6 Suggestion for further study

Between the years 2005 and 2011, Mobile Network Operators in Kenya have gone through at least two downsizing exercises. This research focused on Perception of organizational effects of staff downsizing on mobile network operators in Kenya in terms of economic, strategic or technological reasons. The research centers on internal factors that management could possibly influence or control, however there are external factors such as the shortage of key skills in the Mobile Communications Industry, the buoyant employment market and employment equity that may have also contributed to the high employee turnover. Further research is suggested in establishing whether external factors increase the risk of voluntary turnover in an organisation going through downsizing.

Additional research could be conducted into developing retention strategies within Mobile Communications Industry and an employee value proposition that addresses specifically defenseless staff going through downsizing.

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APPENDICES

INTRODUCTION LETTER

Faith Nancy Chepkirui

University of Nairobi

P.O Box 30197, Nairobi, Kenya.

Dear Respondent,

RE: **PERCEPTION OF ORGANIZATIONAL EFFFXTS OF STAFF DOWNSIZING ON MOBILE NETWORK OPERATORS IN KENYA**

Faith is a student at the University of Nairobi. In partial fulfillment of the requirement for the award of the degree of Master of Business Administration, she is required to undertake a research project on relevant topic to her specialization.

She is interested in the topic mentioned above, while a number of firms downsize by curtailing the operations, through sale of business units this study will focus on staff headcount reduction in mobile communication industry in Kenya and effect to the organizations. Research in this area has divergent viewpoints regarding the outcome of retrenchment.

As a strategic change agent you hold valuable information that will add light to this practice. The results will be used in utmost confidence to develop an academic reference in mobile communication industry. Please share your thoughts on the subject matter in the attached 10 minute questionnaire.

Thank you for your cooperation and time.

Yours Sincerely,

FAITH NANCY CHEPKIRUI
Researcher

Cc: MR.OCHORO DUNCAN OUTAH

Supervisor

QUESTIONNAIRE

Please give answers in the spaces provided and tick (V) in the box that matches your response to the questions where applicable.

SECTION 1

Gender: Male)___| Female

Age:

Below 20 years |___[20 to 25 years |—] 26 to 30 years

31 to 35 years |___[36 to 40 years Q^j 41 and above years |___|

Company:

Airtel I___I Safaricom •

YU • TKL-Orange I___I

Experience:

Less than 2 years |___| 2 to 5 years |___| 6 to 10 years

More than 10 years I___1

SECTION 2

1. Has your organization retrenched staff between 2005 and 201 1? • Yes • No

2. Which year(s) did the retrenchments happen?

3. What is the current total number of employees in your Organization?

a) Less than 200 b) Between 200 and 500 Q

c) Between 200 and 500 Q d) Between 500 and 1000 Q

e) Over 1000 |___|

4. What were the anticipated benefits for your organizational downsizing?

a) Increased Profitability |___[e) Leaner Structure

b) Strategic Positioning |___|

c) Improved Productivity |___|

Any other factors

5. What was the staff related losses after downsizing?

a) Staff Turnover |___| d) Lower Innovation |___[

b) Reduced Morale |___] e) Weaker Reputation

c) Increased Absenteeism |___|

Any other factors

6. What was the immediate impact on Productivity when staff layoff was announced?

a) Increased Productivity |___| c) Decreased Productivity |___|

b) Productivity Unchanged |___|

Any other factors

7. What would you attribute the reasons for increased productivity to? (If N/A productivity decreased-don't mark any other)

a) (N/A) Productivity Decreased |___| d) Strong Leadership Team |___|

b) Superior Process Management [___| e) Staff **buy**-in of exercise 1___1

c) Increased Expectations

Any other factors

8. What would you regard as the courses for downward shift in productivity to? (If N/A productivity increased-don't mark any other)

a) N/A Productivity Increased [___] d) Increased Absenteeism |___|

b) Poor Process Management |___1 e) Staff resentment

c) Decreased Expectations |___|

Any other factors

9. On a scale of five where (1) (represent the least important aspect) show by ticking in the table below how various attributes of influence contribute to the benefits of Organizational downsizing.

(a) PROFITABILITY	1	2	3	4	5
Market Perception of the Operator	●	●	n	●	●
Number of Customers	●	●	n	●	●
Airtime Tariff -Selling Price	a	●	●	●	●
Operations Efficiency	●	●	●	●	●
Cost Composition	●	●	●	n	●
(b) **STRATEGIC POSITIONING**	1	2	3	4	5
Nature of business	●	●	●	●	●
Number of players in the Industry	●	●	●	●	●
Market position relative to competition	●	●	●	a	●
Innovation capacity of the operator	●	●	●	●	●
Stage in business life cycle	●	●	●	●	●
Others (Please Specify)	●	●	●	●	●

(c) FLATTER STRUCTURE	**1**	2	3	**4**	5
Nature of Industry	●	●	●	●	●
Level of Automation employed in the firm	n	●	●	a	●
Network Supervision guidance required	●	●	●	●	●

Total Number of employees	●	●	●	●	●
Organizational Culture	●	●	●	●	●
Others (Please Specify)	●	●	●	●	●
(d) PRODUCTIVITY	**1**	2	3	**4**	5
Level of Automation	**n**	●	●	●	●
Staff Morale and Motivation	●	●	●	●	●
Level of staff Training in ICT	●	●	●	●	●
Teamwork Culture and cohesion amongst employees	●	●	**n**	**n**	●
Chain of Command	●	●	●	●	●
Others (Please Specify)	●	●	●	●	●

10. On a scale of five where (1) (represent the least important aspect) show by ticking in the table **below how** various attributes of influence contribute to the cost of organizational downsizing.

(a) **REPUTATION**	**1**	2	3	4	5
Management of the retrenchment exercise.	●	●	●	●	●
Publicity in the media.	●	●	●	**n**	●
Internal communication within the organization.	●	●	**n**	**n**	●
Customer's perception	●	●	●	●	●
Competitor's response to the firm's layoff strategy.	●	●	●	●	●
Others (Please Specify)	**U**	**U**	**u**	**u**	**u**
(b) MOTIVATION	**1**	2	3	4	5
Employees' perception and acceptance of the process	●	●	●	●	●
Adequacy of internal communication channels.	●	●	●	●	●
Timeliness of information relayed to staff.	●	●	●	●	●
Management of retrenchment process.	**n**	●	**n**	●	●
Anticipated future rewards	**n**	●	●	●	●
Others (Please Specify)	●	●	●	●	●
(c) **INNOVATION**	**l**	2	3	4	5
Level of training and proficiency	●	●	●	●	●
Resource Allocation to research and development	●	●	●	●	●
Staff motivation and morale	●	●	●	**a**	●

Teamwork and cohesion amongst employees	●	●	●	●	●
Average workload per employee	●	●	●	●	●
Others (Please Specify)	●	●	●	●	●
(d) KNOWLEDGE TRANSFER	**1**	2	3	**4**	5
External availability of opportunities	●	●	**n**	**n**	●
Employee skills and level of proficiency in ICT.	●	●	●	●	●
Staff motivation and morale	**n**	●	**u**	●	●
Management of downsizing process	●	●	●	●	●
Employee's perception of the operator's future	●	●	**n**	**n**	●
Others (Please Specify)	●	●	●	●	●

11. In your own opinion did the downsizing exercise achieve the expected results?

Yes |____| No

Discuss any other comments

THANK YOU VERY MUCH!!

REGISTERED MOBILE NETWORK OPERATORS IN KENYA

CODE IN RESEARCH	MOBILE NETWORK OPERATOR
01	SAFARICOM
02	AIRTEL
03	TKL-ORANGE
04	ESSAR-YU NETWORKS