

**STRATEGIES USED BY STATE CORPORATIONS TO  
MANAGE PROBLEMS EXPERIENCED BY THE  
SURVIVORS OF RETRENCHMENT: A SURVEY OF  
STATE CORPORATIONS IN NAIROBI**

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## DECLARATION

This Research Project is my original work and has not been presented for a degree award in any other University

Charles Opeyio Ngema



Date 22-11-2008

This Research Project has been submitted for examination with my approval as University of Nairobi supervisor:

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Date

22/11/2008

## **DEDICATION**

I dedicate this research project to my wife Hellen and my children; Emmanuel, Caleb Wesley, Jael and Joshua for support, patience and understanding during the period of study and writing of this research project.

May God bless you abundantly

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I would like to register my sincere appreciation to all those who assisted me during the preparation and writing of this research project.

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## ABSTRACT

In order to salvage State Corporations from poor and declining performance, and mismanagement prohibiting sustainable economic growth, the Kenya government initiated reform programs in 1993, which included the reorganization and restructuring of the sector. This led to the introduction of retrenchment in State Corporations. Although the main purpose of retrenchment was to improve efficiency and productivity, the problems of survivors was an unforeseen phenomenon that led to contrary results. It is imperative therefore, for the State Corporations to design strategies to address problems experienced by survivors of retrenchment.

This study therefore sought to determine strategies used by State Corporations to manage problems of survivors of retrenchment. The population of interest was all the fifty-two State Corporations in Nairobi that had retrenched staff. Structured questionnaires were used to collect data. The data collected were analysed and summarized using descriptive statistics, consisting of frequencies, percentages, arithmetic mean and standard deviations. A five point likert scale was used to measure and identify strategies by State Corporations to manage problems experienced by survivors of retrenchment.

The findings from the study indicate that most of the organizations in dealing with problems experienced by survivors of retrenchment have put in place strategies that promote organizational culture supportive of the human resources management practices. These strategies include periodically carrying out job satisfaction and attitude surveys, introducing instant recognition programs to reward good performance; providing tools and resources necessary for enhancing staff performance and enhance strategic human resources practices to motivate and retain employees, facilitate increased productivity and bottom line profitability; conducting training workshops to create new culture and emphasize organization cherished values.

The major conclusions were that strategies used to manage these problems included putting in place quality work life initiatives which included; excellent communication channels; team work and collaboration; training and development policies; providing tools and resources necessary to enhance performance; establishing equitable performance pay systems and remunerations; employee participation in decision making;

promoting health and safe workplace; enhanced organization's support and employees' personal health care and family. Quality work life programs enhance staff commitment to an organizations Vision and Mission.

Communication emerged as a vital strategy used; State corporations explained to employees reasons for retrenchment, issued advance notices for retrenchment to affected employees; enhanced excellent communication channels; showed compassion and listened to workers sentiments. In addition, educated survivors about the vision and mission of the corporations as well as established suggestion boxes, newsletters and conducting regular meetings for enhancement of effective internal communication.

However, it emerged that State Corporations need to introduce and enhance other sustainable strategies such as instant recognition programs to reward good performance; establish equitable performance pay system and remuneration policies; provide good salary and benefits; institutionalize regular meetings with employees; enhance employees participation in decision making processes and problem solving; and organize stress management training for staff.

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

One of the major challenges of business leadership in this millennium is to manage continued improvement in competitive situation. In order to stay competitive, companies *are trying to become more “mean and lean”*. *To achieve this, many major corporations have adopted the “downsizing” and “rightsizing” strategy* (Ramayah et al., 2006). Downsizing has become almost away of life for American companies. More than 3 million jobs are eliminated each year since 1989, and for a total of 43 million since 1979. The number of who have been eliminated reflects the promise of higher productivity, better stock performance, and more flexibility (Cascio, 1995). In 1990s Southern California prominence of its aerospace and defense industries was hard hit by large scale downsizing. Also banking and technology firms in Southern California begun to downsize, struggling to remain competitive amidst an environment of mergers and global competition (Zachary, 1995).

Workforce reductions can range from being forceful in nature (retrenchment) to milder approaches such as resignation, incentives and job sharing (Sutton and Aunno, 1989). Since the 1980s, about 10 million jobs have been eliminated in an effort to reduce cost and improve performance (Turner 2000). This trend is expected to grow in future (Ramayah et al., 2006). Retrenchment generally refers to the dismissal of those who are considered redundant civil servants (Kamanda, 2006).

Years of mismanagement in the public sector of many developing countries have contributed to a legacy of overstaffing, burgeoning payrolls and inefficiency (World Bank Institute 1999). Overstaffing usually occurs in administrative and clerical positions in Uganda and Ghana over staffing was estimated at 20-25% (Kikeri, 1998). Companies increasingly trimmed their workforce in the late 1980s and early 1990s (Davidson, Worrell and Fox, 1996). First witnessed in private sector, downsizing has now spread to all levels of government and knows no sector or geographical boundaries (Burke and Cooper, 2000).

### **1.1.1 Problems of Retrenchment**

Retrenchment means the reduction of expenditure in order to become financially stable, (e.g., by cutting jobs). It is a tactical concept similar to downsizing. This strategy is often used by corporations which are under pressure to raise profits or who are failing in certain sectors and wishes to concentrate in higher-gain groups (Wikipedia, 2007). Carroll and O’dea Solisitors (2005) add that the concept of “retrenchment” is usually linked with “redundancy” and also with the concept of “severance” or “severance pay”. Wikipedia (2007) equips that when supply of staff in an organization exceeds demand, the surplus is referred to as redundant.

Carroll and O’dea Solisitors (2005) states that an employee is often referred to as ‘redundant’ but more accurate description is that the job the employee was employed to perform is redundant (the employer does not want the job to be performed by anyone anymore) and the employee’s employment is then terminated by reason of that redundancy - the job becomes redundant. Carroll and O’dea Solisitors (2005) further explain that an employee is retrenched when his job becomes redundant and the employer cannot offer the employee an alternative. Upon retrenchment an employee receives, from an employer, amount of money referred to as severance or severance pay. Retrenchment then is the expression to describe what occurs to an employee whose employment is terminated by reason of his or her job becoming redundant. Wikipedia (2007) adds that before making staff redundant management should consider the company’s long-term objectives; future strategic planning; and number of staff expected to resign and retire.

According to Hansen and Twaddle (1989); Standing and Tolkman (1991); and Uganda Manpower Survey Report (1989) retrenchment is a government initiated policy ministry-wide to cut down the number of employees and subsequently reduce costs incurred by government. Green and Pedersen (2002) explains further that the term retrenchment had been used to examine the public expenditure ‘cuts’ of labour and national government in UK in the 1920s and 1930s and the labour government of the 1970s in UK

Gordon et al, (1990) equips that retrenchment under strategic planning is one of the grand strategy usually applied only when failure is imminent. It means the reduction of the size or scope of a firm’s activities. Most corporate management resists, retrenchment strategy. Although growth is often an objective, retrenchment seldom is. The

retrenchment strategy is pursued for the goal or purpose of survival. Bartols and Martin (1991), state that retrenchment involves reduction of the size of the work force of a firm. In other words, retrenchment is a process of shrinking the size of the work force and the term closer to “retrenchment/downsizing” in meaning is restructuring. However, restructuring witness major change in organization structure.

The hard reality of retrenchment experienced by many is job loss and constant change (Baum Lamertz and, 1998), fewer people doing more work and feeling insecure, trust and morale eroded as workloads increased and job insecurity escalated (Fisher, 1991). More than one-half of the survivors reported increased job stress and symptoms of burnout (Cascio, 1993), and dysfunctional consequences (Brockner, & Greenberg, Bortz and Carter, 1985; Flaim and Sehgal, 1985; Kinicki, 1985). Some survivors were energized and considered downsizing to be an opportunity for personal growth (Emashoff, 1994; Henkoff, 1994; Isabella, 1989). To them, downsizing may be a challenge or an opportunity for growth, mastery or gain (Sutton, 1990), to learn new skills as they take over the responsibilities of the downsized (Folkman, 1984).

### **1.1.2. Survivors of Retrenchment**

Layoffs create downsizing survivors (Heathfield, 2007). Survivors are those who remain employed in the organization after the downsizing, while victims are those who have lost their jobs as a result of downsizing (Davy, Kinicki & Scheck, 1991; Heathfield, 2007). Many organizations have problems in dealing with survivors of this painful process (Brisco, Rothman & Soukup & 1987; Boucher, Dupuis & Lorraine, 1995). Survivors of downsizing are victims of what is called “survivors syndrome”(Jackson, 1996). Survivors Syndrome symptoms include guilt, anxiety, fear relieve shock, insecurity, anger, denial, depression and resentment (Baulmohol, Cascio and Noer, 1993 and Mcquire, 2000).

The survivors of downsizing suffer from fear, insecurity and uncertainty; frustration, resentment and anger, sadness, depression and guilt; injustice, betrayal and mistrust (Tylezak, 1991). These consequences often lead to survivors syndrome (Noer, 1993) manifested through attitudes, feelings and perceptions. If these negative effects are neglected or mishandled, the consequences for the organization may be devastating (Jackson, 1996). Though knowledgeable and skillful, managers may not be in position to

manage survivors effectively because they too experience the problems (Hermanson, Ivancevich and Hermanson, 1992).

For survivors inexperienced in downsizing effects, the exercise leads to severe tension (Mishra & Spreitzer, 1998). Downsizing reflects potentially stressful encounter for survivors (Brocker et al, 1988) due to “an irrevocable loss” - loss of valued co-workers, or subjected to pay cuts to preserve their jobs, threats for anticipated job loss (Lazarus, 1993), loss of their own jobs in the future (Greenhalh & Rossenblatt, 1984)

A review of the literature confirms that downsizing/ retrenchment and restructuring resulted in staff shortage, an increase in staff workload due to redistribution of work among the remaining staff and subsequently reduction in staff’s quality of life (Bediako, 2002), shortage of skilled workers, high turnover, deterioration of teamwork, distrust of management and ineffective management of critical resources (Clemmer, 1995; Eisenberg, 1997). Indiscriminate downsizing can result in the loss of an organization’s “best and brightest” employees who chose to leave the organization because often the high performing employees have the most attractive external options available to them (Reichheld, 1996) Stressful life experience and burnout, transfers from one geographical location to another, change for permanent to part-time positions, reduced job satisfactions due to new job designation and job descriptions and increased job insecurity are some of the negative impacts of retrenchment (Bediako, 2002).

Many organizations neglect to factor in the psychological impact, the loyalty and attitude, of downsizing on those who remain. Employees are affected by layoffs, how the layoff is managed and by what is done for the individuals in those positions. Negative attitude change is reflected in survivors reduced work performance and lowered commitment to the organization (Brockner et al., 1987 and 1992). As a result organizations experience problems in dealing with survivors of this painful process, downsizing (Brisco, Rothman and Soukup 1987). People who have survived these cuts find it more difficult to cope and suffers from burn out or insecurity (Boucher, Dupuis and Lorraine, 1996).

Downsizing may affect the loyalty that the survivor has towards the organization (Solomon, 1992). Managers share in the sufferings of downsizing as well (Boucher, Dupuis and Lorraine, 1996). It is evident that Managers are not immune to the survivor

syndrome (Karimi, 2002). Managers of downsizing organizations suffer from many problems: overload of work, search for meaning, social and organizational isolation and decline in personal well-being (Barlign and Wright 1997). These managers experience major problems in handling the problems of the surviving staff. These changing values have legitimized downsizing as an ongoing corporate activity to be used in good and bad times (Karimi, 2002). Downsizing threatens both the continuity of the job and its future. The psychological responses to downsizing are feelings of betrayal and confusion, which managers have to deal with (Aldmidge and Buch 1990). Downsizing process can and actually has led to a downward trend in performance among survivors (Zeigler, 1995).

Chadwick et al., (2004) state that prescriptive writing, case studies and research on individuals suggest that ineffective downsizing is often associated with unsuccessful approaches to human resource management. Survivors of retrenchment require quality work life: high quality environment characterized by employee participation in decision making process and problem solving, excellent communication channels, good team work and collaboration, job security, employee engagement in meaningful and challenging work (Karasek and Theorell, 1990). Studies on Quality Work Life indicate that staff become committed to an organization's mission if the organization has in place programmes which maximize employee development, promote healthy work climate, and provide the tools and resources necessary to enhance staff performance (Donner et al., 1995). When job satisfaction is high, commitment by employee to the organizational goals is also high (Luthans, 1985).

### **1.1.3 The State Corporations Sector in Kenya**

State Corporations are State-Owned Enterprises (SOEs) partially or fully Government owned controlled corporations (Daily Nation Newspaper, March 22, 2005). The establishment of state corporations was driven by a national desire to accelerate socio-economic development; increase Kenyan citizens participation in the economy; redress regional economic imbalances; promote indigenous entrepreneurship and; and promote foreign investment (Sessional Paper No. 10, 1965).

In Kenya, like in many African Countries, the post-independence era witnessed the phenomenal expansion of the state corporations sector as the Government geared itself

for vastly expanded development function necessitated by a rapidly expanding population without careful systematic planning (Dlamin, 2001). The primary objective of the State Corporations was a desire to take hold the economy, promote the Kenyan entrepreneurial class and to earn a share of the profit otherwise received by the private sector. It was an attempt to ensure and acquire control of all productive assets and businesses and in the process promote socialism and guarantee that the public derived maximum benefits from these resources after independence. Thus leading to the formation of state corporations popularly known parastatals. In Kenya, there are 142 State Corporations and employee approximately 200,000 people. (IEA, 1994).

However, the public sector in Kenya has been faced with the challenge of poor and declining performance, which in turn prohibited realization of sustainable economic growth (ERSWEC, 2003). Poor corporate governance, outright mismanagement, bloated staff establishment, waste and malpractices led to the collapse of many parastatals (IEA, 1994) and over-employment caused most of government (State Corporations) revenue spent on payment of salaries. The productivity of State Corporations has been quite low while they continued to absorb an excessive portion of the government budget, becoming a principal cause of long-term fiscal problem hence the need for privatization ( Sessional Paper Draft, 2005).

The Government of Kenya launched the Civil Service reform programme in August 1993 with the main objectives of improving efficiency and productivity of the Civil Service, which resulted in job reduction (Kimumia and Ndamuki, 1997). The Civil Service refers to the Central Government workforce, which constitute a distinct body of staff within the public service. In Kenya the Civil Service includes government ministries, and six specialized departments: Office of the Attorney General, the Judiciary Department, Exchequer Department, the Public Service Commission, the National Assembly, and the National Audit Office. The police, the Administration Police, National Youth Service and Prison Service are included in this definition. The Public Schools, Local Government Authorities and State Corporations together with the Civil Service constitute the Public Service (Republic of Kenya, 1991). Reforms in the Civil Service ended up affecting the Public Service including State Corporations since they operates under the direction of their parent ministries and the Public Service commission

The State Corporations reform programmes included reduction in the member of staff. The downsizing in the Civil Service and the Government State Corporations aimed at re-engineering the activities of the Public Sector (Gitle, 2001). Mckinley and others (1995) state that downsizing in firms often alter the HR practices to be more competitive. For example stricter performance evaluation procedures and disciplines; changes in compensation and benefits systems; enhanced training and education programmes. All these changes bring pressure on the remaining employees, pressure which effects their job satisfaction, performance and willingness to remain *in the organization after downsizing* (Mckinley et al., 1995).

## **1.2 Statement of Research the Problem**

Organizations experience problems in dealing with the survivors of retrenchment (Soukup, Rothman and Brisco, 1997). Managers suffer as well they experience major problems in handling problems of the survivors of retrenchment (Karimi, 2002 and Dupuis, Boucher and Lorraine, 1996).

Several studies on corporate downsizing in Europe, Asia and the US discuss key factors and strategies to execute downsizing such as rationale for downsizing, types of strategies, the outcomes and the factors of successful downsizing (Greenhalgh et al., 1988; Ciscio, 1993; Freeman and Cameron, 1993; McKinley et al., 1995, 2000, 2001), changes in social network structure after downsizing and its effects on the firm's performance and employees (Fisher, and White, 2000), downsizing and employee attitude (Brockner et al., 1992) to mention a few.

In Kenya few studies have been done on retrenchment. Karimi, (2002) in a survey on problems managers experience in managing survivors of downsizing in parastatals found that a good number of managers had problems in managing survivors' problems including job stress, motivating staff, lack of trust and burnout, staff morale, commitment that needed organization attention. Mwangi (2002) researching on the attitudes of survivors of downsizing towards management and job security in banking sector found that both managers and non-managers experienced job insecurity, the managers' perception of Management was above average and non - managers felt Management was unjust and unfair in the process.



Huka (2003) found that staff downsizing practices in most of major oil firms vary depending on ownership of the firm and the reasons for downsizing. They retrench due to competition and the need to survive and engage in preventive measures to layoff. Njeke (2006) in a survey on downsizing strategies and performance in chemical manufacturing firms found that retrenchment strategy was prevalent followed by downscaling and downscoping and that both financial and non financial performance improved. Apiyo and Omolo (2006) in their study on retrenchment strategy in the Civil Service downsizing strategies argue that employees were not consulted adequately in the process.

However, all these studies did not address the strategies used by state corporations to manage problems commonly experienced by survivors of retrenchment. This study intends to fill this gap in knowledge. The following research questions arising from the above statement need to be answered. What strategies do state corporations in Kenya that retrenched employees used to manage the problems commonly faced by survivors of retrenchment? To what extent did these strategies achieve objectives for which they intended?

### **1.3 Objectives of the Study**

- 1) To establish strategies used by state corporations in Nairobi that retrenched employees to manage problems faced by employees who survived retrenchment.

### **1.4 Importance of the Study**

The study will be of benefit to various groups of people:

- (a) HRM practitioner and other managers – the research will be a source of valuable information for managers involved in downsizing and management of the survivors. It will help HRM practitioners to design best strategies for introduction of retrenchment and management of post retrenchment of the organization
- (b) The study will provide useful information to employees on organizational retrenchment and management of survivors, employees who remain in the *organization*.
- (c) The study will be a source of knowledge for academicians as reference material for research purposes. This research will form a basis for research into other areas related to retrenchment of employee.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

Downsizing/retrenchment has been the most adopted practice by organization to save money and remain competitive (Dupais, Bouchers & Lorraine, 1996). Downsizing of the workforce seems to have become a way of life and a feature of many organizations in the industrialized world (1993; Cascio, 1993; Cameron, 1994; Filipowski Littler, 1998; Macky and Ryan, 1998). The Impetus of downsizing efforts appears to be a desire to reduce costs and increase productivity and overall competitiveness (Cascio, 1993). Cutting costs as a principal means of increasing a company's efficiency, effectiveness, and productivity and overall competitiveness may not turnout to be a panacea (Gondolfi and Neck, 2003). The effects of recession and efforts to get out of it dominated the early 1990s, organizations 'downsized' 'flattened' 'delayed' out rightsized (Baum and Lonnertz, 1998).

#### 2.2 The Concept of Retrenchment

Since the 1980s retrenchment has gradually become a popular practice for firms struggling to complete and survive (Naumann et al., 1995; Fisher and White, 2000; McKee Ryan and Kinicki, 2002). Downsizing is often distinguished from related phenomena, such as restructuring and declining (Chair et al, 2000). Cameron and others (1991) report that the terms encountered as synonyms of downsizing include resizing, declining, restructuring, reorganizing, re-engineering, leaning-up, streamlining, reduction-inforce, rightsizing, *retrenching*, slimming, researching, non-adaptating, 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 (Chair et al., 2000).

The term downsizing is often used to mean "intended reduction of personnel" (Mckinley, Sanchez & Schich, 1995). This is a narrow definition, a quick fix solution approach (Cascio, 1993). The term "*downsizing*" or "*retrenchment*" broadly defined reflecting long-term orientation is a comprehensive strategy of organizational change that involves cutting back in some areas in order to improve organizational efficiency, productivity and completeness. It can include activities found under 're-engineering', which focuses on the

analysis and re-design business and manufacturing process to eliminate non-value adding activities (Ascari, Dutta & Rock, 1995). Retrenchment is further defined as a strategy that a firm takes to reduce its employees and cut down cost (Cameron, 1994; McKinley et al., 1995). Retrenchment renews an inefficient organization to a better state (Beam, 1997).

Retrenchment means the reduction of expenditure in order to become financially stable, that's by cutting jobs. It is a tactical concept similar to downsizing. This strategy is often used by corporations under pressure to raise profits or who are failing in certain sectors and wish to concentrate in higher-gain groups (Wikipedia, 2007). Carroll and O'dea Solisitors (2005) explained that an employee is retrenched when his job becomes redundant and the employer cannot offer the employee an alternative. Retrenchment then is the expression to describe what occurs to an employee whose employment is terminated by reason of his or her job becoming redundant. Cascio, 1993; Kets de Vries & Balazs, 1997; Paimer, Kabanoff & Dunford, 1997; and Clarke, 1999 simply define downsizing as planned elimination of position or jobs.

According to Hansen and Twaddle (1989), Standing and Tolkman, (1991), and Uganda Manpower Survey Report (1989) retrenchment is a government-initiated policy ministry wide to cut down the number of employees and subsequently reduce costs incurred by government (Buguna & Matagi, 2002). Retrenchment is usually applied only when failure is imminent. It means the reduction of the size or scope of a firm's activities and the size of the work force of a firm to increase organizational efficiency and effectiveness. It must be planned and implemented carefully so as to achieve its objectives (Gordon et al, 1990 and Bartols and Martin (1991) since it is a purposeful reduction of organization workforce (Cascio, 1993).

As a goal-oriented restructuring strategy, retrenchment endeavours to increase organization's overall performance. However, the consequences of downsizing have proven to be persistently negative. Organizations embarking upon downsizing have largely failed to accomplish their stated and desired objectives. Cascio (1993) asserts that downsizing is essentially not to increase performance *par se*, but the eradication of the workforce by planned elimination of positions or jobs. The execution of downsizing affects the entire workforce (Gondolfi and Neck, 2003).

De Vries and Balazs (1997) state that downsizing may be seen as a complete strategic transformation endeavour to change an organization's design, its work processes, corporate culture, values and attitudes and mission. It can be viewed as an asset of activities introduced to make an organization more cost effective. Finally downsizing may turn into a cross-board cut in personnel. Cameroon, Freeman, Mishra (1991) and Thornhill and Saunders (1998) contend that downsizing is a form of organizational restructuring which aims to improve a company's overall performance by creating effectiveness, efficiency, productivity and/ or competitiveness. The major reason for any downsizing endeavours is to make a company more competitive compared to its rivals.

In Kenya, the Civil Service Reform Programme (CSRP) adopted retrenchment strategy for the Ministerial rationalization and staff rightsizing to improve efficiency and productivity in the civil service and enhance service delivery through a leaner, well-equipped and more efficient public service. The Government had a bloated Civil Service, high wage bill, low quality service coupled with low economic growth and high population growth. The staff rightsizing/ retrenchment was to critically review the existing organizational structures and determine optimal staffing levels necessary for quality service delivery, concentrate available resources on core functions, redeploy staff and release idle capacity that had been identified for abolition and divestiture (Republic of Kenya, 2000)

In summary, downsizing/*retrenchment* constitutes a reactive and defensive or proactive and anticipatory strategy that inevitably impacts on a company's size, costs and work processes (Cameron, 1994) and the organization shape and culture (Zemke, 1990). Prior to the late 1980s, the downsizing strategy was adopted and implemented as a "reactive response to organizational bankruptcy or recession" (Macky and Ryan, 1998).

### **2.3 Consequences of Retrenchment**

Workers (survivors) are often left emotionally damaged from watching others lose their jobs and feeling that their own positions are tenuous for a time (Appelbaum, Close and Klasa, 1999). The hard reality faced by many is job loss and constant change (Lamertz and Baum, 1998), staff shortage and reduction in staff's quality of life, fewer people doing more work and feeling insecure, erosion of trust and morale, workloads increase

and job insecurity (Fisher, 1991 and Bedieko, 2002), increased job stress and symptoms of burnout (Cascio, 1993), and dysfunctional consequences (Brockner, & Greenberg, Bortz & Carter, 1985; Flaim and Sehgal, 1985; Kinicki, 1985) and anticipation of future job loss (Greenhalh and Rossenblatt, 1984). Negative attitude change is reflected in survivors: reduced work performance and lowered commitment to the organization (Brockner et al., 1987 and 1992).

Studies have shown that survivors often go through stages: grief, resistance to change, fear, denial, lack of loyalty, and distrust. They also exhibit physical reactions to the stress of downsizing including depression, insomnia, and high blood pressure; and denial or anger over the cuts that have been made and may feel guilty in remaining behind. The survivors return to work with an ever-present fear that downsizing will be repeated and that they may be the next. They also experience cynicism or burnout when their workload doubles or triples as their department is shrunk by half or two-thirds (Kozlowski et al., 1993). Survivors often exhibit less enthusiasm and dedication to the firm. At extreme, survivors may be prone to acts of sabotage, vandalism, or even violence.

Depending on the implementation of downsizing, survivors can have a range of responses – from very negative and destructive to quite positive and constructive (Mishra and Spreitzer 1997). A constructive response reflects willingness to cooperate with top management in implementation of downsizing (e.g., survivors may work more hours without compensation to help the organization through the transition). In contrast, a destructive response reflects an unwillingness to cooperate with the top management in implementing downsizing (e.g., survivors may hoard resources within their departments that could be used elsewhere in the organization (Rusbult, Farrell, Rogers & Minous, 1988)

The fearful survivors tend to withdraw psychologically and behaviorally from work (Brockner, 1988), even to the point of paralysis (Cameron, Freeman and Mishra, 1994). Such withdrawal or paralysis may stem from worries and anxiety (Astrachan, 1995). The fearful survivors “walking wounded” exhibit helplessness and alienation (Seligman, 1975) or silence and inaction (Hirschman, 1970), absenteeism and lateness, physically distance themselves from the source of their dissatisfaction thus reducing their level of commitment to the organization (Brockner, Cooper and Whitney, 1989 and et al., 1987). Others remain cynical or “carping critics”, opposite the obliging responses. The cynical

critics perceive a blatant violation of their psychological contract ( Rousseu, 1995; Millward and Brewerton, 2002) or feel more outrage (Bies, 1987). They may challenge or “badmouth” management and at the extreme engage in vandalism (Kets de Vries and Balazs, 1997; Robinson, 1992).

The remaining employees are victims themselves of uncertainty, lower morale, lost trust, envious to management levels, lower job satisfaction, lower organizational commitment and anxiety to the future (job insecurity). These negative effects are summarized as ‘survivors syndromes’, which can cause, physical discomfort, gradually reduce creativity, increase fatigue and anger and lead to extreme avoidance of risks. The effect in behavior include absenteeism and poor personal relationships (Brockner, 1998; McKinley et al.,1995;Gomez-Meijia et al.,1998). These negative effects decrease productivity and competitive advantage (Sun, 1997a, 1997b; Shah, 2000). The psychological responses to downsizing are feelings of betrayal and confusion, which managers have to deal with (Buch and Aldmidge, 1990) to avoid downward trend in performance (Zeigler, 1995). In addition, the survivors of retrenchment suffer from fear, insecurity and uncertainty; frustration, resentment and anger, sadness, depression and guilt; injustice, betrayal and mistrust (Tylezak, 1991) often leading to survivors syndrome (Noer, 1993) manifested through attitudes, feelings and perceptions.

People who have survived retrenchment find it more difficult to cope up with suffering from burn out or insecurity (Dupuis, Boucher and Lorraine, 1996). Downsizing may affect the loyalty that the survivor has towards the organization (Solomon, 1992). Managers of retrenching organizations suffer from many problems: overload of work, search for meaning, social and organizational isolation, and decline in personality and handling the problems of the surviving staff (Barlign and Wright, 1997). Some of the survivors are energized and consider downsizing to be an opportunity for personal growth (Emashoff, 1994; Henkoff, 1994; Isabella, 1989). To them, downsizing may be a challenge or an opportunity for growth, mastery or gain (Sutton, 1990), learning new skills as they take over the responsibilities of the downsized staff (Folkman, 1984).

The decision to retrench is made for strategic and financial reasons. The expectation is that the expense reduction will lead to a positive impact on the bottom line and will ultimately be reflected in improved profitability and productivity (Survey Tool Kit,

2006). In contrast, downsizing causes harm and enormous impact on the labour force. It hurts workers' families and induces social turbulence (Sun, 1994; Naumann et al., 1995; Mckee-Ryan and Kinicki, 2002). The civil service reform program in Kenya launched in August 1993 with the main objectives of improving efficiency and productivity of the civil service resulted into job reduction (Ndamuki and Kimumia, 1997).

Many firms have done organizational changes or direct workforce downsizing in order to cope with dramatic changes in the business environment (Mckee-ryan and Kinicki, 2002). Management use retrenchment as a tool to improve the bottom line (Rinke, 1997) and it is often associated with organizational decline (Eisenberg, 1997). However, the effect of downsizing is not as optimal as the company had expected at first, in terms of cost reduction, profit entrancement, return on investment (ROI), productivity and stock price (Cascio, 1993; Cameron, 1994; Rigby, 2002).

The goals of improved productivity and enhanced competitiveness have helped to make retrenchment a very effective strategy for improving an organization's overall performance (Bediako, 2002). Following downsizing and restructuring, work is distributed among the remaining staff, resulting in increased workload for the individuals, shortage of skilled workers, high staff turnover, deterioration of teamwork, distrust of management and ineffective management of critical resources (Clemmer, 1995; Eisenberg, 1997). The layoff survivors can be expected to exhibit the most negative reactions when they identify with the layoff victims (Brockner et al., 1987).

Downsizing has been the most adopted practice by organizations to save money and remain competitive (Dupuis, Boucher and Lorraine, 1996). Downsizing in an organization comprises two kinds of job cuts (Cappelli, 2000): cuts driven by reduction in labour demand following decreased demand for a firm's products or services; and organization seeks increased operating efficiency. The second type of downsizing became prominence in the 1980s (Cascio, 1993) and, boomed during the early 1990s. Even firms with strong product demand engaged in downsizing (Cappelli, 1999; Cascio, 2002).

Factors leading to downsizing are more closely associated with management practices than with economic conditions (Cappelli, 1999). Variability in employment levels across

firms is closely associated with managerial incentives and compensation practices (Gerhart and Trevor, 1996). Downsizing decisions *in such* a situation is a reflection of strategic choices made by managers (Chadwick et al., 2004). Karimi (2002) affirms that organizations are no longer inclined to maintaining status quo for the sake of employee loyalty and thus peoples' lives and careers have been destroyed as a result of downsizing. Downsizing is taken as an unpleasant but it is the reality of today's corporate life. Gondolfi (2005) adds that downsizing means that the organization makes a decision to terminate people against their will.

Many firms have done organizational changes or direct workforce downsizing in order to cope with dramatic changes in the business environment (Mckee-Ryan and Kinicki, 2002). The decision to downsize is made for strategic and financial reasons. The expectation is that the expense reduction will lead to a positive impact on the bottom line and will ultimately be reflected in improved profitability and productivity (Survey Tool Kit, 2006). Unfortunately, payoffs from downsizing have been sparse (Cascio, 1995; Cole, 1995; New York Times, 1996). Downsizing causes harm and enormous impact on the labour force and hurts workers' families and induces social turbulence (Sun, 1994; Naumann et al, 1995; Mckey-Ryan and Kinicki, 2002).

Brockner et al., (1992) study found that high job insecurity coupled with need to work resulted in increased work effort following a layoff and high job insecurity coupled with low need to work resulted in no change in level of work effort.

Although the main purpose of downsizing is to manage firm continuously and effectively, the actual results are usually to the contrary. The effect of downsizing is not as optimal as the company had expected at first, in terms of cost reduction, profit entrancement, ROI (return on investment), productivity and stock price. It destroys employees' loyalty and trust to the firm and gives the employees the gloomy view towards the firm. Employees worried about the next layoffs have their morale lowered and eventually commitment destroyed (Cascio, 1993; Cameron, 1994; Rigby, 2002). The layoff survivors can be expected to exhibit the most negative reactions when they identify with the layoff victims (Brockner et al., 1987). Resistance from employees causes all forms of negative phenomenon (Beam, 1997). The employees view downsizing as a major violation in their psychological contract (Millward and Brewerton, 2002).



## 2.4 Strategies Used To Manage Problems of Survivors

The success of downsizing depends greatly on the employees' responses (Shah, 2000). A workable prescription for downsizing should cover the issues of employees anticipation, communication etc (Cameron, 1994). The employee commitment can actually increase during a layoff process when the company shows some commitment to displaced workers. The organization can proactively affect the surviving employees' attitudes during periods of downsizing (Brockner et al., 1987). Employee loyalty is affected by eight factors in descending order: equity, security, good management, integrity, empowerment, good communications, benefits and personal support (Mckenna, 1991).

Communication during downsizing process and after helps to curb the worry and re-direct employee energies to the job at hand (Fisher, 1988), the associated cost in terms of lost productivity and employee loyalty are salvaged. Silence is the worst policy (Fisher, 1988). Personal appearance from upper management is the best. However any communication method at all will be helpful.

For the organization to benefit from the layoffs and downsizing you need to invest even more energy in the survivors: aid recovery; fuel productivity; boost morale, despite the loss; and minimize the damage to workplace trust; address issues closest to people during and after a layoff. Demonstrate that you value the layoff survivors by talking to them each individually to show that you value them so as to restore the injured trust. Assure them about their job security, future, and encourage them to step up and take on higher and broader level of responsibilities (Heathfield, 2007).

Heathfield, (2007) advice further that you need to focus on career development and building self-esteem for survivors to erase worries that they don't have the knowledge and skills necessary to do their new or expanded jobs; lack of the time and energy to face their larger challenges. Discuss career development with your staff and identify the additional training, resources and support they feel they need and provide if possible. Help them feel confident that they have the capacity to contribute, to grow and develop, and to master the changed work environment. Allow the survivors time and space to deal with the experience of the loss of their co-workers, anger, and denial

According to Flor (2007), to help survivors cope managers must rise up to the crisis: show compassion and listen to their sentiments; speak out the company mission, vision, and future plans and the new work environment that you would like to create; take time to thank people for their valuable contribution; make survivors see their role in ensuring the company continued surviving; and firsthand information from the higher-ups allows employees to know company developments and where they stand. Equally important are weekly or monthly meetings to give updates of what is happening.

Flor (2007), further states that people need support groups to feel appreciated and valued; instant recognition programs – reward and recognition however simple do much to raise collective productivity and spirit. There is need to conduct training workshops so as to create a new culture and emphasize company's cherished values; establish organizational stability after downsizing. Lastly, Flor (2007) states that managers need to exercise sensitivity towards the feelings of survivors facing squarely the problems arising from the changes and clearly outlining the future direction ensuring that everyone understand your (company) vision and feel that they are valued assets in the new organization set up.

Gottlieb and Conkling (1995) emphasizes reengineering of corporate leadership, and developing a broad perspective on the organization's structure and change process, the role of HR department in helping managers to motivate and retain employees as well as in facilitating increased productivity and bottom-line in profitability. The managers should work as career counselors helping employees in these new situations in which many of the conventional career paths have disappeared, coach individual survivors to improve their performance, and facilitate communication as part of the survivors transition process.

Survivors of retrenchment require quality work life. Studies on Quality Work Life indicate that staffs become committed to an organization's mission if the organization has in place programmes that maximize employee development, promote healthy work climate, and provide the tools and resources necessary to enhance staff performance. Employers Organizational quality work life initiatives must have in their goals improved employee satisfaction, strengthened workplace learning, and better managed change and transition to ensure improvement of the individual's and organization's performance. Organization should introduce enhanced policies in the areas of training and

development, job enrichment and remuneration. These initiatives will give employees feelings of enhanced professional competence, as well as make them more employable outside the organization. Such actions will ensure that, following downsizing, the remaining staffs develop a high level of confidence in their professional competence and buy-in to the organization's new vision (Bediako, 2002)

Literature provide scholarly evidence that many organizations that achieved success after retrenchment were staffed by individuals who enjoyed a high level of job satisfaction and targeted downsizing as a central critical outcome purposed to achieve effectiveness (Rinke, 1997). Job satisfaction is related to productivity, motivation and retention as a result, when job satisfaction is high commitment by employees to the organizational goals is also high (Luthans, 1985). An organization with quality work life motivates staff, promotes personal growth and development, and achieves results. Quality Work Life is characterized by employee participation in decision-making process and problem solving, excellent communication channels, good teamwork and collaboration, employee engagement in meaningful and challenging work, and employee security (Karasek and Theorell, 1990). Studies on quality work life indicates that staff becomes committed to an organization's mission if the organization has in place programs which maximize employee development, and provide the tools and resources necessary to enhance performance (Donner et. al., 1995).

Bediako (2002) further records that for survival and sustainability the management initiates quality work life programs for increasing staff retention rate, enriching jobs, and increasing staff satisfaction, increase funding for training and development to ease the impact of retrenchment which includes shortage of staff, increased workload, increased absenteeism, high turnover, deterioration of teamwork; and distrust of management. Employees are bound to the organization by affective commitment when they are satisfied with the content and context of the job. An employee feels emotionally attached to the organization and proud to work for it and feels a strong sense of belonging (Allen and Meyer, 1990; Mayer and Allen, 1997).

Appropriately designing jobs is thought to have a positive impact on employee satisfaction and quality or performance (Luthans, 1985). Organizations should introduce enhanced policies in the area of training and development, job enrichment and

remuneration as part of the benefits, thus giving employees a feeling of enhanced professional competence and self-confidence, as well as make them more employable outside the organization. The organization should promote an organizational culture supportive of its Human Resources. These activities increase staff retention rate, enriching jobs, staff satisfaction and improved recruitment and development funding (Bedieko, 2002).

The major outcome of jobs redesign and empowerment of staff are challenging work environment and a better-educated and talented workforce. Restructuring the organization by changing job titles, content, classification and job descriptions for all staff, redistributing work performed by laid off workers result into reduced job satisfaction. However, quality work life programmes such as concerted effort to upgrade survivors' education and skills in preparation for any eventuality cause them to become more positive about their career development and future. Staffs develop new behaviours: positive outlook of the future maintaining their work skills to ensure future employability and eliminate the fear of job loss (Bedieko, 2002) managers should re-look at the goals and relations set in the year (Heathfield, 2007)

Downsizing provides an opportunity for work redesign, but not all-downsizing organization seizes such opportunities. The results of downsizing depend on the implementation strategy (Cameron, 1994; and Worrel et al., 1991). Effective work redesign requires attention both to specific jobs and to broader organizational structures. Downsizing without such planning, in contrast, may damage organizational capabilities by discarding valuable skills and by disrupting relationship networks and institutional memory through indiscriminate dismissals of key individuals (Dougherty and Bowman, 1995; March, 1991; Shah, 2000) generally failing to deliver the expected benefits (Mick and Wise, 1996; Curtin, 1994).

Strategic Human Resource Management practices influence performance (Gittell et al; 2000: Gittell, 2002; Preuss, 2003) as they address problems of downsizing manifested in dissatisfaction, intent to leave the organization, greater absenteeism, high turnover and disability claims (Borosan and Burgess, 1992; Koco, 1996; Mishra & Spreitzer, 1998; Tombaugh & White, 1990). Survivors of downsizing are more motivated at moderate job insecurity (Brockner, Tyler, and Coope-Schneider, 1992) thus improve organizational

performance (De Vries and Balazs, 1997). Survivors who believe that their organizations are committed to keeping them employable reciprocate with greater commitment to their current jobs and such organizations retain valued workers with good labour market options (Chadwick et al., 2004). A guarantee for job security offer survivors with opportunity to enhance their marketability by pursuing skills training and career management (Louchhein, 1991/1992).

Organizations preserve some trust between managers and employees by increasing the amount and frequency of communication with employees during a retrenchment programme (Mishra, and Spreitzer, 1998), offering employees a detailed convincing rationale for initiating downsizing (Feldman and Leana, 1993) and reduction of survivors' subsequent job insecurity. Trust between managers and employees is critical for effective work relationships (Davis, Meyer & Schoorman, 1995; Sitkin, and Roth, 1993). Trusting management to be competent and reliable allows a survivor to seek out guidance and assistance in dealing with additional work demands necessitated by a workforce reduction (Cameron et al., 1993). Survivors trust in management tend to mitigate negative survivor response - fearful and cynical responses, and increase the likelihood of positive response - hopeful and obliging responses. Success of downsizing depends on organizational implementation that preserves the essence of trust and empowerment (Mishra and Spreitzer, 1997)

The degree of dignity and compassion accorded to terminated colleagues during the downsizing process (Feldman and Leana, 1993; Sutton, Eisenhardt, and Jucker, 1986) also affects survivors expectations about how they will be treated in the future. Violation of workers dignity arouses their feelings of compassion and indignation among survivors that can reduce their commitment to the organization and their productivity. Specifically those organizations working to increase survivors' sense of job security and marketability, to preserve the dignity of the terminated employees, to carefully explain the reasons behind downsizing decisions, to communicate more extensively with employees during the downsizing process and to counsel survivors throughout the process ought to have better performance following the implementation of a downsizing programme (Chadwick et al., 2004). The existing literature suggests that, especially to survivors, advance notice can lessen distractions and disaffection and allow them to focus on their work hence better performance (Chandwick et al., 2004).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

This was a descriptive research survey adopted because of the cross sectional nature of the data to be collected and the comparative analysis expected to be done.

#### **3.2 Population**

The target population consisted of all fifty-two (52) State Corporations in Nairobi that have retrenched staff (Refer Appendix II). This was a census study.

#### **3.3 Data Collection**

A structured questionnaire was used to collect the data. The questionnaire consisted of two sections A and B. Section A collected biodata of the respondents. Section B sought to establish strategies used by State Corporations in Nairobi to manage problems experienced by the survivors of retrenchment. The questionnaires were administered through “drop and pick later” method. The respondents were Human Resources Managers or heads of Human Resource function.

#### **3.4 Data Analysis**

The questionnaires were edited for completeness and consistency, and coded to classify responses into meaningful categories for analysis. The descriptive statistics such as frequency, percentages, arithmetic mean and standard deviations were used to summarize the data. Tables were used to present the research findings.

## CHAPTER FOUR

### DATA ANALYSIS AND PRESENTATION

#### 4.1 Introduction

This chapter presents research findings. The chapter is divided into two sections. Section one consists of demographic attributes of the respondents. The second section contains findings on strategies State Corporations used to manage problems experienced by the survivors of retrenchment.

Fifty-two (52) questionnaires were distributed out of which thirty-two (32) were completed and returned. This gave a response rate of 61% and non-response rate of 39%.

#### 4.2.1 Age Composition

As shown in table1, 62.2% (37.5+25.1) of the respondents were aged between 21-40 years, indicating that most of the respondents are under the category of young employees, while 37.6% are above 41 years of age.

**Table1: Age Composition of the Respondents**

Age Distribution	Frequency	percent
21-30 years	8	25.1
31-40 years	12	37.5
41-50 years	10	31.3
Above 50 years	2	6.3
Total	32	100.0

#### 4.2.2 Gender Composition

Table 2 shows that 81.25% of the respondents were Male while 18.75% were Female. This indicates that the respondents were dominated by male employees. This study was not able to establish the reasons for this gender disparity. But perhaps this could be attributed to the fact that male employees dominate this industry

**Table 2: Gender composition of the respondents**

Gender Distribution	Frequency	Percent
Male	26	81.25
Female	6	18.75
Total	32	100.0

#### 4.2.3 Level of Education

As shown in table 3, majority of the respondents 56.25% had attained University education, 31.25% had acquired college education, while 12.5% had completed ordinary secondary level education. The increase in education levels imply increased expectations in terms of career progression among employees.

**Table 3: Distribution of the respondents by education**

Level of Education	Frequency	Percent
Secondary	4	12.5
College	10	31.25
University	18	56.25
Total	32	100.0

#### 4.2.4 Length of Service

Table 4 shows that 12.5% of the respondents have been in service for a period below 3 years, 18.75% for a period between 4 – 8 years, 43.75% for a period between 9 -12 years, 15.65% for a period between 13-15 years, while 9.38% have worked for 16 years and above. This indicates that majority of the respondents have served their organization long enough to understand strategies used by State Corporations to manage problems experienced by the survivors of retrenchment.



**Table 4: Distribution of respondents by service**

Length of service	Frequency	Percent
Below 3 years	4	12.5
4-8 years	6	18.75
9-12 years	14	43.75
13-15 years	5	15.65
Above 16 years	3	9.38
Total	32	100.0

### 4.3 Strategies used by State Corporations to manage the problems of survivors of retrenchment.

This section presents the research findings on how Kenyan State Corporations responded to the problems experienced by the survivors of retrenchment. This was measured on a five point Likert scale, presented in the questionnaires as follows: **5** -To a very great extent; **4** -To a great extent; **3** -To moderate extent; **2** -To a less extent ; **and 1** –Not at all .

Each respondent was assigned a score based on the value attached to the rating on the scale he/ she chose. For purpose of data analysis, the points on the measurement scale for “to no extent” and “To a less extent” were collapsed into a single point labeled “To a less extent”. The scale point “to a great extent” and “to a very great extent” were combined into one scale “to a very great extent” while the scale point to moderate extent remained the same. Mean Scores, 1-1.99 imply “to a less extent” 2-2.99 implies to “moderate extent” and 3-4.99 imply “to a very great extent”.

**Table 5: Strategies used by State Corporations to deal with the problems experienced by the survivors of retrenchment**

Strategies	Mean	Standard Deviation
Accorded respect, dignity and compassion to terminated employees.	3.56	1.13
Clearly explained reasons for retrenchment decision to retrenchees.	3.97	1.30
Issued advance notice for retrenchment to retrenchees.	4.03	1.13
Paid terminated employees their dues on time.	3.73	1.28

Effectively redesigned work/job with attention to specific jobs and organization structures.	3.06	1.16
Enhanced employees' participation in decision making process and problem solving.	2.72	1.08
Enhanced excellent communication channels.	3.13	1.06
Enhanced good teamwork and collaboration.	3.39	1.02
Promoted healthy and safe at the workplace.	3.39	1.12
Encouraged employees to take higher and broader level responsibilities.	3.26	.93
Managers discussed with employees' career development and building self – esteem.	3.28	.81
Introduced and enhanced training and development policies, job enrichment and remuneration.	3.22	1.04
Organized career planning and advancement workshops.	3.16	1.10
Organized stress management training	2.96	1.40
Conducted training workshops to create new culture and emphasize organization cherished values.	3.31	1.12
Promoted personal growth and development activities/policies.	3.09	1.00
Showed compassion and listened to workers sentiments.	3.13	1.01
Established suggestion boxes and Newsletters.	3.47	1.16
Educated employees about organization's vision, mission and future plans.	3.40	1.13
Conducted weekly and monthly meetings regularly to get feedback from employees	2.69	1.18
Advised managers to be sensitive to the needs of workers/survivors of retrenchment.	2.94	1.16
Enhanced Strategic HR Management practices to motivate and retain employees, facilitate increased productivity and bottom-line profitability.	2.91	1.15
Encouraged managers to counsel and coach survivors of retrenchment.	2.91	1.03
Provided tools and resources necessary for enhanced staff performance.	3.34	.87
Introduced instant recognition programs to reward good performance.	2.34	1.04
Periodically carried out job satisfaction and attitude surveys.	2.84	1.32
Established equitable performance pay system and remuneration policies	2.59	1.13
Enhanced organizational support to employee personal healthcare and family.	3.09	1.30
Provided good salary and benefits to support the family.	2.69	1.06

As shown in Table 5, State Corporations accorded respect, dignity and compassion to terminated employees a very great extent ( $\bar{x} = 3.56$ ). The extent of respect for dignity and compassion accorded to them during the downsizing process affected survivors'

expectations about how they will be treated in the future. The low standard deviation (1.13) indicates that the respondents were in close agreement.

The success of downsizing depends greatly on employees' response and on organizational implementation programme that preserve the essence of trust among the retrenchment survivors and the management. This is achieved by clearly informing them in advance in order to prepare them psychologically. The respondents concurred that the management of state corporations used the strategy to a very great extent ( $\bar{x} = 3.97$ ). The low standard deviation (1.3) indicates that the responses were in close agreement.

Advance notice to retrenchees shows that the organization values the victims of retrenchment. Thus increasing loyalty of survivors, trust between survivors and management and commitment of survivors to the organization. To a very great extent ( $\bar{x} = 4.03$ ) the respondents confirmed that advance notices for retrenchment were issued to the retrenchees. The standard deviation was relatively low (1.13), indicating that the respondents were in close agreement. The strategy of effectively redesigning work/job with attention to specific job and organizational structure was used to a very great extent ( $\bar{x} = 3.06$ ) in managing problems experienced by retrenchment survivors. Appropriately designing jobs is thought to have a positive impact on employee satisfaction and quality or performance. The low standard deviation (1.16) indicates that the respondents were in close agreement.

For organizations to benefit from layoffs and down sizing they need to invest more energy in survivors by boosting their morale and addressing issues closest to them during and after retrenchment in order to restore trust. Employees should be given an opportunity to participate in decision making process and problem solving. To a moderate extent ( $\bar{x} = 2.72$ ) the respondents concurred with this statement. The standard deviation (1.08) was low, implying that the responses were in close agreement.

Communication during downsizing process and after it helps to curb the worries and redirects employees' energies to the job at hand hence productivity and employee loyalty are salvaged. The organization can proactively affect the surviving employees' attitudes during periods of downsizing through effective communication. The strategy of enhanced excellent communication channels were used to a very great extent ( $\bar{x} = 3.13$ ) by the State

Corporations. The low standard deviation (1.06) indicates that the respondents were in close agreement.

Encouraging teamwork and collaboration allows survivors time and space to deal with experience of the loss of their co-workers and denial. This helps to facilitate and raise collective productivity and spirit. To a very great extent ( $\bar{x}$ = 3.39) the respondents acknowledged that the strategy is used to deal with problems of the survivors and it is a characteristic of quality work life. The standard deviation was relatively low (1.02), indicating that the respondents were in close agreement.

Promotion of healthy and safe workplace was a strategy used to a very great extent ( $\bar{x}$ = 3.39) to enhance quality work life and improve performance. The standard deviation was relatively low (1.12), showing that respondents were in close agreement. Managers encouraged employees to take higher and broader level responsibilities, hence promoting personal growth and career development. To a very great extent ( $\bar{x}$ = 3.26) the respondents confirm that this strategy is used to deal with problems of the survivors. The standard deviation was relatively low (.93) indicating that respondents were in close agreement. Managers also discussed with employees' career development and building self-esteem enabling them to face the changed work environment with confidence. The respondents concurred that the management of state corporations used this strategy to a very great extent ( $\bar{x}$  = 3.28). The low standard deviation (.81) indicates that the respondents were in close agreement.

To a very great extent ( $\bar{x}$  = 3.22) State Corporations introduced and enhanced training and development policies, job enrichment and remuneration. Thus creating a new organization culture and emphasizing company's cherished values to establish organizational stability after downsizing. The low standard deviation (.81) indicates that the respondents were in close agreement. On the issue of organized career planning and advancement workshops, the respondents concurred to a very great extent ( $\bar{x}$  = 3.16) that managers need to exercise sensitivity towards the needs of the survivors. The low standard deviation (1.04) indicates that the respondents were in close agreement. State Corporations organized stress management training as a strategy to manage survivors' problems. The respondents gave training a moderate ( $\bar{x}$  = 2.96) rating. The low standard deviation (1.40) indicates that the respondents were in close agreement.

The respondents agreed to a very great extent ( $\bar{x} = 3.31$ ) that State Corporations conducted training workshops to create new culture and emphasize organization-cherished values. The low standard deviation (1.12) indicates that the respondents were in close agreement. State Corporations promoted personal growth and development activities/policies to a very great extent ( $\bar{x} = 3.09$ ). The low standard deviation (1.00) indicates that the respondents were in close agreement. The respondents also to a very great extent indicated that, the State Corporations showed compassion and listened to workers sentiments. The statement concerning this issue was given the highest rating ( $\bar{x} = 3.13$ ). The low standard deviation (1.01) indicates that the respondents were in close agreement.

The majority of State corporations established suggestion boxes and Newsletters ( $\bar{x} = 3.47$ ). The low standard deviation (1.16) indicates that the respondents were in close agreement. The respondents concurred to a very great extent ( $\bar{x} = 3.40$ ) that the State Corporation educated employees about organization's vision, mission and future plans. However, to a moderate extent ( $\bar{x} = 2.69$ ) the respondents are in agreement that State Corporations conduct weekly and monthly meetings regularly to get feedback from employees. The low standard deviation (1.18) indicates that the respondents were in close agreement. State Corporations advised managers to be sensitive to the needs of workers/survivors of retrenchment. This item was a moderately rated ( $\bar{x} = 2.94$ ). The low standard deviation (1.16) indicates that the respondents were in close agreement. Likewise, respondents felt the State Corporation enhanced strategic HR management practices to motivate and retain employees, facilitate increased productivity and bottom-line profitability. The statement capturing this was given a moderate rating ( $\bar{x} = 2.91$ ). The low standard deviation (1.15) indicates that the respondents were in close agreement. Also, the Respondents moderately ( $\bar{x} = 2.91$ ) felt that State Corporations encouraged managers to counsel and coach survivors of retrenchment. The low standard deviation (1.15) indicates that the respondents were in close agreement.

Respondents concurred to a very great extent ( $\bar{x} = 3.34$ ) that the State Corporations provided tools and resources necessary for enhancing staff performance. The low standard deviation (.87) indicates that the respondents were in close agreement. Respondents to a moderate extent (2.34) felt that the State Corporations introduced

instant recognition programs to reward good performance. The low standard deviation (1.04) indicates that the respondents were in close agreement. Likewise, the respondents had a moderate feeling (2.84) that the State Corporations periodically carried out job satisfaction and attitude surveys. The low standard deviation (1.32) indicates that the respondents were in close agreement. The State Corporation established equitable performance pay system and remuneration policies to a moderate extent ( $\bar{x} = 2.59$ ). The low standard deviation (1.13) indicates that the respondents were in close agreement. The respondents concurred to a very great extent ( $\bar{x} = 3.09$ ) that the State Corporations enhanced organizational support to employee personal healthcare and family. The low standard deviation (1.13) indicates that the respondents were in close agreement. Lastly, the respondents moderately felt ( $\bar{x} = 2.69$ ) that the State Corporations provided good salary and benefits to support the family. The low standard deviation (1.06) indicates that the respondents were in close agreement.

## CHAPTER FIVE

### DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

#### **5.1 Introduction**

The findings in chapter four are discussed here guided by the objectives of the study. The research findings established that most of the State Corporations had retrenched since 1993, when the civil service reform program was launched and were problems of the problem of survivors had not been anticipated. It was therefore necessary to undertake this study to find out strategies applied to manage problems experienced by the survivors of this exercise.

#### **5.2 Discussion**

The respondents were not equally divided in terms of gender. The lowest level of education was secondary with majority being University graduates. Respondents aged between 31-40 years formed the highest percentage. A high of number had worked for many years and were therefore acquainted with strategies used by Corporations to deal with problems of retrenchment survivors.

This research had one major objective, which was to establish strategies used by state corporations to manage problems experienced by the survivors of retrenchments. From the study, it was evident that majority of the state corporations, since 1993, had undertaken retrenchment. Retrenchment endeavors to increase organization's overall performance, however, the consequences of downsizing have proven to be persistently negative. According to Gondolfi and Neck (2003) the execution of downsizing affects the entire workforce. Workers are often left emotionally damaged from watching others lose their jobs and feeling that their own positions are tenuous for a time (Shah 2000). Camron (1994) argues that the success of downsizing depends greatly on the employees' response, and a workable prescription for downsizing should cover the issues of employees such as anticipation, communication among others.

It is evident from the responses received that in managing problems experienced by survivors of retrenchment State Corporations had accorded respect, dignity and compassion to the retrenches; issued advance notices and paid terminated employees on time strategically building trust and confidence of the survivors that the employer has a

future for them. State Corporations demonstrated concern for survivors by advising managers to be sensitive to their needs. It is also evident from the study that managers to a moderate extent had exercised sensitivity towards the feelings of survivors by clearly outlining the future direction of the organization and making them feel valued in the new organization set up.

The study showed that in managing the problems experienced by the survivors of retrenchment, State Corporations have put in place quality work life strategies including; excellent communication channels; team work and collaboration; training and development policies; providing tools and resources necessary to enhance performance; established equitable performance pay systems and remunerations; employee participation in decision making; promoted health and safe workplace; enhanced organization's support and employees' personal health care and family. This concurs with (Donner et al., 1995 and Karasek and Theorell, 1990) who advocates on quality work life programs that enhance staff commitment to an organization Vision and Mission.

The study findings as presented also indicated that most of the organizations in dealing with problems experienced by retrenchment survivors, the management of state corporations have put in place the activities that promote organizational culture supportive of the human resources management practices. These activities include: periodically carrying out job satisfaction and attitude surveys; introducing instant recognition programs to reward good performance; providing tools and resources necessary for enhancing staff performance and strategic human resources practices to motivate and retain employees, facilitate increased productivity and bottom line profitability; conducting training workshops to create new culture and emphasize organization cherished values. This is inline with Bedieko (2002) and Heathfield (2007), who advocate that such activities/programs increase staff retention rate and job satisfaction, thus useful in managing problems experienced by the retrenchment survivors. However, the extents to which these strategies are used vary from a very great extent to moderate.

On the issue of communication, the study revealed that the management applies various approaches in dealing with problems experienced by retrenchment survivors. Such approaches adopted are; clearly explaining reasons for retrenchment decisions to



retrenches; issue of advance notice for retrenchment to retrenchees; paid terminated employees their dues on time; enhanced excellent communication channels; showed compassion and listened to workers sentiments; established suggestion boxes and newsletters as well as conducting weekly and monthly meetings regularly to get feedback from employees. This also concurs with Mishra and Spreitzer (1998), Fieldman and Leana, (1993) who argued that organizations preserve some trust between managers and employees by increasing the amount and frequency of communication with employees during a retrenchment program. Trust between managers and employees are critical for effective work relationships.

### **5.3 Conclusion**

Problems experienced by survivors of retrenchment in State corporations are enormous. The strategies used to manage these problems included putting in place quality work life initiatives which included: excellent communication channels; team work and collaboration; training and development policies; providing tools and resources necessary to enhance performance; establishing equitable performance pay systems and remunerations; employee participation in decision making; promoting health and safe workplace; enhancing organization's support and employees' personal health care and family. Quality work life programs enhance staff commitment to an organization's vision and mission.

Communication emerged as a vital strategy used; State corporations explained to employees reasons for retrenchment, issued advance notices for retrenchment to affected employees; enhanced excellent communication channels; showed compassion and listened to workers sentiments. In addition, they educated survivors about the vision and mission of the corporations as well as establishing suggestion boxes, newsletters and conducting regular meetings for enhancement of effective internal communication.

The foregoing notwithstanding, it emerged that State Corporations need to introduce and enhance other sustainable strategies such as instant recognition programs to reward good performance; establish equitable performance pay system and remuneration policies; provide good salary and benefits; institutionalize regular meetings with employees; enhance employees participation in decision making processes and problem solving; and organize stress management training for staff.

#### **5.4 Recommendation for further research**

Further research can be undertaken to incorporate the wider non-management staff of the state corporations. Diversity in emphasis on the target study group can be made to include other variables that are great than the strategies used by state corporations to manage problems experienced by the survivors of retrenchment. Further research can be made, targeting the wider nationwide coverage as opposed to confining to Nairobi so that the total picture takes care of all state corporations.

#### **5.4 Limitation of the study**

The limitation that may be linked to the study primarily is that there was concentration on the Head Office more than the branches. This was mainly because the majority of the target groups are based at the head office. The research thus can be enriched by getting views from the section heads that are also responsible for managing the problems experienced by retrenchment survivors. Furthermore, the research embraced the top management of the state corporations, widening the scope to include respondents ranging from the lower cadres employees to top management could enrich it.

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# Appendix I: Project Questionnaire

## MBA RESEARCH PROJECT QUESTIONNAIRE

This questionnaire seeks to collect information on strategies used by state corporations in Kenya to manage problems experienced by the survivors of retrenchment. Please provide information frankly and honestly. All the information you provide shall be treated strictly confidential and used for academic purpose only.

### Instructions:

Please tick in only **one** box per statement against each statement in the relevant box or insert the correct answer in the space provided

### SECTION A: PERSONAL DATA

1. What is your name (optional)? \_\_\_\_\_
2. What is your current designation/ job title? \_\_\_\_\_
3. What is your academic and/or professional qualification? \_\_\_\_\_  
\_\_\_\_\_
4. What is the name of your current organization? \_\_\_\_\_
5. Indicate your gender: Male  Female
6. For how long have you worked for your current organization? (Please tick in the appropriate rectangle)  
Less than 3 years  3 – 6 years   
7 – 10 years  Above 11 years
7. Please indicate your age (Tick in the correct rectangle)  
18 – 24 Years  35 – 44 years   
25 – 34 Years  45 and above
8. When did your organization retrench its staff/employees?  
\_\_\_\_\_  
\_\_\_\_\_

## SECTION B

To what extent do the following statements indicate / explain strategies your organization used to manage problems experienced by the survivors of retrenchment? (Please tick in the appropriate box).

The response scale is numbered from 1 to 5 standing for: 5 - To a very great extent; 4 - To a great extent; 3 - To moderate extent; 2 - To a less extent; and; 1- Not at all.

	1	2	3	4	5
Accorded respect, dignity and compassion to terminated employees.					
Clearly explained reasons for retrenchment decision to retrenchees.					
Issued advance notice for retrenchment to retrenchees.					
Paid terminated employees their dues on time.					
Effectively redesigned work/job with attention to specific jobs and organization structures.					
Enhanced employees' participation in decision making process and problem solving.					
Enhanced excellent communication channels.					
Enhanced good teamwork and collaboration.					
Promoted healthy and safe at the workplace.					
Encouraged employees to take higher and broader level responsibilities.					
Managers discussed with the employees' career development and building self-esteem.					
Introduced and enhanced training and development policies, job enrichment and remuneration.					
Organized career planning and advancement workshops.					
Organized stress management training					
Conducted training workshops to create new culture and emphasize organization cherished values.					
Promoted personal growth and development activities/policies.					
Showed compassion and listened to workers sentiments.					
Established suggestion boxes and Newsletters.					
Educated employees about organization's vision, mission and future plans.					
Conducted weekly and monthly meetings regularly to get feedback from employees					
Advised managers to be sensitive to the needs of workers/survivors of retrenchment.					
Enhanced Strategic HR Management practices to motivate and retain employees, facilitate increased productivity and bottom-line profitability.					
Encouraged managers to counsel and coach survivors of retrenchment.					
Provided tools and resources necessary for enhanced staff performance.					
Introduced instant recognition programs to reward good performance.					
Periodically carried out job satisfaction and attitude surveys.					
Established equitable performance pay system and remuneration policies					
Enhanced organizational support to employee personal healthcare and family.					
Provided good salary and benefits to support the family.					

Date of completion of the questionnaire \_\_\_\_\_

Thank you for completing the questionnaire.

## **Appendix II: List of Structured State Corporation in Nairobi**

1. Kenya Wine Agencies Limited
2. East African Portland Cement Company
3. Kenya Tourist Board
4. Kenya Tourist Development Corporation
5. Kenya Broadcasting Corporation
6. Kenya Wildlife Services
7. Kenya Forestry Research Institute
8. National Environmental Authority
9. National Water Conservation and Pipeline Corporation
10. Kenya Sugar Board.
11. Agricultural Finance Corporation
12. National Cereals and Produce Food
13. Kenya Agricultural Research Institute
14. Kenya Dairy Board
15. Kenya Plant Health Inspectorate Services
16. Pest Control Products Board
17. Agricultural Development Corporation
18. Kenya Tea Development Authority
19. Coffee Board of Kenya
20. Jomo Kenyatta Foundation
21. Higher Education Loans Board
22. University of Nairobi
23. Kenyatta University
24. Kenya National Library Services
25. Sports Stadia Management Board
26. National Hospital Insurance Fund
27. Kenya Medical Training College
28. Kenyatta National Hospital
29. Kenya Medical Research Institute
30. Kenya medical Supplies Agency
31. Teachers Service Commission
32. Kenya Railway Corporation
33. Kenya Airports Authority
34. Telkom (K) Limited
35. Communication Commission of Kenya
36. Postal Corporation of Kenya
37. Safaricom Kenya Ltd.
38. Kenya College of Communication
39. Capital Markets Authority
40. Consolidated Bank of Kenya
41. National Bank of Kenya Ltd.
42. National Irrigation Board
43. Kenya Re-insurance Corporation
44. Kenya Revenue Authority
45. Retirement Benefits Authority
46. The National Housing Corporation
47. Kenya Roads Boards
48. Kenya Electricity Generating Company
49. Kenya Pipeline Company Ltd.

50. Kenya Power and Lighting
51. National Oil Corporation
52. Kenya Institute of Policy Research.

**Source:** Republic of Kenya (2005). Civil service and State Corporations Reform Program report Government Printer, Nairobi