SURVIVORS PERCEPTION OF STAFF DOWNSIZING IN KENYA RAILWAY CORPORATION, KISUMU REGION, KENYA

JUDITH AKINYI OUTA
D61/60691/2010

A Management Research Project Presented in Partial Fulfillment for The Requirement of the Award of the Degree of Master of Business Administration, (MBA) School of Business, University of Nairobi.

September 2011

DECLARATION

I declare that this project is my original work and has not been presented for academic award in any other University.

JUDITH .A. OUTA

D61/60691/2010

SIGNED .... DATE 30·10·11

This research project has been submitted for examination with my approval as a University Supervisor.

MR. GEORGE OMONDI

Lecturer, School of Business

University of Nairobi

SIGNED .... DATE 30.10.11

DEDICATION

I dedicate this project to my parents, Leonard and Jenipher Outa for their relentless efforts to educate me despite their mean resources. There is no doubt in my mind that this study could not have been a success without their many years of dedicated support, counsel and above all love.

ACKNOWLEDGEMENTS

I would like to thank various institutes and people whose valuable inputs made this project a success. These include University of Nairobi, School of Business Studies which availed the opportunity for me to realize my dream of graduating with this degree. Thanks to the various faculty members who have shaped this research work through the various inputs beginning with the research proposal and seminar, whose constructive critism made this a presentable document.

A sincere thank you note goes to my Supervisor Mr. George Omondi for his availability when I needed assistance; unending guidance and words of encouragement when I veered off track; and attention to detail that saw me through this vigorous process. Thank you very much '*mwalimu*', the time invested will not go down the drain.

I wish to thank my family especially Fred Omol and my children Trevor and Tebbie for providing endless support Also to my friends especially Tom, Susan Rabah, Nyawara, Christine and Oundo for their endless encouragement in pursuit of this goal. I also wish to thank my family for providing the necessary drive, love and prayers in order to complete this work.

ABSTRACT

Staff downsizing is perceived as the process that involves the reduction of an organization's staff complement through restructuring, retrenchment, re-engineering or any other similar activities. Staff downsizing is seen as a strategy that is adopted by most organizations in order to meet the objectives of the organization. For this reason, the study sought to find out the survivors perception of the downsizing exercise at Kenya Railways Corporation in Kisumu Region.

The study conducted a cross –sectional survey with a sampled population of 75 surviving employees of Kenya Railways, Kisumu Region. Semi structured questionnaires were used to obtained views of survivors on downsizing. Data was analyzed using descriptive statistics in the form of frequencies and percentages presented in tables. The study found that the survivors perception on downsizing is largely influenced by the management of which they felt that there was no fairness in the exercise.

The study recommends that the management should proactively plan work to be eliminated or re- designed to correspond to the organization's mission. Organizations should also target employees using viable criteria such as skill, performance value adding and span of control. Organizations should also provide assistance to the employees after downsizing and to foster positive attitude on the employees to rebuild their loyalty. This will enable the employees to manage the post downsizing exercise and perceive it as fair.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Throughout the last decades, Organizations have been undergoing major changes which are characterized by a lot of turbulence. According to Maynard and Mehrtens (1993) " virtually all large Organizations and midsize corporation in the United States and to a lesser extend, Europe are "imploding" Implosion is the process of repeatedly liquidating assets, business units, manufacturing capability, development programmes and people to improve short term earnings (Jackson 1996). These changes have basically been occasioned by mergers, acquisition and divestitures (Tylczak, 1991), depressed demand for product or service, an anticipated loss of market, corporate complacency Thornhill, Stead and Gibbons, (1997), global competition (Higginson and Waxler,1989), limited resources (Lippit and Lippt, 1984), changes in technology (Quin, 1992) the need to stay solvent (Abrahamson,2008) secular shift from manufacturing to services, entrepreneurship, returning to core competencies and vertical disintegration of big firms (Harrison, 1994). Other factors include economic uncertainty and in the public sectors, government expenditure cutbacks (Hardy, 1987).

According to Sparrow and Marchington (1998), in the U.S during the first 5 years of 1990's 3 million workers lost their jobs through redundancies and re-organization. In the same time in America, the economy was at the height of expansion, stocks were near all time highs. Corporate profits were strong and the unemployment rate was at the lowest which forced the strong corporates to face out workers creating job insecurity, ironically the corporate that were initiating downsizing were most profitable (Mania 2011). According to Rama (1997), a World Bank report also indicates that between 1991-1993, the bank supported over 40 attempts in third world countries to downsize the public sector, (World Bank Economy Review Vol. 13. No.1). The units included government administration, State owned enterprises and the military.

In Kenya downsizing was inevitable, it was swayed by the wave of retrenchment. In the period between 2002-2007, the Kenyan economy grew from negative 2% to positive 7% (The Work Bank Institution, 2008). Accompanying this favourable indicator were interest and inflation rates kept within single digits, unemployment rates consistently reducing and counters in the stock market remaining bullish (Central Bureau of Statistics, 2006) nevertheless, a number of firms such as Kenya Airways laid off 960 employees in the previous years, East Africa Breweries also started laying off in 1994 of which 2,200 workers were retrenched. Kenya Tea Development Authority laid off 2,700 workers, Kenya Commercial Bank and Barclays Bank of Kenya are still trenching. The Kenya Railways Corporation was not spared neither, by the end of 2006, almost 5,500 workers were retrenched.

1.1.1 Staff downsizing

Staff downsizing commenced as an avenue for 'sickly' corporations to shed off some employees in the face of weak demand, but soon, firms which intended to increase shareholder value even further adopted the strategy (Lurie, 1998). Budros (1998) defined the concept of staff downsizing as an organization's conscious use of permanent staff reduction of staff members in an attempt to improve its efficiency and/or effectiveness. Cascio (1993) describe downsizing as the planned elimination of positions or jobs. Downsizing may also be perceived as the process that involves the reduction of an organization's staff complement through restructuring, retrenchment, re-engineering or any other similar activities (Lurie 1998).

According to Appelbaum (2001) staff downsizing is a business strategy designed to improve the financial standing of a firm by reducing and changing the structure of the workforce in order to improve operational results. This practice has become widely appreciated by organizations seeking to demonstrate flexibility, reduce bureaucratic structures, increase efficiency as regards decision- making, improve communication and cultivate entrepreneurship. (Cummings and Worley 2001) identified that downsizing is generally a response to one or more of the following four conditions: mergers and acquisition; loss of revenues and market share through technological and industrial changes; the implementation of a new organizational structure; and the belief and social pressure that smaller is better. Staff downsizing is an organizational strategy to reduce the size of an organization's work force. Staff downsizing has been found to have a profound effect on survivors and organizations Kozlowski et al(1993); Buch and Aldridge (1990), Quest and Conway (1996) state that employees will respond to reduce organizational trust and commitment, difficult to foster productivity, reduced creativity and innovation, occasioned by a breached by the organization of the psychological contract.

Staff downsizing may also have unintended negative consequences for individuals and organizations. Cameron (1994); Cascio, (1993); Kozlowski et al (1993) and

Brockner et al (1992) state that some managers had reported a negative effect on their subordinates' productivity, morale and overall commitment of the organization. Individual employees also undergo several responses; feelings of job insecurity, anger, job stress, decreased loyalty and organizational commitment, lowered motivation and increase resistance to change. (Brockner, Davy and Carter, 1985; Cameron et al, 1987; Greenhalgh and Rosenblatt, 1984).

1.1.2 Perception

Perception is the process of conceiving phenomena that involves acquiring, interpreting, selecting and organizing sensory information, and reacting to sensory stimuli or data. Using perception people translate sensory impressions into a coherent and unified view of the world around them (McGinnis, 2007). Perception has three components: a perceiver, the target, and some situation context in which the perception is occurring. Each component influences the perceiver's impression or interpretation of the target. Perceptions matter in the sense that a person perceives and thinks about a situation as it affects their attitudes, attributions, and behaviours (Elbach et al., 2005). Furthermore, Nelson and Quick (2008) observed that there is always a linkage between perception and individual quality of decision- making. These elements make the management of perception in organizational performance appraisal systems. Organizations often use subjective measures of employees' performance provided by managers. Problems of perceived meaning occur when appraisers and appraisees do not share the same opinion. When the process is ineffective, it results in shortcuts in judgement manifested through selective perception, halo effects, contrast effects (where the perceiver notices difference between things, not absolute measures), projection (an individual's uncomfortable thoughts or feelings may project onto other people), and stereotyping, which are positive or negative generalizations about people. Perception management is key part of understanding human behaviour (Tella et al., 2007). For example, Saal and Moore (1993) reported that women and men perceive promotion fairness differently. According to Saari and Judge (2004) employee perception can be measured using focus groups, interviewing employees, or carrying out employee surveys.

1.1.3 Kenya Railway Corporation

Kenya Railways Corporation is a public enterprise established by an Act of Parliament (Cap 397) of the laws of Kenya and commenced operations on January 20^{th} 1978 and mandated to provide rail and in land waterways transport. The Kenya Railways vision is to be a World class provider of Rail Transports Services and with the mission to develop and manage railway infrastructure and services in the most efficient and innovative way. The overall mandate of the corporation then was to provide a coordinated and integrated system within Kenya of Rail and inland waterways transport services and inland port facilities. The Act was amended through the Kenya Railways (Amendment) Act 2005 to make it possible for the Board Directors to enter into concession agreement or other forms of management for the provision of rail transport services. Following this amendment, KRC conceded railway operations to Rift valley Railways Ltd (K) from November 1, 2006 for 25 years for freight service and 5years for passenger service.

Due to a bloated work force Kenya Railways Corporation prepared 10 contracts for purposes of privatization which included downsizing of the company to 14,500 workers. When the East African Community broke up, there were more Kenyan Railways employees than the employee from sister countries in East Africa. It was therefore Kenya Railways that bore the burdens of large excessive over employment, Kenya railways: http://www.Kenyarailways.ke

1.2 Statement of the Problem

The concept of staff downsizing according to Budros (1998) is an organization's conscious use of permanent staff reduction of staff members in an attempt to imrove its efficiency and/or effectiveness. Cascio (1993) describe downsizing as the planned elimination of positions as the process that involves the reduction of an organization's staff compliment through restructuring, retrenchment, re-engineering or any other similar activities (Lurie 1998).

Although staff downsizing is largely motivated by budgetary constraints (Lurie, 1998) there exist other reasons such as strategic motives and technological advancements. The benefits that accrue as a result of downsizing includes profitability driven by reduced cost base while holding revenues constant; improved production methods; better strategic positioning caused by the symbolic relationship that is made possible by the companies coming together to form bigger blocs; and flatter structures resulting from reduced manpower.

In the staff downsizing context, the perception of survivors on downsizing program has a profound effect on the organization and survivors Kazlowski et al, (1993) states that employees who remain with the organization will be affected by downsizing program intended to improve the organizational flexibility, increase employee responsibility, and streamline operations, for example, employees may respond with reduced trust and organizational commitment when the organization breaks its psychological contract with them. Brockner, Davy & carter (1985) Cameron et al, 1989; Greenhalgh & Rosenblatt 1984; Isabella, 1989) reported such downsizing effects as: feeling of job insecurity, anger, job stress, decrease loyalty and organizational commitment, lowered motivation and productivity and increased resistance to change.

Brockner and his colleagues conducted several studies to determine survivor's reaction to downsizing (Brockner et al; 1992). Their work was based on equity theory which posit that employees' work outcomes (e.g, salary, rank) are commensurate with their work inputs (e.g performance) and on stress literature. Survivors of downsizing perceive a variety of effects. In addition to the effects as, unfairness in job layoff, unfair treatment of the layoff, perceived (procedural) justice, job performance, job insecurity and turnover intentions, supervision support, co-workers support, optimism, organizational morale, effectiveness of communication and envy of those taking advantage of separation incentive programs. Therefore the perceived fairness will depend on the downsizing legitimacy, personal benefit procedural and distributive.

The studies on staff downsizing have been done by many researchers. Cascio (2003) based on a research carried out in Denver argued that employees should be viewed as assets rather than cost. Appelbaum et al (2001) were able to show the strategic benefits of staff downsizing by conducting a research in Australia. Mellani and Wilkison (2004) demonstrated the impact of downsizing on innovation in U.K. However, much of this literature review does not indicate how entities in developing countries like Kenya decide on the downsizing program, it's effects and perceived fairness of downsizing on survivors. Nevertheless, studies have also been done by researchers like Mulandembo.C. (2009) who did his research on downsizing of companies in the Nairobi stock exchange and found out that downsizing had some impact on the organization, but no known research has been focused on the perception of survivors on downsizing programmes in Kenya Railways Kisumu. This provides a knowledge gap. Therefore the research question to be addressed in this study is: what is the perception of survivors of fairness of downsizing program in Kenya Railways in Kisumu region following its implementation of downsizing?

1.3 Research Objective

The objective of this study was to establish the perception of survivors on downsizing programmes in Kenya Railways Corporation, Kisumu Branch

1.4 Value of the Study

The outcome of this study will be of value in a number of ways such that it will be beneficial to researchers and academics in human resource management and business leadership who may want to understand the effect of downsizing to the organization.

Secondly it will provide a platform for scholars who may wish to evaluate the impact of downsizing under various circumstances, say retrenching staff through voluntary layoffs as opposed to forced retrenchment.

Thirdly it will Aim at examining implicators of downsizing which business manager can consider when evaluating their own decision on whether to downsize or not.

Finally it will help the human resource practitioners to draw from this research the same way that business leader will. Given that there are a number of studies conducted in the western world regarding the impacts of downsizing on employees, this study evaluated whether these effects had been replicated in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Staff downsizing

Staff downsizing commenced as an avenue for sickly corporations to shed off some employees in the face of weak demand, but soon, firms which intended to increase shareholder value even further adopted the strategy (Lurie, 1998). Budros (1998) defined the concept of staff downsizing as an organization's conscious use of permanent staff reduction of staff members in an attempt to improve its efficiency and/or effectiveness. Cascio (1993) describe downsizing as the planned elimination of positions or jobs. Downsizing may also be perceived as the process that involves the reduction of an organization's staff complement through restructuring, retrenchment, re-engineering or any other similar activities (Lurie 1998).

According to Appelbaum (2001) staff downsizing is a business strategy designed to improve the financial standing of a firm by reducing and changing the structure of the workforce in order to improve operational results. This practice has become widely appreciated by organizations seeking to demonstrate flexibility, reduce bureaucratic structures, increase efficiency as regards decision- making, improve communication and cultivate entrepreneurship. (Cummings and Worley 2001) identified that downsizing is generally a response to one or more of the following four conditions: mergers and acquisition; loss of revenues and market share through technological and industrial changes; the implementation of a new organizational structure; and the belief and social pressure that smaller is better. Staff downsizing is an organizational strategy to reduce the size of an organization's work force.

Staff downsizing has been found to have a profound effect on survivors and organizations Kozlowski et al(1993); Buch and Aldridge (1990), Quest and Conway (1996) state that employees will respond to reduce organizational trust and commitment, difficult to foster productivity, reduced creativity and innovation, occasioned by a breached by the organization of the psychological contract.

Staff downsizing may also have unintended negative consequences for individuals and organizations. Cameron (1994); Cascio, (1993); Kozlowski et al (1993) and Brockner et al (1992) state that some managers had reported a negative effect on their subordinates' productivity, morale and overall commitment of the organization.

Individual employees also undergo several responses; feelings of job insecurity, anger, job stress, decreased loyalty and organizational commitment, lowered motivation and increase resistance to change. (Brockner, Davy and Carter, 1985; Cameron et al, 1987; Greenhalgh and Rosenblatt, 1984). Researches in Management Science and Psychology have found that survivors suffer from a host of symptoms that have been termed as survivor's syndrome. These symptoms include quilt, anxiety, fear, relieve, shocked, insecurity, anger, denial, depression and survivors react when many of their friends and colleagues are forced to terminate their relationship with the organizations, some of the researchers and psychologist include Noer Mcquire (2000).

Survivors also face problems of role ambiguity and role overload. Pareek (1993) states that role ambiguity comes about where there are conflicting demand or expectations from the role. According to Gibson, Invanncevich and Donnel, (1994) this may cause biochemical changes, especially elevations of cholesterol. Overload is harmful to those who experience lowest job satisfaction, lowered confidence, increased absenteeism, and decrease in quality of decision making deterioration of interpersonal relations and increase in accident rates. In addition to the effects mentioned above, researchers have reported such effects as unfairness in job layoffs, perceived (procedural) justice, job performance, job insecurity, turnover intentions, coping strategies, support of supervisor, optimism, organizational morale, effectiveness of communication and envy of those taking advantage of separation incentive programmes.

2.2 Downsizing Programmes

A review of the downsizing literature reveals that a number of distinct implementation strategies/ programmes have been identified. Cameron, Freeman and Mishra (1991, 1993) have concluded one of the most extensive and systematic studies of corporate workforce reduction programme, an organization redesign strategy and a systematic strategy. The workforce reduction strategy often referred to as the "layoff Strategy" (Ryan & Macky, 1998; 38), concentrates primarily upon the elimination of head count and the reduction of the overall number of employees. It encompasses activities such as layoffs, retrenchments, natural attritions, early retirement, hiring freezers, global parachutes, and buyout packages (Cameron et al. 1991; 1993). This strategy is frequently implemented in a reactive manner as a cost –cutting measure and may save as a short –term response to declining profits (Ryan & Macky, 1998). According to Cameron (1994), such "grenade type" (P 198) approaches to downsizing are rarely successful and tend to be negative in their consequences.

The organization redesign strategy focuses predominantly upon the elimination of work, rather than reducing the number of employee (Luthans & Sommer, 1999). It encompasses activities such as abolishing functions, eliminating hierarchical levels (de- layering) groups, division, products, redesigning tasks, consolidating and merging units, and reducing overall work hours. Organization redesign strategy are commonly regarded as being difficult to implement quickly as this requires some advanced analysis of the areas concerned (Cameron et al., 1991).

The systematic strategy is fundamentally different from the former two programmes in the sense that it appears to embrace a more hostilic view of organizational changes. Thus, downsizing out to embrace all dimensions and aspects of the organization, including supplier, customer relations, production methods, design processes, and inventories (Cameron, 1994) systematic strategy focuses primarily upon changing the organization's intrinsic culture and the attitudes and values of its employees (Luthans & Sommer, 1999). Hence, downsizing is a view as a "way of life" (Filiposwski, 1993:1) and un on-going, continuous and incremental process (Cameron et al. , 1991) within this framework, employees are not seen as the primary target of downsizing but considered to be resources in an attempt to produce and incorporate downsizing ideas (Cameron, 1994)

2.3 Factors influencing staff downsizing

Strapped by the by the hard times, struggling with more debt than ever, firms downsize in an attempt to cut cost (Cascio,1993; Forever, in attempting to remain competitive in an ever increasing global market place, firms see few alternatives to downsizing(Appelbaum et al, 1987; Cameron, 1994; Mishra and Mishra ,1994).

According to Mishra (1994), the downsizing which took place in the early 1980's was mainly an effort to reduce the number of employees in order to stay competitive. That trend continued into the 1990's with the firms attempting to cut costs to remain competitive in the global market place (Appelbaum et al; 1987; Cameron et al, 1991). Projections until the end of this century do not see a lapse in downsizing activities; in fact, firms are expected to continue to downsize extensively. One possible reason for this is that firms poorly planned or carried out earlier downsizing projects and hence must remedy past failure (Mishra and Mishra, 1994). In a like manner, firms that have experienced market place share loss coupled with losses in profitability tend to perpetually downsize. These trends are troublesome since they appear to be "knee jerk" reactions to other firms in the fields in a "follow the leader" zero-sum game. This is referred to as cloning which will be represented shortly.

Other factors that may contribute to downsizing are technological advancement and innovations that result in heightened productivity and fewer workers required (Appelbaum et al., 1987; Wagar, 1997), Dunford et al, (1998) states that for firms to engage downsizing activities, in the past, technological improvements often resulted in hiring additional workers rather than replacing the existing employees; the numbers that were added are now being cut (Cameron, 1994). De vries and Balazs (1997) also incorporate the influence of technology on downsizing, although in a slightly different vein. They state that rather than simply the introduction of technology, it is the "administrative impact of the revolutionary transformation in information and communication technology" that has impacted downsizing. The outcome of technological advance been an increasing redundancy of middle management; these employees who previously were responsible for collecting, analyzing and transmitting information within the firm, are no longer needed.

According to Mckinley et al. (1995), there are three main social forces that lead to downsizing, constraining, cloning and learning. First, constraining is essentially the exertion of pressure on firms to conform to institutional rules in regard to legitimate structures and management activities. Increasingly, firms aim to conform to an ideal model of "lean", often they achieve this result through downsizing Mckinley et al. (1995) define cloning as the pressure exerted on firms to mimic those companies that provides a benchmark for the industry in terms of excellency and prestige. Similarly to constraining, whether actual benefits can be drawn from the downsizing activities is not of important to those firms involved in cloning, but rather whether downsizing has been taken place (Mckinley et al. 1995; Mentzer, 1996). In a like manner, Palmer et al (1997) examine the rationale of firms that downsize. While initially firms justified their downsizing initiatives by using the business environment as a rationale, by the 1990's firms began to use the trend toward globalization as a rationale. In both instances, the "explanations" make use of external deterministic rationales. Rather than targeting weak business and management decisions absorbing the responsibility for any downsizing that is deemed required the "blame" is put on the external conditions that are not under management's control (Palmer et al., 1997).

Finally, learning experiences involving what is being discussed in educational institutions such as universities and professional associations exacerbate this activity. By teaching different approaches to and theories of downsizing, the role of downsizing activities becomes legitimized, and more easily considered to be acceptable. While Appelbaum et al (1987) and Cascio et al. (1997) state that companies that are not performing well are experiencing financial losses and cash flow difficulties are more likely to engage in downsizing, Mentzer (1996) interestingly found that in large Canadian firms there was no consistent relationship between a financially distressed firm and its intention to downsize.

2.4 Benefits of Downsizing

Although Staff downsizing is largely motivated by financial constrains, among other reasons, there also exist benefits that accrue as a result of staff downsizing. Cascio (2005) conducted a study and found out that most managers believes that employees just like any other resource in the organization, could easily be substituted like paper, clips, people are easily interchangeable or replaceable, one with another. In most corporation- particularly those in the service industry, staff cost is potentially the single largest component. Thus during times of an economic slow down, business leaders trim payroll costs as this seems an easier way to increase profitability in the short run. Vehtera et al (1997) concur that reducing labour would result in higher level of financial performance and efficiency. Lurie (1998) notes that a move to reduce the employment levels and thus staff costs is viewed as a less painless way to boost cash flows, when compared to more drastic options as selling plant and machinery to obtain cash, especially bearing in mind that a prospective buyer may not be readily available.

The increasing popularity of global bench making has driven business to increasingly compare to their cost structures with those of similar forms – including competition (Worall, Campbell and Cooper, 2000). There is compelling evidence that firms are increasingly trying to make labour costs more flexible either by redefining terms and conditions or by replacing permanent employees with workers on temporary and short term contracts (Worall et al 2000). This has driven many companies outsource functions that they no longer regard as core business activities. The firms that have been engaged to perform the outsource services tend to offer lower prices thus resulting to a lower cost base. This results into higher profitability for the outsourcing organization.

In a bid to reduce overall costs, firms may join alliances that result in combining synergies of two companies that may either be in the same industry or different sectors (Mirabal and Young, 2005). During periods of economic slow down CEO's look for quick fixes that boost current periods accounting profitability with little regard for the long term effectiveness of the strategy (Lurie, 1998). By so doing, the executives will be maintained in the employment of the corporation, at least in the short term, as they seek other prospective opportunities else where. Stock markets worldwide react, are quickly to the current earnings than future profitability. Therefore, the managers' actions to retain certain profitability levels are resonated into sustenance of current prices. Many shareholders believe that downsizing will reduce costs and therefore increase returns (Mirabal and Young, 2005).This is backed by an increase in the stock price immediately following a downsizing announcement (Appelbaum, Everard and Itung, 1999). The firm hires as many or as few workers as it wants at a market wage required by the labour force. Lurie (1998) indicates that from the strategic position of unions and workers, the downsizing games between the management and the owners determines firm's value, in which one of the strategies of the management is to manipulate the level of employment. In this case, the level of employment is sort of a by-product, externality, or outcome to the result of the game, in which workers are rather powerless to determine their future employment status.

Organizations may choose to remain competitive by offering its product as a lower price than others in the market. Further, the push by customer groups to access cheaper commodities preferable by higher quality has led to technological advancement in many fields. Producers of goods and services continually align their technological platforms towards achieving improved quality at lower costs, which permits reduced prices (Burdos, 1999). Improvements in technology result in reduced per unit costs of production, driven by both lower wastage levels, as well as increased production speed. Both attributes justify replacement of man with machine hence layoffs.

The premise that implementation of a 'flat' structures and 'flexible' working practices improves performance is often quoted as the key motivation behind downsizing (Muirhead, 2004). Elimination 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 (Dougherty and Bowman, 1995 and Ross, 1974). As firms struggle to remain relevant in their various industries, there has been an increase in corporation's mergers and acquisition. In order to company individual firms find themselves in headcount numbers – for example it would not be possible to hold two positions of the managing director.

Love and Nohria (2005) indicate that workers will choose to maximize their individual effort only if they believe that their interests are aligned with those of the organization. Appelbaum et al (2001) found out that survivors who believe that senior management provided good, reasoned justification for the staff layoff will perceive this change as fair. As documented by Wagar (2001) the negative aspects that are normally associated with retrenchment such as lower motivation, if managed properly may result in higher productivity with the organization. Love and Norhia (2005) noted that downsizing may produce a financial slack that may be channeled into research and development and lead to improvement of multi-skilled teams and flatter organization structures that can potentially drive higher productivity. Amabile and Conti (1999) point out that open communication between decision makers and staff during downsizing may facilitate higher yields per unit of input after downsizing. Muirhead (2004) also agreed pointing out that downsizing often resulted in more teamwork and an empowered multi-skilled work force, which encouraged new 'ideas' generation, a key ingredient necessary for increased production Sundaram and Inkpen (2004) agrees that new members in projects can contribute fresh ideas and approaches, which are positive for new projects.

2.5 Effects of staff downsizing

The employees who separate with the company may perceive management as having behaved unjustly and unfairly thus contributing to a feeling of job insecurity (Sahdev, 2004), Saahdev further points out that those who remain in employment tend to lose the belief that their contribution to the business will always be rewarded in future. As a result, survivors of downsizing may become unduly risk averse and very narrowly focused and therefore less creative or overly resistant to change. Clarke (2004) suggest that during the transitional period, managers must anticipate that those who are likely to leave the organization will spend most of their time looking for jobs and not attending to their normal work. In a situation where downsizing is not well managed, those who remain- 'the survivors' are often described as suffering from 'survivor sickness' or 'survivor syndrome'. According to Appelbaum et al (2001) 'survivors' syndrome' is a term that describes that attitudes, feeling and perception that occur in employees who remain after involuntary staff reductions. Survivors may exhibit a range of emotions including fear, insecurity, uncertainty, frustration, resentment, anger, sadness, depression, guilt, unfairness, betrayal and distrust. All of these negatively impact on their performance in the workplace (Noer, 1996). In a situation where downsizing is not well managed, those who remain- 'the survivors' are often described as suffering from 'survivor sickness' or 'survivor syndrome'. According to Appelbaum et al (2001) 'survivors' syndrome' is a term that describes that attitudes, feeling and perception that occur in employees who remain after involuntary staff reductions. Survivors may exhibit a range of emotions including fear, insecurity, uncertainty, frustration, resentment, anger, sadness, depression, guilt, unfairness, betrayal and distrust. All of these negatively impact on their performance in the workplace (Noer, 1996).

Research on psychological work environment for innovation, not only reports a negative impact of downsizing on the commitment and motivation of the survivors, but also a reduction in risk taking and generally contends that retrenchment is detrimental on organization's ability to innovate (Vehtera, Kivimaki and Pentti, 1997). Mellahi and Wilkenson (2004) concur that employees may adversely be affected by the stress and uncertainty created by layoffs thus spending more time on unnecessary tasks rather than on innovation. Ritchner (2006) indicates that downsizing breaks the network of informal relationships which are of crucial importance to innovators who draw upon experience from various parts of the organization, building commitment and trust from senior management. Therefore, when organizations cut back on their staff numbers, the remaining members of the workforce have fewer avenues to receive such support and resources. Bommer and Jalagas (1999), found out that downsizing is associated with less risk taking among employees, reduced willingness to make suggestions, low motivation to work and increases amounts of fear, all which are cumulatively deleterious to creatively. Ritchner (2006) concludes that this novelty gap may spell doom to future innovative capabilities of downsizing firms.

Arising from the uncertainty that grips employees who are being threatened with retrenchment, most are bound to look out for external opportunities available in the market place (Clarke, 2005). Instances also occur where the employees whom the firms had intended to keep move on to other employers who they perceive as more stable. Ritchner (2006) contends that this development has the impact of not only destabilizing the firm's future plans in terms of how to remain the 'good' employees, but also poses a great risk if they were moving to the direct competition. Again, downsizing involves cutting costs, thus restructuring firms may provide less training for their employees, recruit less externally and reduce the research and development budget. Consequently researchers argue that downsizing could negatively affect the level of knowledge and skills brought into the firm, which subsequently affects the firm's ability to absorb and modify new technologies (Bommer and Jalagas, 1999). This argument is in line with that of Little and Inns (2003) who say that downsizing could 'hollow out' the firm's skill capacity because the movement of the knowledgeable staff to other firms.

Downsizing affects the organization's stock of knowledge which Ritchner (2006) describes as the collective competence among the employees of the organization including formal and informal relationships. As employees separate with the organization, critical skills may be lost which can damage customer relationships or operations. Gupta and Wilemon (1990) showed that if there were too many inexperienced project members, the product development process may generally be delayed. Downsizing also impacts the knowledge creation process that Ritchner (2006) conceptualizes as the ability to share and transfer knowledge among employees within an organization. However, in periods of downsizing, firms may lay off those who would have been more instrumental in creating this knowledge thus leaving the organization without key expertise.

2.6 Perception of survivors of downsizing programmes

Survivors of downsizing are those employees who remain within the organization after downsizing. (Brockner, 1988). Downsizing is viewed as having a profound effect on the organization and the personnel including those who remain (Survivors). Kozlowski et al, (1993) states that employees who remain with the organization will be affected by downsizing strategies intended to improve organizational flexibility, increase employee responsibility, and streamline operations, for example, the employees may respond with reduced trust and organizational commitment when the organization breaks its psychological contract with them. Researchers in management science and psychology explain the kind of perception and response that can be expected from survivors of such corporate change. Researchers report such downsizing effects as: feeling of job insecurity, anger, job stress, decrease loyalty and organizational commitment, lowered motivation and productivity and increased resistance to change, (Brockner, davy & Carter, 1985; Cameron et al, 1989; Greenhalgh & Rosenblatt 1984; Isabella, 1989).

Noer, (1993) Cascio, (1993) Baumohl (1993) stated a set of symptoms that emerge in layoff survivors. These symptoms include guilt, anxiety, fear, insecurity, anger and in more severe cases depression or other emotional and physical ailment. Survivor's syndrome also refers to the way some survivors react when many of their friends and colleagues are forced to terminate their relationship with the company. They also stated that some survivors feel relieved; other experience guilt and still other feel anxious, wondering if they will be the next to loss their jobs. Brockner and his colleagues conducted several studies to determine survivors' reaction to downsizing (Brockner et al; 1992). Their work was based on equity theory which found that employees' work outcomes, for example salary, rank are commensurate with their work inputs example performance and on stress literature.

Survivors of downsizing perceive a variety of effects. In addition to the effects mentioned above, researchers have reported such effects as, unfairness in job layoff, unfair treatment of the layoffs, perceived (procedural) justice, job performance, job insecurity, turnover intention coping strategies, supervision support, co-worker support, optimism, job satisfaction, organizational morale, effectiveness of communication and envy of those taking advantage of separation incentive programs.

While those who lose their jobs may seem the most affected by downsizing. It is more likely that the employees who remain suffer the more negative effects. In a survey conducted by Right Associates, 70 percent of senior managers who remained in the downsizing firms reported that morale, trust and productivity declined after downsizing. Mirvis (1997) states that over 60 percent of employees interviewed found as the main downside of downsizing the lowest morale of the survivors. In addition to these negative effects, employees suffer from heightened levels of stress, conflict, role ambiguity, and job dissatisfaction, the inability to monitor, control and support business units effectively, an overall sense of dissatisfaction with supervisors and colleagues, and burnout (Appelbaum et al, 1994) as a result firms lose their stability and experience decline in reorientation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study was carried out through a cross –sectional descriptive survey. Cross sectional descriptive survey was undertaken in order to ascertain and be able to describe characteristics of variables of interest in a situation. (Sekeran and Bougie, 2010).

3.2 Population

The population of study comprised of 300 surviving staff of Kenya Railways Corporation, Kisumu region. (KR Web site)

3.3 Sampling

The study considered 25% of the population mentioned which was 75 employees/staff. This was considered adequate to generate representative results and meet the objective of the study. Chava and Nashmias (1996). Out of the 75, 5 were from Human Resource Department, 5 from Finance Department and 65 from operations department. The study applied stratified random sampling to select a sample of respondents to ensure that different groups of a population were adequately represented in the sample so as to increase their level of accuracy when estimating perimeters. (Chava and Nashmias, 1996).

3.4 Data collection

Primary data was collected using semi structured questionnaire. The questionnaire was divided in two sections. **Section A** elicited information on the respondent profile/demographic characteristics; **section B** addressed the respondents' true feelings and responses regarding the downsizing exercise carried out.

3.5 Data Analysis

Descriptive statistic were used in data analysis, percentages, frequency and averages were applied in this research. They provide tools for describing collections os statistical observation and reducing information to an understandable, Chava (1996).

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Response rate

A total of 75 questionnaires were sent out to survivors in all the mentioned three departments. Out of 75 questionnaires, 55 were returned and analyzed representing 73.3 %. This was considered adequate to generate representative results and meet the objectives of the study.

4.2 Demographic characteristics of the respondents

4.2.1 Gender of the Respondents

31% of the respondents were female while 69% were male. This showed a gender disparity.

4.2.2 Marital status of the respondents

Fifty (50) respondents indicated they were married with families representing 90% whereas 5 respondents indicated they are single representing 10%

4.2.3 Education level of the respondents

On educational level 89.9% of the respondents have technical qualification probably due to the fact that majority of the employees interviewed were from diploma and 5% were graduates probably from Human Resource and Finance Department.

Table 4.1

Level	Number of respondents
Technical	49
Diploma	3
Degree	3
Total	55

4.2.4 Length of Service

50% of the respondents have worked in the firm for 6 -10 year period and these are the ones that can be categorized as the survivors and are mainly assigned to take technical jobs. This means that the staff downsizing exercise targeted mostly employees in the support, clerical and supervisory levels of assignment. The operation department therefore had the majority of the survivors.

Table 4.2

Duration	Number/ Response
0 – 5 years	3
6 – 10 years	30
11 – 20 years	14
Over 20 years	8
Total	55

4.2.5 Anticipated Benefits of Staff Downsizing

From the responses 79% cited that the organization anticipated increasing profitability while, 15% cite anticipated benefits to be improved efficiency in service delivery. 6% anticipated no benefits to begained.

Table 4.3

	Response
Increased profitability	44
Improved efficiency	8
Strategic positioning	0
Learner structure	0
No benefit	3
Total	55

4.3 Survivors Perception on Downsizing in Kenya Railways Cooperation, Kisumu Region

The ratings were done using likert chart whereby a mean below 3 represented weak response, 3.0 represented neutral response and above 3 represented strong response. Therefore, majority of the respondents felt that the exercise was not fairly carried out giving a mean of 3.35 response rate. These feelings my have been brought out largely due to poor communication. This confirms to Bradford (1997), assertion that effective communication should be done before, during and after downsizing exercise because this will fasten a sense of opportunity rather than relief, he further recommended that communication should include credible notice of the need to downsizing and methodology to use, this effective and open communication swages the 'survivors guilt'. And further help in gaining the commitment of the employees as they feel as necessary and fair. 70% occasionally feel those who were laid off were better employees than them giving a mean of 2.75 response rate and always feel that their work mates treat them with suspicion and frequently fear that they may be the next victims. These feelings were represented by a mean of 2.61 and 3.72 respectively resulting to job insecurity. This confirms to Brockner, Davy & Carter (1985) assertion that management science and psychology explain the kind of perception and response that can be expected from survivors of such corporate change. Researchers report such effects as feeling of job insecurity, anger, job stress, decreased loyalty and organizational commitment, lowered motivation and productivity. On the other hand 30% feel they are better employees and never feel that they will be victims of downsizing. Job description given to them is clear with clarified duties and responsibility. The same group intimated that they get the necessary information to carry out their duties and responsibilities and they know what their colleagues expect of them.

It is important to note that majority of the respondents feel that the quality of their work hasn't improved giving a low mean response rate of 1.63 whereas some feel their duties are important, regrettably, the whole lot of respondents always feel that their duties have exerted pressure on them and they currently have heavy work load with little time to beat deadlines and that there are little chances of career advancement. This confirms to Bommer and Jalagas (1999), assertion that downsizing is associated with risk taking among employees low motivation to work an increase amount of work all which are cumulatively deleterious to creativity and performance. 60% of the respondents indicated that the kind of work they do is not related to their training, this could be an indication of the organizational demand for the few workers to multi-task in order to provide proper services. 22% frequently feel that they are not able to satisfy conflicting demands of various people at the work place. 90% of the majority of respondents feel they could get jobs else where leading to staff turn over. This confirms to Clarke (2004) assertion that during the transitional period managers must anticipate that those who are likely to leave the organization will spend most of their times looking for jobs elsewhere.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the findings

This study sought to find out the survivors perception on downsizing at Kenya Railways Corporation in Kisumu region. The study will aid management in developing best management practices of downsizing exercise to be adopted by Kenya Railways Corporation. The findings indicated that majority (69%) were men while 31% were female employees. The findings stated that majority of the employees were married (90%) while only (10%) were single. From the findings most or majority of the respondents (89.9%) were of technical level of education while 5% were diploma or college graduates. From the findings 15% had worked for over 20 years, 50% have 6 to 10 years experience, 25% have worked between 0 to 5 years

Regarding the job category of the respondents, 92% of the employees were from operations department 6% from the Human Resource department and only 2% from Finance department. Regarding reasons for downsizing 24.3% of the respondents acknowledged that downsizing was guided by social/ political reasons while 65% stated it was for strategic positioning. Concerning survivors perception on the exercise, majority 65% felt that the exercise was not fairly carried out 70% felt those who were laid off were better employees, giving a mean of 2.27. Respondents also indicated a feeling of job insecurity fearing that they may be the next victims and also that their mates that treat them with suspicion. These were represented by a mean of 2.61 and 3.72 respectively. The findings also indicated that majority of the respondents 60% stated that they currently have heavy work load with little time to beat deadline and no room for career advancement. Concerning the intention to guilt, majority 90% fell they could get jobs elsewhere and at the same time 22% fell they are not able to satisfy conflicting demands of various people at work place.

5. 2 Conclusion

The study achieved its objective. It identified the views of the survivors on downsizing. It can be concluded that the management did not address pertinent issues that affect survivors. The findings indicated that organizations are more interested in the mechanisms of downsizing, that is, to reduce staff costs and numbers while ignoring the ultimate objective of improving quality of service through well motivated and well remunerated staff. Organizations significantly addressed the first impact on the organization while those that impact on the employees were not significantly addressed on downsizing.

5.3 Recommendations

The problems affecting survivors of downsizing should be a key concern of management. The result of the study shows that organizations have done little regarding the problems employees face everyday. It is therefore recommended that organizations should proactively plan work to be eliminated and /or re-designed to correspond to the organization's mission. Organizations should target employees using viable criteria such as skills performance value adding and span of control. Organizations should also provide assistance to the employees of after downsizing, foster positive employee attitudes and rebuild employee loyalty. The study also recommends further research to be carried out among managers and implementers of downsizing. It would be worthwhile to investigate between professions and job category. Other possible area for further research may concern the perception of the victims of downsizing programmes on downsizing.

5.4 Limitation of the Study

This study was constrained by a number of factors:- One time was a major constraint that limited the depth and score of the study. Secondly Organization was unwilling to allow distribution of questionnaires citing such as wrong timing and sensitivity of the information sought and thirdly there was also the limitation of measurement. Feeling and circumstances change and respondents may have given bias answers.

5.5 Suggestions for the further study

The study suggested that there is need to carry the same study in other parts of the country to find out whether the same results will be obtained. A study research also be carried on management of the survivors in various organization.

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APPENDIX 1: INTRODUCTORY LETTER

University of Nairobi
School of Business
Department of Business Administration
P.O.BOX 30197,
NAIROBI

Date ....

Dear Respondents,

RE: REQUEST FOR RESEARCH DATA

I'm a master of Business Administration student at the University of Nairobi specializing in Human Resource Management. In partial fulfillment of the course requirement, I'm conducting a research study on **"survivors' perception on downsizing in Kenya Railways Corporation, Kisumu Region".**

You have been selected to participate in the study and I will appreciate your input in responding to all the items in the attached questionnaire. The study is purely academic. Kindly note that your responses shall be treated as confidential and anonymous and at no instance will your name be mentioned in the report. A copy of the study report will be availed to your company upon request

Yours faithfully,

Judith Akinyi Outa

MBA Student

University of Nairobi.

APPENDIX II: QUESTIONNAIRE

SECTION A: DEMOCRAPHIC CHARACTERISTIC

Put a tick ( ) or provide required information

1. Indicate your gender: **Male** [ ] **Female** [ ]

2. Marital status: **Single** ( ) **Divorced** ( )

Married [ ] **Widowed or widower** ( )

3. What is your level of education?

Certificate ( ) **Diploma** ( ) **Technical** ( ) **Degree**

Others (specify)

____

____

____

4. How long have you worked with the organization?

0-5 years [ ] **6-10years** [ ] **11-20years** [ ] **over 20** [ ]

6. What is your department?

Human resource [ ] **Finance** [ ] **Operations** [ ]

____

SECTION B: PERCEPTION OF STAFF DOWNSIZING

In this section, please tick the number that best reflects the degree to which the particular statement expresses your feelings and responses regarding the downsizing exercises carried out by your organization. Please use the following scale

1. Strongly agree

2. Agree

3. Neither agree or disagree

4. Disagree strongly

5. Disagree

	1	2	3	4	5
1. The criteria used for retirement was fair.					
2. I am angry for the loss of friends and colleagues.					
3. I feel guilt for the loss of friends and colleagues.					
4. I feel guilt that those laid off were better than me.					
5. My workmates treat me with suspicion.					
6. I fear that I may be the next victim.					
7. I feel that I do not have capability to handle out my duties and responsibilities.					
8. My duties and responsibilities are not clear.					
9. I do not get the necessary information to carry out my duties and responsibilities.					
10. I do not know what my colleagues expect of me.					
11. My work does not allow me to have quality time for myself, family and friends.					
12. I am not learning enough in my present job to prepare me take higher responsibility.					
13. I am not able to satisfy conflicting demands of various people at the workplace.					
14. My duties have recently been reduced in importance.					
15. My current workload is too heavy.					
16. I knew many of those who lost their jobs.					
17. I have not had relevant training for my current role.					
18. The work I do is not related to my training.					
19. There is little scope for advancement in my job.					
20. Those who lost their jobs were friends of mine.					

21. I wish I could get another job elsewhere.					
22. I share my feeling and emotions with other people.					
23. I get recognition for the work I do.					
24. The quality of my work has improved.					
25. The activities of my work are satisfying and rewarding.					
26. There is a sense of belonging among members of the organization.					
27. Members of the organization are sensitive, perceptive and help one another.					
28. I work under pressure to meet deadlines.					
29. There are frequent unpredictable changes of the work assigned.					
30. My immediate supervisor goes out of his way to assist me.					

THANK YOU FOR YOUR COOPERATION