An evaluation of the Impact of Downsizing on organisational performance at MBCA Bank Private Limited from July 2009 to December 2011

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My sincere gratitude goes to Team MBCA for the support and encouragement they gave me to soldier on when I was losing the energy to carry on.

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I would also like to give special thanks to my supervisor Mr Magaramombe for his guidance throughout the whole research.

Last but not least my sincere gratitude goes to the Director of the Graduate School of Management (GSM) and the entire GSM family for the support you gave me throughout the period of my study at the GSM.
DECLARATION

I, Hester Mapfinya, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university or college.

__________________________________________  ________________________
Student signature                                       Date

__________________________________________  ________________________
Supervisor signature                                    Date
DEDICATION

This project is dedicated to the members of my family, both immediate and extended, and my friends, who have provided me with the support and tolerance to see this project through to completion.
ABSTRACT

The purpose of this study was to evaluate the impact of downsizing on organisational performance focusing on MBCA bank covering the period July 2009 to December 2011. The banking industry witnessed operational challenges during the period 2007 to 2009, resulting in banks experiencing huge losses. Majority of banks adopted downsizing strategies in an attempt to remain operational and profitable. The study examined the rationale of downsizing, the process of downsizing and the impact it had on the organisational performance.

A study using a qualitative approach was applied, on a sample of sixty MBCA employees. The sample size was determined using Verneulem (1998)'s guide and the sample frame was a list of all MBCA bank employees. The sample was made up of employees from the bank's eight departments. The findings of the study were that downsizing had a positive impact on the financial aspects of the organisational performance and a negative impact on the human resources aspects, such as staff morale, trust on the organisation and job security. The researcher recommended that the bank should conclude the downsizing exercise and implement employee motivation programmes as well as spell out the organisation’s future direction. The researcher suggested that further studies be carried out on how downsizing impact on those who implement the downsizing process.

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<th>Description</th>
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<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>BPR</td>
<td>Business Processing Reengineering</td>
</tr>
<tr>
<td>CIBD</td>
<td>Corporate and institutional banking department</td>
</tr>
<tr>
<td>CIR</td>
<td>Cost Income Ratio</td>
</tr>
<tr>
<td>COO</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>CSO</td>
<td>Central statistical office</td>
</tr>
<tr>
<td>CVA</td>
<td>Cultural Value Assessment</td>
</tr>
<tr>
<td>ESAP</td>
<td>Economic Structural Adjustment Program</td>
</tr>
<tr>
<td>GNU</td>
<td>Government of National Unity</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IT</td>
<td>Information technology</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and communication technology</td>
</tr>
<tr>
<td>MD</td>
<td>Managing Director</td>
</tr>
<tr>
<td>PEST</td>
<td>Political, economic, social and technology</td>
</tr>
<tr>
<td>PR</td>
<td>Public relations</td>
</tr>
<tr>
<td>PTA</td>
<td>Preferential Trade Area</td>
</tr>
<tr>
<td>RBZ</td>
<td>Reserve Bank of Zimbabwe</td>
</tr>
<tr>
<td>RDP</td>
<td>Realistic Downsizing Preview</td>
</tr>
<tr>
<td>RJP</td>
<td>Realistic Job Preview</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>ROS</td>
<td>Return on Sales</td>
</tr>
<tr>
<td>RTGS</td>
<td>Real Time Gross Payment system</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Scientists</td>
</tr>
<tr>
<td>STERP</td>
<td>Short Term Recovery Program</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strength, weaknesses, opportunities and threats</td>
</tr>
<tr>
<td>ZIBAWU</td>
<td>Zimbabwe Bankers Association workers Union</td>
</tr>
<tr>
<td>ZIMRA</td>
<td>Zimbabwe Revenue Authority</td>
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CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION
Chapter I introduce the topic of the research and gives a background of both the subject and the organisation and industry in discussion. In this chapter the statement of the problem, objectives of the research and the proposition are articulated. The researcher introduces the layout of the research and sets direction of study and discussion. Literature on downsizing indicates that downsizing is a strategy used by many organisations in an attempt to improve efficiency and profitability. Research on downsizing in general has been carried out in other parts of the world for companies such as Colgate-Palmolive (Levaux, 1995) and Ford Motor Company (Eisenstein, 1995). Notwithstanding the mounting interest of downsizing in Zimbabwean firms, there has been little empirical research on the effect of downsizing on firm performance and employee productivity for Zimbabwean corporates. It is with this consideration that the current research is an attempt to fill this research gap by evaluating the impact of downsizing on organisational performance through a case study on MBCA Bank Limited over the period 2009 to 2011.

1.1 INDUSTRY BACKGROUND
As at 31 December 2010, the banking industry had 29 players consisting of 19 Commercial Banks, 5 Merchant Banks, 4 Building Societies and 1 Savings Bank. Trust Bank, Royal Bank and Barbican Bank which were under curatorship were relicensed increasing the number of commercial banks to 19 (Reserve Bank of Zimbabwe Monetary Policy, 2011). The Zimbabwean banking sector has experienced a steady improvement in its intermediation role since the introduction of the multi-currency regime in February 2009 (Global Credit Rating Co. 2011). Notwithstanding the macroeconomic stability facilitated by the Government of National Unity (GNU), the supply of money in the economy remains very low. Banks’ capacity to lend is inhibited by the general lack of liquidity, the lack of foreign direct investment and the absence of tangible external support, which has impacted on financial intermediation (MBCA Bank 2011-2013 Strategic Plan).
Banks are lending to the private sector in order to avoid over-expose because the Reserve Bank of Zimbabwe (RBZ), has limited capacity of a lender of the last resort facility and a non-functioning interbank market. The high credit and liquidity risks in the country have seen banks foregoing returns on lending by depositing excess funds offshore. This, however, signals that the banking sector has not yet gained depositors’ confidence since the period of the credit crunch (Credit Rating Company-Zimbabwe Bank Credit Rating Report, 2010).

1.2 MBCA BANK LIMITED – COMPANY BACKGROUND

MBCA bank operated as a merchant bank (Merchant Bank of Central Africa), established in 1956 and registered under both the Companies Act (Chapter 24:03) and the Banking Act (Chapter24:20), offering merchant banking services until 30 November 2004, when it changed its name to MBCA Bank Limited. In line with changes in the business environment, the Board of Directors took a strategic decision to convert the bank to a commercial bank. Following the strategic decision taken in 2003 to broaden its product range to include retail banking, the bank got regulatory consent to amend its banking license from that of an accepting house to a commercial bank. The bank’s product range is available under the following key areas: corporate banking, advisory services, trade finance, treasury and retail banking.

MBCA’s Head Office is at Old Mutual Centre in Harare and has six branches strategically located around the country. Harare has 2 branches- Southerton and 99 Jason Moyo Avenue, Bulawayo has 2 branches – Belmont and Leopold Takawira Avenue, Mutare 1 and the last one is in Zvishavane. The Bank also has corporate banking centres at Old Mutual Centre in Harare as well as at the Main Street in Bulawayo. All the branches are each serviced by an Automated Teller Machine (ATM).

MBCA Bank Limited is a subsidiary of MBCA Holdings Limited which is largely foreign owned. Nedbank and Old Mutual Zimbabwe Limited hold significant stakes, each having 69.7% stake and 25% stake respectively. Other shareholders are N M
Rothschild & Sons Limited United Kingdom, Mediobanca – Banca de Credito Finanziaro of Italy who have a combined stake of 5.3%.

1.2.1 GOVERNANCE STRUCTURE

MBCA Board consists of 3 Executive Directors and 8 Non-Executive Directors, most of them independent. The Board regularly interacts with Nedbank on the running of the organisation. Nedbank is represented on the Board by 2 Non-Executive Directors who are the Managing Director of Nedbank Africa and the Head of Risk for Nedbank Corporate.

The Board has entrusted some of its responsibilities to various committees responsible for credit and loan reviewing, audit, risk and compliance, asset and liability, remuneration and enterprise wide risk. The bank’s corporate governance structure is in line with the corporate governance guidelines issued by the Central Bank.

1.2.2 STRATEGY

In the period between 2004 and 2009, when the bank commercialised, it has altered its Vision, Mission and Values 3 times. The Vision for MBCA Bank was until mid-2008 to become the most respected and leading bank in Zimbabwe. Pursuant to this vision, the Bank took on a strategic objective of being among the top three banks by the year 2007, based on three key performance variables of profitability, quality of lending assets and service quality. The vision lasted until mid-2008, when the bank adopted a different approach to its vision in the form of Destiny, Cause and Calling, under the guidance of a new Managing Director. The new vision only lasted until December 2009 when the Managing Director resigned. In May 2010 a New Managing Director joined the bank, and another new Vision, Mission and Values statement in line with that of Nedbank, was adopted as follows:

Vision: “To become Zimbabwe’s most highly rated and respected bank by our staff, clients, shareholders, regulators and communities”.

The Mission is “to be the leading bank to corporate and business clients, professionals, and high-net-worth individuals by providing focused and differentiated
products and services” (MBCA Marketing Department Report, 2010). The continuous change of these statements demonstrates the absence of a clear strategic direction of the bank since each new head sought to change the vision, mission and values.

The major revenue streams are through Treasury department in form of investments and interbank currency and transaction charges through the retail banking arm. Advisory services department contribute to revenue generation through lending facilities on loans, overdrafts, investments and structured finance as well as professional fees on advice provided on acquisitions, mergers, disposals and listings. The bank’s affiliation to Nedbank makes it able to access lines of credit from Afreximbank, Nedbank, and other productive sectors. The branch network obtains deposits from high-net-worth individuals who are key decision makers, and medium and large corporates for lending at reasonable rates. The bank places efficient service delivery at the heart of everything it does, in support of its vision. This revenue thrust through these strategic business units is sustained by a tight cost management practice and lean structures that seek to place more people in revenue generating areas supported by automation and efficient support services.

1.2.3 STRUCTURE
MBCA Bank is headed by a Managing Director (MD) who has a dual reporting to the Managing Executive-Nedbank Africa in South Africa and the Board of Directors of MBCA Bank. The Managing Director is assisted in running the bank by an Executive Committee (EXCO) composed of two Executive Directors responsible for Business Development, Chief Finance Officer, Sales (Retail Banking, Corporate Banking and Treasury) and Chief Operating Officer (Support Services). A management committee (MANCO) made up of all Heads of Department is responsible for the operational management of the business and reports to a member of the EXCO. The changes in strategy resulted in restructuring of the organisation in 2010 and a further restructure in 2011. The three structures as reflected in Figs 1.1 to 1.3 show the changes effected during the restructuring. Some departments were merged to form one and job profiles were also changed to suit the new structure.
Figure 1.1 MBCA Organogram before Restructuring

Source: MBCA Bank Human Resources Report, 2009
The bank in 2010 adopted a lean structure and further scaled down the structure in 2011.
The bank is among the top 10 players in terms of financial performance based on the deposits, loans, assets and capital as at December 2009. The table below shows how the bank is ranked according to the variable mentioned above.
Table 1.1 MBCA Bank’s position in the industry on deposits, loans, assets and capital.

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>As at 30 June 2009</th>
<th>As at 31 December 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>7th</td>
<td>8th</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>5th</td>
<td>5th</td>
</tr>
<tr>
<td>Total Assets</td>
<td>7th</td>
<td>7th</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>10th</td>
<td>9th</td>
</tr>
</tbody>
</table>


The bank’s performance is further analysed based on efficiency and profitability; in 2009 the cost\income ratio was 105% and in 2010 it reduced to 84%. The analysis of cost\income ratios has been restricted 2009 and 2010 because the economy had stabilised due the introduction of multicurrency (MBCA Financial Report, 2010).

Table 1.2: Head Count Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees</th>
<th>% Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>318</td>
<td>-</td>
</tr>
<tr>
<td>2010</td>
<td>269</td>
<td>15%</td>
</tr>
<tr>
<td>2011</td>
<td>209</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: MBCA Human Resources Report, 2011

The decrease in head count in period 2009- 2010 was a result of natural attrition whereas that for 2010 and 2011 was as a result of downsizing initiatives.

1.3 INDUSTRY ANALYSIS

This section provides an industrial analysis of MBCA. The analysis was done using PEST and SWOT analysis.
1.3.1 PEST ANALYSIS

PEST is an acronym for Political, Economic, Social, and Technical factors. PEST analysis is an analysis of the external macro environment in which a business operates and these are often factors which are beyond the control or influence of a business (Rapid Business Improvement-Introduction-to the PESTLE-analysis-tools, 2007).

The rationale for PEST analysis is that it is a useful tool for understanding the big picture of the environment in which the business is operating and thus the business can take advantage for the opportunities and minimise the threats. In other words PEST is used for understanding risks associated with the market growth or decline, and as such the position, potential and direction of the business.

**Political Overview**

The economy continues to face challenges related to a shaky GNU, unreliable delivery of essential public utilities such as power, ageing equipment, low effective domestic demand as well as pressure for higher wages. Policy decisions such as the empowerment of the Indigenisation and Economic Empowerment Act (14) of 2007, which stipulates that at least 51% of a foreign company’s shareholding should be locally owned, will only serve to discourage investment inflows. Another political element worrying the banking industry is that although the International Monetary Fund (IMF) resumed technical assistance to Zimbabwe in May 2009, access to IMF lending facilities would require a sustained track record of sound policies. To further worsen the position, the country remains burdened with an unsustainable external debt level amounting to US$6.9 billion as at December 2010 (Global Credit Rating Company –Zimbabwe Bank Credit Rating Report 2010).

**Economic**

The year 2009 witnessed the establishment of a government of National Unity (GNU) and this has ushered in fresh hope for a better economy. After a decade of economic decline, Zimbabwe completed its second year of
economic growth in 2010, with an estimated real GDP growth of 8.1% (Global Credit Rating Company-Zimbabwe Bank Credit Rating Report 2010).

More liberal and favourable policies by the unity government including liberalisation of the foreign exchange market, establishment of the multiple currency system, an end to price controls, fiscal discipline and the launch of the Short Term Emergency Recovery Program (STERP) inspired a pick-up in economic activity. The adoption of a multiple currency economy had an immediate effect on the business landscape, eliminating the hyperinflation that characterised the economy between 2000 and 2008. The hyperinflation had made planning impossible.

According to Zimbabwe’s Central Statistical Office (CSO) the annual rate of inflation stood at 7.7% as at December 2009 (Global Credit Rating Company – Zimbabwe Bank Credit Rating Report, 2). The deflationary trend that started in February 2009 is attributed to the introduction of stable currencies, which in turn brought sanity to the pricing of goods and services. Meanwhile the government forecasted an annual rate of inflation of 5.1% in 2010 rising to 7.7% in 2011 (Global Credit Rating Company –Zimbabwe Bank Credit Rating Report 2010).

**Social**

There is a high level of poverty and HIV which has led to a decrease in the life expectancy to around 45 years. According to the UNAIDS HIV & AIDS Report (2010), as at the end of 2009 approximately 1.3 million people were living with HIV and the prevalence rate was estimated to be 14.3% for adults aged between 15 to 45 years. The economic problems that befell the country over the past 10 years (2000-2010) led to a brain drain as most people went to seek employment in the region and abroad mainly the United Kingdom. Banks have been impacted on through a skills flight in areas such as information technology, treasury and finance. The unemployment levels are estimated to be around 94% which has also led to a growing informal economy (MBCA Bank Strategic Report, 2010-2013). Faced with high
unemployment levels, banks have continued to retrench staff since the conversion to multi-currencies, thus adding to the already existing social challenges faced by the economy.

Technology
The country witnessed a lot of infrastructure decay over the past 10 years due to neglect and none replacement. The banking sector has witnessed a lot of technological advancement through electronic banking channels such as internet and cell phone banking. MBCA Bank’s IT system continues to lag behind the industry and needs to be replaced to more modern versions. The inadequacies in the IT led with the restricting of the department resulting in Group Technology taking overall control of the IT department. This move had reduced the MBCA IT employees to mere order taker.

1.3.2 SWOT Analysis
SWOT analysis is explained as a planning tool used to understand the strength, weaknesses, opportunities and threats involved in a business. The SWOT analysis involves stating the objectives of the business and identifying the internal and external influences that are supportive or unfavourable to achieving those objectives.

SWOT is defined as a process that generates information that is helpful in matching organisational goals, programmes and capacities to the social environment in which it operates (Rapid Business Improvement, 2007). The aim of SWOT is to reveal organisation’s competitive advantages, analyse prospects for sales, profitability and product development. It also aims to prepare the business for problems and allow for the development of contingency plans. In short SWOT analysis is a process used to identify where the organisation is strong and vulnerable, where the organisation should defend and attack and the result of the process is a plan of action (Rapid Business Improvement, 2007).

The MBCA Leadership team identified the organisation’s strengths, weaknesses, opportunities and threats as reflected in table 1.3:

Table 1.3 MBCA SWOT Analysis
<table>
<thead>
<tr>
<th><strong>STRENGTHS</strong></th>
<th><strong>WEAKNESSES</strong></th>
</tr>
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<tbody>
<tr>
<td>Strong shareholder linkages-lines of credit with Nedbank, technical support</td>
<td>Low capital base, cannot write big transactions</td>
</tr>
<tr>
<td>Strong institutional track record</td>
<td>MIS inadequacies. Largely manual management information system and asset liability system</td>
</tr>
<tr>
<td>Strong MBCA brand rooted in merchant banking</td>
<td>Lack of diversity in trading instruments</td>
</tr>
<tr>
<td>Strong trade finance skills with good transaction processing capabilities</td>
<td>Silo mentality on the part of some departments as they seem not to look at the big picture</td>
</tr>
<tr>
<td>Robust risk management framework</td>
<td>Lack of capacity to research client requirements</td>
</tr>
<tr>
<td>Good relations with PTA and Afreximbank</td>
<td>Procrastination and lack of a sense of urgency at personal levels resulting in delays in executing assigned tasks</td>
</tr>
<tr>
<td>Good corporate customer network</td>
<td>Limited branch network and slow credit decision making process</td>
</tr>
<tr>
<td>Good presence in mining and tobacco</td>
<td>Low deposits base and heavy concentration of risk on a few big ticket clients</td>
</tr>
<tr>
<td>Strong management</td>
<td>Talent mismatch</td>
</tr>
<tr>
<td>Strong ethical business practices</td>
<td>Dysfunctional organisational culture (Barret 50%)</td>
</tr>
<tr>
<td><strong>OPPORTUNITIES</strong></td>
<td><strong>THREATS</strong></td>
</tr>
<tr>
<td>Re-engineer (improve/enhance process to improve operational efficiencies, improve turnaround times, reduce costs and improve customer service)</td>
<td>Loss of key staff to new and other players</td>
</tr>
<tr>
<td>T-24 migration provides the ability for additional functionality</td>
<td>Current environment risk pertaining to staff frauds which Audit may not identify</td>
</tr>
<tr>
<td>MBCA Advisory can be revived in the market, thus improving the bank’s profile in the market</td>
<td>No lender of last resort resulting in reduced confidence in the banking sector</td>
</tr>
<tr>
<td>Exploiting mining sector opportunities at mining supplier level through financing of order or debtors discounting</td>
<td>Shrinking margins in cross currency trading due to stiff competition</td>
</tr>
</tbody>
</table>
Interbank trading to boost net interest income | Sovereign risk status of the country
---|---
Being part of a big group means there is scope of synchronisation for synergies and cross training opportunities | Unionised staff wage demand
The Afreximbank\Government credit line of $70 million for SMEs | 
Development and introduction of new product offerings example POS, SMS banking and other IT based products | 
Banking Government departments and parastatals for example ZIMRA | 

*Source: MBCA Bank Strategic Plan Report, 2010-2013*

**1.3.3 New 7S’s Analysis**

The new 7S’s are concerned with the ability of the company to create disruption, seize the initiative and create a series of temporary advantages (Daveni, 1994). The model can be used to analyse the organisation’s own strengths and weaknesses in meeting the challenges of hyper competition.

The first two of these S’s stakeholders focus and strategic soothsaying, concern with establishing a vision for how to disrupt the market. This involves setting the firm’s disruption strategy and identifying some core competencies necessary for the organisation to create specific disruptions. The second two, speed and surprise, are focussed on key capabilities that can be applied across a wide range of actions intended to disrupt the status quo. The final three S’s shifting the roles, signalling intent and simultaneous and sequential strategic thrusts, concern with disruptive tactics and actions in hyper competitive environment.

The new 7S’s analysis further crystallised the strengths and weaknesses identified in the SWOT analysis as reported in table 1.4.

*Table 1.4: The New 7S’s Model Analysis as applied to MBCA Bank*

<table>
<thead>
<tr>
<th>THE NEW 7S’s</th>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
</table>

13
| S-1: Superior Stakeholder satisfaction | • Good relations with regulators  
• Good relations with merchant bank customers  
• Inclusion of managerial and non-managerial employees in strategy work | • Lack of good relations with employees  
• Limited employee empowerment  
• Poor communication  
• Limited feedback to the employees  
• Limited product range  
• Inability to cross sell products |
| S-2: Strategic soothing saying | • Inclusion of non-managerial and managerial employees in strategy work | • Premature exposure of payline to media |
| S-3: Positioning for speed | • E-commerce initiative with Kingdom.  
• Inclusion of non-managerial and managerial employees in strategy work | • Sluggish pace in riding the commercial banking license.  
• Convoluted credit approval processes |
| S4: Positioning for surprise | • Automation of RTGS inwards and outwards.  
• Hotel Express International Card launch  
• Travelex reloadable card project | • Premature exposure of payline to media |
| S5: Shifting the rules | • Inclusion of non-managerial and managerial employees in strategy work | • Nedbank control over processes resulting in many procedures to follow |
| S6: Signalling strategic intent | • Flighting MD movements in media.  
• Board approval of use of payline “a member of the Nedbank group”  
• Inclusion of non-managerial and managerial | • Seeking approval from Nedbank on most business transactions |
1.3.4 Background of MBCA Bank Downsizing

In 2009, the Zimbabwean government adopted the multicurrency as the medium of exchange and thus brought to an end the many financial hyperinflation activities that were taking place in the economy (Chairman's report MBCA Bank Financial Results, 2010). The bank revisited its vision and mission statement as well as processes with a view to give its shareholders the expected return on their investment.

The first approach was to streamline the bank’s functions and remain with the core banking business; this resulted in the closure of client dining room as there was very little business to bring for lunches. A job evaluation exercise was introduced towards the end of 2009 and in January 2010 the bank adopted the Fit for Purpose strategy, the objective was ‘Rightsizing and aligning roles’ through having the right number of staff and aligning staff to relevant roles.

Under the Fit for Purpose, the bank went through a restructuring process under the Shared Services Model and a Chief Operating Officer responsible for all the bank’s back of house departments was seconded from Nedbank South Africa. In May 2010 the bank offered a voluntary retrenchment resulting in 37 employees being released from their positions. The rationalisation was introduced to reduce costs for the survival of the business (MBCA bank newsletter, 2010)

The bank was faced with unsustainable staff numbers, and had to implement an involuntary staff rationalisation exercise based on the Fit for Purpose strategy. The redundant positions were identified and 45 employees were relieved of their duties in May 2011.
1.3.5 Challenges Currently Being Faced By the Banks

The banking institutions are still facing challenges after the restoration of the economy. The first quarter of 2010 ending 31 March 2010, has seen most banks recording losses. From the 25 financial institutions, 10 recorded losses mainly caused by high noninterest expenses in the form of salaries, employment benefits and general administration expenses. The expenses outweighed the low income generation capacity. Banks such as CBZ, CABS and Standard Chartered continue to face challenges despite them recording profits in excess of US$1 million during the first quarter of 2011 (Global Credit Rating Company- Zimbabwe Bank Credit Rating Report 2010).

Statistics reported by the Zimbabwe Banks and Allied Workers Union (ZIBAWU), reflect that as at 15 July 2010, 10 banks had carried out retrenchment in 2009. The banks identified by ZIBAWU include Metropolitan which retrenched 120 employees, People’s Own Savings Bank (POSB) released 160 employees, Standard Chartered, through voluntary retrenchment, shed off 98 employees, Barclays and FBC both released 200 employees on voluntary retrenchment), Renaissance and Tetrad retrenched 5 and 16 employees respectively. CFX also axed 61 non managerial staff and 39 managerial staff while NMB retrenched 75 non managerial staff. CBZ and Premier have also retrenched an unspecified number of employees, (ZIBAWU meeting minutes, 2010).

Financial Challenges

Currently Zimbabwean banks are not able to run their business operations at full capacity because they are failing to get finance to carry out their operations. The banks are finding it difficult to meet the RBZ stipulated minimum capital requirements, although the central bank put in place a phased plan in trying to mitigate the challenges being faced by the banks. The banks were given 30 September 2009 as the deadline to pay half of the minimum capital requirement and meet the fully prescribed capital levels by 31 March 2010. Only 15 out of 25 banking institutions, had complied by end of May 2010. Capital requirements were set as follows: commercial banks a capital of US$12.5 million, US$10 million for building societies and merchant banks. However, more than 10 banks failed to meet the
capital requirements by end of May 2010 (Chairman’s report MBCA Bank financial results, 2010).

Liquidity Challenges
Adequate cash is of paramount importance for banks to expand operations and there are several ways in which to find the cash. However, these ways are not currently available for banks to utilise. Finance can be raised through deposits from institutions and individuals and/or, getting loans from foreign banks, other banks and the central bank. The economy is facing an acute shortage of foreign currency resulting from poor export performance and lack of international capital flows. The survival of solvent banks is also at risk since they are struggling to mobilise “less liquid assets to meet liquidity needs” (Chairman’s report MBCA Bank Financial Results, 2010).

Volatility of Deposits
Banks have very volatile deposits which result in low profits. The high volatility is mainly caused by a very high marginal propensity to consume of various economic agents who are unable to save because of their low salaries; hence people are only maintaining minimum balances in their accounts. The deposit volatility has left banks with no money to invest and earn a profit. Major deposits are from companies paying their employee salaries and wages the employees in turn withdraw almost all of their salaries. Most workers’ salaries are far below the Poverty Datum Line especially the Public Service workers; hence it is difficult for them to save (MBCA Strategic Report, 2010-2013).

TOTAL DEPOSITS OF FINANCIAL INSTITUTIONS-DISTRIBUTION MATRIX
High Overhead Costs

The banking institutions’ earnings cannot match the overhead costs due to the low income generation ability. The major overheads being faced by the banking institutions are salaries and wages since they are not operating at full capacity. The cost of affording worker’s salary packages that are in line with the cost of living is beyond the banks’ ability since they are not operating at full capacity and level of profitability is low (MBCA Strategic Report, 2010-2013).

Cash-based Transactions Prevailing

The shortage of foreign currency in the economy has resulted in lack of alternative payments to business transactions. Alternative methods for business transactions include credit transfers, cheques, direct debits and payment cards. Since every trade taking place is cash based and generally no credit transactions are preferable

Figure 1.4 Deposit distribution matrix

Source: MBCA Bank Finance Department monthly competitor analysis bulletin, March 2010.
currently, a lot of cash is in the hands of economic agents and they are not willing to have the money banked. (MBCA Strategic Report, 2010-2013).

**Lack of lines of Credit**

The MBCA Board Chairman in his Chairman’s report commented that, like any other companies, banks are willing to borrow elsewhere in an endeavour to expand business; however the lines of credit are not accessible and those few available are of short term nature and therefore very costly. Thus the supply then cannot match the demand and the most affected are small banks because they are not able to meet the requirements for getting credit even in the foreign market (MBCA Board meeting report, 2010).

**Central Banker not performing all its roles – Lender of last resort**

Zimbabwe has adopted the multicurrency use and mainly South African Rands and the United States Dollars as a medium of exchange in trade. Owing to the fact that the country has no currency of its own, the Central bank is no longer able to perform all its roles particularly the role of the lender of last resort. This challenge creates difficulties for banks to get financial resources. In addition the RBZ’s problems meant that banks would not be in a position to obtain a refund of their statutory reserves for which they are entitled lest of a possible decline in their deposits because these reserves are not supported by international reserves. Under normal environment, banks approach RBZ for accommodation if liquidity tightens and then RBZ reserves the right to give assistance on its own terms (MBCA Strategic Report, 2010-2013).

**No Active Interbank Market**

At the present moment there is no active interbank market, and this means that those banks with no collateral to the required conditions are not able to borrow in order to cover liquidity gaps. Shortage of finances remains a big obstacle to expansion business in the banking sector, banks are not able to expand business in line with the prevailing economic conditions and public demand for their services to be significant and internationally competitive (MBCA Strategic Report, 2010-2013).
1.4 STATEMENT OF THE PROBLEM
As highlighted in the preceding section the economy in which the banking industry is operating poses untold challenges to the players resulting in banks experiencing huge losses. The challenges have forced the industry to look for strategies other than revenue generation in order to remain operational. The majority of banks adopted downsizing strategies as the solution to the economic challenges. MBCA bank is not spared of the challenges faced by the banking industry. The bank is not performing per set standards thus in search for survival strategies, the bank embarked on a downsizing process in 2010 and 2011. However, the empirical evidence from most researches suggests downsizing generally does not improve performance. Cascio (1993) found that, in many organisations, the anticipated economic benefits like reduced operating expenses, higher profits, increased return on investment and improved share prices fail to materialise. Surveys conducted by American Management Association in 1993 and 1995 showed (in both instances) that profits had only increased on roughly 50 percent of downsized firms, while worker productivity had increased in only 35 percent of downsized companies and employee morale had decreased in close to 85 percent of the firms that downsized (Mabert and Shmenner, 1997).

Since the bank went through downsizing twice in two years, this raised the question of whether downsizing was the right strategy for the challenges faced, hence the need to evaluate the impact of downsizing on organisational performance at MBCA Bank.

1.5 RESEARCH OBJECTIVES
1.5.1 Overall Objective
The overall objective of this research was to evaluate the impact of downsizing on organisational performance in the banking sector focusing on MBCA Bank covering the period July 2009 to December 2011.

1.5.2 Specific Objectives
The specific objectives were to:
   a) Identify the rationale behind the downsizing exercise at MBCA Bank in the period 2009 to 2011.
b) Identify and review the process leading to the downsizing exercise,
c) Identify downsizing implementation challenges
d) Assess the effects of downsizing strategy on organisational performance
e) Make relevant recommendations following the research findings.

1.6 RESEARCH QUESTIONS

Main Research Question
What has been the impact of downsizing on organisational performance at MBCA Bank over the period July 2009 to December 2011?

The research sub questions were as follows:
   a) What has been the rationale behind the downsizing exercise at MBCA Bank Limited in the period 2009 to 2011?
   b) What was the nature of the downsizing process?
   c) What were the downsizing implementation challenges at MBCA Bank?
   d) What has been the impact of downsizing on organisational performance?
   e) What are the relevant recommendations that can be made from this research?

1.7 PROPOSITION

The study’s proposition was:

*Downsizing had a negative impact on organisational performance at MBCA Bank over the period July 2009 to December 2011.*

1.8 SIGNIFICANCE OF RESEARCH

This study contributes to the downsizing literature on several dimensions. It helps to understand the theoretical relationships between downsizing implementation and firm performance, which is useful to refine managerial expectations regarding this type of organizational restructuring. This may help increase managers’ understanding of the impact of this strategic intervention on corporate performance. The proposed research is significant to the Banking Industry at large and MBCA Bank in particular, the academic world and the researcher as an individual. The results of this research may be of importance in the implementation of cost cutting measures in the banking industry and add knowledge to the academic
literature on downsizing strategy implementation. The research is also important to
the researcher because this will assist in the attainment of an academic qualification
and prepare the researcher on the implementation of such strategies when the need
arises in the business world.

1.9 SCOPE OF RESEARCH
This research evaluates the impact of downsizing on organisational performance in
the banking sector focusing on MBCA Bank Limited. Organisational performance has
been measured by a variety of approaches, including accounting based measures
such as Return on Assets (ROA) and Return on Sales (ROS). Other performance
measurements variables that the researcher utilised include downsizing measure
which is operationalised as a percentage change in the numbers of employees from
year to year, staff morale measured through the internal instrument of Barret survey
and staff survey and employee productivity. The research covered the period
between 2009 and 2011. The prospective respondents were selected from all the
branches of MBCA Bank covering Mutare, Bulawayo, Zvishavane and Harare.

1.10 RESEARCH OUTLINE

Chapter 2 is a critical review of literature on what has been published on the
subject matter by accredited scholars and researchers. The
literature review provided a framework for the discussion of
results in chapter 4.

Chapter 3 details the research methodology, methods and philosophies and
also highlights data collection techniques adopted by the
researcher.

Chapter 4 analyses the data collected during research and interprets the
findings of the research.

Chapter 5 is the conclusion of the research study and offers appropriate
recommendations for the banking sector at large and MBCA
Bank in particular.
1.11 CHAPTER SUMMARY
The chapter looked at the industry background in which the bank operates and assessed the challenges faced by the banking industry. The challenges were identified through the PESTLE and SWOT analysis. The bank went through organisational structure changes three times within two years and also had three Managing Directors within the same period. The chapter also looked at the problem statement and the objectives of the research and its significance. While being a synopsis of the dissertation, the chapter also offers the groundwork for chapter two in which literature relevant to downsizing and organisational performance is going to be reviewed.
CHAPTER 2

REVIEW OF RELATED LITERATURE

2.0 INTRODUCTION
This chapter explores the concept and the literature on downsizing and its impact on organisational performance. The chapter first defines the concept of downsizing and the reasons why organisations downsize. The review includes statutory regulations governing downsizing and implementation processes.

2.1 DEFINITION OF TERMS

2.1.1 The Concept of Downsizing
According to Noer (2001) downsizing is defined as a deliberate organisational decision to reduce the workforce in order to increase organisational performance. Thornhill & Saunders (1998) elaborate on Noer (2001)’s definition when they explained downsizing as a form of organisational restructuring which aims to improve a company’s overall performance by creating effectiveness, efficiency, productivity, and/or competitiveness. Casio (1993) provides a problem as opposed to a goal driven definition by focusing on the planned reduction and elimination of the positions or jobs and not necessarily on the efficiency outcome.

Downsizing is a management strategy designed to improve the financial standing of organisation by reducing and changing the structure of the workforce in order to improve operational results (Appelbaum, 2001). According to DeWitt (1998); Freeman (1994) and Harrigan (1980), downsizing preserves profitability by enhancing organisational efficiency and reducing costs. Downsizing is accomplished by reducing number of employees through lay-offs attrition, redeployment early retirement and or by reducing the number of organisational units (Cummings and Worley, 2001). A reduced workforce means that fewer individuals are available to do the same amount of work. This may have an effect on what work gets done and in what way (Freeman and Cameron, 1993). The outcome could be overload, burnout, inefficiencies, conflict and low morale (Brockner et al, 1994). Some downsizing may
also lead to a certain amount of organisational redesign through, for example, discontinuation of functions collapsed hierarchical levels, merged units and redesigned tasks. So, downsizing usually affects work processes, directly or indirectly (Freeman and Cameron, 1993).

Huber & Glick (1993)’s definition summarises what has been discussed above and further points out some key attributes pertaining to downsizing. Huber et al (1993) define downsizing as a set of actions carried out on the part of management, intended to improve productivity, efficiency, and competitiveness of the organisation. Downsizing characterises a strategy that alters the size of the firm’s workforce and its work process. The key attributes as put across by Huber & Glick (1993) are that:

i. Downsizing is intentional
ii. It, although not limited to, usually involves reducing staff levels.
iii. The main motivator for organisational downsizing is efficiency and
iv. Downsizing knowingly or unknowingly affects work processes, for example, when a workforce is reduced, fewer staff is left to perform the same amount of work and this affects how work gets done and amount of work done. Possible consequences are overload, burnout, inefficiency, conflict and low morale.

Positive outcomes may occur such as improved productivity or cost reduction.

Downsizing, in its widest sense, may be seen as a complete strategic transformation intended to change an organisation’s design, its work process, corporate culture, values and attitudes, and mission (Kets De Vries and Balaz, 1997). In its most narrow sense, downsizing can be reviewed as a set of activities introduced to make a firm more cost effective (Gandolfi, 2006).

2.1.2 Retrenchment

Dewitt (1998) considers retrenchment as a downsizing approach that keeps the same scope and output of a firm, while redundant facilities or jobs are eliminated, or managerial responsibilities are realigned. Stanworth (2008) expanded on Dewitt explanation by classifying retrenchment as one of the three broad approaches to downsizing, which maintains and potentially strengthens a firm’s position. Retrenchment includes centralisation, alteration of supplier relationships, realignment of managerial responsibilities and closure of redundant facilities and
jobs. The Labour Act Chapter 28:01 explains retrenchment as the act of terminating the employee’s employment for the purpose of reducing expenditure or costs, adapting to technological change, reorganising the undertaking in which the employee is employed.

2.1.3 Redundancy
Redundancy refers to a situation where the employee’s position must disappear entirely or require fewer workers to perform satisfactorily. This may occur when a company ceases trading, takes on less business or invests in technology that makes certain positions unnecessary. Redundancy falls into two categories which are voluntary and compulsory. With voluntary redundancy, an employer identifies the need to reduce in size and asks for volunteers to be made redundant. The exit package is predetermined and normally not negotiable. Compulsory redundancy is when individuals are selected on a number of criteria, including skills, qualifications and workplace performance, and are made redundant against their wishes (http://ezinearticles.com/?An-Employees-Redundancy Glossary&Id=2045339).

2.1.5 Corporate Performance
Historically, organisations have always measured performance through the financial performance. This measurement is considered to be narrow and leaves out variables that contribute to the performance of the organisation (Litter and Gandolfi, 2008). Dyer and Reeves (1995) proposed four types of organisational performance measurement:

i. Human Resources outcomes, matters concerning staff turnover, absenteeism, job satisfaction and overtime claims.

ii. Organisational outcomes, these are in relation to productivity, quality and service.

iii. Financial accounting outcomes, that is Return on Assets (ROA), profitability, Return on Equity (ROE) and sales.

iv. Capital market outcomes, they are in the form of share price, growth and returns.
The source of performance is either via survey, company records or publicly available information.

2.1.6 Effectiveness

Cameron, Freeman and Mishra (1991) define effectiveness as the extent to which the objective of the downsizing were achieved as well as the resulting continued improvement in error prevention, creativity, quality and service. In the case of the case study in question the objective was mainly to reduce costs and improve on profitability whilst maintaining the high staff morale within the organisation.

2.2 HISTORY OF DOWNSIZING

Downsizing originated from the United States auto industry (Litter and Gandolfi, 2008), however in the organisational setting, the term was first applied to a process of cutting back employees when business in the United States began making major reductions in their employee bases in response to recessionary pressures in the 1980s (Galdonfi, 2009). Thus the term downsizing became associated with workforce reduction (Litter and Gandolfi, 2008) and the term was applied to a broader range of managerial effort to improve a firm’s performance (Gandolfi, 2008).

Statistics by (Huber& Glick, 1993) state that in United States of America managers to workers ratio increased from 19% to 32% in 1950 and 1987 respectively and events such as Korea, Vietnam, the Middle East Oil embargo and the 1987 stock crash made expansion of managerial ranks overhead cost unacceptable. The year 1987 also experienced recession and mergers leading to inefficient clusters of businesses (Glock & Huber, 1993), hence many United States organisations turned to downsizing as a solution. The year 1987 also experienced recession and mergers leading to inefficient clusters of businesses (Glock & Huber, 1993), hence many United States organisations turned to downsizing as a solution.

In Zimbabwe downsizing was experienced also in the 1980’s when the country embarked on the Economic Structural Adjustment Programme (ESAP). Many companies including the government retrenched their employees and some companies actually closed (Nherera, 2005). The 2007-8 world recession has also led financial institutions to downsize their operation.
2.3 RATIONALE BEHIND DOWNSIZING

A diversity of reasons can lead to the decision to downsize (Dewettinck and Buyens, 2002). Downsizing is often motivated by the need to control costs (http://www.idea.gov.uk/idk/core, 2011) and remain competitive in the increasingly global market (Habis and Appelbaum, 1994). According to Cascio (1993) and The Wyatt Company (1993), cost-reduction and rise in productivity are the important objectives in the case of downsizing. Freeman and Cameron (1993) and Cascio et al (1997) support the cost-reduction and productivity improvement rationale positing that the most important reason for downsizing is to improve employee productivity and organisation’s financial performance.

Cost control has been observed as the main reason for downsizing; however there are some reasons which are also in relation to efficient running of the organisation. An organisation can downsize in order to consolidate operations after organisational change; (http://www.idea.gov.uk/idk/core) such as mergers and acquisitions (Appelbaum, Simpson and Shapiro, 1987). After a merger or an acquisition, there is usually a restructuring process aimed at streamlining operations in order to achieve synergies by removing redundant functions. Appelbaum et al (1987) observed that such restructuring usually results in downsizing and the resulting new organisation is then expected to operate efficiently and effectively.

Stebbins (1989) supports the cost cutting as one of the rationale behind downsizing. Stebbins posits that the downsizing process relies on secrecy and is swift and painful to all concerned since the major objective is to cut operating costs immediately. An organisation can adopt downsizing in preparation for privatisation. Labib and Appelbaum (1994) established that usually organisations want to achieve high efficiencies in order to report attractive profits which would influence the stock market to reflect maximum share value.

Rajan, in his article “Effects of organisational downsizing on the private sector” (2010), brings out the rationale for downsizing as cost cutting, profit maximisation and maximising efficiency by utilising all available resources to the maximum. Supporting Rajan, four main reasons for downsizing has been identified as, cost
reduction, increasing efficiency, productivity improvement and consolidation after organisational change (www.idea.gov.uk/core/page.do?page/d=16522257).

The American Management Association found that most reasons highlighted by management on downsizing included response to economic changes, need to improve employee utilisation, that is performing the same amount of work with lesser people (Rust, 1999). Cascio (1993) posits high overhead costs as one of the reasons for embarking on organisational downsizing. Ross (2005) argues that new technologies make workers redundant and result in new practices that increase productivity, through reducing labour cost by decreasing employment levels (Freeman, 1993 and Cascio, et al, 1997).

**Organisation Decline and Downsizing**

Organisation decline is also another common reason for downsizing. Organisation decline can be defined as a decrease in an organisation’s resource base (Cameron, Kim and Whetten, 1987). Therefore, although there may be different causes of decline (for example declining industry, improvised niche, outmoded strategies), the effect remains constant; organisations are substantially, materially impacted and may face short-term consequences, such as negative net cash flow, and long term outcomes, such as bankruptcy or organisational death (Mone et al, 1998). Therefore, the most common response for most firms is to pursue downsizing as a strategy. Thus downsizing can emerge as a required strategy in response to organisational decline.

**2.4 DOWNSIZING APPROACHES**

Freeman and Cameron (1993) identified two approaches to downsizing, which are reorientation and convergence approaches. According to Appelbaum, Everard and Hung (1999), the first requisite for downsizing is an evaluation by the firm of whether its internal operations and environment are compatible with the external environment. The evaluation then determines which downsizing approach the organisation should take:

a. **Downsizing as reorientation**

   The reorientation approach should be adopted by forms engaging in major downsizing with the aim to realign the internal organisation with the external
environment (Bruton, Keels, and Shock, 1996). The objective of reorientation as explained by Appelbaum et al (1999), is to redefine the organisation’s mission, according to its fit in the environment, by adopting a new more efficient and effective overall structure following and in depth analysis of its current mission and strategic direction.

Reorientation downsizing is done through combining units and eliminating redundancies, and then selective layoffs are conducted utilising needs and skills analysis (Appelbaum et al, 1999). Therefore, when downsizing during reorientation periods the organisation’s focus is to fundamentally change its current mission, strategy and systems (Freeman and Cameron, 1993).

b. Downsizing as convergence

The goal of convergence approach is to reinforce the firm’s present structure and strategy by continuously attempting to make the firm more efficient (Appelbaum et al, 1999). According to Freeman and Cameron (1993), when downsizing during convergence periods, the organisation implements downsizing strategies aimed at reinforcing the organisation’s current mission, strategy and systems. In convergence downsizing, all employees of the organisation participate in downsizing; throughout the firm, process improvement is the driving force and everyone is encouraged to contribute to work improvement (Appelbaum et al, 1999). When downsizing through convergence, changes occur in a piecemeal manner in selected areas of the organisation and the entire company is urged to adopt a mindset of perpetual improvement (ibid).

According to Hardy (1987), one of the main advantages of downsizing as convergence is that the organisation is involved in continuous improvement and everyone within the organisation strives for efficiency by reducing headcount and streamlining operations whilst ensuring that skills and knowledge required by the firm is conserved.
2.5 GENERAL STRATEGIES FOR DOWNSIZING

Redundancy is often badly managed with many negative consequences (Wilkinson, 2004). According to Cameron (1994, 1998), the way downsizing is implemented is more important than the fact that it is implemented. Cameron and Associates found three implementation strategies for downsizing, namely employee reduction, redesigning the organisation and a systematic strategy aimed on changing the organisational attitudes, values and culture (Huber & Glick, 1993).

2.5.1 Employee Reduction

The main focus of this strategy is on reducing head count and it employs early retirement transfers and outsourcing, buy-out packages, attrition, layouts or firings as ways of reducing employees. The aim is to reduce headcount numbers quickly, hence adoption of top-down directives which are almost implemented across the board.

Disadvantages associated with this method are that it is difficult to ascertain those to be laid off and those to remain and it is also impossible to establish the knowledge and critical talent that will be lost to the organisation. Brockner, Grover, Reed, Dewitt and O’Mally (1987) posit that because of the quick implementation associated with the workforce reduction strategy, management does not have time to think strategy through and communicate it properly to the employees. As a result, employees may negatively be affected by the uncertainty and stress created by this downsizing strategy (Greenhalgh, 1993) and may react with reduced organisational commitment, less job involvement and reduced work efforts. The advantages identified by Cole (1995) are that the strategy results in immediate reduction, captures the attention of members of the organisation to the seriousness of conditions, stimulates cost savings and creates readiness in the organisation for further change.

2.5.2 Redesign the Organisation

According to Cole (1995) the organisational redesign approach aims at reducing the workload in addition to or in place of reducing workforce. Strategies can take the form of eliminating functions, hierarchical levels, divisions or products; amalgamating and merging studies of the areas that should be combined or redesigned. The main emphasis is on work reduction rather than employee reduction.
2.5.3 Systemic Strategies

This approach, although it also considers the size of the workforce, configuration of the structure or the magnitude of the work, its main thrust is on changing the organisation’s systems, culture and attitudes of employees. Two ways in which it focuses on systems are that it focuses on internal systems, values and communication; and on external systems, such as the production chain including upstream suppliers and downstream customers. According to Cole (1995), the systemic strategy entails relooking at downsizing as a means of life, as an on-going practice, as a platform for continuous improvement, not as a program or target.

2.6 WORKFORCE REDUCTION STRATEGIES

The following broad strategies can be adopted by an organisation that chooses to lay off its excess staff:

1) Attrition

The organisation decides not to replace a person who leaves. The advantage is that it is a simple method and that employees make a free decision to remain or to leave (Cascio, 2009). However, he puts across the negative side of attrition, suggesting that because it is unplanned and uncontrollable, it may pose serious problems to management.

2) Voluntary Termination

The voluntary termination can take two forms, which are, employee buyouts and early retirement incentives. As stated by Mishra et al (1998), voluntary termination helps maintain the morale of both survivor and leavers. They further assert that the organisation reduces the risk of wrongful discharge suites.

   i. Employee Buyout

Another advantage of voluntary termination but directed at employee buyouts is that buyouts reduce job loss associated stigma since employees make a free choice to leave (Cascio, 2009). However Cascio (2009) further accentuates the downside of buyouts as being:
a) Expensive; employees with long-term service find them attractive forcing the firm to part with large amount of money in form of termination package.

b) The best employees may leave since there is demand for their skills and low performers may stay as they are less marketable.

c) Both high and low performer may leave out of fear of being dismissed later without any financial cushion.

ii. Early Retirement Incentives

In early retirement incentive approach, the company proposes more lucrative retirement incentives in exchange for an employee’s agreement to leave the organisation at a specific time before the age of retirement. The costs of such programmes take the form of increased pension benefits, and thus, are borne out by the pension plan and do not affect a firm’s operating funds (Appelbaum, Patton and Shapiro, 2009).

There are several factors that make early retirement incentive programmes an attractive downsizing tool for managers (ibid). Polisner, (1996) postulates that managers view such plans as a lever for organisations to reduce headcount, cut costs and streamline operations. Early retirement incentive programmes spare the managers and those leaving their jobs the trauma and negative outcomes of layoffs (Kets de Vries and Balazs, 1997) since they are much less harsh than firing people. Early retirement incentive programmes often open up new career opportunities for younger, often less expensive, employees (Mathy and Burack, 1993). Such programmes open up promotional opportunities for younger employees (Cascio, 2009) and poor performers are more likely to take early retirement incentives because they lack confidence about future pay increases.

Cascio (2009) identified three problems associated with the incentives, which are:
a) The incentive may not be attractive enough to persuade older workers to take up the offer.

b) Employees, who are not eligible for the early retirement incentive may perceive the benefits to the retirees as overly generous, thus are more likely to quit.

c) High performers may leave if the incentives are lucrative and non-targeted.

3) Compulsory Termination

The departing employees are given no choice, they are compelled to leave. Although it is not appealing to employees, managers are given opportunity to redesign and implement criteria based on the needs of the business (Redman, and Wilkinson, 2009).

2.7 PROCESS OF RETRENCHMENT

The Labour Act Chapter 28:01 of Zimbabwe lays out requirements to be followed when employer wishes to retrench. The requirements are summarised as follows:

a) Give written notice of intention to the organisation works council, or employment council or the Retrenchment Board, where the works or employment council are non-existent.

b) Provide the works council, employment council or Retrenchment Board with details of every employee whom the employer wishes to retrench and the reasons for the proposed retrenchment.

The labour Act Chapter 28:01 requires that an employer should implement some special measures to avoid retrenchment, before finally engaging on retrenchment/downsizing.

2.7.1 Special Measures to Avoid Retrenchment

Section 12D of the Labour Act Chapter 28:01 stipulates special measures that may be taken before the employer makes a final decision to retrench. According to section 12D(2), an employer may agree with employees concerned, before giving
notice of intention to retrench, to have a recourse of the following measures for a period not exceeding twelve months; placing the employees on short-time work or instituting a system of shifts.

While an employee is on short-time work, he shall be paid the hourly equivalent to his weekly or monthly wage for the hours he has actually worked; provided that an employee shall receive not less than 50% of his current weekly/monthly wage.

2.8 PERFORMANCE MEASUREMENT VARIABLES

2.8.1 Productivity and Efficiency
The aspects of measuring, analysing and optimising operational performance play a vital role when the decrease of margins is considered. Especially, the evaluation of productivity and efficiency of banks is critically important (Burger and Moormann, 2008). The discussion about productivity and efficiency in banks is mostly based on the Cost Income Ratio (CIR), which is also known as efficiency ratio. Even though the predication power of the CIR is not clear at all, this ratio is widely regarded as a yardstick when comparing productivity and efficiency of banks. The commonly held notion claims that a high CIR is equivalent to low productivity and low efficiency and vice versa (Burger and Moormann, 2008).

2.8.2 Cost/Income Ratio
This ratio is also termed efficiency ratio. It is the standard benchmark of bank efficiency as it measures a bank’s operating costs as a proportion of its total income (Welch, 2006). The same view is echoed in money week magazine. The cost/income ratio is explained as a key financial measure, particularly in valuing banks. The magazine further described how it calculated and brings out the elements taken into consideration in the calculation. To get the ratio operating costs, that is administrative and fixed costs are divided by the operating income. The ratio gives the investors a clear picture of how efficiently the firm is being run. The rule of thumb is the lower it is the more profitable the bank will be.

African Financial Markets (date unknown) define the cost/income ratio as a ratio that measures the proportion of bank’s income that is consumed by its operating
expenses. Operating expenses include salaries and wages and property costs. A low ratio figure is indicative of a more profitable bank.

### 2.8.3 Staff Morale

The Merriam-Webster Collegiate Dictionary defines morale as “the mental and emotional condition (as of enthusiasm, confidence or loyalty) of a individual or group with regard to the function or tasks at hand.” In their article examining the importance of employee-management relationship, Mcknight, Ahmad, and Schroeder (2001) define morale, in the context of the workplace, as the degree to which an employee feels good about his or her work and work environment. The authors say morale serves as a broad term that encompasses smaller concepts including intrinsic motivation, job satisfaction, experienced work meaningfulness, organisational commitment, and pride in one’s work. Lubans (2000) explains the importance of morale saying, morale matters because low morale affects process.

Morale in some circles is synonymous with motivation, in this view, motivation has been described by Luthans (1998) as the process that arouses energies, directs and sustains behaviour and performance. That is, it is the process of stimulating people to action and to achieve a desired task. Henkoff (1990), Kets de Varies and Balazs (1997) identified lowered morale, coupled with increased stress (Brokner, 1988) as one of the main problems caused by downsizing.

### 2.8.4 Barret Survey and Staff Survey

Barret culture model is a Culture Value Assessment (VCA) tool which provides a comprehensive diagnostic of current culture and a detailed understanding of the desired culture by examining employees’ perception of the organisation’s current values, what they consider to be desired values and their personal values (Barret Value Centre, 2012).

There are three perspectives to the model:

- Human Perspective
- Organisational Development Perspective and
- Business Perspective.
The Human and Organisational Development Perspective are obtained by mapping employees’ personal values against the model of Seven Levels of Personal Consciousness, and their perception of the current culture’s values and desired culture’s values against the Seven Levels of Organisational Consciousness. The fundamental basis of the Seven Levels of Organisational Consciousness is that organisations are comprised of individuals, and act as living entities with similar motivations to those of individuals.

The purpose of the Barret Survey is primarily to have a better understanding of staff members’ perception of the organisation and the reasons for those perceptions. The Barret survey measures corporate culture. The Barret survey has a list of 130 values from which the participants are asked to choose ten that are most important to them, ten that they think are most important to the company and the ten values they would like to see being most important to the company. The Barret normal entropy is pegged at 15 or lower, if the entropy exceeds 20 the organisation is considered to be facing staff morale challenges. The higher entropy is a reflection of low employee morale and diverse cultures (www.succeed.co.za/aprint.php?art).

**Cultural Entropy explanation from the Barret Value Centre**

Cultural entropy is the amount of energy in an organisation that is consumed in unproductive work. It is a measure of the conflict, friction and frustration that exists within an organisation.

Cultural entropy is a function of the personal entropy of the current leaders of an organisation and the institutionalised legacy of the personal entropy of the past leaders. Personal entropy can become institutionalised in an organisation through the introduction of bureaucratic systems and processes requiring hierarchical decision-making or rigid silo-driven structures (Level 3 Consciousness). The cultural entropy caused by current leaders usually shows up as excessive control and caution, blame and internal competition, confusion, and long hours (Level 1 and Level 2 Consciousness).

Cultural entropy shows up at the first three levels of organisational consciousness:
**Level 3: self-esteem Consciousness:** Factors that slow the organisation down and prevent rapid decision-making, such as hierarchy, bureaucracy, and confusion.

**Level 2: Relationship Consciousness:** Factors that cause conflict and friction between employees, such as internal competition, blame and intimidation.

**Level 1: Survival Consciousness:** Factors that prevent employees from doing their job and expressing their talents, such as control, fire-fighting, and micromanagement.

Cultural entropy in an organisation is measured by carrying out a Cultural Values Assessment (CVA). Cultural entropy is the proportion of votes for limiting values that participants in an assessment pick to describe the current culture of the organisation. The majority of cultural entropy is directly related to the personal entropy of the managers and leaders of the organisation.

Research by the Barret Value Centre, shows that the values that contribute to cultural entropy are very similar in most organisations. The main difference is the degree to which these values are present. The following table shows the most frequently occurring potentially limiting values at different level of consciousness.

**Table 2.1 Potentially limiting values at different level of consciousness.**

<table>
<thead>
<tr>
<th>Level 3: Self-esteem</th>
<th>Bureaucracy, long hours, Silo-mentality, Hierarchy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 2: Relationship</td>
<td>Blame, Internal competition, Empire building.</td>
</tr>
<tr>
<td>Level 1: Survival</td>
<td>Control, Caution, Short-term focus.</td>
</tr>
</tbody>
</table>

*Source: Barret Value Centre Cultural Entropy- Barret Value Centre, 2012*

The following table shows the corrective measures associated with different levels of cultural entropy:
Table 2.2 Corrective measures associated with different levels of cultural entropy:

<table>
<thead>
<tr>
<th>Cultural Entropy</th>
<th>Corrective Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 10%</td>
<td><strong>Health Culture:</strong> This is a low and healthy level of cultural entropy.</td>
</tr>
<tr>
<td>11 – 20%</td>
<td><strong>Minor Issues:</strong> This level of cultural entropy reflects issues requiring cultural or structural transformation and leadership coaching. It is important to reduce the level of cultural entropy to improve performance.</td>
</tr>
<tr>
<td>21- 30%</td>
<td><strong>Significant Issues:</strong> This level of cultural entropy reflects significant issues requiring cultural and structural transformation and leadership coaching. It is important to reduce the level of cultural entropy to improve performance.</td>
</tr>
<tr>
<td>31 – 40%</td>
<td><strong>Serious Issue:</strong> this level of cultural entropy reflects serious problems requiring cultural and structural transformation, leadership development and coaching. It is important to reduce this level of entropy to improve performance.</td>
</tr>
<tr>
<td>41%</td>
<td><strong>Critical Issues:</strong> This level of entropy shows critical problems requiring cultural and structural transformation, selective changes in leadership, leadership development and coaching. It is imperative to reduce the level of cultural entropy to improve performance.</td>
</tr>
</tbody>
</table>

*Source: Barret Value Centre Cultural Entropy- Barret Value Centre, 2012*

**Note 1:** Cultural and structural adjustment refers to a selective focus on reducing pockets of high entropy in divisions or departments, or specific entropic values that are found throughout the organisation.

**Note 2:** Cultural and structural transformation refers to an organisation-wide programme of whole system change.
2.9 PREPARING FOR DOWNSIZING

Milojevic and Dordevic (2003), argue that according to many studies, downsizing does not always achieve the expected benefits because of lack of preparation for the process. They posit that for a downsizing process to be successful there is need for planning well ahead the formal announcement. Mishra, Spreitzer and Mishra (1998), coined four stages in downsizing process as illustrated below:

Stage 1

**Making the decision to downsize**
- Use downsizing as a last resort and craft a credible vision
Mishra et al (1998), suggest that before making the decision to downsize, it is of importance to take into consideration all possible options and downsizing used as the only remaining option.

Stage 2

**Planning the downsizing**
Make an implementation plan before making a downsizing announcement; according to (Mishra et al, 1998), ‘research shows that 50% of the effort to implement downsizing should be done before the announcement’. Band and Tustin (1995), proposed the following issues to be considered within planning the downsizing:

i. The aim of the downsizing strategy
ii. The implementers the downsizing process
iii. The process of identifying the leavers
iv. Determine the layoff package and when it will be paid out.
v. Schedule for the reorganisation of the remaining employees' jobs
vi. Determine the training needed after the downsizing process

The planning stage entails the organisation to form a cross-functional team that represents the interest of all members (Milojevic and Dordevic, 2003). The team’s task is to identify constituencies to be affected by downsizing and include their interests in the implementation plan.

Stage 3

**Making the announcement:**
Milojevic and Dordevic (2003) propose that the company must explain business rationale when announcing the decision and notifying benefits. On announcement, the company must show concern for the employees’ needs (whether survivors or laid-off workers) as well as be open and honest about the reasons for the downsizing and the implementation process, thus, helping mitigate distrust (Mishra et al, 1998). The company must communicate its vision so that survivors can have a sense of hope and personal control about the future and feel empowered. Severance packages and other benefits for downsized employees are critical so that the leavers feel in control and can find other employment.

Stage 4

Implementing the downsizing:
Band and Tustin (1995) consider communication and employee involvement key areas in the implementation stage. It is important at this stage to let the employees know the reality about their situation, as this builds trust (Milojevic and Dordevic, 2003). Remaining employees should be involved in the implementation, in assisting with the restructuring of their jobs and improving internal processes. A well implemented downsizing does not only focus on laying off employees but also on redesigning work processes and this makes the survivors feel they are in control of their future (Mishra et al, 1998).

Counselling for laid-off employees should be provided; the way the organisation treats laid-off employees determines how the survivors judge the company’s future interaction with them. Fair treatment of the laid-off employees enhances the loyalty, productivity and commitment of the remaining employees (Milojevic and Dordevic, 2003). For the remaining employees, the organisation should organise survivor programmes to deal with the changes and help the survivor accept responsibility in the restructured organisation (ibid).

2.10 OUTPLACEMENT PROGRAMMES PRIOR TO DOWNSIZING
Mendleson (1975) defines outplacement as the planned efforts provided or paid by the corporation to assist terminated employees in seeking and finding new positions in other organisations and Sweet (1989) considers outplacement as an HR programme created to help separated employees deal with the emotional stress of
the job loss and provide assistance in finding a new job. Outplacement programmes involve, assisting in defeating psychological and social problems caused by unemployment, determining new career goals, developing new skills, use of office equipments, preparing resumes (Hagevik, 1998) in Aslam (2005). Outplacement activities are often handled by consulting agencies for a fee, and organisations are willing to pay for the services in order to reduce risks associated with lay-offs, such as negative publicity and union intervention (Newman, 1988).

The goals of an outplacement program, according to Naumann, Bennett, Bies and Martin (1999) include

1. reducing the morale problems of employees who are about to be laid off so that they remain productive until they leave the firm,
2. minimizing the amount of litigation initiated by separated employees,
3. assisting separated employees in finding comparable jobs as quickly as possible

According to Resourcing (2008, May), providing an outplacement service can help keep the remaining employees focused on their work instead of concentrating on how their former co-workers were treated badly and didn’t find jobs.

**Outplacement Models**

Arslam (2005) discussed six outplacement models, which are, Super’s Theory of Career Counseling, Latack and Dozier’s Career Growth Model, Mirabile’s Stages of Transition Counseling Model, Kirk’s Holistic Outplacement Model, Aquilanti Integrated Model and the SOCOSE Project.

1) **Super’s Theory of Career Counselling**

Super gave outplacement a theoretical background through the seven elements of career adaptability (Super, 1983); work value, ability to manage one’s life, skills of reflection/learning from experiences, being able to plan, information, decision making and exploration have close connections with outplacement and coping strategies.

2) **Latack and Dozier’s Career Growth Model**

Latack and Dozier’s model emphasises career development after a job loss, They attribute special significance on keeping stress in a moderate level and posit that achieving this; individuals can center on their future and carry out efficient job search
techniques (Latack and Dozier, 1986). In managing stress there are three groups of factors: individual characteristics (pre-job loss work attitudes, career stage, and activity level), environmental characteristics (financial resources, social support, flexible family structure) and characteristics of the transition process which can be used as a tool in outplacement programs.

3) Kirk’s Holistic Outplacement Model
Kirk’s model, in his article “Putting Outplacement in its Place” consists of three basic elements: regaining equilibrium, career development and job hunting (Kirk, 194). In the first stage, the individual is guided by the counsellor for regaining his equilibrium in psychological, personal and financial dimensions. Second stage involves four traditional career planning steps: assessment, career exploration, career decision making and action planning. The counsellor, in this stage, can conduct an active relationship with the individual for personal development. The final stage covers reinsertion of unemployed worker into job market with his new skills. Indeed, this model is the one which packages of outplacement agencies have strong similarities.

4) Aquilanti Integrated Model
Aquilanti Integrated Model claims that individuals pass through four stages: loss, grieving and transition, personal development, job search and ongoing counselling support (Aquilanti and Leroux, 1999). This model argues that individuals foresee a process of loss, grieving and transition. Aquilanti and Leroux articulate that personal development of individuals can be achieved when the acceptance stage of grieving process is reached since energy can be directed on getting reemployment. They state that counsellor should assist the individual to identify his strengths, weaknesses, limits, dreams, values, wants, needs, interests and accomplishments; help them alleviate their stress and then provide information on financial planning. The most discernible aspect of this model is possibly its final stage: ongoing counselling support. It notes that counselling should not end with donating necessary skills but continue with ongoing guidance and encouragement to ensure the individual to benefit from the counselling.
5) SOCOSE Project

SOCOSE (Social Convoy and Sustainable Employability) Project seeks to develop an outplacement Model that loads more responsibility to corporations in conducting layoffs. It aims to bring more transparency to process of dismissals, support unemployed workers and provide them to re-enter the job market in the shortest time possible (Kieselbach and Miller, 2002). It places counselling to a higher level where it works not only as a support in case of dismissals but also a lifetime undertaking for continuous learning and satisfying requirements of labour market.

Therefore, counselling should start before dismissals when employment security weakens and unemployment risk emerges. Its underpinnings are based on being honest and open to employees, as Eby and Buch articulated in their article in 1998. According to them, ethical dismissals should deploy three elements: advanced warning of job loss, open communication and institutional support (Eby and Buch, 1998).

2.11 EMPLOYEE DOWNSIZING SELECTION CRITERIA

Once the organisation reaches a decision to downsize, several decision criteria are available to establish who to layoff and who stays. The employers should avoid discrimination and should make sure that the criteria are based on legitimate business reasons (Cascio, 2009). He presented the criteria for selecting people for downsizing as follows:

i. **Across-the-board cuts in every department:**

   Such cuts give emphasis to uniform management of employees, without considering the strategic importance each different department plays in the organisation’s overall performance and ignore the performance levels of employees. The criteria compromises on quality; suppose one department is comprised of superstars, and another is comprised of slackers. Why should the same percentage of superstars and slackers be laid off?

ii. **Identifying specific departments or functions based on strategic**

   Companies try to preserve critical aptitude; these are employees with talent sets required to implement business strategies in the coming years (Cascio, 1993). An organisation may implement the process in stages; first stage is to
select particular departments or functions, and then employ a ‘multiple-hurdle’ or funnel approach. This approach involves managers identifying pivotal talent sets and then put measures in place to keep employees with those talents, and let them know their importance to the organisation’s future success.

iii. Task performance
Selection based on job performance becomes a critical factor when there are more employees with pivotal skills than the positions available in the downsized organisation. By and large, employers have a tendency to keep employees who have been good performers in the past and/or have a clean disciplinary record.

iv. Seniority or tenure
This approach is utilised when the current team of employees is restricted to those with key talents, excellent performance and clean disciplinary records, and the organisation remains with more workers than the number required.

Table 2.3 Guidelines for downsizing: an initial checklist

| ✓ Identify departments and functions that are strategically critical, along with critical employee skill sets going forward. |
| ✓ Identify criteria that reflect legitimate business needs |
| ✓ Use a “funnel” approach to selection; that is, evaluate employees by critical skill sets first, followed by job performance, disciplinary actions and seniority (to break ties). |
| ✓ Document the criteria and processes used. |
| ✓ Conduct analyses to ensure that there is not a disproportionate effect of layoffs on members of protected classes and have all analyses and documentation reviewed by an attorney. |

Source: Cascio, 2009
2.12 COMMON OUTCOMES OF DOWNSIZING

2.12.1 Positive Outcomes

Announcements on downsizing usually result in positive reactions from Stock Exchange (Atwood, Coke, Cooper and Loria, 1995). According to Appelbaum, Schmidt, Peytchev and Shapiro (1999) almost universally favourable responses result as a promise of cost savings, reduced expenses, and increased competitiveness. This is an assumption by stockholders and analysts that downsizing produces desirable financial results. Cameron (1994) and Cameron et al (1991) claim that downsizing allows organizations to reduce redundant parts of the firm, to improve productivity and profits by reducing labour costs and to improve efficiency through restructuring the organization and stimulus of employees. It is also argued by Dewitt (1998) that downsizing can be a strategic choice for shrinking firms to remodel organizational systems in competitive circumstances. However, Surowiecki (2007) argues that numerous studies suggest that, despite the lower payroll bills, layoffs do not make firms more profitable. Downsizing may make companies temporarily more productive, but the gains quickly erode, in part because of the predictably negotiate effect on morale.

Team Oriented Approaches

Downsizing has been used as a driver in creating a more collaborative or team orientation to work processes (Church, 1995), the downsizing event can be a catalyst to implementing an organisational culture that emphasises teamwork and respect for people (Appelbaum et al, 1999). This entails such best Human Resources management practices as involving employees in decision making linking compensation to performance and providing appropriate training (Ibid).

According to Church (1995) a large body of evidence indicates that these practices are associated with increases in productivity and improved long-term financial performance. However, training of employees in conjunction with downsizing is critical to success (Appelbaum et al 1999). According to the 1996 American management Association (AMA) survey on corporate downsizing, job elimination and job creation, there is a correlation of increased profits and productivity with increased
training budgets during and following a downsizing effort (ibid). However, there is a level at which companies reach an upper limit where productivity begins to suffer because managers would be too stretched (Right Associates, 1995) in “Has Downsizing gone too far”.

**Improved productivity**

Appelbaum et al (1999) claim that downsizing can and do lead to productivity gains, primarily as part of processes such business process reengineering (BPR). As Vargas (1996) points out, downsizing is merely the means, not the goal: the true goal is to increase output with fewer resources or do more with less. For downsizing to result in improved productivity management should effectively implement significant operational changes, such as through business process reengineering, enabling technology and empowered employees (Appelbaum et al, (1999).

**2.12.2 Negative Outcomes**

Literature on downsizing suggests that whilst it is an ideal tool to make companies more competitive and efficient, in reality it is fraught with problems leading to rather negative outcomes. Guthrie and Delta (2008) assert that although downsizing is adopted as a way of improving future organisational performance, it cannot be ascertained that laying off employees lead to this projected outcome.

A number of studies conducted to examine the relationship between downsizing and financial improvements clearly send consistent messages that the envisaged bottom line improvements do not translate into a reality (Cameron, Freeman, Mishra, 1991; Knox 1992). There is negative correlation between stock price movement and announced layoffs (Warrell Davidson & Sharman, 1991; Bauhmohl, 1993). Financial measures such as return on assets, return on equity, sales on total assets, ratio of market to book value equity show that firms that adopted the route of downsizing do not show financial improvements. On the contrary, their performance continues to decline following announcements and at a greater degree than firms which had no layoff announcements.

Mabert and Schmenner (1997) acknowledge drops in productivity; their study enumerates a number of other costs, most of which are hard-to-quantify, including costs of quality which are a result of increased rework and inspection, overtime costs.
as fewer employees try to handle the same amount of work as before, and forgone new business opportunities since the company does not have the resources to take on any more work. De Meuse, Vanderheiden, and Bergmann (1994) concluded that corporates that engaged in downsizing continued to fare badly in terms of financial performance.

Cameron et al. (1987) discovered that one common unintended consequence of downsizing is that highly skilled workers whom the organization would like to retain often leave the firm, resulting in organisational memory loss. Hussain, Lucas and Asif Ali (2004) in their research concluded that downsizing resulted in major losses, sometimes irreplaceable; of core knowledge assets as employees leave with their knowledge and the effects of such knowledge indulgence are stunned innovation, teamwork and productivity. Decline in employee morale is another unintended consequence, with 74 percent of senior executives reporting problems with employee morale and trust after downsizing (Henkoff, 1990).

### 2.12.3 Survivor Syndrome
Survivor syndrome is one of the side effects of downsizing which negatively impact on both the employee and the organisation. Survivor is defined by Vinten and Lane (2002) as those employees who kept their jobs. This group begins to look at the organisation differently. An air of mistrust filled with questions about the need for, and legitimacy of, the downsizing endeavours is common (Noronha and D'Cruz, 2006). Survivor syndrome is characterised by feeling of anxiety and guilt for surviving the layoffs (Appelbaum and Donia, 2000). As a result of the anxiety, employee trust, morale and motivation are reduced (Sahdev, 2003) and this leads to loss of productivity. Survivor syndrome is considered by Labib and Appelbaum (1993) as the major factor contributing to the failure of most organisations to achieve their corporate objectives after downsizing. Isabella (1989) identified that usually survivors are either not informed or misinformed about issues such as their new roles in the newly structured organisation, expected performance standards, extra work demands, the value of their expertise to the new organisation and the existence or nonexistence of opportunities for advancement.
Kets de Vries and Balazs, (1997); Leung and Chang, (2002) argue that although downsizing lowers employee morale, productivity increases because survivors compete among themselves to ensure that they can retain their employment. However, Amstrong-Strassen (2002) concluded in his research that survivors are likely to be affected by their level of acceptance of the need to downsize and Thornhill and Sounders (1998) concurred by saying staff tend to accept changes where they see the process being necessary for organisation's survival.

Paterson and Cary (2002) found that change practices, which give participation, application and support opportunities, enhances employees’ positive attributions, lessens their anxiety, intensify their justice appraisals and finally help them to accept downsizing. They also say that effective communication in change process supports justice appraisals which in turn increase the level of trust to management.

The absence of guidelines to prevent survivor syndrome compelled Appelbaum and Donia (2001) to come up with a model to address survivor syndrome. Since the survivors are, after all, the ones who are expected to make the organisation function and ultimately succeed with fewer personnel; it is pertinent that organisations address the needs of their remaining human resources (Appelbaum, Henson, and Knee, 1999).
2.13 THE REALISTIC DOWNSIZING PREVIEW (RDP)

The RDP emulates the Realistic Job Preview (RPJ) initially proposed by Wanous (1973). The RDP’s key principles, as with RJP, is to present information prior to the event as if to immunise employees against subsequent downsizing (Appelbaum and Donia, 2001), hence it should be implemented immediately after the decision to downsize is made. The RDP is implemented to prevent survivor syndrome in the aftermath of the downsizing. The model is based on problems survivors experience and its underlying principle is that, by addressing the survivor syndrome issues prior to downsizing the negative outcomes on survivors will be minimised (ibid). The RDP prevents survivor syndrome by fostering a sense of understanding and involvement in the downsizing process before it takes place.
The Realistic Downsizing Preview Model gives a guideline on how to effectively implement downsizing without doing much damage to the retained employees. For performance to be enhanced after downsizing, the retained employees should be equipped with the necessary environment for performance.
2.14 DOWNSIZING AND MANAGEMENT
Managers have an essential role in ensuring that employees emerge from downsizing with confidence and trust in the organization (Appelbaum and Donia, 2001). Management is faced with challenges of managing the trauma caused by the downsizing process. Downsizing is most effective when planning takes place well before, during and after the downsizing process (Mirabal and DeYoung, n.d.). For downsizing to most effective planning should take place well before, during and after the downsizing process (Mirabal and DeYoung, n.d.). Reasonable steps should be taken when implementing the downsizing process to minimise potential negative impact on competences, productivity and workforce behaviour (Ibid). Managers have to come up with measures to counteract employee apathy, improve customer service and to restore employee trust. Cameron, (1994), in his researches came up with prescriptions for Best Practices in the organisational downsizing.

2.15 DOWNSIZING BEST PRACTICES
According to Cameron (1994, 1998), the way downsizing is implemented is more important than the fact that it is implemented. Thus Cameron (1994) coined the Prescriptions for Best Practices, in the research he carried out on organizations that reported improved performance after downsizing. Huber and Click (1993) in Atwood et al (1995) identified six best practices for downsizing. The prescriptions according to Cameron (1994) are summarised below; and contributions from Huber et al (1995) are analysed with the scope of the Cameron (1994) framework.

1. Approach
Approach downsizing as an opportunity for improvement and consider is as a long-term strategy whilst treating the organizational human resources as assets not as liabilities to the organization. Thus once the organization sees downsizing as inevitable, the reasons behind the decision to downsize should be communicated to all employees and it is important that part of the process of decision making involves employees (Appelbaum and Donia, 2001). Huber et al (1995) stress the need to implement downsizing from top to bottom and also from bottom up. Their argument is that downsizing from top down provides consistency, vision and clear direction and bottom up fosters innovation and
improvements. However, downsizing should be considered a measure of last resort, once all other alternatives have been exhausted (Brockner 1992).

2. Preparation
Prepare for downsizing before it is mandated, identify future mission of the organization and corporate structure that will effectively achieve the mission. Avoid formulating strategy based merely on headcount targets. The decision to downsize should be communicated to all; this should be considered to be ethical responsibility of the future (Ross, 1995). In the preparation stage the firms must pay attention to the transition experience on both employees remaining with the organization and those exiting (Huber et al 1995).

3. Involvement
Before making the final decision to downsize, the organisation should make its concerns known to the employees and seek their input (Appelbaum et al, 2001). Further involve employees in identifying the changes to be accomplished through downsizing (Cameron, 1994) when downsizing is the ultimate solution. Everyone should be accountable for the downsizing goals. Baruch and Hind (2000) emphasise the need to involve employees at the decision making stages and employee participation in coming up with workable solutions to identified problems. As Huber et al (1995) put it, allow employees to analyse operations of the company and identify excess jobs and means to remove them and improve efficiency. Leung and Chang (1999) suggest that individual survivors and lay-off victims be given chance to contribute to the downsizing process and this will improve the perception of fairness and transparency of the process. In addition, as Appelbaum et al (1987) posit, involving employees in the process fosters a sense of participation and belonging in the organization.

4. Leadership
Leaders should be visible, accessible and interacting with the employees affected by the downsizing. Leaders associate downsizing with the desired future vision and adopt a positive energy and initiatives in order to motivate the workforce on the organisation.

5. Communication
Ensure that everyone is well informed of the purpose of downsizing, costs involved, time frame, and strategies to be pursued. According to Appelbaum and Donia (2001), clear, honest and timely communication is one of the most vital preconditions for a downsizing to result in a healthy and productive organization. Avoid keeping sensitive information at the top. As the downsizing process unfolds over-communicate so that information is frequently provided, consistently, and honest to all employees on the progress and processes in downsizing to avoid rumours. Effective and timely communication does not only serve to provide employees with information on changes within the organisation, but also ensure that after the downsizing the employees understand why downsizing was necessary for the organization (Appelbaum and Donia, 2001).

Mishra et al (1998) propose the need for open and honest communication during and after the downsizing effort in order to stimulate a sense of trust throughout the organization. Survivors are very cognisant of how those who have been laid off are treated; when those remaining know that their former colleagues have been taken care of, their feelings of trust and commitment are enhanced. In support of Mishra et al Brockner (1992) and Thornhill and Gibson (1995), suggest that if the organisation communicates steps being considered to help the employees who will be terminated, it will gain trust from the survivors. Cauldron (1996) postulates that communication, formal, informal, verbal and nonverbal, may hold key to preventing survivors’ syndrome from ever occurring.

6. Support
Support for both those remaining and those leaving the organisation; provide adequate lead time, financial benefits and counselling for those leaving and for the survivors, provide training, cross-training and retraining. The training has to be done in advance of downsizing to help the individuals to adapt to the downsizing instead of relying on post on the job training Mone (1997) and Noer (1993) reiterate the need to plan for job training before downsizing so that employees are better equipped to deal with increased workload.

7. Cost Cutting
Before resorting to headcount reductions, enforce cost cutting measures such as restricting overtime, providing leave without pay and map and analyse all processes to eliminate inefficiencies and redundancies instead of assuming that old processes have to be maintained.

8. Measurement
In looking for ways to downsize also consider time and speed in which processes are done and develop specific measures of the activities and processes that directly relate to the key products and services provided by the company so as to determine improvements that can be made. Also assess the skills, experience and all relevant attributes of the employees so that decision making regarding human resources and assignments when downsizing occur are based on facts. Considering that impending downsizing will force survivors to take up an increased workload, management should identify and reduce redundant tasks (Appelbaum and Donia, 2001).

9. Implementation
Cameron (1998) emphasise the importance of speed of downsizing implementation and Boroson and Burgess (1992) posit that the actual downsizing execution should take the least time possible. On implementing downsizing apply all the strategies and administer the downsizing equitably and fairly. The manner in which excess positions are identified should be consistent and uniform throughout (Appelbaum and Donia, 2001) so that the process will be perceived as fair (Labib and Appelbaum, 1994). Form cross-level and cross-functional teams to plan and implement downsizing. Change the reward, appraisal and other systems to reflect the new goals and objectives of the downsized organisation. Avail chances for personal growth and development for individuals during downsizing rather than focusing on profits and financial bottom line.

2.16 ALTERNATIVES TO DOWNSIZING
Most organisations search for alternative cost-reduction methods before turning to layoffs. There are many alternatives to downsizing employees, but a key consideration is where senior managers believe that the downturn in business is temporary or permanent (Cascio, 2009). Empirical evidence shows that some
companies have successfully implemented various alternatives to downsizing (Milojevic and Dordevic, 2003). These include employment policies, changes in job design, pay and benefits policies, and training. Managers can use these alternatives both to reduce labour costs and to protect the jobs of full-time employees (http://ebooks.narotama.ac.id/files/managi,...).

Table 2.4 Alternatives to downsizing

<table>
<thead>
<tr>
<th>Employment Policies</th>
<th>Changes in Job Design</th>
<th>Pay and Benefits Policies</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduction through attrition</td>
<td>• Transfers</td>
<td>• Pay freeze</td>
<td>• Retraining</td>
</tr>
<tr>
<td>• Hiring freeze</td>
<td>• Relocations</td>
<td>• Cut overtime pay</td>
<td></td>
</tr>
<tr>
<td>• Cut part-time employees</td>
<td>• Job sharing</td>
<td>• Use vacation and leave days</td>
<td></td>
</tr>
<tr>
<td>• Give subcontracted work to in-house employees</td>
<td>• Demotions</td>
<td>• Pay cuts</td>
<td></td>
</tr>
<tr>
<td>• Voluntary time off</td>
<td></td>
<td>• Profit sharing or variable pay</td>
<td></td>
</tr>
<tr>
<td>• Leaves of absence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Reduce work hour</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: [http://ebooks.narotama.ac.id/files/Managi...](http://ebooks.narotama.ac.id/files/Managi...)

**a) Employment Policies**

The first alternatives to downsizing that managers are likely to consider are those that intrude the least on the day-to-day management of the business. These alternatives usually center on adjustments to employment policies. The least disruptive way to cut labour costs is through attrition. By not filling job vacancies that are created by turnover, firms can improve the bottom line. Hiring freeze may be implemented when the organization needs to effect huge cost reductions (Anon. [http://ebooks.narotama.ac.id/files/Managi...](http://ebooks.narotama.ac.id/files/Managi...)).

**Freezing Hiring**

By not recruiting the workforce stops growing and eventually starts to decrease as employees resign, retire or die. However, if some critical positions fall vacant some selective recruitment might be carried out to maintain needed skills. This practice
causes the least amount of dissatisfaction for employees, but could be too slow (Milojevic and Dordevic, 2003).

The advantage of the employment policies approach is that it provides some stability and security for the permanent employees. This security can induce workers to be more innovative. However, the increasing use of temporary, or contingent, workers as a strategy to smooth out variations in demand for labor means that more workers are vulnerable and treated as expendable by employers.

b) Changes In Job Design
Managers can use their human resources more cost-effectively by changing job designs and redeploy people to different units of the company. Companies can also use job sharing when it is possible to reconfigure one job into two part-time jobs. The challenge here is to find two people willing to share the job's hours and pay. Finally, as a last resort, highly paid workers may be demoted to lower-paying jobs. (http://ebooks.narotama.ac.id/files/Managi...)

c) Pay and Benefits Policies
As one way of reducing costs, managers can enforce a pay freeze during which no wages or salaries are increased. Pay freezes should be done on an across-the-board basis to avoid accusations of discrimination. These policies can be augmented by reductions in overtime pay and policies that ask employees to use up their vacation and leave days. (http://ebooks.narotama.ac.id/files/Managi...). Reducing or eliminating overtime has at least two benefits; lowers the cost because overtime is more expensive than the normal working time and reducing overtime may allow spreading some work to those earmarked for downsizing (Milojevic and Dordevic, 2003).

2.17 CHAPTER SUMMARY
Literature pertaining to downsizing reflects that downsizing originated from the United States auto industry. Ratio of manager to workers increased from 19% in 1950 to 325 in 1987, companies were compelled to embark on downsizing when the economy was negatively affected by the 1987 stock crash and the Middle East Oil embargo. In Zimbabwe downsizing started in the 1980’s when the country adopted
the Economic Structural Adjustment Programme (ESAP), another period of downsizing was experienced in the period 2007-8 due to the world economic recession.

 Downsizing in its widest sense is a complete strategic transformation intended to change an organization’s design. Its work process, corporate culture, values and attitudes and mission (Kets De Vries and Balaz, 1997). Downsizing includes redundancy and retrenchment, which Dewitt (1998) explained as the approach that keeps scope and output of a firm, while redundant facilities are eliminated and/or managerial responsibilities are realigned to improve corporate performance. Corporate performance can be classified according to human resources outcomes, organizational outcomes, financial accounting outcomes and capital market outcomes. There are three main downsizing strategies which are workforce reduction; which emphasises the need to reduce headcount, organisational redesign which focuses on work reduction and systematic strategy. The systematic strategy emphasises on changing the organisation’s systems, employee culture and attitudes and configuration of the structure.

 Downsizing has both positive and negative outcomes although the underpinning factor is the way downsizing has been implemented. Appelbaum and Donia (2001), came up with the RDP which if properly executed can mitigate the problem of survivor syndrome. Cameron (1994), 1998) coined the Downsizing Best Practice with the endeavour to assist firms in times of downsizing. However, before the firm decides to downsize it should explore alternatives available to downsizing. Chapter 3 discusses the research methodology.
CHAPTER 3

RESEARCH METHODOLOGY

3.0 INTRODUCTION
The purpose of this chapter is to give an account of the research design and methodologies that were employed in carrying out the research. To formally assess the impact of downsizing strategy on organisational performance, three kinds of data; objective data signifying organisational effectiveness, interview data with policy makers and survey data of the cross-sectional sample of the company were gathered. Three major data collection instruments were applied during the research; these are desk research for objective data such as statistical data, interviews and questionnaires for primary data. The focus of this chapter is to identify, analyse and to justify the use of the research methodology.

3.1 RESEARCH DESIGN
Cooper and Schindler (2001) explain research design as the blueprint for fulfilling objectives and answering questions. Yin (1987) defines a research design as the logic that links the data to be collected to the initial questions of a study. Fraenkel and Wallen, (1996) describe research design as the structure of research. This is often described as a design using a concise notation that enables us to summarise a complex design structure efficiently.

3.2 RESEARCH PHILOSOPHY
Easterby-Smith (1991) states that knowledge of philosophy can help the researcher to recognise which designs will work and which will not. Research philosophy, therefore, depends on the way that one thinks about the development of knowledge. There are two approaches to research, namely positivism and phenomenology, (Saunders, Lewis and Thornhill, 1997).

3.2.1 Positivism
This is the quantitative approach and usually involves deductive reasoning whereby a hypothesis is formulated and followed by collection of data to prove the theory. Deduction is a form of inference that purports to be conclusive and for a deduction to
be correct, it must be both true and valid (Cooper and Schindler, 2001). In this type of research data can be analysed in terms of numbers. Saunders et al (1997) summarised the advantages and disadvantages of Positivism as tabled below:

**Table 3.1: Advantages and Disadvantages of Positivism**

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater opportunity for researcher to regain control or the research process</td>
<td>Often does not discover the meanings people attach to social phenomena</td>
</tr>
<tr>
<td>Economical collection of large amounts of data</td>
<td>Weak understanding of social process</td>
</tr>
<tr>
<td>Easily comparable data</td>
<td>Inflexible often direction cannot be changed once data collection has started.</td>
</tr>
</tbody>
</table>

*Source: Saunders et al (1997)*

### 3.2.2 Phenomenology

The approach is qualitative and involves inductive reasoning. In this approach data is collected that results in arriving at a possible explanation. The relationship between reasons and conclusions is not strong in induction. To induce is to draw a conclusion from one or more particular facts or pieces of evidence, (Cooper and Schindler, 2001). Qualitative analysis requires some creativity although the challenge is on how to place the raw data into logical meaningful categories. Saunders et al (1997) observed the following advantages and disadvantages of Phenomenology as a research approach.
Table 3.2: Advantages and Disadvantages of Phenomenology

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enables the researcher to be alive to change during the research process</td>
<td>Data analysis is difficult</td>
</tr>
<tr>
<td>Good understanding of the social process</td>
<td>Data collection can be time consuming</td>
</tr>
<tr>
<td>Facilitates understanding of how and why</td>
<td>Generally perceived as credible by non-researchers</td>
</tr>
</tbody>
</table>

*Source: Saunders et al (1997)*

### 3.3 RESEARCH APPROACH

The research approach indicates whether the use of theory is explicit within the research design (Saunders et al 2000). Mason (2002) explains the research approach as deciding what theory does for your arguments. This enables the researcher to take a more informed decision on the research design. The researcher acknowledges that there are two research approaches. These are related to two scientific ways of knowing; specifically, inductive and deductive reasoning (Saunders et al, 1999).

#### 3.3.1 Deductive Research Approach

Deductive research approach allows the researcher to establish a hypothesis by using theory. Variety of data and information is collected the researcher to confirm or to reject the hypothesis to resolve issue (dissertationhelpservice.com, 2012). Deductive reasoning works from the more general to more specific and conclusion follows logically from premises- available factors (Aqil Burney, 2008). Various steps of using deductive approach are developed of theory, hypothesis, observation through data and information and confirmation. Deductive research approach is associated with the positivism paradigm (dissertationhelpservice.com, 2012).
3.3.2 Inductive Research Approach

Inductive approach is a reverse of deductive approach. Observation, pattern, tentative hypothesis and theory are important steps in the inductive approach. Aqil Burney, (2008) posits that inductive reasoning works moving from specific observation to broader generalisation and theories and conclusion is likely based on premises- involves a degree of uncertainty. Inductive research approach is associated with interpretivism paradigm. Inductive research is a flexible approach because there is no requirement of pre-determined theory to collect data and information. The researcher uses observation data and facts, to reach at tentative hypothesis and define a theory as per the research problem (dissertationhelpservice.com).

The researcher chose the qualitative approach which emphases on gaining access to understanding of the meaning humans attach to events. Carson et al (2001), however, suggest that it can be entirely appropriate to adopt a position where a variety of research philosophies and approaches can be adopted, depending upon the circumstances and the nature of the research problem.

This study follows the inductive approach and the objective for using the inductive approach is to ensure that all angles are covered in terms of understanding the deeper structure of the research problem.

3.4 RESEARCH STRATEGIES

Saunders et al, (2000) define research strategy as an overall plan of how research questions should be answered. The researcher chose to use surveys and case study among the various research strategies available.

A survey research method is defined by Colin Robson (1993) as a systematic collection of primary data through the use of structured questionnaires and communication in a reasonably large number and highly representative sample of respondents.
Case study definition as stated by Robson (1993) is the development of detailed, intensive knowledge about a single case or small number of related cases. He further explains that the case study approach also has considerable chance to generate answers to questions why, what and how and is used to carry out an in depth study of the situation.

In this particular study, the researcher used both survey and case study strategies. Survey method was done by administering questionnaire to employees of MBCA Bank and the Executives who are the policy makers. In this particular process, the researcher gathered views for analysis in chapter four. This implies that the survey should answer the research questions.

3.5 CLASSIFICATION OF RESEARCH PURPOSE

Research purpose can be classified into exploratory, explanatory Research and descriptive purpose. The way researchers develop research design is profoundly affected by whether the research question is descriptive or explanatory; the research question determines what information is collected (De Vaus, 2001).

**Exploratory Research:** A research is exploratory when there is no model as a basis of the study. Exploratory research is the most useful, and appropriate, research design for those projects that are addressing a subject about which there are high levels of uncertainty and ignorance about the subject, and when the problem is not very well understood, that is very little existing research on the subject matter (van Wyk, [http://www.umc.ac.za/usrfiles/users/2700...](http://www.umc.ac.za/usrfiles/users/2700...). Though there could be relevant theory and models the object of study may be different from all earlier studied objects.

**Explanatory Research:** Explanatory research identifies the reasons for something that occurs. It looks for causes and reasons. Goals for explanatory research is to explain things, determine best explanations, determine accuracy of the theory, build and elaborate a theory and provide the support or refute an explanation (source unknown).

**Descriptive Research:** A Descriptive Research seeks to depict what already exists in a group of population; it seeks to answer the question what is going on (De Vaus,
Descriptive research does not seek to measure the effect of a variable; it seeks to only describe the variable.

The researcher sought to explore the organisational performance before the organisation embarked on downsizing and then carry out an explanatory research on the impact of the downsizing on the intended results. This was achieved through collection of secondary data, survey of knowledgeable persons and case studies.

The researcher conducted interviews in such a way that variation in the data collection was as small as possible by using an interview guide in order to capture the entire variables needed for the research. Questionnaires were also used in the research since the interviews are time consuming. The interviews were carried out on 4 EXCO members who are the policy makers and who were part of the strategy formulation committee. The questionnaires were administered to the other management employees and non-managerial employees.

3.6 POPULATION OF STUDY

Baker, (1998) defined population as a group upon which the researcher is interested in making inferences. It is upon this population that the researcher would generalise the results of the study (Fraenkel and Wallen, 1996). The population for this study was MBCA Bank Executives, management and employees. This automatically became the target population for this study. This is the population to which the researcher wishes to generalise the research findings. Defining the population is important because it assists the researcher in selecting a sample of study.

3.7 DATA COLLECTION TECHNIQUES

3.7.1 Sample Size

The objective of sampling method is to reduce and narrow the target population to manageable sizes on a geographical or other such basis so that by selecting only some of the elements in a population we may draw conclusions about the entire population. Smith (1995) contends that the idea of a ‘sample’ is linked to that of a ‘population’. Population refers to all the cases while a sample is a selection from the population. Kumar (1998) purports the purpose of sampling is to economise on the resources that are needed to collect and analyse statistical data. A sample is a
small part of anything designed to show the style, quality and nature of the whole (Ferber, 1974) and hence the purpose of a sample is to approximate the measurement of the whole population well enough, within acceptable limits. A very important issue in sampling is to determine the most adequate size of the sample and the major criterion to use when deciding on sample size is the extent to which the sample is representative of the population (Smith, 1995).

A sample is selected from a sampling frame which refers to a list or any other record of the population from which all the sampling units are drawn, for example, company employee list is a form of a sampling frame from which one can take a sample. The sampling frame in this research was a list of all MBCA bank employees.

Table 3.3: Size of the sample in a given population

<table>
<thead>
<tr>
<th>Population</th>
<th>% Suggested</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>100</td>
<td>20</td>
</tr>
<tr>
<td>30</td>
<td>80</td>
<td>24</td>
</tr>
<tr>
<td>92</td>
<td>64</td>
<td>32</td>
</tr>
<tr>
<td>100</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>200</td>
<td>32</td>
<td>64</td>
</tr>
<tr>
<td>500</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>1000</td>
<td>14</td>
<td>140</td>
</tr>
<tr>
<td>10000</td>
<td>4.5</td>
<td>450</td>
</tr>
<tr>
<td>100000</td>
<td>2</td>
<td>2000</td>
</tr>
<tr>
<td>200000</td>
<td>1</td>
<td>2000</td>
</tr>
</tbody>
</table>

Source: Adapted from Vermeulem, (1998)
The researcher used Verneulem (1998)’s guide to come up with an appropriate sample. The total population is 208 staff members, thus a sample size of 32% (60 people) of the population was selected for the research.

3.7.2 Sampling Methods
The researcher acknowledges two types of sampling techniques that is; probabilistic and non-probabilistic sampling techniques. There are four main methods of randomly selecting respondents which are identified under probabilistic sampling. These are: simple random, systematic sampling, stratified sampling and cluster sampling (Saunders et al 2000).

Under non probabilistic sampling technique units are not selected randomly. This approach will be selected where methods other than randomness are the basis for selecting observations from the commercial banks. Amongst the three main types of non-probability sampling procedures, namely; convenience sampling, judgment sampling and quota sampling the researcher will choose convenient and judgemental sampling techniques. Units of the sample that are convenient to the researcher will be considered together with those whom the researcher will consider knowledgeable for the study. Convenient sampling was applied on the executive management since these people are difficult to get their attention and time. Judgemental sampling was used on the workers committee representative by identifying members who are always standing for the employees’ grievances. These people are likely to represent a true reflection of the employees’ views on downsizing.

In adopting the probabilistic sampling technique, the researcher first identified the relevant strata and their actual representation in the population. Random sampling was then used to select a sufficient number of subjects from each employee category.

3.7.3 Secondary Sources of Data
Employing the definition by Donald and Pamela (2003) that states that secondary data is collected firstly for own purpose and then used for other purposes, the researcher also made use of this data. This data was collected from current journals
on downsizing, other research papers and banking survey reports, including MBCA internal reports and journals. The researcher picked variables relevant for this particular study. To assess the impact of downsizing on organisational performance three kinds of data were collected. Objective data indicating the firm’s effectiveness were collected from secondary sources; these data included statistics on employee head count, financials and staff satisfaction data.

3.7.4 Primary Sources of Data

The major source for this study was primary data. According to Merrian (1998), primary data is one that is collected specifically for a project. Although the data is expensive to collect, the researcher will formulate structured and unstructured questions that focus on the study topic. The leading question for this study is: “Does downsizing have an impact on organisational performance?” Primary data is collected using three main ways; these are questionnaires, interviews and observation method. In this study, the researcher used two methods, which are questionnaire and interview methods.

A structured interview guide was designed targeting, executive management who are the policy makers. This was adopted because it will allow the interviewer to clear up seemingly inaccurate answers by explaining the questions to the informant if the respondent misunderstands the question or deliberately falsifies information.

The second data collection tool was the questionnaire. The questionnaire was used because it can be administered to many people at the same time. This method has also proved to be cost effective and convenient in collecting data. The researcher designed a questionnaire guided by objectives and research questions of this study. Each objective formed a section in the questionnaire. This was done to capture relevant data from the target population. Attention was also be paid to the length and clarity of questions. Closed-ended questions were used in the questionnaires. Closed-ended questions help in achieving a high response rate by minimising the amount of time a respondent spends on each question since the answers will be provided. The closed-ended questions were provided with alternative answers to choose from, to make it easier and quicker for respondents to answer. The researcher created four sections with varying number of questions in each section.
The researcher emailed the questionnaires to the respondents who completed them and gave them back to the researcher. The researcher distributed the questionnaires and followed up with telephone calls to confirm receipt of the questionnaires by the respondents. The respondents were given seven (7) days to complete the questionnaires considering that they will need to schedule their time. The respondents had a choice to email back the questionnaires or send by overnight bag, for those in Harare the researcher physically collected questionnaires from the respective respondents.

3.7.5 Validity and Reliability of data collection Instrument

Validity and reliability are two fundamental elements in the evaluation of measurement instrument (Tavakol and Dennick, 2011). Validity is the extent to which differences found with a measuring tool reflect differences among respondents being tested. ‘Validity in data collection means that your findings truly represent the phenomenon you are claiming to measure’, (Henrichsen, Smoth and Baker, 1997). The questionnaire answered by different people even in the same company might bring out different answers depending on the position and education level of such people. However, one assumes it is valid when most respondents answer the questions without much difficulty. Valid claims are solid claims (Henrichsen et al, 1997).

Reliability is concerned with an instrument to measure consistently (Tavakol and Dennick, 2011), that is a measure is reliable to the extent to which it gives same results. According to Yin (2003) reliability’s objective is to be sure that if two investigators perform the same survey at different times they should arrive at the same findings and conclusion. The goal of reliability is to minimise errors and bias in the study. Reliable instruments work well at different times under different conditions (Cooper and Schindler, 2003). The widely used objective measure of an instrument’s reliability is the Cronbach’s alpha score. The Cronbach’s alpha determines the internal consistency or average correlation of items in a survey instrument to gauge its reliability (Santos, 1999).
3.9 RESEARCH METHODS
Two surveys were carried out; firstly an in depth interview with 4 EXCO members in order to establish the rationale of downsizing and to review the process leading to the downsizing. Second survey was done through the administering of a questionnaire to a sample of 56 non EXCO employees. The focus of the second survey was to establish the perception of employees with regards to the impact of the downsizing on organisational performance and the individuals themselves.

A desk research was also conducted to gather secondary data that was used to analyse the statistical performance of the organisation before and after the downsizing process.

3.10 DATA PRESENTATION AND ANALYSIS
There are various programmes used to analyse data such as the Statistical Package for Social Scientists (SPSS version 12), and Excel spread sheets. However, the researcher provided templates such as tally sheets and tables to compile the data then the data was analysed and presented on charts and graphs using the Excel spread sheets.

3.11 ANALYSIS TECHNIQUES
The role of analysis is to supply evidence which justifies claims that the research changes belief or knowledge and is of sufficient value (Howard and Sharp 1983). The research is meant to provide information and not raw data and as a result data analysis is necessary for the data to be reduced to summaries which show trends and patterns. From the trend, patterns and results of statistical analysis the researcher will interpret the findings.

3.12 RESEARCH LIMITATIONS
The research methodology selected had the following limitations:

a) The respondents feared to provide information that may be perceived negative for fear of victimisation.

b) Failure to disclose some of the requested information as it was deemed to be strategic information for the bank’s operation.
It is hoped and envisaged that the research will inspire other researchers to embark on similar exercises to embrace the findings of this research as it is a concept of downsizing which most organisations are utilising in an attempt to improve performance and profitability.

3.13 Chapter Summary

This chapter dealt with issues relating to the methodology of the research. It discussed the research design and philosophy concepts as well as some literature review to justify the use of the methodology in the research. The chapter also discussed data collection techniques which were desk research, interviews and questionnaires. Issues of validity and reliability of data collection instruments were considered when selecting the instruments. The major focus was on how the methodology was applied in the research to get the useful data. The next chapter presents and discusses the research findings.
CHAPTER 4

FINDINGS AND DISCUSSION

4.0 INTRODUCTION
This chapter presents the research findings that emanate from the in-depth interviews that were carried out and the questionnaires that were used to gather information from the employees who survived the downsizing. The findings are presented in line with the research objectives. The findings are also based on the analysis of the secondary data obtained from the company documentation.

4.1 Demography of the Sample
The purpose of the sample is to analyse the degree of representation of the total population.

4.1.1 Total response rate by departments.

<table>
<thead>
<tr>
<th>Division/Branch</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail- Sales</td>
<td>12%</td>
</tr>
<tr>
<td>CBD</td>
<td>16%</td>
</tr>
<tr>
<td>Human Resources</td>
<td>5%</td>
</tr>
<tr>
<td>Risk</td>
<td>14%</td>
</tr>
<tr>
<td>Operations</td>
<td>29%</td>
</tr>
<tr>
<td>Treasury</td>
<td>9%</td>
</tr>
<tr>
<td>Audit</td>
<td>5%</td>
</tr>
<tr>
<td>Reconciliation</td>
<td>3%</td>
</tr>
</tbody>
</table>

A total of 8 departments took part in the questionnaire survey, respondents preferred identification by departments instead of region. The questionnaire survey comprised
of a study of 58 respondents and 54 respondents participated in the survey giving a response rate of 93%. According to Instructional Assessment Resources (2011), high response rates help to ensure that survey results are representative of the target population and acceptable response rates vary by how the survey was administered, for email 60% is very good. Thus 93% response rate is high enough to warrant validity and reliability of the research findings.

4.1.2 Response by position

Fig 4.1 shows responses by position.

Figure 4.1 Analysis of responses by position

The employee composition was skewed towards management because of the nature of the positions held by individuals. The bank has employees who are managers of self, who do not have subordinates hence a large proportion of junior management. 56% of the respondents were assistant managers, 20% were middle managers who among them are MANCO members, and 24% were non-managerial employees.

4.1.3 Response by Gender

Fig 4.2 shows the response by gender
Figure 4.2 Responses by Gender
The response was well balanced, of the 54 respondents, 30 were females representing 56% of the total responses and 24 males which is 44% of the total responses.

4.1.4 Response by Age
Fig 4.3 shows the analysis of response by age.

Figure 4.3 Response by age
The age composition of the respondents shows that 45% of the responses came from employees aged between 21 and 30 years, 22% are between 31 and 40 years and 33% are between 41 and 50 years. The total sample has employees aged between 21 and 50 years.

4.1.5 Response by Length of service

Fig 4.4 below shows an analysis of responses of service.

![Bar chart showing response by length of service](image)

**Figure 4.4 Response by length of service**

Fig 4.4 shows that 30 respondents (56%) have been with the organisation for the period between 5 and 10 years, 18 employees (33%) have been with the company for less than 5 years. Only 4 (7%) and 2 (4%) respondents have been working for the organisation for a period of 16 to 20 years and 21 to 25 years respectively.

4.1.6 Response by Qualification

Fig 4.5 shows responses by qualification.
Figure 4.5 Response by qualification

From the study findings 46% of the respondents have the highest qualification of a diploma, 32% percent degree level, 13% post graduate and 9% Advanced level (Secondary school).

4.2 ORGANISATIONAL DOWNSIZING AT MBCA BANK

4.2.1 Rationale behind the downsizing exercise

Four EXCO members out of a total of nine were targeted for interview and the researcher managed to interview all four members. Findings from the structured interview highlight poor organisational as the impetus behind downsizing by the bank. Respondents identified one of the reasons for downsizing as, the need to improve efficiency and productivity in order to remain competitive. Another reason identified was that the bank was responding to organisational restructuring emanating from change in economy. This rationale is supported by Thornhill et al (1998) who posit that downsizing is a form of corporate restructuring aimed at improving company performance by creating competitiveness and efficiency.

The objective of the downsizing process was to right size the business, realign role positions and consolidate processes so as to contain costs with the desire to meet shareholders set targets. This assertion is supported by Appelbaum et al (1987) who postulate that restructuring usually results in downsizing and a new organisation is
expected to operate efficiently and effectively. The high cost structure led to the decision to downsize, thus cost cutting also came out as one of the rationale for downsizing. The bank experienced the introduction of many processes during the hyperinflationary era between 2007-2009, hence there was need to streamline operations and remove redundant functions, as emphasised by http://www.idea.gov.uk/idk/core. The researcher observed through secondary data, that the organisation changed its organisational structure three times within the period 2009 to 2011, thus supporting the objective to streamline operations and remove redundant functions and positions. The rationale behind MBCA bank downsizing, according to the findings could be summarised as cost reduction, increasing efficiency, productivity improvement and consolidation after organisational change.

The researcher sought to find out whether the rationale for downsizing was also shared with other MBCA bank employees through a questionnaire. In order to get a buy-in from employees, there is need to clearly explain on the need to downsize and offer tangible results downsizing would bring to the organisation (Appelbaum and Donia, 2001).

**Need to downsize clearly explained**

Fig 4.6 below shows the results on the clarity of the need to downsize.

![Response on need to downsize](image)

**Figure 4.6 Need to downsize clearly explained**
Study findings in fig 4.6, show the need to downsize was clearly explained as illustrated by the response of 77% agreeing that the need was clearly explained. 23% were not sure, thus reflecting that there could be an element of forgetting since they could not commit themselves on disagree.

**There was real need for restructuring**

The respondents were asked, whether in their opinion, there was really a need for the downsizing process to take place. This question assisted the researcher determine whether the employees agreed with management on need to downsize.

The findings are explained in fig 4.7.

![Response on need for organisational restructuring](image)

**Figure 4.7 Response on need for organisational restructuring**

The findings are that 28% of the respondents strongly agree that there was real need for the organisational downsizing and 17% agree. Those in agreement that there was need for the restructuring reflect consensus with the management and show that they understood the explanation offered for need to downsize. On the other hand 33% were not certain, meaning that they were not sure if there was really a need to downsize. Of the 54 responses 22% did not agree that there was really a need to downsize. Amstrong- Strassen (2002) concluded in his research that survivors’ are likely to be affected by their level of acceptance of the need to downsize and Thornhill and Sounders (1998) concurred by saying staff tend to accept changes where they see the process being necessary for organisation’s survival.
Downsizing as the best option

The section sought to establish whether downsizing was the best option given that more than 50% felt that there was really a need to downsize as illustrated in the previous section.

![Pie chart showing responses on downsizing as the best option](image)

**Figure 4.8 Response on downsizing as the best option**

The issue of downsizing being the best option left 39% of the sample not quite sure. However, there is a strong support for the downsizing being the best option by 28% of responses strongly agreeing and 11% just agreeing. Those who do not agree make up 17% and 5% strongly disagree that downsizing was the best option. Theassen (2004) in her research, observed that trust and faith in management can be maintained where the process is considered transparent and where it is accepted that there was no alternative. This can be said to apply to the bank since, the majority (39%) was uncertain on the downsizing being the best option, the levels of trust can be questionable.

4.2.2 Process leading to the downsizing exercise

This section sought to discuss the downsizing process since the results of the downsizing hinges on how the downsizing process was executed. According to Cameron (1994, 1998), the way downsizing is implemented is more important than the fact that it is implemented. The success of downsizing is largely hinged on the
implementation process, thus the researcher attempted to include various factors associated with downsizing process.

The findings from the EXCO members interviewed show that the organisation did some investigation on the firm’s performance through comparison of the actual performance versus targets and benchmarked the form against competition in terms of structure, financial results and environment constraints. After market analysis the bank concluded that it had a lot of “fat” in human resources as measured against its competitors. The downsizing planning took the following form: Fit for purpose which was used to assess the alignment of position and the skills of the job holder. The structures were redesigned to suit the new strategy and redundant employees identified using the Predictive Index program (acts as psychometric test).

Communication on downsizing was carried out through road shows, meetings, staff bulletin and MD’s bulletin. This was in line with Appelbaum and Donia (2001) who posit that failure to communicate results in loss of trust from the employees. However, the EXCO respondents felt the planning was inadequate in terms of time spent and resources allocated.

Findings from the questionnaire are as presented below:

**Preparing for downsizing**
According to Milojevic and Dordevic (2003), lack of preparation for downsizing process has resulted in firms failing to achieve expected benefits.

**Response on Employee Consultation**

This section sought to establish whether employees were sufficiently consulted and given a chance to contribute into the downsizing process.

**Table 4.2 Response on Employee Consultation**

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>11%</td>
<td>6%</td>
<td>33%</td>
<td>33%</td>
<td>17%</td>
</tr>
</tbody>
</table>
Findings in Table 4.2 reveal that very little consultation was conducted as shown by only 17% of responses who were in the strongly agree and agree category, 33% were uncertain and 50% of the responses were in the strongly disagree and agree category. There is a reflection of the communication approach adopted by the organisation. Appelbaum and Donia (2001), claim that the communication approach can either be consultative or telling mode, the results are a reflection of the telling mode type of communication approach. Leung and Chang (1999) are of the opinion that all employees be given chance to contribute to the downsizing process and this will improve the perception of fairness of the process. Consultation is one of the attributes of downsizing best practices proposed by Cameron (1994). Employees should be involved in identifying the changes to be accomplished through downsizing (ibid).

Levels of employee participation reflect the degree of consultation afforded the employees. Fig 4.9 shows findings relating to the level of participation in the downsizing process. This section sought to assess the easy with which the employees were able to participate in the downsizing process.

![Response on importance of Employee opinion](image)

**Figure 4.9 Response on Importance of Employee opinion**

The finding show that the majority of the employees felt they were not made comfortable and confident to say out their opinion. There was no assurance that there will not be any victimisation for airing their views in the process. The statistics
as reflected in Fig 4.9 are that 44% responses strongly disagree that they made comfortable, 28% were uncertain and only 17% agree they were made comfortable to voice out their opinion.

Communication

Downsizing best practices (Cameron, 1994) emphasise the need to communicate before, during and after the downsizing process. Communication is of profound importance as Appelbaum and Donia (2001) postulate that clear, honest and timely communication is one of the most vital preconditions for a downsizing to result in a healthy and productive organisation.

Communication of goals and objectives

This section looks at whether the new goals and objectives were clearly defined and communicated. Communication on the new goals and objectives cannot be over emphasised.

![Communication of goals and objectives](image)

**Figure 4.10 New goals and objectives defined and communicated**

Fig 4.10 above shows the results from the 54 responses regarding the redefinition and communication of the new goals and objectives. To have 28% of responses falling in the uncertain category shows that there was an element of breakdown of communication or that the channels used were not effective. Also the number of
responses in disagree section to strongly disagree shows the problem of reaching out to the employees regarding the new goals and objectives.

Response on communication channels put in place

This section intended to establish whether communication mechanisms were put in place. Fig 4.11 below shows findings relating to adequate communication channels being put in place.

![Adequacy of communication mechanisms put in place](image)

**Figure 4.11 Response on communication channels put in place**

Although the findings from the interview reflected availability of channels through road shows, MD’s bulletin and meetings, the findings based on non-managerial questionnaire reflected lack of effectiveness of the channels applied. Only 5% of the respondents strongly agreed that there were adequate communication channels compared to 28% strongly disagreeing that there were adequate communication channels. Appelbaum and Donia (2001) emphasised the importance of communication saying that effective and timely information does not only serve to provide employees with information on changes in the organisation, but also ensures that after the downsizing exercise the employees understand why downsizing was necessary for the company.
Implementing downsizing

Appelbaum and Donia (2001) emphasise the need for downsizing to take place at a shortest time possible, so that the organisation quickly goes back to normalcy. Thus this section sought to check if the organisation took this advice into consideration.

Table 4.3 Response on speed of implementation of downsizing process

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>22%</td>
<td>17%</td>
<td>28%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Through the document review it was established that from the formal announcement to execution the process was to take three months. Table 4.3 shows that the implementation downsizing process took long as supported by the numbers, 56% of the respondents disagreed that the implementation was done as fast as possible, with 27% agreeing that it was done as fast as possible and 17% were uncertain. Cameron (1998) included speed of implementation as one of the elements of the downsizing best practices. Boroson and Burgess (1992) also claim that the actual downsizing execution should take the least time possible.

Response on respect and care given to terminated employees

This section analyses the care that was given to the redundant staff, as Cascio (2010) advises that the procedures utilised to choose, advise and maintain employees are of vital importance.

Table 4.4 Response on treatment given to terminated employees

<table>
<thead>
<tr>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td>22%</td>
<td>31%</td>
<td>28%</td>
</tr>
</tbody>
</table>

As per Table 4.4 the terminated employees were not treated with care and respect, 28% responses strongly disagree, and 31% disagree, that the terminated employees
were treated with care and respect and only 19% agree that the redundant employees were treated with respect. One of the interviewed executives also noted this weakness of lack of respect for the retrenched staff, as they were relieved of their duties and access to the office as soon as they were notified of the retrenchment position. Cascio (2010) suggests the need to treat laid-off employees with respect and sensitivity and to make certain that factors considered in making decisions are not seen as biased and should be fair. In support of Cascio, Milojevic and Dodervic (2003) argue that fair treatment of the laid-off employees enhances the loyalty, productivity and commitment of the remaining employees.

**Fairness of severance package**

According to the Realistic Downsizing Preview model the remaining employees should be made aware of the assistance offered to the terminated employees, Appelbaum and Donia (2001). This section established that the survivors were not aware of the package offered and hence could not assess its fairness.

![Pie chart showing fairness of severance package](image)

**Figure 4.12 Fairness of severance package**

Fig 4.12 shows that the majority (65%) of the survivors are uncertain of the fairness of the severance package. This is a reflection of lack of communication regarding the
The bank did not take note of Mishra et al (1998)'s suggestion that when those remaining know that their former colleagues have been taken care of, their feelings of trust and commitment are enhanced.

**Support programmes**

The support programmes should be for both remaining and those leaving. It is a requirement that retrenched staff is provided with support and this has been put forward by Cameron (1994) as one of the elements of downsizing best practices. According to the best practices, organisations should provide safety nets such as financial benefits, training and counseling for those made redundant so as to smooth the transition to another position. This section seeks to establish whether the organisation offered support to the disengaged employees.

![Response on availability of support programmes for retrenched staff](image)

**Figure 4.13 Support programmes for retrenched staff**

The results show that support programmes were provided although as some respondents commented the support came too late, the retrenched staff were notified of the counselling facility on the day they were retrenched and one wonders if they ever utilised the facility. The overall response is as per above diagram. However, based on literature on support of the retrenched staff, the bank fell short of providing support. The did not provide outplacement programmes, which assist terminated employees seeking and finding employment in other organisations.
Naumann, Bennett, Bies and Martin (1999) accentuate three goals of outplacement, which are:

a. Reducing the morale problems of employees who are about to be laid-off so that they remain productive until they leave the company.

b. Minimizing the amount of litigation initiated by separated employees.

c. Assisting separated employees in finding comparable jobs as quickly as possible.

Support programmes for the remaining staff

This section assesses if there was adequate support programmes for survivors as suggested by Cameron (1994) that the organisation should train, cross-train in advance of downsizing so that individuals are able to adapt to the downsizing. Fig 4.14 below shows the results on the adequacy of the survivor support programmes.

![Bar graph showing availability of support programs for survivors](image)

**Figure 4.14 Availability of support for survivors**

Out of the 54 responses, 50% were in the agree category and 11% strongly agree, 19% respondents do not agree and 11% strongly disagree. However 9% of the respondents were uncertain. The support for survivor was also discussed with the EXCO members who further support that the programmes were put in place. The programmes included counselling through an external facilitator, team building workshop and emotional intelligent training.
Availability of Leadership after downsizing exercise

One of the must on the downsizing best practices prescriptions provided by Cameron (1994) is that leaders be visible, accessible and interact with those affected by the downsizing rather than avoid confrontation. Table 4.5 below shows the responses regarding the availability of leadership.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>5%</td>
<td>39%</td>
<td>17%</td>
<td>17%</td>
<td>22%</td>
</tr>
</tbody>
</table>

The results show that leadership was visible during and after downsizing, although 22% of the respondents strongly felt that management was not accessible and visible during and after the downsizing process, 17% disagreed and further 17% were uncertain. According to Sahdev and Vinnicombe (1998), positive and visible leadership help employees to manage transitions effectively. Leadership is there to provide direction and offer support to the employees.

4.2.3 Downsizing implementation challenges

The researcher sought to find out the challenges faced by the bank in the implementation of the downsizing exercise. Challenges identified include communication challenges, identification of the redundant employees and inadequate planning for both pre-downsizing and post-downsizing.

Fairness on Redundant staff identification

Greenberg (1990) claim that perceived equity of the procedure on how decisions are made has a significant effect on the workforce. The section sought to establish whether the process of identifying redundant staff and positions was fair and consistent across board.
Figure 4.15 Fairness on identification of redundant staff

Fig 4.15 shows that the process of identifying excess staff and positions was not fair and consistent across board. A total of 50% of the employees concurred that the process was not fair and consistent and this sentiment also was brought up in the interview with an EXCO member who said the organisation did not target senior management where significant savings could be made. These findings are in contradiction with Cameron’s (1994) advise which say, on implementing downsizing apply all the strategies and administer the downsizing equitably and fairly.

The research results show that the organisation did not take consideration of the aftermath of the downsizing on the employees’ wellbeing. This is reflected by the analysis of the variables, job redefinition and training in new roles.

Job Redefinition

This section, in line with the downsizing best practices presented by Cameron (1994), sought to find out the organisation implemented job redefinition to the remaining and new position. The results as per the responses are presented below in fig 4.16
The results reflect that the organisation did not address the issue of redefining the jobs after the downsizing process, this indirectly shows that the employees did not get their roles explained as well; role position goes hand in hand with scope of the job. Of the total responses of 54, 57% of the respondents disagree that the jobs were redefined and 17% strongly disagree. Shapler (2011) suggested that an organisation develop a vision of the future that draws people doing the right things and also stressed the importance of people having a clear and understandable picture of the goal in their minds.

Provision of training in the new role

An organisation is expected to conduct training and retraining after a downsizing process in order to realign processes to the new organisation. This requirement is according the downsizing best practices which state that the organisation should provide training, cross-training and retraining to help individuals know how to adapt to the new environment. On the other hand one of the consequences of downsizing is the creation of a new job demands that retained staff may not have experience to perform (http://www.idea.gov.uk/idk/core/page.do?pageId=16522257), hence training should be a priority after downsizing to avoid employee getting frustrated and stressed.
According to fig 4.17 more than 50% respondents are of the opinion that there was no training provided after downsizing- 23% disagree and 29% strongly disagree, 18% were uncertain about training, 20% agreed that there was provision for training and 10% strongly agreed.

### 4.2.4 The impact of downsizing on organisational performance

Dyer and Reeves (1995) proposed four types of organisational performance variables which are:

- Human resources outcomes, which concern staff turnover and job satisfaction
- Organisational outcomes concerning productivity and service quality.
- Financial accounting outcomes, that is Return on Assets (ROA), profitability and sales
- Capital market outcomes in form of share price, growth and returns

The researcher used three of the variables to analyse the impact of downsizing on MBCA bank performance as presented below:
Financial accounting outcomes

Efficiency and Profitability

The table below represents an analysis of the financial performance variable measurements in form of Cost/Income ratio, Profitability and Employee Productivity.

**Table 4.6 Efficiency and Profitability**

<table>
<thead>
<tr>
<th>Year Measurement</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost/Income ratio</td>
<td>105%</td>
<td>84%</td>
<td>69%</td>
</tr>
<tr>
<td>Profitability</td>
<td>$131 609</td>
<td>$1 605 710</td>
<td>$3 647 320</td>
</tr>
<tr>
<td>Revenue/ Employee</td>
<td>$35 948</td>
<td>$37 664</td>
<td>$72 892</td>
</tr>
</tbody>
</table>

Table 4.6 shows that the cost to income ratio moved from 105% in 2009 to 84% in 2010 when the bank experienced the first downsizing through organisational restructuring and voluntary retrenchment. In 2011 the ratio improved to 69% when the bank went through a second downsizing phase of involuntary retrenchment. The findings reflect a gradual improvement of efficiency from 2009 when the organisation experienced a 105% Cost/Income ratio.

The profitability improved from a mere $131 609 in 2009 to $1 605 710 in 2010, an increase of 1120% and in 2011 the bank achieved a profit of $3 648 320 and the increase is translated to 227%. The financial outcomes showed positive impact of downsizing, in agreement with Cameron (1994) and Cameron et al (1991) who claimed that downsizing allows organizations to reduce redundant parts of the firm, to improve productivity and profits by reducing labour costs and to improve efficiency through restructuring the organization and stimulus of employees.

Employee productivity measured through revenue/employees also improved over the period 2009 to 2011. The findings show that downsizing had a positive impact on productivity, in contradiction with Mabert and Schmenner (1997) who acknowledged drops in productivity in their survey and De Meuse, Vanderheiden, and Bergmann (1994) concluded that corporates that engaged in downsizing continued to fare badly in terms of financial performance. However, Kets de Vries and Balazs, (1997); Leung
and Chang, (2002) argue that, productivity increases because survivors compete among themselves to ensure that they can retain their employment.

**Human resources outcomes**

The bank measures the employee morale through the Barret survey. The table below shows the analysis of the staff morale within the bank during the three year period.

**Table 4.7 Analysis of the Barret Survey Entropy**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barret Survey Entropy</td>
<td>45</td>
<td>49</td>
<td>50</td>
</tr>
</tbody>
</table>

Table 4.7 reflects the Barret survey entropy deteriorating from 2009 to 2011. The Barret survey is a measure of relationship between the organisational values and the values of the individual employees, thus there is a drift in values as the organisation downsizes. The deterioration in the entropy score shows that the employees are not motivated. The Barret entropy is a measure of the conflict, friction and frustration that exists within an organisation. The Barret results are supported by the findings from the questionnaire survey illustrated below:

**Impact of downsizing on staff morale**

The respondents were asked whether the downsizing process affected their staff morale, mood and productivity.
The results show that the downsizing process had a huge impact on staff morale. The results are in support of Cascio (1993) who alluded that downsizing results in a decrease in staff morale and Brocker (1988) in support asserted that motivation and commitment are compromised during downsizing. Out of the 54 respondents, 39% strongly agree, 56% agree that downsizing had an impact on the morale of employees. However Sahdev and Vinnicombe (1998) in contrast to the findings in Fig 4.18, observed that performance levels of employees in general had gone up soon after downsizing. This implied that downsizing could be taken as a worthwhile process by employees.

Noronha and D’Cruz posit that downsizing unleashes numerous adverse outcomes that make the co-existence of downsizing and a motivated workforce a contradiction. According to Cascio (2010) various research findings highlighted decline in employee morale, loyalty and trust in management after a downsizing, as do organizational commitment, job satisfaction and job involvement. Thus this section seeks to evaluate the impact of downsizing on individuals. Analysed below are the variables considered relevant on analysing the impact of downsizing on individuals.
Job Security

The question of job security is one of the most discussed variables in downsizing research. Kurebwa (2011) posits that most survivors get worried about their future and how long they are going to keep their jobs within the reduced organisation. The researcher wanted also to ascertain how MBCA employees felt about their security on the job. Fig 4.19 relates to the responses given by the employees.

![Job Security Chart]

**Figure 4.19 Responses on Job Security**

The findings show that the 67% of the respondents felt insecure on their jobs, 9% were uncertain and 24% felt secure on their jobs. According to Kurebwa (2011) job insecurity relates to involuntary unpredictability about the future existence and nature of the present job. Employees may get worried of losing the job and be laid-off in the future or losing the part of important aspects of the job during the process of job redefinition (ibid).

**Employee trust after the downsizing exercise**

The respondents were asked whether they lost trust of the organisation after the downsizing and responses are shown below in fig 4.20
Findings from the results show that there is an element of loss of trust although not to detrimental level since 30% agree to loss of trust and 30% disagree. The 17% can fall either way as time moves. The results do not entirely reflect Leung and Chang’s (1999) assertion that when firms downsize, trust among employees may be damaged, because 30% of the sample agree to loss of trust and 30% disagree to loss of trust. Those employees who disagree to the loss of trust were in agreement with Sparrow and Cooper (2003) and Armstron-Stassen (2002) who believe that once survivors are certain they were out of risk of losing their jobs, they give their organisation their trust and commitment.

Response on increase on workload
After downsizing, it is notable that the workload increases and individuals are expected to achieve the same results if not better, thus it is with this in mind that the researcher wanted to assess the position within this bank.
Figure 4.21 Response on workload level

The analysis above shows that employees felt that workload increased after downsizing as reflected by the responses of 48% strongly agree, 28% agree; only 13% disagree and 11% uncertain. The results support Leung and Chang (1999) who observed that while some employees are terminated, the same amount of work remains, resulting in survivors experiencing role overload. The remaining workforce will have to work harder to meet the extra workload. The company should take heed of Appelbaum and Donia (2001) who suggested that the organisation reduce redundant processes from the survivor workload.

Performance expectations on after downsizing

The researcher felt the need to also assess the performance expectation given that workload was expected to increase after downsizing.
Figure 4.22 Individual performance expectations

The results show that the majority of the employees felt that they were to perform even better than before the downsizing. Only 9 of the respondents were uncertain. This reflects that there is need to redress the situation with urgency.

4.6 CHAPTER SUMMARY

The chapter analysed the results on the impact of downsizing on organisational performance at MBCA bank. Based on the analysis in this chapter, it can be concluded the downsizing has an impact on organisational performance. The employees’ trust levels are low, and the jobs were not redesigned to accommodate the changes inherent with the downsizing process. Results also reflect the absence of training for the new role, at the same time the workload is said to have increased after the downsizing. The impact is both on the financial performance and organisational performance as a whole. Employee wellbeing has been impacted heavily in areas such as staff morale, work processes and alignment of roles after downsizing. This, as a result requires more emphasis on planning the process before implementation. The highlighted issues are discussed in Chapter 5 together with recommendations.
CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION
This chapter was a consequence of all the areas that have been covered from Chapter One in which the background of study was discussed and the statement of the problem outlined to Chapter Two in which literature of the study was reviewed through to Chapter Three which stated the research methodology used and Chapter Four which outlined, analysed and discussed the findings of the research. The researcher put together her views on the overall findings of the study from which she drew conclusions. The researcher validated the research proposition to establish whether the outcomes have been confirmed or negated thereby proceeding to make recommendations on those areas of the research objectives which have not been adequately addressed by this research.

5.1 CONCLUSIONS
Conclusions were arrived at as per each specific objective as initially stated in chapter 1. The research established the following conclusions:

5.1.1 Rationale for downsizing
The research established that there was the need to downsize considering the bank was not running efficiently and its profitability compromised. Employee costs accounted for more than 50% of the whole cost structure. The need for the downsizing was supported by both the employees and management of the bank. The MBCA bank downsizing also included restructuring of department resulting in a lean structure. The financial results for the 2011 reflects the positive impact of downsizing, the bank managed to make a profit, and the cost/income ratio was achieved for the year. Although the Barret survey results were bad for the year, the staff satisfaction survey reflected improvement on motivation. However the downsizing process faced some challenges as discussed on 5.1.2 presented below.
5.1.2 Process leading to downsizing

It was concluded that, although planning was done if fell short of reach out to the employees. There was little employee consultation and communication on was more of informing than encouraging employees to participate in the downsizing exercise. It was concluded that there was no employee full participation on the initial planning of the process as shown by employee and management responses.

The bank put in place some control measures to manage emotions of the employees both survivors and those leaving, the availability of counselling services were to manage the emotion usually associated with such traumatic incidents. Support is essential during and after the downsizing process for both leavers and downsizing survivors. There is also need for constant updates and visibility of top management. MBCA bank fell short in the provision of support in that a process such as downsizing need pre-counselling before engaging the process and post process counselling.

5.1.3 Downsizing implementation challenges

Resources allocated were not sufficient to properly execute the project. According to the employees, the process of identifying redundant staff was not fair and consistent across- board; the process focused mainly on non-managerial employees. There was inadequate planning for both pre-downsizing and post-downsizing. Employees were not prepared for the new roles, in form of job redefinition and training for the new positions emanating from the new organisational structure.

5.1.4 Impact of downsizing on organisational performance

It was concluded that downsizing has a positive impact on the financial aspects of organisational performance, however, the research established that downsizing had negative impact on individuals both the survivors and those who left. The bank’s performance is affected by the response of the survivors hence the focus on the remaining employees. Staff morale was affected by downsizing and if not treated properly may affect the financial performance of the organisation in the long run. The employees need to be assured of their position in the organisation; hence new direction has to be mapped through new goals and objectives. The research also revealed the need for constant communication and management should be available
for any clarification that may be needed. It is also concluded that after downsizing organisation should redefine jobs and the work processes in order to streamline the workload. The employees should be trained on their new roles so that they achieve the same results or even exceed.

### 5.1.4 Test of the research Proposition

The study proposition was: Downsizing had a negative impact on organisational performance at MBCA bank over the period July 2009 and December 2011. Downsizing had a positive impact on the bank’s financial performance and a negative impact on employee wellbeing such as staff morale, employee trust and job security.

### 5.2 RECOMMENDATIONS

Based on the findings presented above the following recommendations were made for MBCA bank Limited:

#### 5.2.1 Conclude the downsizing exercise

Downsizing is a Change Management process that needs to come to completion. The bank was recommended to conclude the process. That is there is need to refreeze the organisational state so that employees get confidence to do more. In Change Management, communication is stressed as a prerogative hence MBCA bank was encouraged to over-communicate on changes required the organisation so that everyone is kept appraised on organisational activities. Although communication was done, the effectiveness of the communication is questionable since staff felt they were not confident to air their views and contribute. Where there is change affecting all stakeholders there is need for all stakeholders buy-in.

#### 5.2.2 Implement employee motivation programmes

MBCA Bank was recommended to put employee motivation programmes in place in order to improve the Barret Survey rating since the Barret survey results are of major reflection of staff wellbeing conditions. After downsizing employees may suffer from survivor syndrome and this has an impact on organisational performance. The Bank was advised to promote staff development programs, engage in more dialogue with employees so that employees feel that they part of downsizing process. Though the
financial performance showed improvement, the bank has a challenge to improve employees’ perception of the organisation and encourage alignment of individual employee’s values to those of the organisation. Top management should over communicate to the staff so that staff members feel they are in it together, not them and management. Job security also contributes to staff motivation, MBCA bank was recommended to provide staff with multi-skilling skills to promote transferability within the organisation and better chances for promotion when chances arise.

5.2.3 Clarifying Future Direction
Lack of clarity on the future of the organisation was evidenced during the research. The employees need to be convinced that the changes experienced are for the future benefits for the organisation. EXCO, Human Resources and the Managing Director were recommended to provide ongoing support and encouragement to employees and also to be available to answer any queries from staff.

After the downsizing, there is need for role and job expectation clarification. Thus downsizing should be carried out in conjunction with work process re-engineering to eliminate aspects of work overload as which was highlighted by the bank’s employees. The bank should provide staff with redefined jobs for the new positions and the new role expectations fully explained.

5.2.4 Areas of Further Research
This study focused on the impact of downsizing on the organisational performance. However, areas concerning impact on implementers of downsizing programmes have been neglected in this study. Therefore the researcher recommends that further studies be carried out on how downsizing impacts on those who implement the downsizing process.
REFERENCES


30. Cascio, W. F. (2010). If you Must Downsize, Do It Right/ EPRN


103. (www.investorwords.com/definition/business_model.html) 21 March 2011

104. (www.businessdictionary.com/definition/business-model.html) 21 March 2011


108. (http://www.employmentpolicy.org/topic/21/research/if-you-must-downsize-do-it-right) 21 March 2011
APPENDICES

APPENDIX A: THE COVER LETTER

9373 53rd Crescent

Glen View 3

Harare

Zimbabwe

Dear Respondent

I am a Masters in Business Administration (MBA) student with the Graduate School of Management (GSM), of the University of Zimbabwe. In order to complete my MBA programme, I am required to carry out a research study and my chosen topic is “An evaluation of the impact of downsizing on organisational performance in the Banking Sector (A case of MBCA Bank Limited from July 2009 to December 2011)”. The objectives of the study are to evaluate the impact of the downsizing strategy on organisational performance in the banking industry. The study is also going to look at the challenges that may be faced in the implantation process of downsizing.

I would be most grateful if could spare some time to attend to this questionnaire. This questionnaire forms the foundation of the study and the researcher hopes to come up with discussion points and recommendations for the banking sector in adopting CSR for sustainable business performance.

Please forward your responses to the undersigned on the following address:

14th Floor Old Mutual Centre, 3rd Street/ J Moyo Avenue, Harare.

e- Mail address HesterMa@mbca.co.zw.

I would like to thank you in advance for participating or responding to the questions and for your most valuable information and time. Your responses will be treated in confidentiality

Yours faithfully

Hester Mapfinya.
APPENDIX B: Structured Interview Sheet- MBCA bank Downsizing

Date of Interview---------------------------------------------------------------

Name of the interviewee ------------------------------------------------------

Position/ Level in the Organisation--------------------------------------------

Background

1. What was the rationale for the downsizing exercise--------------------------
2. What were the objectives of the downsizing process------------------------
3. What were the problems leading to the downsizing process?-----------------
4. Prior downsizing what measures did the bank take to avoid downsizing------
5. Why was downsizing identified as the best alternative?----------------------

Planning

1. What type of planning went into the downsizing process (Timing, resources
allocated and research)?------------------------------------------------------
2. What were the key components of the restructuring plan?

3. How were the new structures determined?

Communication

1. Do you believe enough consultation was done with the employees?

2. What means of communication were used?

3. In your own opinion was the communication open, clear and honest?

4. Do you believe the majority of the employees understood the communication?

Process
1. Do you believe the process used to identify redundant employees was fair?

2. Do you think the employees, both redundant and survivors perceived the process as fair?

---

Impact on individuals

1. How did the downsizing impact the morale of the organisation?

2. What support was provided for the redundant staff?

3. How did the downsizing impact the survivors’ trust and commitment to the organisation?

4. What support was provided to survivor staff?
Outcomes and Learning

1. Were the set objectives of downsizing achieved?

2. What would you say the company did well in the implementation of downsizing?

3. What would you say the company did not do well in the implementation of downsizing?

4. What would you recommend the company does better, in the event it goes through another restructuring in the future?

5. In your own opinion, was downsizing the best alternative the company could have chosen to achieve its objectives?

Thank you for participating in this project. Your valuable time and input are greatly appreciated.
APPENDIX C: Questionnaire for non EXCO members

Section A

Biographical Data

Please supply the following information by indicating with an ‘X’ in the appropriate box or fill in the box where applicable.

A.1. Indicate the branch/ division you work for?


A.2. Please indicate your position/level in the organisation

<table>
<thead>
<tr>
<th>Position/Level</th>
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<tbody>
<tr>
<td>Top Management</td>
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<tr>
<td>Middle Management</td>
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<tr>
<td>Junior Management</td>
<td></td>
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<tr>
<td>General Staff</td>
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</table>

A.3. Please indicate your gender

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<thead>
<tr>
<th>Gender</th>
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<tr>
<td>Female</td>
<td></td>
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<tr>
<td>Male</td>
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A.4. Please indicate your age

<table>
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<tr>
<th>Age Range</th>
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<tbody>
<tr>
<td>Below 21 years</td>
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<tr>
<td>21-30 years</td>
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<td>31-40 years</td>
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<td>41-50 years</td>
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<tr>
<td>51-60 years</td>
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<tr>
<td>Above 60 years</td>
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</table>
A.5. Are you aware of any restructuring exercise undertaken by the bank

| Yes | No |

If yes, please answer question A.6. If no, proceed to question A.7.

A.6. How long had you been working at MBCA Bank when restructuring was implemented?

| Less than 5 years |  |
| 5-10 years |  |
| 11-15 years |  |
| 16-20 years |  |
| 21-25 years |  |
| 26-30 years |  |
| More than 31 years |  |

A.7. Please indicate your highest level of qualifications (both formal & informal)

| Ordinary Level |  |
| Advanced Level |  |
| Diploma |  |
| Degree |  |
| Post Graduate |  |
| Other(s) - specify |  |

Section B

Organisational Downsizing at MBCA bank

<table>
<thead>
<tr>
<th>1</th>
<th>Restructuring Process</th>
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<tbody>
<tr>
<td>Please respond to the following statements on the downsizing process by indicating with an ‘X’ in</td>
<td>1 Strongly Agree</td>
</tr>
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117
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<thead>
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<th></th>
<th>the appropriate box</th>
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</thead>
<tbody>
<tr>
<td>1.1</td>
<td>The need to downsize was clearly explained to all employees</td>
</tr>
<tr>
<td>1.2</td>
<td>In my view there was real need for the organisation to restructure/ downsize</td>
</tr>
<tr>
<td>1.3</td>
<td>Downsizing was the best option available for the organisation to be sustainable</td>
</tr>
<tr>
<td>1.4</td>
<td>Employees were sufficiently consulted and given an opportunity contribute to the downsizing process</td>
</tr>
<tr>
<td>1.5</td>
<td>I was made comfortable and confident that my opinion would not be taken against me during this process</td>
</tr>
<tr>
<td>1.6</td>
<td>Communication mechanisms such as suggestion boxes were put in place for employees’ input</td>
</tr>
<tr>
<td>1.7</td>
<td>The process of identifying excess staff and positions was fair and consistent across board</td>
</tr>
<tr>
<td>1.8</td>
<td>The implementation of downsizing process was done as fast as possible</td>
</tr>
<tr>
<td>1.9</td>
<td>The organisation treated the terminated employees</td>
</tr>
</tbody>
</table>
with care and respect

1.1 The severance package for the terminated staff was fair and reasonable

1.1 Terminated staff were sufficiently provided with the support programmes such as counselling and training

1.1 Management was honest, sincere and empathetic towards the terminated staff

1.1 There was adequate survivor support programs such as counseling offered to the retained staff

1.1 The goals, objectives and direction of the new organisation were clearly defined and communicated

1.1 The work environment was promptly normalised

1.1 The management was accessible and visible during and after the downsizing exercise

2 Communication

Please respond to the following statements on the communication on the downsizing process by

<table>
<thead>
<tr>
<th>1 Strongly Agree</th>
<th>2 Agree</th>
<th>3 Uncertain</th>
<th>4 Disagree</th>
<th>5 Strongly Disagree</th>
<th>Comments</th>
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indicating with an ‘X’ in the appropriate box

<table>
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<tr>
<th>2.1 Communication on the downsizing process was clear, open and honest from management all the times</th>
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<table>
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<tr>
<th>2.2 I was provided with sufficient information before, during and after the downsizing process</th>
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### 3 Impact of Downsizing on Individuals

<table>
<thead>
<tr>
<th>Please respond to the following statements on how the downsizing process impacted on individuals by indicating with an ‘X’ in the appropriate box</th>
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<table>
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<tr>
<th>3.1 The process made me feel insecure about my job</th>
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<table>
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<tr>
<th>3.2 The downsizing process affected staff morale, mood and productivity</th>
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<tr>
<th>3.3 I lost trust in the company albeit I was one of the survivors</th>
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<th>3.4 My role and where I fit after the downsizing process was clearly explained to me</th>
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<th>3.5 My job was redefined and processes put in place to</th>
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<td>3.6</td>
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<td>3.8</td>
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<tr>
<td>3.9</td>
</tr>
<tr>
<td>3.10</td>
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</tbody>
</table>

Thank you for participating in this project. Your valuable time and input are greatly appreciated.