AN EXAMINATION OF STAFF LAYOFFS IN KENYA:

Evidence from companies quoted in the Main Investment Market Segment of the Nairobi Stock Exchange

Presented by

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ABSTRACT

Staff layoffs in Kenya seem like the most prevalent solutions available to management teams of companies faced with economic difficulty. This study targeted companies quoted in the Main Investment Market Segment of the Nairobi Stock Exchange with a view of finding out the drivers to downsizing; its outcomes (costs and benefits); other factors impacting these outcomes; and ways of enhancing the success of the strategy.

Consistent with the review of literature, the study found that downsizing is motivated by economic, strategic and technological reasons. The positive outcomes are increased profitability, improved productivity, better strategic networks and leaner structures. On the flip side, the adverse effects include reduced staff morale, hampered innovative capacity, injured corporate reputation and loss of stock of knowledge. In order to enhance the success of downsizing, business leaders may use financial incentives; pre and post retrenchment counselling to the exits and survivors respectively; and offering alternative training or sources of income.

However, the study also found that the positive outcomes of downsizing may also be achieved using other ways. For example, increased profitability may be attained by boosting the number of units sold, enhancing market penetration or improving production efficiency.

A review of the outcomes of downsizing vis-à-vis their underlying drivers therefore suggests that staff layoffs in themselves may be more injurious to the firm than beneficial. Positive outcomes can be achieved by other means. Downsizing should therefore only be used as a strategic initiative aimed at increasing productivity and/or efficiency while retaining the most valuable resource in production – the human capital.

DECLARATION

I declare that this is my original research work and has not been submitted for a degree or diploma in any university. To the best of my knowledge and belief, this thesis contains no material previously published or written by another person, except where due citation has been done in the thesis itself.

Signed: ………………………………….……. Date: ……………………………….

Christopher Mwandembo

This thesis has been submitted for examination with my approval as a university supervisor.

Signed: ………………………….……………….. Date: ……………………………….

Dr. Ruth Kiraka

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DEDICATION

To my parents, Bigvai and Annah Mwandembo.

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 BACKGROUND

In the period between 2002 and 2007 the Kenyan economy grew from negative 2% positive 7% 2007 (The World Bank Institute, 2008). Accompanying this favourable indicator were interest and inflation rates kept within single digits, unemployment rates consistently reducing and counters in the stock market remaining bullish (Central Bureau of Statistics, 2006). However, a number of Kenyan firms, such as East African Breweries Limited, Kenya Airways, Kenya Commercial Bank and Barclays Bank of Kenya still reduced their staff headcount during this time (IFC, 2005). Internationally, the decision to downsize has been attributed to many factors, most of which surround budgetary constraints or short-term market fluctuations. Downsizing may loosely be interpreted as the deliberate reduction in a firm's inputs (raw materials, machinery or man hours) with the intention of increasing its returns (Lurie, 1998).

Downsizing commenced as an avenue for sickly corporations to shed off some employees in the face of weak demand, but soon, firms which intended to increase shareholder value even further adopted the strategy (Lurie, 1998). Budros (1999) defined the concept of downsizing as an organization's conscious use of permanent personnel reduction of staff numbers in an attempt to improve its efficiency and/or effectiveness. Cascio (1993) described downsizing as the planned elimination of positions or jobs. Downsizing may also be perceived as the process that involves the reduction of an organization's staff complement through restructuring, retrenchment, re-engineering or any other similar activities (Lurie, 1998).

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

The contextual factors that influence downsizing are largely driven by the dynamic environment that businesses operate within. As documented by Sundaram & Inkpen (2004) the business environment into two main segments – the macro environment which is influenced by economic, technological, political and socio-cultural dynamics; and the task environment which is dependent on the actions and reactions of the competitors, suppliers, partners and customers.

The economic justifications for downsizing are either aimed at reducing the cost based or increasing the revenue based (Lurie, 1998). Budros (1999) demonstrated how improvements in technology result in staff layoffs when redundancies are aimed at increasing output per unit of input or lowering the production costs. Shifts in consumers' tastes and preferences also result in downsizing when product lines can not be sustained.

The entry of new competitors reduces market share held by the firm hence the revenue base (Cummings and Worley, 2001). This may ultimately result in the need to reduce costs by cutting down on the personnel numbers. Business partners and suppliers may also influence the decision to downsize by changing their operational platforms – say migrate into computerized systems, which locks out those who are not compliant.

The proponents of downsizing state that in order to stay competitive in today's global marketplace, there remains an increasing 'need' for implementation of 'flexible' workplace practices and flexible cost structures (Gibson, Hurd and Wagar, 2004). It is believed that the traditional employment relationship based around a permanent workforce and high labour cost has led to inflexibility when dealing with maximizing the firm's competitiveness (Cameron, Freeman and Mishra, 1991).

Many firms have downsized and restructured successfully to improve their productivity and profitability. As a result, the reduction of staff numbers within an organization's workforce has not only gained strategic legitimacy, but has also become a widely practiced cost cutting strategy. The key to successful downsizing is however hinged on the use of layoffs as part of a broader business plan in penetrating new markets, attracting new customers and generating new revenue streams through selling higher volumes (Cascio, 2005). Markides (1992) found out that firms that undergo downsizing tended to re-focus on their businesses because of over-diversification, which initially led them to poor performance, and that the stock markets seemed to perceive re-focusing announcements positively.

Innovation has long been considered as a critical factor to a firm's competitive advantage and survival (Cefis, & Marsili, 2005; Higgins, 1995). Given the pivotal importance of innovation, the widespread practice of downsizing potentially has a negative impact on the latter (Mellahi and Wilkinson, 2004). The foundation for superior innovation output is based on a high performance work environment which must be augmented by significant research & development and training expenditures. Richtnėr (2006) notes that downsizing tends to discourage creativity, problem solving and lengthens the problem-solving process. He continues to point out that downsizing leads to the deterioration of communication networks – both internal and external.

Downsizing negatively impacts on an organization's reputation. Fombrun (1996) argues that a solid reputation not only acts as warranty in case of ambiguous situations, but also allows managers to charge higher prices for products and services. Since investors perceive downsizing as a negative aspect, they probably downgrade their perception of a firm after a downsizing announcement, thus reducing an organization's share price in the stock market. Further, downsizing announcements result in amplification of problems since, the other constituents of a firm – the suppliers, customers and employees, tend to view the organization cautiously once intentions to downsize are made public.

A firm engaged in downsizing violates a number of implicit psychological and social contracts existing between employees and management. The result of such an eventuality is reduced staff motivation, increased sicknesses and its inherent absenteeism levels, all which lead to low output levels (Richtnėr, 2006). Worrall, Campbell and Cooper (2000) note that downsizing has been found to impact on employees in terms of loss of morale, lowered organizational commitment, withdrawal behaviour such as absenteeism and increased staff turnover, loss of motivation, mistrust, uncertainty and insecurity.

1.2 PROBLEM DEFINITION

The outcomes of downsizing in organizations are as varied as the number of firms that pursue this strategy (Cascio, 2005). Whilst there have been some gains accruing to firms that opt for downsizing activities, there also arise instances where others have faltered. The *Kenya Economic Reforms Policy Framework* paper (2006) by KIPPRA shows that a number of organizations, both public (quoted as well as government owned) and private entities have from time to time engaged in staff layoffs despite the relatively high levels of unemployment and/or underemployment in Kenya.

Cascio (2003) based on a research carried out in Denver argued that employees should be viewed as assets rather than costs. Appelbaum et al (2001) were able to show the strategic benefit of downsizing by conducting a research in Australia. Zyglidopoulos (2004) showed that downsizing has a negative impact on reputation based on companies quoted in the New York Stock Exchange. Mellahi & Wilkinson (2004) who demonstrated the impact of downsizing on innovation did their study from UK firms. Much of this literature review does not indicate how entities in a developing country like Kenya decide on whether to downsize or not; the outcomes (positive/negative) associated with this practice or alternatives that can be pursued rather than downsizing.

The purpose of this research was therefore to examine the causes and outcomes of downsizing and suggest conditions under which downsizing ought to be conducted. The study also sought to propose measures that may enhance the success of downsizing in a Kenyan context. Consistent with the argument that downsizing is not always appropriate (Fombrun 1996; Campbell & Cooper 2000; Richtnėr 2006), the study also sought to determine other options to downsizing that corporate entities may pursue.

1.3 RESEARCH OBJECTIVES

The objective of this study was to provide an understanding of the varied implications of staff layoffs for companies operating in Kenya. To this end, the following specific research objectives were addressed:-

a) To identify the drivers of downsizing among companies operating in the Main Investment Market Segment (MIMS) of the Nairobi Stock Exchange (NSE).
b) To examine the outcomes of laying off staff for companies in the MIMS of the NSE.
c) To explore options to downsizing for firms operating in the MIMS of the NSE.
d) To ascertain measures that enhance the success of downsizing for firms operating in the MIMS of the NSE.

1.4 RESEARCH QUESTIONS

Based on the research objectives stipulated above, the study is aimed at answering the following research questions:-

a) What are the drivers of downsizing for companies operating in the MIMS of the NSE?
b) What are the outcomes that accrue to firms that lay staff off?
c) What options are there to downsizing, given the varied effects of staff layoffs?
d) How can businesses leaders in the MIMS of the NSE enhance success of downsizing?

1.5 SCOPE OF THE STUDY

Although downsizing may involve the reduction of a firm's inputs such as the level of capital employed or divestiture, this study was limited to staff headcount reductions. This decision was driven by the need to capture a more measurable statistics such as manpower numbers rather than some other abstract measure, say the value of machinery in an organization.

The study focused on organizations registered in Kenya and quoted in the Main Investment Market Segment of the Nairobi Stock Exchange. This was motivated by the fact that these have adequate information available, not only arising from the legal requirement for them to publish yearly results, but also the increased authenticity of their figures given that independent auditors are required to certify their annual accounts which can be used to validate the responses received.

The study focused on the five-year period between 2003 and 2007 when the Kenyan economy saw the reversal of economic decline to an anticipated growth rate of seven percent by the end of 2007 (The World Bank Institute, 2008). The target respondents were senior management of organizations who make decisions on staff layoffs and also guide the process of downsizing. As alluded to by Leung (2004), the average period that most senior executives retain their positions in the same company is between four and five years.

Further, there were three respondents from each company in the population, once each from the Human Resources, Operations and Finance departments. This was motivated by the fact that downsizing is perceived differently by different professionals (Sundaram and Inkpen, 2004). While the Human Resources team is charged with the responsibility of ensuring that the firm is staffed with the right manpower, the finance department ensures that the company monies are received and responsibly spent (Minow, 1991). The other teams are largely involved with running the operations of the business.

1.6 JUSTIFICATION OF THE STUDY

This research was motivated by the researcher's conviction that the employment contract should be based on a lifelong relationship between the employer and employee. It therefore follows that when faced with economic difficulties, management should view employees as idle resources that can be redeployed elsewhere as their full potential is yet to be realized. By keeping staff within the payroll of the organization even in difficult times, the entity is bound to wither the economic complexity faster than if it were to release some people into the job market. This contention is not only driven by the fact that those who are separated from the organization are more likely to move to the competitors, but also because synergies that existed before the downsizing are in most instances broken during retrenchment.

Besides satisfying the researcher's curiosity, other potential beneficiaries from this study are leaders in various entities in Kenya who may consider downsizing as an option of salvaging organizations in distress. The study aimed at examining the implications of downsizing which business managers can consider when evaluating their own decisions on whether to downsize or not.

Human resource practitioners may also draw from this research in the same way that business leaders will. Given that there are a number of studies conducted in the Western world regarding the impacts of downsizing on employees, this study evaluated whether these effects had been replicated in Kenya.

This study is also beneficial to researchers and academics in human resource management and business leadership who may want to understand the effects of downsizing to the organization. Further, the research forms a platform for scholars who may wish to evaluate the impact of downsizing under various circumstances, say retrenching staff through voluntary layoffs as opposed to forced retrenchment.

CHAPTER 2: LITERATURE REVIEW

The review of literature commences with a short analysis of the Kenyan context by showing the various entities that have downsized in Kenya. Specifically the cases highlighted are the Government of Kenya, Kenya Railways and Kenya Airways. The second part addresses the drivers of layoffs in organizations which are largely hinged on strategic reasons and the benefits of downsizing such as increased profitability, higher productivity, better strategic positioning and flatter structures which in turn improve communication. The next part indicates the negative consequences of retrenchment namely reduced motivation; impeded innovation; weak reputation; and knowledge transfer to other employers – including competitors. The fifth portion highlights the research gap that arises from the review of literature. Lastly, a conceptual framework has been developed from the literature review.

2.1 INTRODUCTION

Literature on downsizing suggests varied opinions regarding the reasons, the likely benefits as well as the potential consequences that arise from this practice. A number of studies tend to illuminate the positive aspects that are associated with retrenchment as promulgated by Vahtera et al, (1997); Cascio (2005); Muirhead (2004); Littler and Inns (2003); and Applebaum et al (2001). However, countering these points are the negative facets propagated by Zyglidopoulos (2004); Cameron et al (1991), Mellahi (2004), Bommer and Jalajas (1999); and Richtnėr (2006). However, most if not all, of these studies have been conducted in the Western economies which differ from the Kenyan context.

The main objectives of an organization are to remain competitive, survive turbulent times and reinvent themselves from time to time (Einsenberg, 1983). Management teams are therefore forced by the prevailing conditions, to release a number of employees in order to achieve these objectives. Sundaram and Inkpen (2004), further demonstrate that firms that retain the same employees over long periods of time have lower inventive capacity compared to those that have a managed staff turnover.

2.2 THE KENYAN CONTEXT

The Government of Kenya (GoK)

Faced with a crippling economy and an ever increasing foreign debt level, the Kenyan government was prescribed for conditions by the Brettonwoods Institutions (The World Bank Institute and International Monetary Fund) to help it in turning around the prospects of the economy. The package included a number of measures that revolved around improving efficiency in public service using such measures as commercialization of public institutions such as Kenya Railways, Kenya Airways and Kenya Posts & Telecommunication Company as well as reducing the staff levels at the civil service. There has been some marked improvement in delivery of service at government bodies resulting from a revamped workforce and performance monitoring. By reducing the number of staff, the government was not only able to reduce its total wage bill but also to attract new talent from the private sector because of the generous pay package was able to offer. This has been credited as the other reason which has enhanced the overall performance of the civil service (Mars Group 2004).

Kenya Railways Corporation (KR)

Following the recommendations by the Brettonwoods Institutions already highlighted above, Kenya Railways embarked on the process of laying off staff half of its work force most of whom were temporary employees. As reported by the IFC (2005), most of the retrenchees were women, many of whom were single heads of households raising several children. Further, many had outstanding loans of amounts higher than the severance pay. After a closer analysis, some were re-employed on social grounds but a number could not find other jobs elsewhere especially the older ones. Although the company was finally acquired by a private consortium it is yet to return to profitability despite being a monopoly in Kenya.

Kenya Airways (KQ)

The September 2001 attacks in the United States cost the aviation industry lost approximately 12 billion US dollars (IATA, 2002). Kenya Airways faced similar circumstances and went through a staff reduction process which started in 2003 and was concluded in 2004. Although profits soared from a low of KShs 400m in 2003 to a high of KShs 4,829m in 2006, there have been clear indications in the market that the company is struggling. Besides the reduction of profits in 2007, 2008 as well as the first half of 2009, there has been a reduction in service delivery as indicated in the investor section of the website (Kenya Airways 2008).

Summary

While downsizing was aimed at alleviating the economic challenges that the organizations above were facing, these institutions still continue to struggle. As already stated above, the competitiveness of Kenya Railways and Kenya Airways was not strengthened by downsizing. Instead, these organizations are still faced with the multiple challenges and have continued to reduce staff numbers from time to time since after downsizing, staff turnover necessitates the companies to hire more staff resulting in a 'vicious cycle of retrenchment'. On the other hand, government deficits still persists; a good number of those retrenched still find their way back into public service through subtle ways due to poor monitoring; loss of income to the displaced workers further increased unemployment hence poverty; and job insecurity trauma amongst the remaining workers (World Bank 2002).

2.3 CONTEXTUAL FACTORS AFFECTING DOWNSIZING

The dynamism in the business environment dictates that executives continually change their strategies in order to remain relevant in the market place. Sundaram & Inkpen (2004) largely classify the business environment into two parts – macro environment which includes economic, technological, political and socio-cultural dynamics; and the task environment characterised by the actions and reactions of the competitors, suppliers, partners and customers.

Downsizing has from time to time been blamed on tough economic conditions. Periods of economic slowdown are characterised by reduction of the purchasing power of the customers which ultimately depress the revenues of the firm (Lurie, 1998). Management teams are therefore forced to engage in cash saving initiatives which may call for cost savings. Given that employee costs are the biggest controllable cost components of most organisations, staff headcount reductions become imminent (Vehtera et al, 1997).

Research and development in various fields brings forth new technologies that are cheaper or more productive. Love and Nohria (2005) further identified that new production lines may result in more preferable products that customers appreciate and wish to be recognised with. These shifts in tastes and preferences will be seen in the dwindling sales volumes by the firm that does not change its production lines. In a bid to remain competitive business leaders must evaluate the possibility of replacing the ancient machinery (Amabile and Conti, 1999). Such a move may result to staff layoffs if the new machines require less heads to run it.

The entry of new players into the market place may result in reduced sales revenues of the incumbents. Higgins (1995) concludes that firms must therefore re-evaluate their operations in order to remain relevant in the market. The process of re-evaluation may include the implementation of cheaper technologies or reduction in unnecessary costs. Both these initiatives may have staff headcount implications because cheaper technologies may require fewer personnel numbers while unnecessary costs may include idle staff whose jobs are no longer relevant for the business.

Changes in the regulatory framework may necessitate businesses to radically re-evaluate their operations (Richtnėr, 2006). For example an increase in the capital reserve requirement by the Central Bank may necessitate smaller banks to merge because of their inability to individually raise such large amounts of capital. These mergers between small operators in order to form a bigger bloc may result in staff layoffs since all employees may not find suitable opportunities in the combined whole without creating duplications and conflicts – for example there would not be two chief executives in one company.

2.4 WHY DOWNSIZE – Causes and Benefits

Although downsizing is largely motivated by budgetary constraints (Lurie 1998) there exist other reasons such as strategic motives and technological advancements. The benefits that accrue as a result of downsizing include increased profitability driven by reduced cost base while holding revenues constant; improved productivity associated with better production methods; better strategic positioning caused by the symbiotic relationship that is made possible by the companies coming together to form bigger blocs; and flatter structures resulting from reduced manpower. A detailed analysis for each of the benefits follows below.

2.4.1 Increased profitability

In a study conducted by Cascio (2005), most managers believe that employees, just like any other resource in the organization, could easily be substituted. Like paper clips or light bulbs, people are easily interchangeable or replaceable, one with another. In most corporations – particularly those in the service industry, staff cost is potentially the single largest cost component. Thus during times of an economic slow down, business leaders trim payroll costs as this seems an easier way to increase profitability in the short run. Vahtera et al (1997) concur that when implementing a strategy to minimize costs, it would seem logical that reducing labour would result in higher levels of financial performance and efficiency. Lurie (1998) notes that a move to reduce the employment levels and thus staff costs is viewed as a less painless way to boost cash flows, when compared to more drastic options as selling plant and machinery to obtain cash, especially bearing in mind that a prospective buyer may not be readily available.

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

2.4.2 Strategic positioning

In a bid to reduce overall costs, firms may join alliances that result in combining the synergies of two companies that may either be in the same industry or different sectors (Mirabal & Young, 2005). During periods of economic slow down CEOs look for quick fixes that boost current periods' accounting profitability with little regard for the long-term effectiveness of the strategy (Lurie, 1998). By so doing, the executives will be maintained in the employment of the corporation, at least in the short term, as they seek other prospective opportunities elsewhere.

Stock markets worldwide react more quickly to the current earnings than future profitability. Therefore, the managers' actions to retain certain profitability levels are resonated into sustenance of current prices. Many shareholders believe that downsizing will reduce costs and therefore increase returns (Mirabal & Young, 2005).

This is backed by an increase in the stock price immediately following a downsizing announcement (Appelbaum, Everard & Hung, 1999).

The firm hires as many or as few workers as it wants at a market wage required by the labour force. Lurie (1998) indicates that from the strategic positions of unions and workers, the downsizing games between the management and the owners determine firm's value, in which one of the strategies of the management is to manipulate the level of employment. In this case, the level of employment is sort of a by-product, externality, or outcome to the result of the game, in which workers are rather powerless to determine their future employment status.

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

2.4.3 Flatter structures

The premise that implementation of 'flat' structures and 'flexible' working practices improves performance is often quoted as the key motivation behind downsizing (Muirhead, 2004). Elimination of positions and management layers through retrenchment may result in better communication channels which create an internal environment suitable for generation and survival of new innovative ideas (Dougherty and Bowman, 1995 and Ross, 1974).

As firms struggle to remain relevant in their various industries, there has been an increase in corporations' mergers and acquisitions. In order to achieve the synergistic benefits of a joint company, individual firms find themselves in situations that require them to reduce their headcount numbers – for example it would not be possible to hold two positions of the managing director.

2.4.4 Increased productivity

Love and Nohria (2005) indicate that workers will choose to maximize their individual effort only if they believe that their interests are aligned with those of the organization. Appelbaum et al (2001) found out that survivors who believe that senior management provided good, reasoned justification for the staff layoffs will perceive this change as fair. As documented by Wagar (2001) the negative aspects that are normally associated with retrenchment such as lower motivation, if managed properly may result in higher productivity within the organization.

Love and Nohria (2005) noted that downsizing may produce a financial slack that may be channelled into research and development, and lead to the improvement of multi-skilled teams and flatter organization structures that can potentially drive higher productivity. Amabile and Conti (1999) point out that open communication between decision-makers and staff during downsizing may facilitate higher yields per unit of input after downsizing. Muirhead (2004) also agreed pointing out that downsizing often resulted in more teamwork and an empowered multi-skilled workforce, which encouraged new ideas' generation, a key ingredient necessary for increased production. Sundaram and Inkpen (2004) agree with Katz (1982) agree that new members in projects can contribute fresh ideas and approaches, which are positive for new project.

2.5 THE CONSEQUENCES – Negative effects

The positive aspects that have been highlighted above are often countered by the adverse consequences of downsizing. Specifically downsizing results in increased staff turnover, reduced morale, lower innovative capacity and knowledge transfer to other companies especially competitors. These costs have been discussed in the sections following below.

2.5.1 Decreased reputation

While examining the impact of downsizing on reputation, Zyglidopoulos (2004) established that layoffs have adverse effects on the firm's reputation for social performance. Firms are combinations of inimitable and distinctive resources and capabilities; hence by destabilizing these unique attributes through downsizing, the reputation is negatively impacted. The perceived diminishing of future prospects of the firm is injurious to its reputation, given the proven link between financial performance and corporate reputation (Deephouse and Carter, 2005).

Arising from the violation of the psychological contracts – the normative ground rules through which society tries to regulate the fairness of implicit contractual agreements (Donaldson and Dunfee, 1994), the general society tends to view the organization negatively once it makes known its intentions to downsize. It is more likely that the society, in general, changes the perception of an organization that is undergoing a restructuring programme. For example, potential employees are unlikely to embrace opportunities that arise in such a company due to uncertainty.

2.5.2 Reduced motivation

The employees who separate with the company may perceive management as having behaved unjustly or unfairly thus contributing to a feeling of job insecurity (Sahdev, 2004). Sahdev further points out that those who remain in employment tend to lose the belief that their contribution to the business will always be rewarded in future. As a result, survivors of downsizing may become unduly risk averse and very narrowly focused, and therefore less creative or overly resistant to change. Clarke (2004) suggests that during the transitional period, managers must anticipate that those who are likely to leave the organization will spend most of their time looking for jobs, and not attending to their normal work.

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

2.5.3 Hampered innovative capacity

Research on psychological work environment for innovation, not only reports a negative impact of downsizing on the commitment and motivation of the survivors, but also a reduction in risk taking and generally contends that retrenchment is detrimental on the organization's ability to innovate (Vahtera, Kivimaki & Pentti, 1997). Mellahi and Wilkinson (2004) concur that employees may adversely be affected by the stress and uncertainty created by layoffs thus spending more time on unnecessary tasks rather than on innovation.

Richtnėr (2006) indicates that downsizing breaks the network of informal relationships which are of crucial importance to innovators, who draw upon experience from various parts of the organization, building commitment and trust from senior management. Therefore, when organizations cut back on their staff numbers, the remaining members of the workforce have fewer avenues to receive such support and resources. Bommer and Jalajas (1999) found out that downsizing is associated with less risk-taking among employees; reduced willingness to make suggestions; lower motivation to work; and increased amounts of fear, all which are cumulatively deleterious to creativity. Richtnėr (2006) concludes that this novelty gap may spell doom to future innovative capabilities of downsizing firms.

2.5.4 Knowledge transfer

Arising from the uncertainty that grips employees who are being threatened with retrenchment, most are bound to look out for external opportunities available in the market place (Clarke, 2005). Instances also occur where the employees whom the firms had intended to keep, move on to other employers who they perceive as more stable. Richtnėr (2006) contends that this development has the impact of not only destabilizing the firm's future plans in terms of how to retain the 'good' employees, but also poses a great risk if they were moving to the direct competition.

Again, downsizing involves cutting costs, thus restructuring firms may provide less training for their employees, recruit less externally, and reduce the research and development budget. Consequently, researchers argue that downsizing could negatively affect the level of knowledge and skills brought into the firm, which subsequently affects the firm's ability to absorb and modify new technologies (Bommer & Jalajas, 1999). This argument is in line with that of Littler & Inns (2003) who say that downsizing could "hollow out" the firms' skills capacity because of movement of the knowledgeable staff to other firms.

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

2.6 THE RESEARCH GAP

As demonstrated in the literature above, the significant benefits of associated with staff layoffs include increased profitability; better strategic placement; leaner structures hence better communication; and higher productivity per unit of input. However, the inherent costs that follow downsizing such as decreased reputation of the firm; lower motivation amongst staff; hampered innovative capacity; and knowledge transfer to other employers are just as weighty.

It has already been mentioned that the Kenyan economy is characterized by relatively high levels of unemployment and/or underemployment resulting from a saturated labour market, relative to the available job placement opportunities (Central Bureau of Statistics, 2006 and World Bank Institute, 2008); and that review of literature did not shed light on the implications of downsizing in the Kenyan context. Given that the rationale for staff layoffs in Kenya seems to be unclear, what circumstances drive companies to lay off staff? What benefits can be attributed to downsizing operations? What costs have been incurred by those firms that have chosen to downsize? Is downsizing necessarily an appropriate management approach especially during an economic downturn? Can the benefits of downsizing be achieved without staff layoffs? If downsizing has to be carried out, what can be done to ensure that through this exercise, the organization emerges stronger?

2.7 THE CONCEPTUAL FRAMEWORK – The Downsizing Balance

The benefit and costs that have been identified from literature review are conceptualized as pulling in different directions of the weighing scale. The success of the retrenchment exercise will be realized when the achieved gains outweigh the losses. The outcomes of downsizing are largely hinged on how the staff layoff process is managed and how the business leaders deal with forces that impact the downsizing firm such as the media, the internal communication process and the skills levels held by its employees.

The main goals of an organization are to retain competitiveness, ensure survival during turbulent times and reinvention itself in order to remain relevant (Sundaram & Inkpen, 2004). However, the environmental dynamism dictates business realities such as economic slowdown, regulatory changes or technological advancement all which may call for staff layoffs from time to time. Given that firms engage in retrenchment in a bid to rejuvenate themselves (Lurie, 1998), it is imperative that management conducts the exercise in a manner that does not compromise this underlying fact.

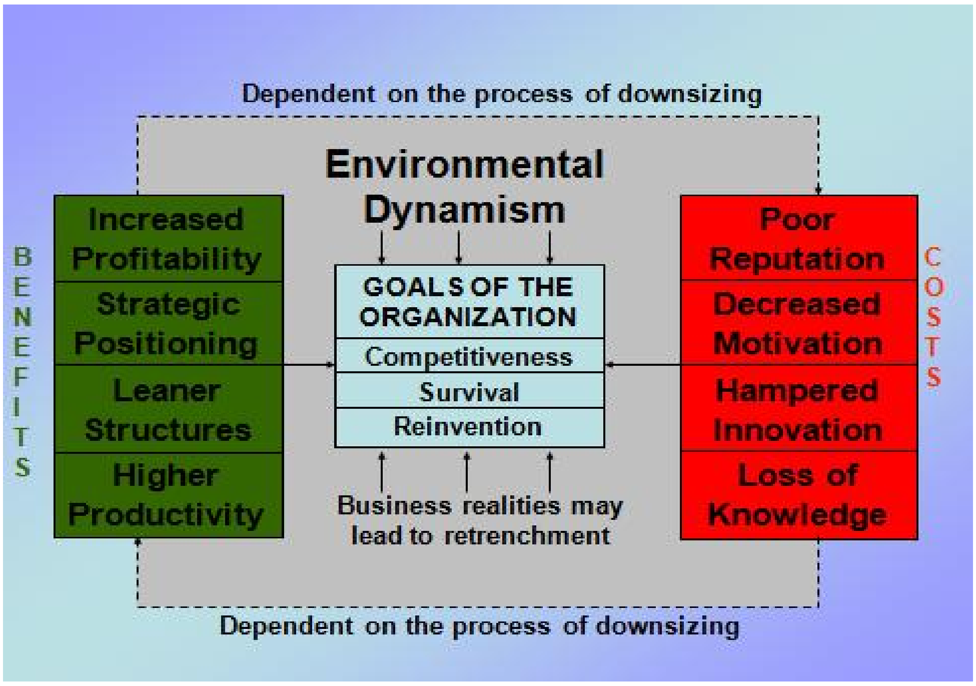

Figure 2.1: Conceptual Framework

The potential benefits as shown above may not be realized as anticipated but instead they may spin onto the opposite direction. For example the firm's profits may not increase despite the downsizing stemming from the other negative implications such poor reputation and decreased motivation; or weaker strategic position arising from hampered innovative capacity following knowledge transfer to the competition. This study aimed to either confirm or reject this framework.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 THE RESEARCH DESIGN

This research was structured as a three step exploratory study, initially to isolate the companies that had downsized, and second, to send out questionnaires to respondents. The third step was to conduct interviews with some of the respondents in order to seek clarifications, understand outliers as well as to triangulate the answers given in their responses in the questionnaires. The research design was therefore both quantitative and qualitative. The questionnaire was pre-tested on nine individuals (three each from Human Resources, Finance and Operations departments) who did not form part of the target group. These individuals were drawn from private companies.

3.2 THE POPULATION

This research was conducted across the 46 companies quoted in the main investment market segment of the Nairobi Stock Exchange as at 31st December 2007. Publicly quoted companies are required by law (CAP 486 Laws of Kenya) to provide annual returns (which include their financial statements) to the registrar of companies thus compelling them to engage independent auditors in order to enhance credibility and legitimacy of these results. Further, given that companies quoted in the Main Investment Market Segment have higher trading volumes, they are more open to the public thus increased access to information from the executives. This postulates that such entities have adequate secondary information that can be relied upon. Such authenticity aided validation of responses presented on productivity or sales, which could be confirmed from the audited accounts. Given the small size of the population, sampling was not necessary for this research. Appendix III shows companies quoted in the main investment segment of the Nairobi Stock Exchange that constituted the population of this study.

3.3 DATA COLLECTION METHODS

Three pre-numbered structured self administered questionnaires were emailed to the head of human resources, the head of operations and the head of finance for each of the companies in the study. This was not only aimed at increasing the probability of getting responses from each company, but also to highlight the divergent viewpoints that various professionals hold regarding staff layoffs. A register of all questionnaire numbers was kept by the researcher in order to track the responses from the various respondents. To further increase the response rate, follow up phone calls were conducted two weeks after the questionnaires were sent out to the field. Appendix II sets forth a sample questionnaire which was used in collecting data.

This was then followed by a preliminary analysis of the responses in order to establish any outliers or contradictions in the answers. These called for purposive sampling of the responses where interviews were sought for further clarifications. The researcher also sought interviews with respondents from companies that had downsized at least twice between 2003 and 2007. Additional secondary data came from the review of annual accounts in order to establish how the chairmen and CEOs of companies explained downsizing. Appendix V shows companies whose annual accounts were reviewed by the researcher for this study. This was also conducted in order to triangulate the data received from the respondents. The researcher interviewed 24 respondents seeking clarifications and other details explaining the companies' experiences. Appendix IV shows the sample interview guide used for this study.

3.4 DATA ANALYSIS

The analysis started by categorising the responses given under the 'others' segment within the various questions to ascertain whether these could remain stand alone or were part of the already provided alternatives. This was followed by feeding in the responses into a *Microsoft Excel* spreadsheet developed by the researcher in order to help group the various responses by department or sector in the NSE. The same spreadsheet was used to aggregate multiple responses from the same company in order to come up with an organization's position in relation to the research questions. Further analysis of the data was aided by Likert scales developed for specific questions such as those aimed at finding out what drives organizations to reduce their staff numbers; establishing the benefits and/or costs that underpin the downsizing strategy; and also to understand the variables that ensure the success of this strategy.

Interviews data received from the respondents from 16 companies that had downsized at least twice were primarily used to understand the experiences of various companies. The key points were recorded in *Microsoft Word* documents as the interviews were conducted. The researcher endeavoured to address any inconsistencies that arose during the interview as well as contradictions from the answers given in the questionnaire.

The annual accounts were reviewed in order to triangulate the data received from the respondents and also seek to understand the justification of downsizing as spelt out by the chief executives and chairmen of downsizing firms. These statements have been cited appropriately in this thesis.

In order to maintain confidentiality of all the collected responses, the researcher kept the printed copies of the responses under lock and key in safe place. The email responses were saved in a folder which was password protected. This password remained known to the researcher only.

3.5 LIMITATIONS OF THE STUDY

The primary limitation of this study was that data were not gathered from all the companies quoted in the Main Investment Market Segment of the Nairobi Stock Exchange owing to non-response from 32.6% of the population. Furthermore by involving only three departments of entities, some key factors may have been left out.

For example the impact of downsizing in a manufacturing concern would leave out the sales team which is fundamental in determining the success of the whole organization.

In order to maintain the confidentiality of the respondents, the source of some statements made by the respondents during the interviews could not be mentioned explicitly. This was true of companies which do not have direct competitors within the stock exchange such as internet service providers, chain stores, millers, tobacco processors, airlines, brewers and power generators. As such, some statements may sound rather vague in the reporting of the findings.

Although the researcher had targeted the heads of departments who guide the process of downsizing, a number of responses were received from junior staff within these divisions. This is due to delegation of such duty to assistants and deputies. Given that the frame of reference of a head of department is likely to be different from that of a junior officer, the validity of some of the respondents' statements may be in doubt. Further limitations arose where the respondents who had initially answered the self administered questionnaire had exited the organization and could either not be traced or was unwilling to discuss matters pertaining to the previous employer.

Time limitation while conducting this thesis cannot be ignored. The researcher needed to balance between his challenging work schedule and this study. The respondents also had similar complaints resulting in non-response in some cases as well as delegation to lower level staff as stated above.

Despite these limitations, the study has provided key insights into the drivers and outcomes of downsizing for Kenyan firms as well as made suggestions on how downsizing initiatives should be conducted for better results.

CHAPTER 4: RESEARCH FINDINGS

This chapter commences with brief introduction of how the whole research process was conducted. It is then followed by segments outlining the frequency of downsizing, drivers and outcomes (both the advantages and disadvantages). Also included in this chapter is a section showing the impact of downsizing on output as well as whether the downsizing achieved the desired results. Finally the chapter closes with a segment that outlines the options to downsizing by specifically understanding the other drivers that are involved in arriving at its outcomes.

4.1 INTRODUCTION

This research was conducted across all the forty six companies quoted in the main investment market segment of the Nairobi Stock Exchange as at 31st December 2007. The data were collected between May and September 2008 split in three phases beginning with the sending of questionnaires in May which were received by end June 2008. This was followed by the preliminary review within the month of July 2008 while the interviews were conducted in August and September 2008. The study involved sending out three questionnaires to the heads of human resources, operations and finance departments in every organization in the population. The questionnaires were coded 001 to 046 to represent the forty six companies involved in this research; while A, B and C represented human resources, operations and finance departments respectively. For example 007B indicated the questionnaire sent to the head of operations in company 007. This translated into a total population of one hundred and thirty eight divided into the various sectors thus; 12 in the Agricultural sector; 33 in the Commercial & Services sector; 39 in the Finance & Investment sector; and 54 in the Industrial & Allied sector. A total of 42 individual responses drawn from 31 companies were received from those to whom the questionnaires were sent to translating into 67.4% total company response rate and 30.4% as the individual response rate. The table 4.1 below gives a summary of the company responses from the different sectors of the Nairobi Stock Exchange (NSE).

Table 4.1: Number of companies that responded

	Population of Companies	Number of responses	% of response	Population of Respondents	Number of responses	% of response
Agriculture	4	3	75.0%	12	4	33.3%
Finance and Investment	13	9	69.2%	39	14	35.9%
Industrial and Allied	18	13	72.2%	54	14	25.9%
Commercial and Services	11	6	54.5%	33	10	30.3%
TOTAL	**46**	**31**	**67.4%**	**138**	**42**	**30.4%**

The agricultural sector, though with the least respondents, had the highest response rate of 75.0% while the commercial & services recorded the lowest response level of 54.5%. The findings in this thesis are based on 31 companies and 42 individual respondents. Although the unit of analysis in this study was primarily companies, comparisons were done between the responses in various departments thus necessitating another analysis by individual respondents.

4.2 FREQUENCY OF DOWNSIZING

More than 67 percent of the firms reported that they had downsized at least twice during the period between 2003 and 2007 as shown in Table 4.2 below.

Table 4.2: Frequency of downsizing

Number of occurrences	Responding companies	Total % of response
Once	7	22.6%
Twice	21	67.7%
Thrice	2	6.5%
Four times	1	3.2%
TOTAL	**31**	**100.0%**

4.3 DRIVERS FOR DOWNSIZING

Respondents drawn from the 31 companies gave 51 individual reasons for downsizing. These respondents were required to categorize the responses as economic, strategic or technological. From Table 4.3 below thirty three responses were able to be categorized within the groupings provided.

Table 4.3: Reasons for downsizing

	Economic	Strategic	Technology	Other	TOTAL
Agriculture	3	0	0	1	4
Finance and Investment	6	2	0	8	16
Industrial and Allied	4	7	4	2	17
Commercial and Services	4	0	3	7	14
TOTAL	**17**	**9**	**7**	**18**	**51**

The category of 'Other' – from Table 4.3 above, provided additional reasons for downsizing. However, these were also re-classified as economic, strategic or technological for ease of analysis. Table 4.4 below gives a summary by category.

Table 4.4: Break down of other reasons for downsizing

Other Reasons	Frequency	Economic	Strategic	Technological
Competition	2	2		
Reorganization	5	2	1	2
Rationalization	4	4		
Cost management	3	3		
Dwindling profits	1	1		
Outsourcing	2			2
Centralization	1		1	
TOTAL	**18**	**12**	**2**	**4**

As previously noted in this study, the unit of analysis remains individual companies. However, because the responses above came from individual respondents, the researcher further aggregated them into the companies where the participants were drawn from. This process reduced the total reasons to forty one as shown in Figure 4.1 below.

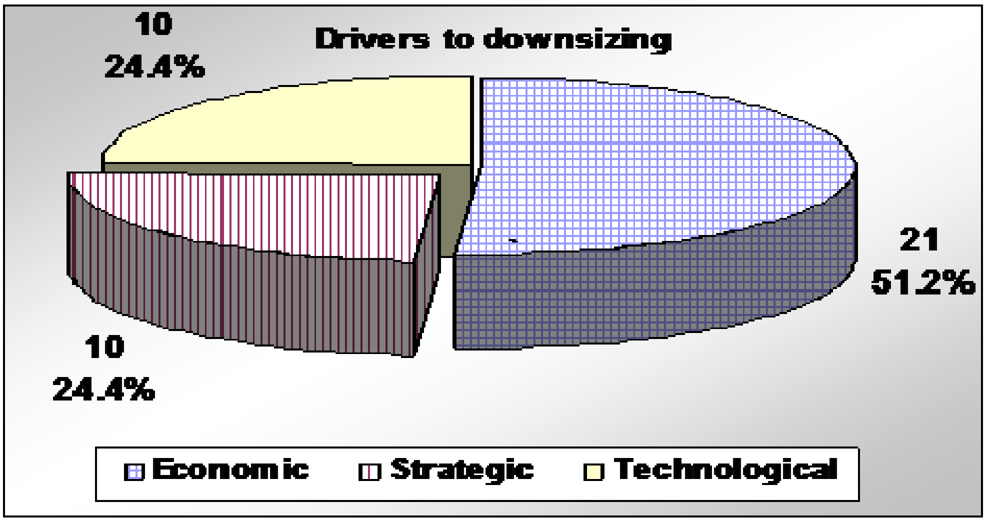

Figure 4.1: **Drivers to downsizing**

More than half of the responses (51.2%) cited economic reasons as the key motivator to downsizing although the rationale varied from one company/sector to another. According to respondent 006C, drawn from the commercial and services sector, the firm faced competitive pressures from cheap imports, that reduced its market share resulting into dwindling sales on the back of unchanging cost structures thus pushing the once profitable venture into a perennial loss maker.

From the financial and investment sector, respondent 020B pointed out that advancement in banking technologies which brought forth more customer-friendly services not only increased customer comfort but also drove down the yields chargeable to the clients. This coupled with competitive pressures necessitated headcount reduction in this industry.

The economic justification provided by respondent 035B, from the industrial and allied sector, was the increasing fixed cost of operations, such as fuel or labour, which could not readily be passed onto the customer. In order to cover this deficit, industrial firms had to invest in cheaper technologies that would require less manpower, hence downsizing. In the agricultural sector, respondent 004C indicated that failed rains resulting in poor yields per acreage, pushed firms to temporarily lay off staff in line with the anticipated output.

In order to mitigate against increasing cost of operations and take advantage of technological improvements available in the market, particularly in the industrial & allied sector, respondent 036C justified the need to replace man with machine to achieve better production methodologies as a potential driver to downsizing. Respondent 017B indicated that increasing the numbers of automatic teller machines as well as e-banking facilities have been instrumental in reducing the number of manpower in financial institutions.

Strategic reasons that were mentioned as the possible push to downsizing not only included the need to counter competitive pressures where two or more players joined hands in order to form a bigger bloc but also involved acquisitions that were aimed at increasing synergies within complementary industries. Respondent 035B demonstrated how such unions resulted in reduced headcount since all jobs cannot be guaranteed as some will be duplications.

4.4 BENEFITS OF DOWNSIZING

This section discusses two aspects of benefits of downsizing. First, data is presented on the expected benefits of downsizing. Second, data is presented on the actual benefits realized from the downsizing exercise, and comparisons made between the two.

4.4.1 Anticipated benefits of downsizing

The respondents indicated that the benefits they expected from downsizing included increased revenues, reduced costs, better strategic positioning, leaner structures and increased productivity. Table 4.5 below shows the summary of the benefits that were envisaged by the companies that downsized between 2003 and 2007.

Table 4.5: Anticipated benefits of downsizing

Anticipated benefits	Frequency	Population	% of Total
Higher revenues	10	31	32.3%
Lower Costs	28	31	90.3%
Better strategic position	10	31	32.3%
Leaner structures	16	31	51.6%
Increased productivity	14	31	45.2%

Reduced costs, made possible by leaner staff headcount levels, accounted for the largest percentage of the anticipated benefits after being identified by 90.3% of the responding companies. Leaner structures, which primarily involved reducing the number of management positions, came second at 51.6%. Increased productivity was cited by 45.2% of the respondents, who according to respondent 035B, the reduction of personnel numbers within the organization was anticipated to increase the average utilization per man-hour while the replacement of people with machines was aimed at improving the quality and quantity of units produced. The desire to improve the strategic position of the organization and the drive to increase revenues was each alluded to by 32.3% of the respondents.

The findings above are consistent with an examination of the various sectors in the Nairobi Stock Exchange as well as the individual responses by department. The analysis of the responses by sector is as shown in Table 4.6 overleaf; the Agricultural sector 100.0%; Finance & Investment sector 77.8%; Industrial & Allied sector 92.3%; and Commercial & Services sector 100.0%. Further, the majority of the individual respondents in all departments viewed reduced costs as the biggest benefit of downsizing representing 84.6%, 86.7% and 78.6% for human resources, operations and finance departments respectively as shown in Table 4.7 that follows.

Table 4.6: Analysis of anticipated benefits by sector

	Agricultural		Finance & Investment		Industrial & Allied		Commercial & Services		Total	
Anticipated Benefits	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Higher revenues	0	0.0%	3	33.3%	5	38.5%	2	33.3%	10	32.3%
Lower costs	3	100.0%	7	77.8%	12	92.3%	6	100.0%	28	90.3%
Better strategic position	2	66.7%	5	55.6%	2	15.4%	1	16.7%	10	32.3%
Leaner structures	1	33.3%	6	66.7%	5	38.5%	4	66.7%	16	51.6%
Improved structures	1	33.3%	4	44.4%	5	38.5%	4	66.7%	14	45.2%

Agricultural: n = 3 Finance & Investment: n = 9
Industrial & Allied: n = 13 Commercial & Services: n = 6

Table 4.7: Analysis of anticipated benefits by department

	Human Resources		Operations		Finance		Total	
Benefits	Freq	%	Freq	%	Freq	%	Freq	%
Higher revenues	4	30.8%	5	33.3%	3	21.4%	12	28.6%
Lower costs	11	84.6%	13	86.7%	11	78.6%	35	83.3%
Better strategic position	4	30.8%	4	26.7%	4	28.6%	12	28.6%
Leaner structures	5	38.5%	8	53.3%	5	35.7%	18	42.9%
Improved structures	2	15.4%	9	60.0%	6	42.9%	17	40.5%

Human resources: n = 13 Operations: n = 15 Finance: n = 14

4.4.2 Actual benefits of downsizing

Although downsizing was justified by certain benefits that the respondents expected to realize, those benefits were not always achieved. Table 4.8 below gives a comparison between the responses on anticipated benefits of downsizing and responses on actual benefits. The 31 companies involved in this research indicated a total of 78 anticipated benefits for downsizing while only 48 of them were realized.

Table 4.8: Comparison between anticipated benefits and realized benefits

Benefits	Anticipated	Realized	% of Total
Higher revenues	10	6	60.0%
Lower costs	28	17	60.7%
Better strategic position	10	7	70.0%
Leaner structures	16	8	50.0%
Increased productivity	14	10	71.4%
TOTAL	**78**	**48**	**61.5%**

Although lower costs was the most anticipated benefit as shown in Tables 4.5, 4.6 and 4.7, Table 4.8 shows that this was not the benefit that had the highest rate of being realized. On aggregate, 61.5% of the probable gains envisaged while undertaking the downsizing strategy were achieved with increased productivity achieving the highest score of 71.4% while leaner structures got the lowest at 50.0%.

These findings were divergent within the various sectors of the Nairobi Stock Exchange as shown in Table 4.9 below. Further, the individual responses within departments also indicate varied results (Table 4.10).

Table 4.9 Sector-wise comparison between anticipated and realized benefits

	Agricultural			Finance & Investment			Industrial & Allied			Commercial & Services			Total		
Benefits	A	R	%	A	R	%	A	R	%	A	R	%	A	R	%
Higher revenues	0	0	0.0%	3	0	0.0%	5	4	80.0%	2	1	50.0%	10	6	60.0%
Lower costs	3	2	66.7%	7	4	57.1%	12	9	75.0%	6	2	33.3%	28	17	60.7%
Better strategic position	2	2	100.0%	5	3	60.0%	2	2	100.0%	1	0	0.0%	10	7	70.0%
Leaner structures	1	0	0.0%	6	3	50.0%	5	4	80.0%	4	1	25.0%	16	8	50.0%
Increased productivity	1	0	0.0%	4	4	100.0%	5	5	100.0%	4	1	25.0%	14	10	71.4%
TOTAL	**7**	**4**	**57.1%**	**25**	**14**	**56.0%**	**29**	**24**	**82.8%**	**17**	**5**	**29.4%**	**78**	**48**	**61.5%**

A = Anticipated R = Realized

Table 4.10 Department comparison between anticipated and realized benefits

	Human Resources			Operations			Finance			Total		
Benefits	A	R	%	A	R	%	A	R	%	A	R	%
Higher revenues	4	3	75.0%	5	2	40.0%	3	3	100.0%	12	8	66.7%
Lower costs	11	7	63.6%	13	8	61.5%	11	6	54.5%	35	21	60.0%
Better strategic position	4	3	75.0%	4	2	50.0%	4	4	100.0%	12	9	75.0%
Leaner structures	5	4	80.0%	8	4	50.0%	5	2	40.0%	18	10	55.6%
Increased productivity	2	2	100.0%	9	7	77.8%	6	4	66.7%	17	13	76.5%
TOTAL	26	19	73.1%	39	23	59.0%	29	19	65.5%	94	61	64.9%

4.5 COSTS ASSOCIATED WITH DOWNSIZING

Respondents identified various losses arising from staff layoffs, which were classified into five categories, namely increased staff turnover, reduced staff morale, higher levels of absenteeism, lower innovation and reduced reputation. However two respondents also anticipated increased fraud levels and higher staff work load. When probed further the former indicated that fraud would result from the lack of interest in the future of the company which could be attributed to reduced staff morale. The other respondent stated that an increase in staff work load would inevitably result to increased staff turnover and reduced morale especially where there is no commensurate remuneration for the additional work which would hamper innovative capabilities. Table 4.11 below shows the frequency distribution of each potential loss.

Table 4.11: Potential losses of downsizing

Anticipated costs	Frequency	Population	% of Total
Increased staff turnover	17	31	54.8%
Reduced morale	27	31	87.1%
Higher absenteesm	3	31	9.7%
Lower innovation	4	31	12.9%
Weaker reputation	7	31	22.6%

Respondents from twenty seven out of the thirty one companies respondents (87.1% of the population) identified reduced staff morale as the most probable loss arising from downsizing driven by the fear of the unknown. The uncertainty further resulted in increased staff turnover as current employees seek alternative employers perceived as 'stable', as shown by 54.8% of the firms involved in this study. 22.6% thought that the reputation of the organization would be injured by downsizing while only four and three (12.9% and 9.7%) respectively thought the retrenchment would result in lower innovativeness and higher absenteeism.

The analysis of the various departments and sectors in the NSE shows similar trends. Table 4.12 below illustrates that reduced morale was the most likely loss, as cited by Agricultural sector 100%; Finance & Investment sector 100%; Industrial & Allied sector

76.9%; and Commercial & Services sector 83.3%. The cross-departmental analysis of the responses is as shown in Table 4.13 indicates that 76.9%, 86.7% and 92.9% of respondents from human resources, operations and finance departments respectively.

Table 4.12 Sector-wise analysis of potential losses of downsizing

	Agricultural		Finance & Investment		Industrial & Allied		Commercial & Services		Total	
Loss	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Increased staff turnover	2	66.7%	2	66.7%	5	38.5%	5	83.3%	17	54.8%
Reduced morale	3	100.0%	9	100.0%	10	76.9%	5	83.3%	27	87.1%
Higher absenteesm	1	33.3%	1	11.1%	1	7.7%	0	0.0%	3	9.7%
Lower innovation	0	0.0%	1	11.1%	3	23.1%	0	0.0%	4	12.9%
Weaker reputation	2	66.7%	1	11.1%	3	23.1%	1	16.7%	7	22.6%

Agricultural: n = 3 Finance & Investment: n = 9 Total: n = 31

Industrial & Allied: n = 13 Commercial & Services: n = 6

Table 4.13 Departmental analysis of potential losses of downsizing

	HR		Operations		Finance		Total	
Loss	Freq	%	Freq	%	Freq	%	Freq	%
Increased staff turnover	6	46.2%	8	53.3%	8	57.1%	22	52.4%
Reduced morale	10	76.9%	13	86.7%	13	92.9%	36	85.7%
Higher absenteeism	1	7.7%	0	0.0%	2	14.3%	3	7.1%
Lower innovation	1	7.7%	2	13.3%	1	7.1%	4	9.5%
Weaker reputation	0	0.0%	3	20.0%	4	28.6%	7	16.7%

Human Resources: n = 13 Finance: n = 14

Operations: n = 15 Total: n = 42

4.6 THE RELATIONSHIP BETWEEN DOWNSIZING AND OUTPUT

The impact of downsizing on the firms' output varied between organizations. In some instances production had increased, in others it had reduced or remained unchanged. Table 4.14 shows how the output levels of various firms were impacted by downsizing.

Table 4.14: The relationship between downsizing and output

Outcome	Frequency	% of Total
Increased output	13	41.9%
Output unchanged	4	12.9%
Decreased output	14	45.2%
TOTAL	**31**	**100.0%**

A higher proportion of the responding companies (58.1%) indicated that output was either reduced or remained unchanged. Only 13 out of 31 companies which responded (41.9%) reported that the downsizing exercise resulted to a positive impact on output of their firms.

Looking at the various departments and the sectors in the Nairobi Stock Exchange independently reveals a divergent mix between the companies that increased output and those whose production reduced.

Table 4.15 Sector-wise analysis of impact of downsizing on output

	Agricultural		**Finance & Investment**		**Industrial & Allied**		**Commercial & Services**		**Total**	
Outcome	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Increased output	1	33.3%	4	44.4%	6	46.2%	2	33.3%	13	41.9%
Output unchanged	0	0.0%	0	0.0%	3	23.1%	1	16.7%	4	12.9%
Decreased output	2	66.7%	5	55.6%	4	30.8%	3	50.0%	14	45.2%
TOTAL	**3**	**100.0%**	**9**	**100.0%**	**13**	**100.0%**	**6**	**100.0%**	**31**	**100.0%**

Table 4.16 Departmental analysis of impact of downsizing on output

`	**Human Resources**		**Operations**		**Finance**		**Total**	
Outcome	Freq	%	Freq	%	Freq	%	Freq	%
Increased output	5	38.5%	9	60.0%	5	35.7%	19	45.2%
Output unchanged	2	15.4%	1	6.7%	2	14.3%	5	11.9%
Decreased output	6	46.2%	5	33.3%	7	50.0%	18	42.9%
TOTAL	**13**	**100.0%**	**15**	**100.0%**	**14**	**100.0%**	**42**	**100.0%**

4.6.1 Why increased output

In order to further understand the different directions that output levels had taken upon downsizing, the researcher specifically invited the respondents from different departments to shed light on this occurrence. Table 4.17 below shows the analysis of 19 individual responses in regards to why output increased upon downsizing.

Table 4.17: Drivers to increased output

Outcome	Frequency	% of Total
Superior handling	9	47.4%
Higher expectations	15	78.9%
Strong Leadership	5	26.3%
Staff buy-in	4	21.1%

n = 19

Fifteen out of the 19 (78.9%) respondents who replied that output levels increased upon downsizing attributed it to higher expectations in the firm. Respondent 020B indicated that downsizing was expected to improve workflow systems which resulted in increased production efficiencies hence better profitability leading to a more stable future for the employer. Respondent 035B stated that increased efficiencies were anticipated to reduce staff workload, as machines performed the tedious operations, hence availing more time to the employees to concentrate on innovative projects hence better career progression avenues.

Superior handling of the downsizing process was cited as the key driver to increased output by 47.4% of those who reported improved production. The output levels in company 007 increased because the management team had fully informed staff throughout the downsizing process. Respondent 007A indicated that continuous communication reduced anxiety amongst employees thus resulting in a more relaxed environment hence increased output.

4.6.2 Why decreased output

The table 4.18 below shows a summary of the reasons for reduced output as reported by the 18 respondents from different departments whose production decreased upon downsizing.

Table 4.18: Drivers to decreased output

Outcome	Frequency	% of Total
Poor handling	3	16.7%
Lower expectations	9	50.0%
Absenteesim	2	11.1%
Staff resentment	11	61.1%

n = 18

Staff resentment was quoted by a majority of the respondents (61.1%) as the reason for reduced output. Two respondents, 006C and 022B, indicated that staff resentment was the major cause for reduced output. Upon questioning these respondents further, it became apparent that increased staff apathy arose from potential losses in jobs which increased the stress levels of those with many dependants together with the inevitable slow down in career progression among staff.

4.7 OVERALL, WERE THE ANTICIPATED RESULTS ACHIEVED?

As was reported in Table 4.8 above, the downsizing process does not always achieve the anticipated benefits. From Table 4.19 that follows below shows that 38.7% of the downsizing companies did not meet their expectations. Further, sixteen out of the forty two respondents (38.1%) reported that the envisaged benefits that justified downsizing within the various organizations were not achieved. A majority of the entities (61.3%) however realized the anticipated gains.

Table 4.19 Sector-wise analysis of downsizing success rate

	Met expectations		Failed to meet expectations		TOTAL RESPONSES	
SECTOR	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
Agriculture	2	66.7%	1	33.3%	3	100.0%
Finance and Investment	5	55.6%	4	44.4%	9	100.0%
Industrial and Allied	10	76.9%	3	23.1%	13	100.0%
Commercial and Services	2	33.3%	4	66.7%	6	100.0%
TOTAL	**19**	**61.3%**	**12**	**38.7%**	**31**	**100.0%**

Table 4.20 Departmental analysis of downsizing success rate

	Met expectations		Failed to meet expectations		TOTAL RESPONSES	
DEPARTMENT	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
Human Resources	8	61.5%	5	38.5%	13	100.0%
Operations	9	60.0%	6	40.0%	15	100.0%
Finance	9	64.3%	5	35.7%	14	100.0%
TOTAL	**26**	**61.9%**	**16**	**38.1%**	**42**	**100.0%**

From the tables above downsizing seems to have positive effects on businesses. However, it seems evident that there are lower success rates within the Finance & Investment and Commercial & Services sectors which reported 55.6% and 33.3% respectively.

4.8 OPTIONS TO DOWNSIZING

From the foregoing data, firms expected downsizing to result in increased revenues, lower costs, better strategic positioning, leaner structures and increased productivity. However, these outcomes can be achieved by other avenues besides downsizing. For example, increased revenues could be achieved by selling more units, reducing cost per unit or improved market penetration. To this end this study sought to establish other drivers that could achieve similar outcomes to downsizing. This section reports on findings regarding these other drivers. Given that the research targeted three respondents from the companies involved, there were instances of more than one response by company. For purposes of analysis of this section, these responses were treated as individual institutional answers resulting to more than 31 outcomes.

4.8.1 Drivers to profitability

Table 4.21 below shows a summary of how the respondents rated the drivers to profitability in the firm.

Table 4.21: Drivers to profitability

	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Market perception	10	24%	9	21%	8	19%	9	21%	6	14%	42	100%	1	2.81	1.38	49%
Number of units sold	3	7%	9	21%	12	29%	12	29%	6	14%	42	100%	3	3.21	1.15	36%
Selling price per unit	7	17%	5	12%	19	46%	6	15%	4	10%	41	100%	3	2.88	1.15	40%
Production efficiency	1	2%	4	10%	10	24%	14	33%	13	31%	42	100%	4	3.81	1.05	28%
Cost composition	2	5%	3	7%	12	29%	11	27%	13	32%	41	100%	5	3.73	1.13	30%

The majority of the responses at 24% indicated that the market perception of the firm is absolutely unnecessary in driving the profitability of the firm. However, the mean score of 2.81 underpins the neutrality of this aspect in determining the overall profitability of an enterprise. These responses were materially divergent as the standard deviation was 1.38 with a coefficient of variation of 49%.

The number of units sold was seen to be a key component in determining the ultimate profitability of the firm as 43% of the responses rated this parameter either as necessary or absolutely necessary. The majority of the responses were shared equally between being neutral and necessary but the mean of 3.21 achieved tilted the overall score towards being necessary.

The pricing of the products of an organization was found to have little influence in determining its ultimate profitability. The largest proportion of the responses (46%) placed this aspect as neutral while another 29% of the respondents rated this element as unnecessary or absolutely unnecessary. The mean score of 2.88 is consistent with the mode at 3 representing the indifference of this element in influencing the firm's profitability.

Production efficiency of the firm seemed to be the most important aspect in determining the profitability of the company as 64% of those who responded reported either necessary or absolutely necessary. The average score of 3.81 achieved placed this attribute as necessary in influencing the ultimate profitability of an organization while the coefficient of variation of 28% represents a close dispersion of the responses.

The cost composition of the firm was also seen as critical to determining its eventual profitability as 32% of the respondents rated it as absolutely necessary while another 27% rated it as necessary. The arithmetic mean of the respondents at 3.73 places this attribute as necessary while the coefficient of variation of 30% shows that the responses were closely dispersed.

4.8.2 Drivers to strategic positioning

Table 4.22 below summarizes how different attributes impact the level of strategic positioning of the firm.

Table 4.22: Drivers to the strategic position

	Absolutely Unncecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Nature of business	3	7%	5	12%	16	39%	5	12%	12	29%	41	100%	3	3.44	1.23	36%
Number of players	7	17%	7	17%	12	29%	8	20%	7	17%	41	100%	3	3.02	1.32	44%
Market position	5	12%	2	5%	9	22%	14	34%	11	27%	41	100%	4	3.59	1.27	35%
Stage in BLC	4	10%	6	15%	11	28%	13	33%	6	15%	40	100%	4	3.28	1.18	36%
Innovative capacity	3	8%	3	8%	7	18%	15	38%	11	28%	39	100%	4	3.72	1.18	32%

From the table above the most significant aspect that determines the future strategic position of a firm is its innovative capacity whose mean of 3.72 represents a score of necessary. With a coefficient of variation of 32%, this attribute is seen to have some reasonable scale of divergence amongst the respondents although the highest number of respondents (38%) replied that this aspect is necessary in determining the strategic position of the firm.

The market position of the firm was also found to have a significant role in determining its strategic influence as 61% of the responses were either necessary or absolutely necessary. This can be corroborated by the arithmetic mean of 3.59 which placed the attribute as necessary and is consistent with the majority of the respondents at 34%. However, the coefficient of variation at 35% indicates relative divergence in the responses.

4.8.3 Drivers to organization structures

Table 4.23 below represents the different elements that determine the organization's structure.

Table 4.23: Determinants of the organization structure

	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Nature of business	3	7%	5	12%	16	39%	5	12%	12	29%	41	100%	3	3.44	1.23	36%
Number of players	7	17%	7	17%	12	29%	8	20%	7	17%	41	100%	3	3.02	1.32	44%
Market position	5	12%	2	5%	9	22%	14	34%	11	27%	41	100%	4	3.59	1.27	35%
Stage in BLC	4	10%	6	15%	11	28%	13	33%	6	15%	40	100%	4	3.28	1.18	36%
Innovative capacity	3	8%	3	8%	7	18%	15	38%	11	28%	39	100%	4	3.72	1.18	32%

The number of employees in an entity is the most critical factor in deciding its organization structure with an average mean of 3.85. The majority of the respondents (34%) placed this aspect as being absolutely necessary while another 29% rated it as being necessary in determining the structure of the firm. The responses tended to be closely clustered together as shown by the coefficient of variation of 28%.

The other key aspect that was identified when deciding the organization structure was the level of automation employed by the firm. This element scored an average mean of 3.81 representing a factor of necessary. This score is consistent with the majority of the responses (43%) who replied that the attribute as necessary while another 29% placed it as absolutely necessary the structure of the firm. The coefficient of variation of 30% indicates that the responses did not vary materially amongst participants.

4.8.4 Drivers to productivity

Table 4.24 below shows the various attributes that impact the productivity of a firm.

Table 4.24: Attributes impacting productivity

	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Nature of the industry	6	14%	8	19%	12	29%	9	21%	7	17%	42	100%	3	3.07	1.28	42%
Level of automation	4	10%	0	0%	8	19%	18	43%	12	29%	42	100%	4	3.81	1.14	30%
Level of supervision	3	7%	3	7%	12	29%	20	48%	4	10%	42	100%	4	3.45	1.00	29%
Number of employees	2	5%	1	2%	12	29%	12	29%	14	34%	41	100%	5	3.85	1.07	28%
Organization culture	2	5%	4	10%	17	40%	14	33%	5	12%	42	100%	3	3.38	0.97	29%

The prime driver of productivity of an organization is the level of automation employed in that particular organization. Forty three percent of all responses indicated that the level of automation in the organization is absolutely necessary in determining its productivity while 31% scored this element as necessary. The average mean of all responses at 3.98 represents as a score of necessary. The coefficient of variation of 30% shows that there was reasonable closeness amongst the responses.

The other aspect that had a strong mean was 3.88 was the level of training amongst the employees in the organization. Forty percent of the respondents reported that the motivation levels within an entity are absolutely necessary in determining the overall productivity of the firm although the mean of 3.76 was lower indicating a placement of being necessary. The coefficient of variation at 29% indicates that the responses were closely clustered.

4.8.5 Drivers to reputation

Table 4.25 below indicates how the various drivers to the reputation of a firm are perceived.

Table 4.25: Drivers to reputation

	Absolutely Necessary		Necessary		Neutral		Unnecessary		Absolutely Unnecessary		TOTAL		Mode	Mean	Stdev	c.v.
Management of downsizing	15	36%	11	26%	5	12%	6	14%	5	12%	42	100%	1	2.40	1.40	58%
Publicity in the media	7	17%	5	12%	14	33%	9	21%	7	17%	42	100%	3	3.10	1.29	42%
Internal communication	11	26%	7	17%	12	29%	9	21%	3	7%	42	100%	3	2.67	1.27	47%
Outsiders perception	7	17%	10	24%	12	29%	8	19%	5	12%	42	100%	3	2.86	1.25	44%
Competitor response	7	17%	10	24%	11	27%	10	24%	3	7%	41	100%	3	2.80	1.19	43%

The reputation of a firm that has engaged in staff layoffs is largely dependent on how the downsizing process was carried out. 36% of the responses placed handling of the retrenchment process as absolutely necessary in determining the reputation of a downsizing organization. However the mean score of 2.40 indicates that this attribute has rather neutral results in deciding the reputation firms that downsize with the coefficient of variation of 58% showing a reasonably high level of disparity amongst responses.

All the other attributes (publicity in the external media; internal communication networks; outsiders' perceptions of the firm's future; and competitors' responses to the firms' layoffs) had a mode of 3 indicating reasonable neutrality. The mean scores achieved from the responses were 3.10, 2.67, 2.86 and 2.80 respectively with the first one indicating unnecessary while the latter three being neutral. The coefficients of variation ranged between 42% and 47% indicate that there was some strong divergence of view between the responses.

4.8.6 Drivers of motivation

Table 4.26 below shows the various elements that influence the motivation of subsequent to downsizing.

Table 4.26: Drivers to motivation

	Absolutely Necessary		Necessary		Neutral		Unnecessary		Absolutely Unnecessary		TOTAL		Mode	Mean	Stdev	c.v.
Adequacy of internal communication networks	16	38%	8	19%	6	14%	7	17%	5	12%	42	100%	1	2.45	1.43	58%
Timeliness of information	8	20%	11	27%	7	17%	7	17%	8	20%	41	100%	2	2.90	1.41	49%
Employee perception	13	31%	7	17%	7	17%	7	17%	8	19%	42	100%	1	2.76	1.51	55%
Management of the process	13	31%	6	14%	6	14%	7	17%	10	24%	42	100%	1	2.88	1.58	55%
Anticipated future rewards	9	22%	7	17%	12	29%	6	15%	7	17%	41	100%	3	2.88	1.36	47%

The adequacy of the internal communication networks in the organization represents the most important aspect in determining the motivation amongst downsizing firms. Thirty eight percent of the respondents reported that this attribute was absolutely necessary in influencing the morale levels within the firm. However the mean score of 2.45 shows that this element gravitates towards the lower ends of neutrality tending towards necessary while the coefficient of variation of 58% indicates that the responses were diverse.

Employee perceptions about the process of downsizing as well as the management of retrenchment exercise were placed by a majority of the responses as being absolutely necessary in determining the motivation of the employees. However, these two attributes had aggregate means of 2.76 and 2.88 respectively indicating that they were, in overall terms, neutral. A coefficient of variation of 55% for both indicates a reasonable level of disparity among respondents. The timeliness of information relayed to staff regarding the downsizing exercise was ranked as necessary while the most respondents were neutral towards anticipated future rewards.

4.8.7 Drivers to innovation

Table 4.27 below shows the different characteristics that determine the innovation levels within an organization.

Table 4.27: Drivers to innovation

	Absolutely Necessary		Necessary		Neutral		Unnecessary		Absolutely Unnecessary		TOTAL		Mode	Mean	Stdev	c.v.
Staff training levels	9	21%	12	29%	9	21%	7	17%	5	12%	42	100%	2	2.69	1.30	48%
Resource allocation to R&D	10	24%	5	12%	16	38%	6	14%	5	12%	42	100%	3	2.79	1.28	46%
Staff morale	11	26%	10	24%	7	17%	8	19%	6	14%	42	100%	1	2.71	1.40	52%
Teamwork & cohesion	7	17%	15	36%	8	19%	8	19%	4	10%	42	100%	2	2.69	1.22	46%
Average workload per staff	9	21%	8	19%	13	31%	9	21%	3	7%	42	100%	3	2.74	1.22	44%

The morale of staff was rated by 26% of the respondents as being absolutely necessary in influencing the level of innovativeness within a firm. However this is contrary to the mean of 2.71 which indicated that this attribute was neutral in determining the innovation by an organization's employees while the coefficient of variation of 52% pointed that there was reasonable disparity between the respondents.

Employees' level of training and proficiency together with their teamwork and cohesiveness was rated as being necessary by a majority of the respondents in determining the innovative capacity of an organization. These two elements had mean ratings of 2.69 each indicating that in aggregate terms the responses were neutral about their ability to impact innovativeness. The majority of the respondents reported as being neutral towards resources allocation to research and development activities as well as the average workload per employee as factors that determine the innovation capabilities of organizations.

4.8.8 Drivers to knowledge transfer

Table 4.28 below shows the relation between the knowledge transfer and the various attributes that influence it consequent to staff layoffs.

Table 4.28: Drivers to knowledge transfer

	Absolutely Necessary		Necessary		Neutral		Unnecessary		Absolutely Unnecessary		TOTAL		Mode	Mean	Stdev	c.v.
Employees' skills levels	9	21%	15	36%	4	10%	7	17%	7	17%	42	100%	2	2.71	1.40	52%
External opportunities	10	24%	7	17%	14	33%	9	21%	2	5%	42	100%	3	2.67	1.19	45%
Management of the process	12	29%	12	29%	5	12%	6	14%	7	17%	42	100%	1	2.62	1.45	55%
Future expectations	9	21%	10	24%	7	17%	10	24%	6	14%	42	100%	2	2.86	1.37	48%
Staff morale	12	29%	8	19%	6	14%	10	24%	6	14%	42	100%	1	2.76	1.44	52%

The management of the retrenchment exercise as well as the level of staff morale at the time of downsizing were rated by the highest percentage of respondents as being absolutely necessary in influencing the employees' movement to other organizations. However these two attributes attained means of 2.62 and 2.76 respectively placing them as neutral while the coefficient of variation greater than 50% for both underscores higher levels of divergence between the respondents.

The skills and proficiency levels that the employees possess; the availability of suitable opportunities outside the organization; and employees perceptions about the future of the downsizing firms attained aggregate means of between 2.6 and 2.9 thus placing these attributes as being neutral in influencing the level of knowledge transfer to other employers. The respective coefficients of variation at 52%, 45% and 48% show that there were some disparities between the respondents.

4.9 ENHANCING THE SUCCESS OF DOWNSIZING

Respondents were asked to give opinions on how downsizing could result in better organizations. Table 4.29 below gives an analysis of the responses.

Table 4.29 Success factors of downsizing

	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Financial Incentives	8	20%	8	20%	1	2%	10	24%	14	34%	41	100%	5	3.34	1.57	47%
Pre-retrenchment counseling of the exits	13	32%	2	5%	8	20%	9	22%	9	22%	41	100%	1	2.98	1.55	52%
Availing credible alternatives jobs/training	10	24%	11	27%	6	15%	6	15%	8	20%	41	100%	2	2.78	1.46	52%
Post retrenchment counseling to the survivors	8	20%	10	24%	5	12%	6	15%	12	29%	41	100%	5	3.10	1.53	49%

Thirty four percent of the respondents reported that financial incentives are absolutely necessary in ensuring the success of a downsizing strategy. According to respondent 035B this not only involves the monetary benefits incorporated into the exit package offered to those who are separating with the company; but also an improved pay plan for those who retain their jobs in order to compensate them for increased workload as well as safeguard against staff turnover.

Another essential aspect that was identified by those who responded was post retrenchment counselling to the survivors. 29% of the respondents reported that this element was absolutely necessary in determining the success of downsizing among corporations.

Appendix VI indicates the placement of each of the above variables by department and sector of the Nairobi Stock Exchange including the mode, mean, standard deviation and coefficient of variation for all.

4.10 CONCLUSION

From the foregoing data, it is evident that the benefits of downsizing, namely increased profitability; better strategic positioning; leaner structures; and improved productivity could also be achieved by increasing the sales volumes; betterment of the available technology in order to reduce costs per unit produced; improving the innovative capacity; retaining highly motivated staff, amongst others.

It is also clear that not all the firms achieve the benefits of the downsizing exercise thereby supporting the argument that downsizing may not always be an appropriate approach for companies, even during harsh economic times.

The next chapter discusses this issue further, and relates the research findings of the current study to previous research.

CHAPTER 5: DISCUSSIONS

5.1 INTRODUCTION

The primary purpose of this study was to understand the downsizing strategy as used by companies operating in Kenya by specifically researching on those quoted in the Main Investment Market segment of the Nairobi Stock Exchange. Chapter four of this thesis brings together the various drivers that pushed companies to lay off employees from time to time; the benefits that accrued to companies that downsized; the losses that downsizing organizations suffered; the options that could be available to downsizing firms; and the factors that enhanced the success of the strategy.

This chapter aims at addressing three major areas. The first being providing a summary of the findings presented in chapter four in a form that answers the research questions asked in Section 1.4. Second, make comparisons between the data by analyzing the responses by sector and the departments that the respondents came from. Lastly it will compare these findings with previous studies as presented in chapter two.

5.2 ANSWERING THE RESEARCH QUESTIONS

The answers to the research questions that guided this study were presented in chapter four. Further insights are as provided below.

5.2.1 Question 1: What are the causes of retrenchment for companies operating in the Main Investment Market Segment of the Nairobi Stock Exchange?

This question was addressed by section 4.3 which brought forth three main reasons that companies operating in Kenya cited as drivers that pushed them to downsize. These justifications were mainly categorized as economic, technological or strategic. However, the majority of the respondents reported that economic factors were the major reasons that justified downsizing. Below is a detailed analysis of the various causes in relation to the departments and sectors in the Nairobi Stock Exchange.

5.2.1.1 Economic reasons

Justifications that were pegged to the economy involved both from the revenue base as well as the cost side. While some firms were pushed to lay off staff due to an ever increasing cost structure, others were driven by the desire to boost revenues by employing better technology which would guarantee higher quality products hence sales. Further, a shrinking production capacity or competitor entry into the market which result in low output would necessitate retrenchment because of the ultimate reduction in revenues.

Unsatisfactory rains which result to low yields per acreage hence poor sales were cited by companies quoted in the agricultural sector as a major reason for downsizing. The management teams of these firms are faced with the challenge of retaining all employees during such difficult periods necessitating furloughs where employees were temporarily laid off until commencement of the next planting season. These findings corroborate Cascio (2005) who pointed out that with a leaner staff complement, companies are able to produce output levels that are commensurate with the existing demand, thus ensuring that the idle staff capacity does not form part of the organization's cost structure.

In the finance and investment sector economic justifications that were picked by the majority of the respondents were increased competitive pressures and increasing cost of operations. The combined effect of these two factors is a reduced revenue base on the back of a relatively stagnant cost structure which necessitated financial institutions to innovate cheaper ways of operation including Virtual Satellite (VSat) technology and increased investment in e-banking opportunities. Respondent 017B indicated that increased competitive pressures within the banking sector dictated that operators slash their overhead costs. This has been achieved through introduction of computer systems that are more resource efficient, either through outright purchase of an existing bank or by partnering with another bank, which have less manpower requirements resulting in a reduced headcount. This practice aligns well with Gibson et al (2004) contention that the proponents of downsizing state that in order to stay competitive in today's global marketplace, there remains an increasing 'need' for implementation of 'flexible' workplace practices and flexible cost structures.

Economic connotations were also cited by players in the industrial & allied sector albeit at a lower scale with technological reasons taking a greater influence. When respondent 035B was probed further about why economic reasons were less prominent in this sector compared to the others, he pointed out that fixed costs push industrial firms to continuously improve their technological platforms in order to benefit from increased efficiencies as well as returns on investment. This increases the credence of Worrall, Campbell, and Cooper (2000) that the gaining popularity of global benchmarking has driven businesses to perennially compare their cost structures with those of the competition.

Competitive pressures were the most common driver for downsizing in the Commercial & Services sector. In company 007, where all the three questionnaires were returned, it was found that when formidable competition emerged into one of its markets, the company would do a cost benefit analysis of whether to continue fighting the competitor or scale down its operation by closing of the branch and operate the station using agencies. This inevitably meant that the lower cadre staff members would be laid off while still retaining reasonable levels of revenues without incurring such fixed administrative and establishment costs as salaries, rents and retainer fees for professional services such as lawyers and auditors. It is stated in its Chief Executive Officer's statement in the 2004 annual accounts that "this was a challenging year, as we had to restructure the business and the organization in order to strengthen and our focus on business growth and development. The restructuring process gave rise to the realignment of core business activities, which resulted in the regrouping of functions, amalgamation of some and obsolescence of others. This restructuring will be a continuous process dictated by the business environment at any given time".

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

Outsourcing is most prevalent in the operations departments given the myriad of functions that are involved in making the whole business run optimally. Respondent 040B indicated that by outsourcing the logistics function to a contracted outsider, which unavoidably necessitated retrenchment of most of the employees in this division, the company had achieved savings of over 40% on the original total cost in the first year of the arrangement. This is because the company no longer incurs any fixed employee costs but also such latent expenses as communication, idle time and medical charges.

A human resource practitioner (respondent 046A) indicated that there were voluntary exits at some senior positions in their organization after the company acquired a smaller competitor. These were driven by some managers' refusal to work under others whom were considered new comers. This finding aligns well with Lurie's (1998) contention that merging may result in downsizing within the company as some positions inevitably fall away.

In the finance department, new computerized accounting systems including enterprise resource planning (ERP) tools that cut across the whole organization's operations within an integrated platform necessitate automation of previously manual functions. Such integration results in reduced interfaces between various feeder systems hence not only increasing the reliability of the data but also reducing the requirement for a number of staff.

5.2.1.2 Technological reasons

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

The introduction of enterprise resource planning tools integrating the accounting, human resources, customer relationship management and logistics functions means that single solutions could be used to reduce duplication of duties. Numerous data entry functions for the same set of information can be cut down as was seen in company 007 where once an invoice was captured at the goods inwards stores, the same invoice number would be reflect at the payment cashier, the manager approving the invoice as well as the tax accountant. Previously, all these roles would have to either keep copies of the actual invoice or spreadsheets of invoice numbers. This technological upgrade has not only increased the accuracy of data within company 007 but also inescapably resulted in a reduced manpower levels.

In the agriculturally dependent concerns, prolonged durations of drought have in some instances resulted in technological improvements by market players who seek to increase their output levels within similar acreage space. This has been made possible by introducing more efficient mechanisms that guarantee increased output through better ploughing or harvesting. This therefore means that firms struggling to retain their sustainability in the market are forced to acquire such machinery which results in staff retrenchment as some employees are rendered jobless. However, in some instances the affected employees have ganged up with their trade unions in bid to retain their jobs claiming that such technologies may result in their ill health as was seen in the Kenyan context when one tea producer proposed to introduce mechanized tea picking.

Research and development within the various manufacturing environments improved production efficiencies hence increasing output per unit of input. This therefore means that the industry players are continuously pushed by market forces to adapt to more advanced ways of operations in order to cling on to their market positions. An organization that is able to produce cheaper commodities without compromising on quality can easily drive its competitors out of the market by lowering its prices below that offered by the other players. This was evidenced in company 035B which faced with increased operational costs had to relook at its production line resulting in acquisition of a multi functional plant thus necessitating downsizing. According to the chairman's statement of 2006 annual accounts, the firm acquired state of the art equipment which not only increased the production while reducing the overall cost but it also resulted to reduced staff numbers. Arising from the popularity of benchmarking within companies in the same industry and size, business leaders tend to match their efficiencies with peers. Hence players within a particular industry are motivated to operate within a uniform technological platform in order to adequately compete, thus giving credence to Worrall et al (2000) contention that benchmarking has permeated in both the domestic and international spheres.

Financial institutions have continuously employed new banking tools that are not only more customer friendly but also cheaper to operate. The introduction of VSat technologies within the banking fraternity have enabled them to increase speed of access to remote sites hence better customer service while keeping costs under a firm grip. Companies 017 and 020 which embraced VSat technologies within their operations in the early 2000s aimed at reducing their operation costs while increasing speed of transactions. Previously both institutions relied on overnight batch processing procedures which only permitted client accounts' updates after normal banking hours, but with the technological advancement transactions are reflected on a real time basis. Respondent 020B further indicated that the data entry clerks who worked overnight have either been redeployed into other functions or laid off altogether.

In the Commercial & Services sector, the introduction of interfaces between the various functions of the business has resulted to the reduction of employee numbers resulting in financial savings. For example, the entry of e-ticketing in the aviation industry not only reduced the time taken at check-in but also lowered the number of revenue evaluation accountants required to professionally prorate the fares amongst airline partners. As authenticated by respondent 012B, this is also true for printing businesses where the editors electronically review the manuscripts, rather than manually make amendments on hard copies thus saving on time as well as the number of sub-editors required before the final product is released to press hence reduced overall costs.

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

The finance functions also benefit from improved systems that are capable of generating numerous reports with unprecedented speeds and precision. A finance director is able, at the click of a button, to download various financial and operational reports and with the help of drill down functions establish problem causing areas after doing comparisons with the approved budget, running forecasts, prior year actual and prior months' results. This is instrumental in suggesting any corrective or enhancement measures.

Operational inefficiencies push business leadership teams to seek ways of improving units of output on the back of a stagnating raw materials base. One avenue of attaining this goal is by investing in tools and systems that reduce wastage levels while increasing the output produced by new machines. As a result a number of firms have ended up introducing new technologies that render some previously menial roles redundant as was experienced in company 035 upon the introduction of a multi-functional machine line.

5.2.1.3 Strategic reasons

New business realities force businesses to re-look at their operations in order to enhance sustainability. As was propounded by Mirabal and Young (2005), the desire to continue operating may necessitate convenience partnerships between two organizations that were previously competitors. In so doing these firms benefit from each other's experiences and markets thus resulting in a more synergistic bloc that can effectively take on the other competitors.

Other forms of business cooperation involve areas where a big operator acquires a smaller one operating in a complementary business. An example cited in the Nairobi Stock Exchange by respondent 035B was the merger of two companies quoted in the Industrial & Allied sector in order to increase their mutual competitiveness. However, this information could not be verified since the respondents from both companies did not return the research tool. Such synergies are not only beneficial because of shared resources but also result in reduced costs emanating from cutting down the manpower numbers.

Respondents 017B, 020B and 022B agreed that regulatory requirements may push operators into mergers and acquisitions. In the Kenyan banking sector, periodic increases to the capital reserve requirements by the Central Bank has necessitated the smaller banks (none of which was part of the research population) to consolidate their operations in order to form bigger entities with stronger financial muscle. This move not only serves the regulatory framework but also results in the reduction of manpower numbers hence retrenchment. The Chairman of company 020 noted that by increasing the capital reserve for commercial banks, the Central Bank of Kenya had effectively pushed out the smaller banks. He continued to note that the reduction in banks would inevitably result to job losses.

Competitive pressures may also drive players in a particular industry to join hands in order to increase their market share and hence ensure continuity. Once companies have come together, there emerge synergies that accrue to the whole rather than when operated as individual entities. Logistical support may be realized by operators who choose to cooperate rather than compete. Respondent 035B demonstrated how companies operating within the same industry opt to use the same distribution channel in order to reduce the overall cost to the group because such transportation expenses are shared. Company 035 had partnered with a large private group of companies in distribution of their products.

5.2.2 Question 2: What are the outcomes that accrue to firms that lay staff off?

The justifications already shown in Section 5.2.1 above were as earlier indicated in Section 4.4 expected to bring forth some advantages to downsizing firms. The envisaged gains from staff layoffs ranged from increased revenues, reduced costs, strategic repositioning, leaner structures and improved productivity. However, the most prominent benefit that emerged from the responses was that by lowering the staff numbers it was eminent that the attendant costs would also be reduced.

Further, as was earlier presented in Section 4.5, downsizing results in a number of adverse consequences which firms would anticipate as they pursue this strategy. The main areas of concern raised by the respondents included increased staff turnover; reduced motivation; higher absenteeism; lowered motivation; and weaker reputation. A detailed discussion of each one of them follows below.

5.2.2.1 Lowering Costs

From the introduction above reducing headcount numbers has the effect of lowering company controllable costs. Respondents 003C and 042A indicated that challenged by the escalating cost of production driven by high energy costs in 2007, their companies chose to reduce the overall staff complement. This move was not only aimed at reducing their total costs but also sending strong messages to the entire working fraternity that times were hard and that there was need for all to tighten their belts. These acts are in line with the 1997 research conducted by Vahtera et al who contended that since the employee overheads are the largest controllable organizational cost, when implementing a strategy to minimize costs, it would seem logical to reduce labour expenses because they would result in higher levels of financial performance and efficiency. By trimming the number of people held in an organization's payroll, not only do the salaries and allowances overheads reduce, but also other attendant expenses that are incurred as a result of keeping the individuals in the company such as communication (telephones, fax, and internet), medical or transport costs.

Faced with a more knowledgeable clientele base management teams are challenged to better the quality of products while maintaining their prices if not reducing them altogether. Further, newer players may join the industry with fresh technologies thus forcing incumbents out of business unless adequate fall back measures are taken. Increased competitive pressures inevitably results in reduced yields per unit of output for a stagnant market segment because operators jostle for the same customers. This trend invariably tends to reduce return to the shareholders' of such entities forcing the business leaders to innovate means of reducing their cost components in order to retain profitability levels. Company 006, drawn from the commercial & service sector, faced pressure from an influx of cheap imports into the country rendering their products very unpopular to the ordinary Kenyan necessitating major changes in their cost structures which included a reduction in manpower numbers. The move to reduce the overall cost of production was made possible by investing in newer machinery and which necessitated offering some employees retrenchment packages hence lower staff numbers.

Financial institutions have from time to time been forced to invest in newer systems that can accommodate additional customers without the need for more human capital. This has led to increased layoffs in the finance & investment sector as more institutions increased automation of their processes. In the process of turning around company 022 the management team deemed it fit to modernize its practices by investing in more user-friendly procedures and operating systems. The move not only benefited the shareholders who were assured of higher returns but also the customers who got more efficient services from the bank. Respondent 020C informed this researcher that banking institutions benefit from increased return on investments and economies of scale since the same tools are used to serve a bigger customer pool without compromising on the quality of service. Again, newer systems that necessitated downsizing are more user friendly to the customers thus acting as a marketing tool since clients can access a number of functionalities that were previously non-bank, say easy payment for utilities such as electricity, water and cell phone airtime.

Technological advancements have been pushed by the desire to continuously automate various processes within the organizations. As was stated by respondent 039B drawn from the Industrial & Allied sector, newer production methods within their industry were churned out after between four to six years, at times before the projects had fully paid off. This renders a number of workers jobless from time to time because firms have to constantly look out for how these advancements affect them and where possible make appropriate adjustments. Such improvements may come with additional features that increase the production efficiency either by reduced wastage levels or increased production speed. Companies therefore benefit from increased profitability both by increasing the revenue streams as well as reduced costs.

In order to improve on the management systems of various firms, benchmarking has gained popularity amongst business leaders who need to see how their organization's operations compare with those in either same industries or of the similar size. Thus financial ratios such as cost of goods sold as a percentage of turnover or overheads as a percentage of cost of goods sold; and statistical ratios for example number of finished goods produced compared to units of raw materials or numbers of units produced per employee are shared amongst peer CEOs. An organization that finds out that its ratios are materially adverse compared to others within the industry or size may strive to achieve these standards either by investing in new technology or reducing its cost structure by downsizing. Company 035 still purchased the multi-functional production line upon realizing that its production efficiency lagged behind similar companies in the Middle East even though it was amongst the top 10 in Sub-Saharan Africa.

5.2.2.2 Leaner Structures

Downsizing inevitably results in a lower headcount level which may translate into a flatter structure. Organizations that are faced with a many layers of authority tend to have bureaucratic procedures that translate into long periods in decision making thus hindering their overall performance. Faced with this situation, change managers tackle the challenge by reducing the number of management structures thus resulting in a downsizing. Muirhead (2004) contention that implementation of 'flat' structures and 'flexible' working practices improves performance is consistent with this research as it was found out that when company 012 changed the reporting structure for the sales team from several regional managers to one head office manager there was a significant growth in the market share. This is because of the reduced lead time in making decisions which was made possible by retrenching all the five regional managers.

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

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

There have also been reductions in personnel numbers within the finance roles in companies where integration within the various functions has occurred. For example, in company 007 which has 33 locations outside Kenya, the introduction of an ERP system in the organization reduced the number of finance department's staff in these branches by half since most of the day to day operations could easily be transacted from the shared service centre at the head office without additional headcount requirements. This has not only increased the integrity and efficiency in production of monthly results but has also reduced the overall salaries payable to the finance team.

In the manufacturing sector the introduction of machines that have the capability to carry out multiple functions has also resulted to downsizing. For example when company 035 acquired a machine that could process the raw materials, add all the necessary chemicals, brand the commodities and package the final product, a number of engineers were forced to take early retirement options since their services were no longer required. This is consistent with the other findings above from the respondents in the finance and human resources departments.

5.2.2.3 Increased productivity

Heavy investment in new technologies, research and development initiatives and training programmes within organizations results in improved ways of running business operations. Respondents 004C, 007B, 007C, 012B, 020A, 020C, 022B, 035B, 036C and 046A seemed to agree that over time, management teams expect to better the output levels generated per employee and thus an increased necessity for companies to only hold staff complements that are commensurate with the anticipated output. This move is aimed at guarding against holding under-utilized employees in the payroll and also results in involuntary staff headcount losses during periods of low output.

As already shown earlier in this thesis, benchmarking has been allude to as possible justification of downsizing given the rising practice by operators within similar industries to compare amongst peers their various ratios, say units of output per employee. Likewise businesses with comparable level of investments should have similar productivity statistics. Management teams are at times dictated to by industry realities to reduce staff numbers in order to remain comparable with other same sized operators as was seem in company 035 before the multi-functional line. Respondent 020A informed the researcher that by comparing the ratio between the numbers of its automated teller machines with the headcount of bank clerks, it was found out that these employees were underutilized and had to be reduced in number. This involved both redeployment e.g. into the sales department or separation with the company. He further reported that the transfer of some staff to the sales function was very instrumental in growing the bank's retail business. This is consistent with Worrall et al (2000) who stated the increasing popularity of global benchmarking, businesses is increasingly comparing their overhead and cost structures not only with the domestic competition but also with the international competitors.

Staff headcount reductions are also imminent in manufacturing concerns once new technologies are employed within these organizations. As was reported by respondent 035B, the purchase of a high speed multi-purpose plant resulted in staff layoffs in the company since at the point of sourcing for this machine, the vendors were guaranteeing 20-25% increase in average productivity per employee. This factor was very instrumental in the cost benefit analysis justification presented to the company's board of directors prior to the commencement of the modernization phase and hence once in place, retrenchment was imminent.

Increased productivity is widely noticeable where downsizing is motivated by improvements in technological advancements. The introduction of an ERP system within a company results in increased output by the remaining employees within the various departments in a company. This researcher was informed by all the respondents in company 007 that the enterprise resource planning tool had shown improved productivity in all the sections where it was rolled out once the teething problems had been overcome. In the finance department, reports that would normally take many days to generate could be produced within minutes allowing more time for analysis and investigations hence faster responses to market situations. This saw a reduction in the average debtors' payment period because the credit control section was able to easily identify problematic debtors and act accordingly. In the HR department, although there were increased applications for any available openings, it took much less time to sift through thousands of applications in order to identify the potential candidates who would make the shortlist. As regards the logistics section, there was reduced stock out incidents because the tool could trigger email reminders to the buyers and stock controllers once the preset re-order levels were reached. Finally, the thousands of contracts entered between the company and suppliers were now online thus leaving the company lawyers to deal with more complex legal transactions.

5.2.2.4 Better strategic positioning

Business entities may engage in acquisitions that are aimed at reducing the increasing their market presence whilst reducing the overall expenses. For example, as was seen in company 035, the manufacturing business acquired the controlling stake in a producer of raw materials in order to lock out a potential entrant into the market and also reduce its operating costs because of cheaper raw materials made possible by a lower transfer price. This observable fact is not unique to the manufacturing sector as was seen in company 007, in the service industry, which acquired a smaller regional company in order to expand its market presence within the region while consolidating some unique synergies. A further benefit that was realized by both companies came from savings in employee costs following the retrenchment of some of the staff employed by the either companies.

A group that seeks to diversify its business interests may acquire a company operating in a different industry. Respondent 017B informed the researcher that diversification has the advantage of hedging against adverse business challenges that may impact on one industry but totally insulated from another. For example a conglomerate owning an insurance company may seek to enter the banking sector by acquiring an existing bank. Such business transactions will not only necessitate reduction in head count but result to increased productivity in the combined whole as the group benefits from shared experiences resulting in better operations. The same applies to companies that wish to join the international market, as they may acquire existing corporations in the international market as was seen in company 007 in its acquisition of the small entity.

Dynamism within the business environment may necessitate that companies join forces in order to increase their combined economic presence. Such business dynamics may emanate from the regulatory framework as increased statutory capitalization levels for financial institutions; synergistic benefits that may accrue for a combined whole rather than to individual units; or hostile takeover bids motivated by cash rich investors who wish to increase their aggressiveness in a particular market segment.

5.2.2.5 Increased revenues

The main objective of business is to maximize shareholders wealth mainly through increased profitability which may be done through higher revenues or lower costs. Downsizing though conventionally a cost cutting measure may be used to increase revenues to an organization. Retrenchment that normally instils fear in the employees may be used as a punitive measure to motivate underperforming salespeople. Further, a complete overhaul of the sales team and then replacing it with others who are more aggressive may result in an increase in the total revenue of the firm. As was cited in company 020, the growth of its retail business is largely attributable to increased sales force made possible by the transferred bank clerks. This represents an aspect of rightsizing rather than downsizing as was propounded by Lurie (1998).

The introduction of new technologies allows firms to use non-traditional channels of marketing its products. A firm that previously sold its products using sales people may choose to use e-marketing methods that may be more penetrative than the former thus resulting in headcount losses. Company 012 witnessed a 22% growth in its turnover despite a 10% reduction in its sales force, driven by internet sales done through the website. For this reason, downsizing organizations benefited from both the reduction in overhead costs but also achieved higher revenues hence increased profitability and consequently the shareholder value.

5.2.2.6 Reduced morale

Downsizing inevitably results in uncertainty within the existing workforce of an organization bringing forth job insecurity. Therefore as a direct consequence, employees tend to deviate their attention to other unproductive areas resulting to demotivation. Thirty six out of the total 42 respondents (85.7%) replied that the most common cost envisaged when downsizing was a reduction in motivation. When the researcher probed the respondents further on how this feature was manifested, different sectors of the NSE had divergent experiences. Reduced morale may also result in increased absenteeism, higher staff turnover, increased incidents of theft & fraud and reduced innovative capabilities.

In the agricultural sector, the HR respondent from company 004 indicated that the lowered morale was seen in reduced output. This was attributed to the fact that most individuals tended to spend many hours chatting amongst themselves rather than engage in productive activities. This attribute aligns well with Cameron et al (1991) who reported that downsizing can result to decreased staff morale and higher conflict levels. The same is true for companies operating the other sectors as they tend to withdraw goodwill and faith to their employer resulting in lower production. In some instances employees may stage sit-ins or deliberately increase wastage levels resulting in further losses to the organization.

The announcement to downsize sends mixed signals amongst staff as those who separate with the company may feel unjustly treated while the 'survivors' have a reliable doubt on whether their contribution in the business will be rewarded in future. This explains why firms that have downsized tend to have a higher level of staff turnover than those that have not. Respondent 020B informed the researcher that in 2004 a number of the sales people, who had survived retrenchment after the 2003 round of layoffs, moved to the competition for similar jobs after they were offered same pay package. They justified this action saying that the growth prospects in the new entrant were higher than in company 020.

Staff layoffs in organizations adversely impact the individual performances of employees arising from the mixed thoughts they hold about their jobs. This unfavourable mood within employees in the organization results in lowered outputs for the overall entity, as was witnessed in company 036 in the industrial & allied sector where the aggregate production reduced by 21% upon formal communication from management that staff numbers were to be reduced. The reduction in company output was not only attributable to the increased wastage levels but also to slower processing of the raw materials.

Reduced morale may also be manifest by the increased level of inaccurate postings by the data entry clerks. As alluded to by respondents 004C, 007C, 020C and 036C, the finance teams are normally faced with the challenge of a higher level of incorrect posting/coding once the plans to downsize are announced in the company. This not only emanates from the increased stress levels hence reduced concentration by the employees but also due to their deliberate attempts to show the need to retain all of them in order to increase checks and balances within the workflow. Further, new technologies may also be resisted by employees who wish to 'prove' the systems' inadequacy hence justifying the old tools that have been earmarked for replacement.

5.2.2.7 Increased staff turnover

The Commercial & Services Sector saw the highest proportion of respondents alluding to this danger at 83.3%. This underscores the fact that companies in this sector are not very specialized thus opportunities can be sought across the firms. Respondent 007A highlighted that during their 2004 retrenchment exercise there was a marked movement of accountants from their company to the competition. As a result although the company succeeded in reducing its workforce to the desired levels, 26% of the exits came from voluntary resignations that occurred prior to the actual retrenchment. She further pointed out that immediately after the downsizing exercise was completed, many more employees from the finance department resigned from the company in order to take up other opportunities elsewhere leaving the remaining team members extremely overworked.

Existing employees tend to seek alternative opportunities that they regard as 'safe' arising from the uncertainty evident in downsizing companies. Once plans to retrench are announced, those who fear for their future positions look for existing openings in the external job market while others leave the organization upon the completion of the downsizing exercise after being dissatisfied with how the whole process was carried out. For these reasons, downsizing increases the levels of staff turnover within organizations as was seen in the finance department of company 007 during the 2004 round of retrenchment when a division lost more staff from resignations rather than from layoffs. However, by letting the more knowledgeable staff leave the organization, the entity exposes itself to a situation where most of the remaining players are on the learning curve since only those with limited expertise are left to run the business processes. This is consistent with Clarke (2005) who stated that the uncertainty that grips employees who are being threatened with retrenchment, resulting in most of them seeking external opportunities available in the market place.

The Finance & Investment Sector was also affected by increased staff turnover arising from the decision to downsize. It was noted by respondent 020B that the influx of financial institutions (including savings and credit cooperative organizations, (SACCOs)), in particular the introduction of Front Office Service Activities (FOSA) within the cooperative movement, has accelerated the exodus of operations supervisors to head these business units. This, coupled with the growth of foreign banks seeking to operate in Kenya has increased the opportunities available in the sector and thus staff turnover. This has been corroborated by the responses in the finance department who at 57.1% was the highest value for this attribute. Given that the accountancy profession is largely universal, those trained in this field tend to have a higher rate of job changes than others such as engineers and teachers.

The respondents from the Industrial & Allied Sector only returned 38.5% agreement, underscoring the higher level of specialization amongst companies in this sector. Highly specialized professions have lower flexibility in terms of the number of opportunities that may arise at any given time. The respondent from company 035 pointed out that there was only one credible competitor in Kenya hence limited opportunities in to those who may wish to change jobs within the same industry.

Downsizing also results in increases in staff turnover as many of those employees in the 'vulnerable professions' seek to upgrade their skills in order to match the market demands or commence studies in other proficiencies that they perceive as safe. According to respondent 020B, when their organization identified that the number of bank clerks was the most likely to be reduced, a number of them went back to college so as to pursue their first degrees in fields other than banking, with Bachelor of Commerce – Finance option being the most favourite.

5.2.2.8 Weakened reputation

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

According to respondent 003C downsizing resulted in reduced sales because major customers shunned their products and opted for competitors. This was driven by the perception that most of the retrenched staff were experienced and that the customers were not confident about the standards availed by the new team which aligns well with the findings of Zyglidopoulos (2004) that layoffs have adverse effects on the firm's reputation for social performance.

A similar trend was found in the Industrial & Allied Sector where three respondents felt that the downsizing would be injurious to the firm's reputation. Company 035 experienced a marked delay in the supply of raw materials as suppliers held back in fulfilling their orders citing potential lateness in payment. This was justified by the belief that companies that were pursuing the downsizing strategy were facing some financial difficultly and thus the suppliers are more wary when dealing with them. As Fombrun (1996) demonstrated, besides the investors who downgrade their perceptions of downsizing firms, the other constituents of the firm – the suppliers, customers and employees, all view the organization cautiously once plans to downsize are made public.

Representing the respondents drawn from the finance department, respondent 036C indicated that upon downsizing a number of suppliers instituted measures aimed at reducing the overall risk for their companies. Such actions included decreased credit limits; requirement to increase the level of bank guarantees; and reduced credit periods.

For this reason, the average credit payment period declined from 35 days to 25 days between 2005 and 2007. This was a deliberate move by the management of company 036 to maintain a good rapport with its suppliers who had started expressing their fears about future payments.

Further reduction in reputation resulted from the reduced level of workmanship due to lower skills levels within downsizing firms. Arising from the learning curve effect, the inexperienced employees left to manage processes in downsizing firms took longer periods of time to carry out tasks compared to the proficient leavers. Company 007 experienced a 6% reduction in its direct sales after the 2004 round of retrenchment attributable to a shift of customer preferences to procure its services from agencies rather than from the firm's own sales points due to the numerous errors committed by the inexperienced employees. The learning curve effect also resulted in reduced quality of products and increased wastage levels as customers increase their returned orders. Upon having knowledge of this fact, customers tended to move to competition which offers more reliable services thus not only increasing costs but also reducing revenues.

The uncertainty underlying downsizing instils fear in potential employees who may want to take up roles left vacant by those voluntarily resigning from the organization to take up external offers. Respondent 007A gave an account of how they had a challenging task to find a suitable replacement to one of the finance heads upon retrenchment. The most qualified candidates were asking for salaries almost twice as much as the previous holder. However, this cost is not as material compared to that incurred as a result of reduced morale and increased staff turnover.

5.2.2.9 Decreased innovative capacity

Given that most of the innovations are done in groups, delays occur in a number of incidents where key members of the development teams leave a downsizing company. Respondent 036C indicated that upon downsizing there was a reduction in the number of new products that were churned into the market. He further pointed out that while it would previously take the production engineers a maximum of six months to finalize the development of a new product that has been approved for roll out, upon downsizing it now would take more than one year to do the same. This has been attributable to increased staff turnover in the company as those who were previously skilled in production development were retrenched or chose to seek alternative employment.

However upon downsizing, innovativeness suffers to a very limited extent in the Kenyan context unlike in the study by Vahtera, Kivimaki and Pentti in 1997. According to their research, the psychological work environment for innovation, reported a negative impact of downsizing on commitment and motivation of remaining employees, and a reduction in risk taking after layoffs thus concluding that downsizing has a deleterious impact on the organization's ability to innovate.

5.2.2.10 Increased absenteeism

The number of absentees is higher in companies that are downsizing compared to those who do not have intentions of laying off staff. However, given the relatively higher levels of unemployment in Kenya, this problem is not as conspicuous since only three out of the forty two respondents thought that downsizing could lead to absenteeism.

Respondent 004C mentioned that increased absenteeism was caused by the desire by the employees to seek alternative employment opportunities. He further noted that employees attend interviews in other prospective employers' premises either with or without seeking express permission from their superiors. The other cause for absenteeism seen was the decision by some employees to concentrate their energies to other income generating activities besides their formal employment.

Absenteeism could also be temporary where staffs often take time off or report late for work. The example given in company 004 was an engineer who would begin his day by fulfilling orders for various horticultural supplies to a number of hotels and restaurants before reporting for work. Given that company 004 is quoted in the agricultural sector, this employee was not only using company time for his private business, he was also competing directly with the employer. Further, there were instances where there could be some pilferage of company assets such as tools and other farm inputs including fertilizers and insecticides.

5.2.3 Question 3: What are the options to downsizing?

The outcomes of downsizing (both advantages and disadvantages) may be attributable to other factors besides the decision by companies to reduce their headcount levels. For example firms that strive to increase their profitability levels may opt to increase revenue rather than reduce its labour cost. This may be achieved by increasing its sales efforts hence volumes or improving on product quality thus capturing a new market segment. On the flip side the costs associated with downsizing may still be seen even if the company did not retrench. For example, there could be increased staff turnover because of poor working conditions rather than through downsizing.

From the discussions provided in section 5.2.2 above, it is evident that there are a number of adversities which are associated with downsizing. It was also presented that not all companies achieved the expected results that accrue from retrenching staff as shown thus: Industrial & Allied sector 78.6%; Agricultural sector 75%; Finance & Investment sector 57.1%; and only 40% for the companies quoted in the Commercial & Services sector. It is thus necessary to investigate why some companies reported a lower level of success compared to others within the bourse. A quick hypothesis is fronted that companies that are more machine intensive organizations report a higher level of success than those that heavily rely on human capital.

The justifications that have been fronted for downsizing include increased profitability, improved productivity, leaner structures and better strategic positioning. However, as was highlighted in Section 4.8 of this thesis, all these benefits are functions of a number of other factors that may not necessarily be headcount driven. For example the productivity of employees is determined by amongst other factors the level of automation employed; their skill levels; teamwork & cohesion; as well as staff morale. Thus cutting down on employee numbers alone and replacing them with machines may not guarantee increased productivity. This section brings forth the apparent conflicts that arise between the various drivers that are used to justify retrenchment and downplay the perceived adverse effects experienced by downsizing companies.

5.2.3.1 Challenging the profitability motive

From section 4.5 above, 87.1% of all respondents reported that their companies were pushed to downsize by the desire to reduce costs hence increase profitability. However section 4.8.1 indicates that profitability is not only a function of the cost components but is also driven by the revenue side of the equation. The other determinants may include the price at which an entity's commodities are sold for; the volumes that the organization is able to sell; and the overall market perception of the firm by its customers. Further, the overall cost incurred is determined by both the cost structure and the level of efficiency employed within the firm.

Firms may increase their profitability by improving the revenue streams either by increasing the volumes sold or the prices charged per unit. However, sales volumes are determined by both internal and external factors. Internal factors include the motivation levels amongst the staff, both sales and production; or the quantities produced driven by the efficiency levels. External factors include the firm's competitive edge which makes its products more desirable amongst customers or the market share held by the firm. Quoting Fombrun (1996), a strong reputation helps firms charge premium prices for their products which may not be available to downsizing firms.

As was presented in Section 5.2.2.6 above, downsizing results in the reduction of the staff morale within a company. Six sevenths of all respondents (85.7%) replied that they expected motivation levels to decrease upon downsizing which is consistent with Little and Inns (2003) who established that higher levels of employee satisfaction results in increased productivity. By downsizing therefore, a firm that seeks to increase its profit level is counteracting its own initiatives because those who are supposed to drive its profitability are discouraged. A demotivated workforce may result in poor results either through reduced sales volumes or production levels due to increased wastage or fraudulent activities.

Production efficiency is determined by the firm's technological structure, the employees training as well as their morale. Respondents 035B and 036C drawn from the industrial & allied sector agreed with the research done by Cameron et al in 1991 that disgruntled employees tend to be more wasteful compared to motivated ones. Thus downsizing increases the unit cost structure of the firm hence shrinking the margins even further. Again, retrenchment results in a reduction in output as was demonstrated by 45.2% of the responding companies. Reduced outputs may result in stock-outs in the market place which not only result in an immediate loss in revenue but also in future streams as customers migrate to competitor products. Further, given that an organization that downsizes does not utilize its full production capacity, benefits that accrue from economies of scale are not always achieved. From Section 5.2.2.7, downsizing results to increased staff turnover which may adversely impact the production efficiency during periods when new employees are still on the learning curve.

Fombrun (1996) argued that a solid reputation not only acts as assurance in vague situations, but also enables managers to charge premium prices for products and services - a key factor that drives revenues. Although Fombrun indicated that higher prices may be charged by organizations with good standing within the society, Section 5.2.2.8 of this thesis demonstrated that downsizing weakens the firm's reputation thus making it difficult for it to increase its prices. In a bid to remain competitive, firms that downsize may be forced to further reduce their commodities' prices thus rendering the retrenchment exercise unsuccessful. Further, given that disgruntled clients may warm up for competitor products, downsizing firms suffer from reduced market share, arising from a weaker reputation. The shrinking market size reduces the revenue base which translates to lower profitability.

Fombrun (1996) states, "Company survival and profitability depend on the ability to attract support from four holders of resources; employees, customers, investors and communities. People must be persuaded to join and work for the company; customers must be induced to buy; investors must be encouraged to supply credit and equity financing; and communities must welcome the company to the neighbourhood. Having a good reputation among these resource providers is therefore critical if a company is to build and sustain competitive advantage" (cited in Mirabal & Young, 2005 p 43). However downsizing results in direct conflict with all the above resource holders hence weakening a firm's reputation.

Downsizing affects the organization's stock of knowledge which Richtnėr (2006) described as the collective competence among the employees of the organization. Companies that lay off staff are therefore faced with a dwindling revenue base not only because the sales force is unable to achieve targets but also because there is a reduced market share as those with innovative knowledge are separated with the firm (Teece, 1998). Further, arising from the potentially lower knowledge base amongst the survivors, the production team ends up being more wasteful thus increasing the very costs that downsizing is supposed to be addressing.

As was presented in Section 4.9 above financial incentives are necessary in enhancing the chances of success upon downsizing. Given that most companies are driven to reduce headcount because of economic factors (Section 4.3), the downsizing exercise may be financially draining to a struggling enterprise. Thus it may seem more logical to concentrate on increasing the revenue channels either by investing in new technologies or in research & development, which will result in better quality products that may fetch premium prices or higher volumes rather than engage in downsizing.

5.2.3.2 Challenging the productivity motive

Firms may downsize in order to increase their productivity per unit of input because of the assumption that production levels will be retained despite the reduced workforce. However, as was demonstrated in Section 4.8.4, the productivity in a firm is not only driven by the amount of resources employed, but is also influenced by the staff motivation levels; skills competencies; teamwork amongst staff; and the chain of command. From Section 4.6, 45.2% of the companies reported that downsizing actually reduced the output levels in their companies while 12.9% responded that there was no change in production. This is hypothesized to be attributable to reduced motivation or skills gaps amongst the survivors.

Downsizing results in reduced motivation levels amongst both the exits as well as the survivors. Therefore management teams who wish to increase productivity within the organizations by reducing headcount may fail to achieve these results as a demotivated staff will be counterproductive. Further, arising from the knowledge gap created by the movement of staff from one employer to another, there may be increased wastage levels or learning curve delays, which cumulatively result in reduced production resulting in lower productivity. Again the decision to downsize may weaken the reputation of the firm thus reducing its market share and hence the amount of products required by the market for production resulting in idle capacity hence lowered productivity.

Downsizing inevitably results in staff loss to competitors who benefit from the skills levels already inculcated amongst the exits. However, from Section 4.8.4 productivity of the firm is highly dependent on the skills levels that the company's employees possess. By letting staff go, companies do not wholly benefit from the training expenses that were invested in the employees leaving the organization. As Mellahi & Wilkinson (2004) noted, training is paramount, for a healthy work environment for innovation to exist. However, when firms undergo downsizing there are chances that whatever little innovation may have been realized, may not be fully achieved since some of the innovators are separated from the company.

Downsizing may result in increased stock outs as suppliers delay delivery of raw materials fearing payment challenges. Increased stock outs from the inward logistics will result in delayed supplies for the firm's produce thus creating anxiety among customers hence reduced confidence and the potential shift to competition. Reduced output from the firm will create idle capacity which hampers the overall productivity of the firm.

Richtnėr (2006) established that downsizing breaks the network of informal relationships which are of crucial importance to innovators, who draw upon experience from various parts of the organization, building commitment among themselves, and securing sponsorship from senior management. Such informal relationships are also important in problem solving amongst staff facing various challenges. Downsizing therefore means that the remaining members of the workforce have fewer avenues to receive such support and resources ultimately affecting the productivity levels in the organization. Further, new organizational structures may create competing informal groupings which are ultimately sub-optimizing and injurious to productivity.

Downsizing may divert resources allocated for investment in newer technologies or research & development in order to pay off staff earmarked for retrenchment. Companies may thus delay such important activities that would improve the production infrastructure resulting in consistently lower quality products or higher wastage levels as compared to the competition. This may hurt the company's productivity even further because aging machinery is less efficient.

5.2.3.3 Challenging the strategic positioning motive

One of the major drivers of downsizing is to improve the strategic position of the firm which happens when the entity emerges in a stronger market position than it previously was. For example, two small entities may liquidate in order to form a bigger organization which can face competition with more resources. However, as was demonstrated in Section 5.2.1.3 above, combining two entities invariably results in downsizing due to possible duplications in roles. Section 5.2.2 of this research highlights the costs associated with downsizing which may impede the realization of the anticipated betterment of an organization's strategic position.

The future strategic position of the firm largely depends on the current placement in the market place. As was previously illustrated, downsizing breaks the informal groupings that had attained equilibrium at the workplace which results in longer problem solving times besides reducing the overall innovativeness of the organization thus compromising on the strategic position of the firm. This situation is compounded further when those who leave the organization find alternative opportunities in the competition as they may work counterproductively in undermining the firm's strategies, which they already are aware about. Furthermore, by creating new organizational structures which may be competing, the firm introduces revised workflows which hinder overall synergy within the company resulting to reduced productivity.

A firm can improve its position by marketing itself as a leader in innovativeness. However, redundancies result in losses of staff who may be the most skilled in some areas. As was presented by Bommer and Jalajas (1999), firms that are downsizing may also withhold resources that were previously earmarked for research and development and thus their abilities to absorb and modify new technologies. The ultimate result that emanates from downsizing therefore is an organization whose innovative capacity is hampered thus resulting in a weaker placement in the market.

The reputation of an organization is a key determinant of its strategic position – both current and future. While investigating the impact of downsizing on reputation, Zyglidopoulos (2004) found out that layoffs have negative impact on the firm's reputation for social performance, and that high firm profitability, prior to layoffs, intensified this impact – in other words, greater responsibilities are attributable to richer brand companies. They further point out that because firms may be considered as bundles of unique and idiosyncratic resources and capabilities, downsizing may be seen as having a negative impact on corporate reputation because it damages these unique capabilities, which is ultimately injurious to its position in the market place.

The strategic position of the firm may also be enhanced by marketing itself as a producer of quality products. This can be made possible either by investing in more sophisticated equipment or employing a manpower complement that is motivated enough to deliver high standards of quality. However, downsizing results in the reduction in staff morale thus compromising on the superiority of the firm's products. Further, the knowledge gaps caused by redundancies make it impossible for downsizing firms to consistently deliver quality products thus compromising the firm's position amongst industry players.

5.2.3.4 Challenging the leaner organization structures motive

The firm's organization structure should be robust enough to adequately deliver seamless communication from the highest executive office to the lowest cadre of employees. Factors to consider when choosing a particular structure include the nature of the industry that the company operates; the level of automation employed by the organization; the level of supervision required; the total staff headcount size; and the organization culture.

One perceived advantage of 'flat' structures and 'flexible' working practices is that they improve performance and are often quoted to be key motivations behind downsizing

(Muirhead, 2004). Section 5.2.2.2 demonstrated how downsizing reduces the unnecessary reporting layers in the organization that often result in long decision making processes which hinder the ability of the firm to take advantages of opportunities that may arise. However, individual performances are dependent on the motivation levels that are held by staff. From Section 5.2.2.6 of this thesis downsizing demotivated the firm's employees resulting in lower performance levels which may necessitate closer monitoring hence increased reporting layers. Further, given that layoffs result in increased staff turnover (Section 5.2.2.7), the overall performance of the firm may be hurt by the skills gaps that arise following the departure of knowledgeable staff by requiring closer monitoring in the firm hence structures.

A shorter reporting structure results in fewer levels of supervision which may compromise the ultimate product delivered by the firm if effective control mechanisms are not instituted. A firm with poor quality products in the market place not only compromises the current profitability but also its own future sustainability. Driven by the emanating skills gaps necessitated by increased staff turnover (Section 5.2.2.7), downsizing firms may start to recruit fresh talent immediately after retrenchment in a bid to remain competitive at a point which some individuals may start 'building empires' resulting in reduced controllership.

Leaner structures improve communication channels between management and the subordinates where there exists an environment of trust and friendship. However downsizing creates fear amongst the junior employees resulting in increased rumours and murmurs which locks out top level management from the realities at the shop floor. Further new employees may take longer periods of time before they open up to the rest of the working fraternity. Therefore retrenchment may result in more bottlenecks in the communication channels rather than improving it as planned.

5.2.3.5 Challenging the reduced morale outcome

As was demonstrated by 85.7% of the respondents, downsizing is widely viewed as a cause for reduced staff morale. However, staff layoffs in themselves do not cause low motivation levels. Section 4.8.6 shows that internal communication networks; timeliness of communication; employee perception of the downsizing process; management of the whole exercise and anticipated future rewards for the survivors all play a key role in impacting the motivation levels during retrenchment.

Respondents 007A, 035B and 046A agreed that the business leadership teams need to constantly be in touch with the workers during the retrenchment process. Weekly briefs were used in company 035 during which time all communication from the chief executive were used to the only source of information from regarding the impending downsizing. At the end of the process there was strong buy-in by the most employees hence increasing the success of the whole exercise. This coupled with the pre and post retrenchment counseling for the exits and survivors respectively further enhance the success of this strategy. The Chief Executive's statement of company 046 for 2004 indicates that throughout the retrenchment process, the firm maintained good consultative relations with all their social partners including the various workers' unions.

Given that employees may potentially have psychological attachment with the company it is necessary that the process of downsizing is managed in a humane manner. Respondent 007C gave a scenario which occurred over ten years ago in the company where all employees were locked out of the firm's premises and only those who retained their positions were allowed in. This was regarded as inhumane as well as torturous resulting in low motivation levels amongst the survivors who did not know at what time they would also be retrenched.

5.2.3.6 Challenging the weakened reputation outcome

Downsizing may result in weaker reputation if the process is not handled professionally by the organization's management. As shown by the respondents of whom a majority agreed that the management of the exercise is absolutely necessary in shaping the reputation of the firm, it is imperative that utmost care be exercised during downsizing.

Respondent 007C indicated that the poor handling of the retrenchment that occurred over a decade ago haunted successive management teams as the media and politicians perennially reminded them of this incident. Although an out of court settlement was reached, a lot of goodwill had been lost amongst the various constituents of the firm – the suppliers, employees, customers and competitors.

Perceptions of both the internal and external players are important in determining the reputation of the firm. For example if the media show that the downsizing strategy is being mishandled the general public may shun the firm's products resulting in reduced sales. Company 035 hires professional media executives to manage potential adverse reports that may emanate from the downsizing process. Respondent 035B held a strong view that this practice plays a considerable role in ensuring that the downsizing strategy succeeds without many hitches.

5.2.3.7 Challenging the hampered innovation outcome

A company may find that following the release of staff who are knowledgeable in company operations during downsizing, its innovative capacity has reduced. This is only possible where the retrenchment process is not conducted as a strategic tool but rather a short sighted cost cutting measure. Respondent 020B informed the researcher that even when voluntary redundancies are being conducted the management should earmark key resources who should be encouraged to stay longer in the company.

Further, where innovation challenges are caused by knowledge gaps resulting from resignations after retrenchment, the management teams still hold the responsibility of ensuring that strategic staff are retained in the company, just as respondent 020B stated above. Although increasing their salaries may be seem counter-productive in the short term, from a strategic view point it makes business sense to invest in keeping an experienced employee rather than train a cheaper fresh recruit especially where the learning curve effect is very gradual.

Half the respondents replied that staff morale is either absolutely necessary or necessary in determining the innovation levels within the company. This indicates that if the motivation levels are kept in check, innovativeness will not only be retained but also potential knowledge gaps necessitated from resignations could be minimized. Respondent 035B held the opinion that although upon downsizing it took slightly longer for newer products to be developed, it could have been worse if staff morale was lower. This is attributable to the counseling and communication done during and after the downsizing process.

5.2.3.8 Challenging the knowledge transfer outcome

Downsizing may inevitably lead to loss of the stock of knowledge available within a company when the most experienced resources are left to join other employers. However, the drive for mass exodus from the organization is driven by poor management of the retrenchment process which may reduce the staff morale. Therefore when management teams exercise caution during downsizing adverse knowledge transfer would be kept in check.

Further, when exercising a cautious decision to downsize, management teams need to take the lead not only in preventing the loss of valuable skills but also in restocking these knowledge gaps in the shortest possible period. Respondent 020B indicated a situation where the company initially hired new staff who were more technologically receptive before engaging in the staff lay off programme.

5.2.4 Question 4: How can businesses leaders in Kenya enhance success of downsizing?

As already demonstrated in this thesis, downsizing does not always result to positive outcomes in the overall organization. Besides the positive aspects that have been already outlined above, there also exist adverse impacts which were illustrated in section 5.2.2. The challenge for business leadership teams that choose to pursue downsizing as a survival strategy, is to ensure that the gains that accrue from staff layoffs are not eroded by the negative consequences. In order to enhance the favourable impacts of this strategy to the business, a number of factors may come into play. They may include financial incentives; pre-retrenchment counseling to those exiting from employment; availing credible alternative employment to the laid off staff; and post-retrenchment counseling to the survivors.

5.2.4.1 Financial incentives

Contracts between employers and employees would normally include an exit clause stipulating the various conditions that the employment agreement can be terminated. Four respondents indicated their desire to have employees who have been earmarked for retrenchment fully paid off all their dues while ensuring that all the contractual requirements are unequivocally met. They further stated that the pay package offered should be attractive enough in order to enhance chances that those who separate with the company still hold their previous employer with high regard.

Given that the cost of retrenchment should be viewed as an investment rather than a one off expense, the management should strive to offer a remuneration package that is high enough to encourage those who opt for voluntary retrenchment to willingly take up the offer while ensuring that the forced exits are given adequate resources to pick themselves up into other ventures that will guarantee as reasonable lifestyle before layoffs. Employees who leave the company that they still regard highly are not only better ambassadors outside the organization but also are able to come back to employment when offered other contracts without much ado. This was seen in company 020 which retrenched some clerks who were readily willing to come back to employment when suitable opportunities arose.

Furthermore, the individuals who are retained in employment also need to be adequately rewarded in order to compensate them for the increased workload, whether perceived or real. When company 020 released their bank clerks, the survivors petitioned management to adjust their monthly salaries upwards citing longer working hours that they now had to put in compared to the previous situation when they were more. The challenge was addressed by the management proposing to them to take an additional five leave days per year compared to the rest of the employees. This is consistent with Appelbaum et al (2001) who indicated that the average cost per employee increases upon downsizing.

The respondents drawn from the Finance & Investment and the Commercial & Services sectors seemed to have higher means regarding the importance of financial incentive compared to those coming from the agricultural and the industrial & allied sectors (Appendix VI). This underscores the fact that those companies that are human resource intensive should lay more emphasis on the amount of financial requirements that are necessary prior to downsizing than those involved in machine production.

Appendix VI also shows that the human resources department had a relatively lower mean of 3.00 compared to the finance and operations departments with means of 3.50 and 3.47 respectively. This accentuates that HR professionals lay higher emphasis that non-monetary rewards such as the number of leave days offered per year, holidays guaranteed per annum, medical cover and education sponsorship for children, than other professionals whose main interests are the amount of money taken home.

5.2.4.2 Post retrenchment counseling to the survivors

Downsizing breaks down previously cohesive teams within an organization in order to pave way for newer more cost effective combinations. Individuals who have been working harmoniously may consequently be placed in different pools that are competing while others may leave the organization altogether. Those that are left in employment may find it difficult to cope with the new workflows or work structures resulting in reduced output. Respondent 035B indicated that the laying off of some engineers driven by the purchase of a multi-functional machine necessitated new working patterns, some of which were resisted by the employees for fear of being unworkable because of prior experiences amongst themselves. It is for this reason that post retrenchment counseling to those left behind in the organization holds water. This exercise ensures that the new teams build trust between one another in order to allay any fears.

Furthermore, given that downsizing is a painstaking exercise, it may result to both physical and emotional breakdown to employees. Cameron et al (1991) indicated that while the employees who separate with the company may perceive management as having behaved unjustly or unfairly, the survivors may lose the belief that their contribution to the business will be rewarded in future. He continues to point out that survivors of downsizing companies may become unduly risk averse and narrowly focused, and therefore less creative and open to change thus eroding any potential benefits that may have been anticipated while retrenching. Respondent 004A highlighted a scenario where the downsizing in 2003 driven by the failed rains resulted in reduced morale amongst the survivors because as drought persisted there grew anxiety about who were the next group of individuals to leave the organization. It took the assurance by management that the organization was operating at the minimum staff complement and that the retrenchment exercise would not continue and that every survivor was safe irrespective of future amounts of rainfall. However, those who remained still continued looking for openings in other employers and thus continued staff turnover.

Downsizing may create divisions within survivors in instances where some departments feel more victimized than others. This was brought to light by respondent 007C who narrated an event in 2004 when members in a particular section in the finance department were isolated by the other divisions because the of perception that the former section had been favoured during the retrenchment process since no one was let go at that time despite the high staff turnover suffered by that unit. This phenomenon is in line with Noer (1996) who described survivor sickness as the attitudes, feelings and perceptions that occur in employees who remain after involuntary staff reductions. As a result survivors may exhibit a range of emotions including fear, insecurity, uncertainty, frustration, resentment, anger, sadness, depression, guilt, unfairness betrayal and distrust.

It is important that those who remain in employment realize the need to harmoniously work together in order to ensure that the organization emerges stronger than it was before downsizing. Given that in most instances downsizing is driven by the desire of the company to improve its overall placement in the market, all employees should strive to realize this dream. It is in this regard that all the surviving employees in company 035 would normally undertake mandatory 3-day team building activities immediately after retrenchment. Respondent 035B indicated that this was aimed at ensuring that the remaining employees perceive each other as team mates rather than competitors thus building trust amongst colleagues.

5.2.4.3 Pre retrenchment counseling to the exits

It is important that those leading the process of downsizing realize that the exits played a significant role in making the company what it is at the point of downsizing even though the prevailing conditions may not allow all employees to be retained in the payroll. Respondent 007A informed the researcher that a cautious process should be followed to first identify the exits in an objective manner that will be perceived as fair by the majority of those affected while following a well thought out timetable. In order to further enhance its success, respondent 020B indicated that proper ground work should be done by the management teams in order to identify probable adverse impacts and come up with suggested remedial actions plans that will mitigate these negatives.

Respondents from different sectors of the NSE showed divergent views as regards the need for pre-retrenchment counseling. The industrial & allied sector scored a mean of 2.38 which was lower than that of the finance & investment, agricultural and commercial & services sectors at 3.36, 3.25 and 3.10 respectively. These statistics are consistent with the expectation that firms in the former sector are more machine intensive and thus employees working in these sectors are more receptive of technological changes compared to the others. Company 020 found it easier to recall former employees who had been laid off one year after downsizing driven by increased expansion in the bank. Respondent 020A pointed out that since the employees had fully understood the circumstances behind the retrenchment they were willing to readily accept positions in the bank.

Looking at the categorization of the respondents by departments reveals that the human resource department has the lowest mean of 2.50 as regards the importance of training of the staff to exit the organization as a success factor for downsizing followed by the finance department with 2.93 and the operations department at 3.40. However, given that the HR department is key driver of the retrenchment process, this finding contradicts the general expectation.

Respondent 007C questioned why retrenchment was treated with top most secrecy yet its consequences were very severe. He seemed concur with Semler (1989) who wondered why managers treat their juniors like small children yet employees have key responsibilities in society such as electing governments; leading community projects; raising and educating families; advising friends and relatives; courting future spouses; and even protecting national sovereignty while serving in the army. In conclusion, respondent 007C suggested that when downsizing management should be careful about how the whole process is undertaken in order to ensure that the desired results are achieved.

5.2.4.4 Availing credible alternative jobs/training

Besides a handsome package and pre-retrenchment counseling there is need to help the exiting employees find alternative sources of income after leaving the organization. Respondent 020B indicated that this not only enhanced the relationship between the company and its former employees but also ensures that the latter do not become an unnecessary nuisance to the survivors and the society at large. As was demonstrated by Burdett et al (2003), given the positive relationship between the crime and unemployment it is in the company's interest that former employees are not sucked into criminal activities after retrenchment. The company may thus provide training opportunities to help the exits identify proper investment avenues or other professions that may be more stable.

Company 020 discovered the importance of maintaining a good rapport with the exits as this increased its recruitment base because new branches could readily be staffed by former employees who would not require undertaking intensive training compared to fresh recruits. Once the persons to be laid off were identified and communicated to, company 020 organizes voluntary training sessions for the exits. These sessions are conducted by professionals who concentrate on counseling aimed at reassuring them that being laid off is the beginning of another phase of life; personal financial management skills given that most may not have owned such significant disposable amounts of money as availed by the retrenchment package; and discovering ones potential outside formal employment.

In instances where the exits were retrenched because of their skills gaps, it is necessary for the company to highlight this shortcoming on the individual's part. This assists them find training solutions which are vital for their career progression. Respondent 007B gave an example of someone who was laid off because the job had been upgraded to a minimum of graduate level training. Upon downsizing, this individual used the retrenchment package to enrol for a degree within the universities in Nairobi and has now been offered a similar position by another employer.

CHAPTER 6: CONCLUSIONS, RECOMMENDATIONS AND AREAS OF FURTHER RESEARCH

6.1 INTRODUCTION

This thesis set out to examine the application of the downsizing strategy for companies operating in Kenya. While a number of insights have been shed both from the respondents' feedback as well as the review of literature, it is becoming evident that the outcomes of downsizing do not universally recur. This is because a number of other important forces come into play in order to influence these outcomes.

This section commences with revisiting at the conceptual framework developed at the research design phase with a view of modifying it in order to capture new concepts illuminated by the field work. The second section gives conclusions that are drawn from the various discussion points made in chapter 5 after which recommendations are made tied with the discussions and the revised conceptual framework. The final section highlights the potential areas for further research.

6.2 REVISITING THE CONCEPTUAL FRAMEWORK

The initial framework was envisaged as weighing scale where the various advantages and disadvantages were conceptualized as pulling in different directions. After going to the field it is now apparent that there other factors come into play in determining their overall impact on the firm. For example while downsizing may be used as a cost cutting strategy in order to increase profitability, similar returns may be achieved by reducing the unit cost though the application of better technology or reducing wastage levels which may be as a result of skills gaps or low motivation levels. Figure 6.1 below shows the revised conceptual framework.

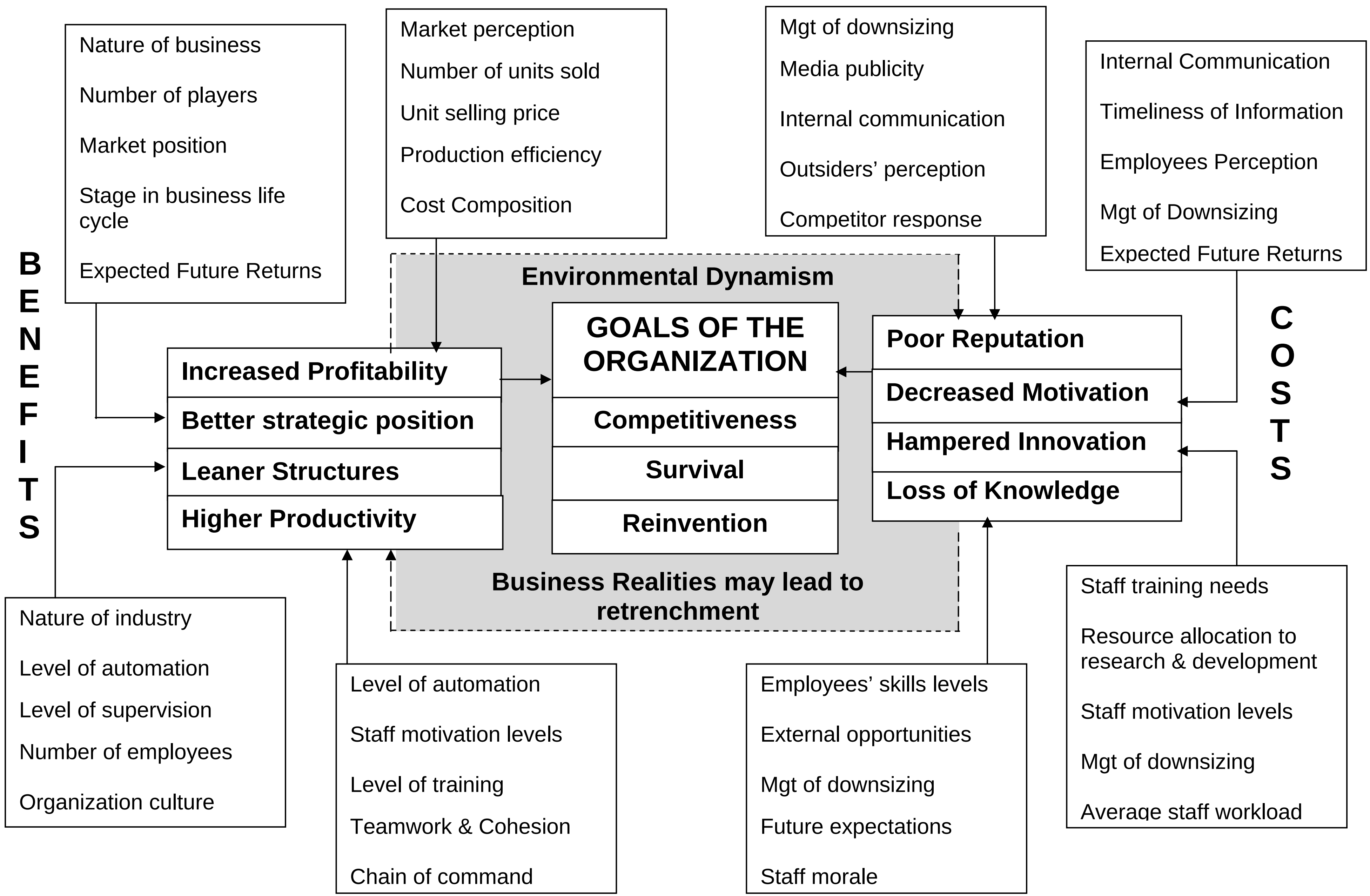

Figure 6.1: Revised conceptual framework

As was shown in section 2.6 above, downsizing results in both positive and negative outcomes. However, these eventualities are also the products of other externalities that may or may not emanate from staff layoffs. For example, although downsizing may result in decreased motivation levels amongst staff, proper communication will go a long way in stemming this adversity. Further, if the employees are made to understand that their future as well as that of the company is dependent on a leaner staff complement, it is unlikely for the survivors to be demotivated.

6.3 CONCLUSIONS AND RECOMMENDATIONS

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

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

Once the decision to downsize has been made, management teams should ensure that this process is carried out with utmost professionalism where communication is adequate and timely in order to reduce anxiety amongst staff which diminishes output levels. Further, business leadership teams need to secure enough financial resources not only to meet the contractual obligations but also increase the success rate of downsizing by offering counselling to both the survivors and exits while offering credible alternative sources of income to those leaving employment. In conclusion this researcher therefore recommends that firms should only use downsizing as a strategic avenue in order to increase production and/or efficiency rather than a haphazard cost cutting measure.

6.4 AREAS FOR FURTHER RESEARCH

Downsizing is largely a punitive avenue used by struggling entities to remain afloat. This research was designed to address the problem statement in section 1.2 of this thesis which is by no means conclusive. After reviewing the varied responses, a number of gaps which were outside the scope of this research have emerged.

This research was carried out only for companies quoted in the Main Investment Market Segment of the Nairobi Stock Exchange. One could evaluate whether other entities (outside this population) – public institutions, government bodies as well as not-for-profit organizations would exhibit similar traits.

Again although this research work involved various professionals (HR, operations and finance) as well as sectors in the NSE it would add to the body of knowledge if one studied the causes of the divergence of views across professions and industries.

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<u>Appendix I – Introductory Letter</u>

Strathmore University
Box 59857 - 00200
Nairobi.

{Date}

{Name of Respondent}
{Head of /Director Human Resource/Operations/Finance}
{Organization name}
{Address}

Dear {*sir, madam*}

<u>Re: Chris Mwandembo</u>

Chris is a Master of Commerce student at the Strathmore University pursuing a post graduate degree in International Business Management. As part of fulfillment of the degree course, he is required to develop an academic thesis in an area of his choice.

He is interested in downsizing strategies that organizations employ as they strive to improve shareholders' wealth. Whilst a number of firms have downsized by curtailing the operations, say through selling off some business units, this study will focus on staff headcount reductions. Research elsewhere suggests that there are divergent viewpoints regarding the outcomes of retrenchment, hence the motivation to circulate three similar questionnaires within your organization.

As a leader of the division of human resources/operations/finance in a publicly quoted company, I believe that you hold valuable information that will shed light to this practice. This will be used, in utmost confidence, to develop an academic reference point for Kenyan organizations that wish to downsize. Please find attached a 15 minute questionnaire that Chris has developed so that you may share your thoughts on this important subject. A summarized copy of the research report will be availed to you upon completion of this exercise.

Thank you in advance.

Yours truly

Dr. Ruth Kiraka
Supervisor

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Appendix II – Sample Questionnaire

Section A

1. Company Name: __________
2. Name of respondent: __________(Optional)
3. Position Held: __________ (Optional)
4. Has your company retrenched staff between 2003 and 2007? ☐ Yes ☐ No
5. Which year(s) did this happen? __________
6. What is the total number of staff employed by your organization?

    a) Less than 100 ☐ b) Between 100 and 500 ☐

    c) Between 500 and 1000 ☐ d) Over 1000 ☐

7. How many employees have been laid off over the between 2003 and 2007?

    a) Less than 10 ☐ b) Between 10 and 50 ☐

    c) Between 50 and 100 ☐ d) Over 100 ☐

Section B (tick where appropriate)

8. What were the underlying factors that drove your organization to retrench?

    a) Economic downturn ☐ b) Strategic partnerships ☐

    c) Technological advancement ☐

    d) Others (please specify) __________ ☐

9. What were the anticipated benefits when the company downsized?

    a) Increased revenues ☐ d) Leaner structures ☐

    b) Reduced costs ☐ e) Improved productivity ☐

    c) Strategic positioning ☐

    f) Others (please specify) __________ ☐

10. Which were the envisaged losses after downsizing?

    a) Staff turnover ☐ d) Lower innovation ☐

    b) Reduced morale ☐ e) Weaker reputation ☐

    c) Increased absenteeism ☐

    f) Others (please specify) __________ ☐

11. What was the immediate impact on output when staff layoffs were announced?

   a) Increased output ☐ c) Decreased output ☐

   b) Output unchanged ☐

12. What would you regard as the reasons for this upward shift in output?

   a) N/A (Output decreased) ☐ d) Strong leadership team ☐

   b) Superior process handling ☐ e) Staff buy-in of the exercise ☐

   c) Increased expectations ☐

   f) Others (please specify) __________ ☐

13. What would you regard as the courses for this downward shift in output?

   a) N/A (Output increased) ☐ d) Increased absenteeism ☐

   b) Poor process handling ☐ e) Staff resentment ☐

   c) Decreased expectations ☐

   f) Others (please specify) __________ ☐

<u>Section C</u>

14. On a scale of 1 to 5 (where 1 represents the least important aspect), please rate how various attributes influence different potential benefits of downsizing.

(a) Profitability	1	2	3	4	5
Market perception of the firm	☐	☐	☐	☐	☐
Number of units sold	☐	☐	☐	☐	☐
Selling price per unit	☐	☐	☐	☐	☐
Production efficiency per unit	☐	☐	☐	☐	☐
Cost composition	☐	☐	☐	☐	☐
Others (please specify) __________	☐	☐	☐	☐	☐

(b) Strategic positioning	1	2	3	4	5
Nature of business	☐	☐	☐	☐	☐
Number of players in the industry	☐	☐	☐	☐	☐
Market position relative to competition	☐	☐	☐	☐	☐
Stage in the business life cycle	☐	☐	☐	☐	☐
Innovative capacity of the firm	☐	☐	☐	☐	☐
Others (please specify) __________	☐	☐	☐	☐	☐

(c) Flatter structures	1	2	3	4	5
Nature of the industry	☐	☐	☐	☐	☐
Level of automation employed in the firm	☐	☐	☐	☐	☐
Supervision and guidance required	☐	☐	☐	☐	☐
Total number of employees	☐	☐	☐	☐	☐
Organizational culture	☐	☐	☐	☐	☐
Others (please specify) __________	☐	☐	☐	☐	☐

(d) Productivity	1	2	3	4	5
Level of automation	☐	☐	☐	☐	☐
Staff morale and motivation	☐	☐	☐	☐	☐
Level of staff training	☐	☐	☐	☐	☐
Teamwork and cohesion amongst employees	☐	☐	☐	☐	☐
Chain of command	☐	☐	☐	☐	☐
Others (please specify) __________	☐	☐	☐	☐	☐

Section D

15. In your opinion, please rank how the various attributes influence different possible costs of downsizing (where 1 represents the most important aspect).

(a) Reputation	1	2	3	4	5
Management of the retrenchment exercise	☐	☐	☐	☐	☐
Publicity in the external media	☐	☐	☐	☐	☐
Internal communication networks	☐	☐	☐	☐	☐
Outsiders' perception of the firm's future	☐	☐	☐	☐	☐
Competitors' response to the firm's layoffs	☐	☐	☐	☐	☐
Others (please specify) ___________	☐	☐	☐	☐	☐

(b) Motivation	1	2	3	4	5
Adequacy of internal communication channels	☐	☐	☐	☐	☐
Timeliness of information relayed to staff	☐	☐	☐	☐	☐
Employees' perceptions of the process	☐	☐	☐	☐	☐
Management of the retrenchment process	☐	☐	☐	☐	☐
Anticipated future rewards	☐	☐	☐	☐	☐
Others (please specify) ___________	☐	☐	☐	☐	☐

(c) Innovation	1	2	3	4	5
Level of training and proficiency	☐	☐	☐	☐	☐
Resource allocation to research & development	☐	☐	☐	☐	☐
Staff morale motivation	☐	☐	☐	☐	☐
Teamwork & cohesion amongst employees	☐	☐	☐	☐	☐
Average workload per employee	☐	☐	☐	☐	☐
Others (please specify) ___________	☐	☐	☐	☐	☐

(d) Knowledge transfer	1	2	3	4	5
Employees' skills and levels of proficiency	☐	☐	☐	☐	☐
External availability of suitable opportunities	☐	☐	☐	☐	☐
Management of the downsizing process	☐	☐	☐	☐	☐
Employees' perception of the firm's future	☐	☐	☐	☐	☐
Staff motivation and morale	☐	☐	☐	☐	☐
Others (please specify) __________	☐	☐	☐	☐	☐

Section E

16. In your opinion did the retrenchment exercise achieve the anticipated results?

    Yes ☐ No ☐

17. If yes, please rate the factors that enhanced the success of the process?

	1	2	3	4	5
Financial Incentives	☐	☐	☐	☐	☐
Pre-retrenchment counseling of the exits	☐	☐	☐	☐	☐
Availing credible alternatives jobs/training	☐	☐	☐	☐	☐
Post retrenchment counseling to the survivors	☐	☐	☐	☐	☐
Others (please specify) __________	☐	☐	☐	☐	☐

18. If no, please rate the factors that resulted in the failure of this process?

	1	2	3	4	5
Financial Incentives	☐	☐	☐	☐	☐
Pre-retrenchment counseling of the exits	☐	☐	☐	☐	☐
Availing credible alternatives jobs/training	☐	☐	☐	☐	☐
Post retrenchment counseling to the survivors	☐	☐	☐	☐	☐
Others (please specify) __________	☐	☐	☐	☐	☐

19. How does management, in your opinion, bolster the success of the retrenchment exercise?

	1	2	3	4	5
Financial Incentives	☐	☐	☐	☐	☐
Pre-retrenchment counseling of the exits	☐	☐	☐	☐	☐
Availing credible alternatives jobs/training	☐	☐	☐	☐	☐
Post retrenchment counseling to the survivors	☐	☐	☐	☐	☐
Others (please specify) __________	☐	☐	☐	☐	☐

Please email the completed questionnaire to bcmwandembo@yahoo.com.

THANK YOU FOR YOUR TIME!!

Appendix III – Companies Quoted in the Main Investment Market Segment of the Nairobi Stock Exchange as at 31st December 2007

MAIN INVESTMENTS MARKET SEGMENT (MIMS)

Agriculture

1. Unilever Tea (K) Ltd.
2. Rea Vipingo Ltd.
3. Sasini Tea & Coffee Ltd.
4. Kakuzi Ltd.

Commercial and Services

1. Access Kenya Group
2. Marshalls E.A. Ltd.
3. Car & General Ltd.
4. Hutchings Biemer Ltd.
5. Kenya Airways Ltd.
6. CMC Holdings Ltd.
7. Uchumi Supermarkets Ltd.
8. Nation Media Group Ltd.
9. TPS (Serena) Ltd.
10. ScanGroup Ltd.
11. Standard Group Ltd.

Finance and Investment

1. Barclays Bank of Kenya Ltd.
2. CFC Bank Ltd.
3. Housing Finance Company of Kenya Ltd.
4. ICDC Investment Company Ltd.
5. Kenya Commercial Bank Ltd.
6. Kenya Re-Insurance Corporation Ltd
7. National Bank of Kenya Ltd.
8. Pan Africa Insurance Holdings Co. Ltd
9. Diamond Trust Bank of Kenya Ltd.
10. Jubilee Insurance Co. Ltd
11. Standard Chartered Bank Ltd.
12. National Industrial Credit Bank Ltd.
13. Equity Bank Ltd.

Industrial and Allied

1. Athi River Mining Ltd.
2. BOC Kenya Ltd.
3. British American Tobacco Kenya Ltd.
4. Carbacid Investments Ltd.
5. Olympia Capital Holdings Ltd.
6. E.A. Cables Ltd.
7. E.A. Breweries Ltd.
8. Sameer Africa Ltd.
9. Kenya Oil Ltd.
10. Mumias Sugar Company Ltd.
11. Unga Group Ltd.
12. Bamburi Cement Ltd.
13. Crown berger (K) Ltd.
14. E.A Portland Cement Co. Ltd.
15. Kenya Power & Lighting Co. Ltd.
16. Total Kenya Ltd.
17. Eveready East Africa Ltd.
18. Kengen Ltd.

Appendix IV – Interview Guide

1. Company Name: ________________________
2. Name of interviewee: ________________________
3. Position Held: ________________________
4. How was the retrenchment process conducted? Was it a onetime event or an ongoing process?
5. How were the anticipated positive outcomes of downsizing manifest in your organization?
6. How were the anticipated negative outcomes of downsizing manifest in your organization?
7. What was the immediate impact on staff when these plans were made public?
8. What would you regard as the courses for this shift in output?
9. What would you consider your organization's strong/weak points in the manner with which the procedure was conducted?
10. Were there any learning points? Which ones were they?
11. Do you think this would have changed had the process been handled differently?
12. How did this evolve as the downsizing process progressed?
13. How was the output when the exercise was finally completed?
14. Do you think the envisaged benefits were seen after the downsizing?
15. Can these be measurable? What value would you place them at?
16. For how long do you think the company can sustain the benefits of downsizing before it can re-think its operational strategy?
17. Did your company experience a recruitment 'boom' after it had gone through the downsizing process? How immediate did it start?
18. Given the benefits that accrued to your organization as a result of downsizing, do you think that the costs (both actual and implied) were justified?

19. Some scholars hold the opinion that downsizing is a repetitive exercise because firms tend to hire more staff once the projected benefits are realized. After a short while they go back to laying off more workers. Do you agree with this viewpoint?
20. Why do you agree/disagree?
21. What would your advice be for business executives or other HR practitioners who wish to turn around their organizations' fortunes through downsizing?

THANK YOU VERY MUCH!!

Appendix V – Companies whose annual accounts were reviewed

1. Company 004
2. Company 007
3. Company 020
4. Company 035
5. Company 046

Appendix VI – The placement of various attributes that influence the success of downsizing

Financial Incentives

Sector-wise analysis	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Agricultural	1	25%	1	25%	0	0%	2	50%	0	0%	4	100%	4	2.75	1.30	47%
Finance & Investment	0	0%	5	36%	1	7%	2	14%	6	43%	14	100%	5	3.64	1.34	37%
Industrial & Allied	5	38%	2	15%	0	0%	1	8%	5	38%	13	100%	1	2.92	1.82	62%
Commercial & Services	2	20%	0	0%	0	0%	5	50%	3	30%	10	100%	4	3.70	1.42	38%

Departmental analysis	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Human Resources	3	25%	3	25%	0	0%	3	25%	3	25%	12	100%	1	3.00	1.58	53%
Operations	3	20%	2	13%	1	7%	3	20%	6	40%	15	100%	5	3.47	1.59	46%
Finance	2	14%	3	21%	0	0%	4	29%	5	36%	14	100%	5	3.50	1.50	43%

Pre-retrenchment counselling to the exits

Sector-wise analysis	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Agricultural	1	25%	1	25%	0	0%	0	0%	2	50%	4	100%	5	3.25	1.79	55%
Finance & Investment	3	21%	0	0%	3	21%	5	36%	3	21%	14	100%	4	3.36	1.39	42%
Industrial & Allied	6	46%	1	8%	3	23%	1	8%	2	15%	13	100%	1	2.38	1.50	63%
Commercial & Services	3	30%	0	0%	2	20%	3	30%	2	20%	10	100%	1	3.10	1.51	49%

Departmental analysis	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Human Resources	5	42%	1	8%	2	17%	3	25%	1	8%	12	100%	1	2.50	1.44	58%
Operations	4	27%	0	0%	2	13%	4	27%	5	33%	15	100%	5	3.40	1.58	47%
Finance	4	29%	1	7%	4	29%	2	14%	3	21%	14	100%	1	2.93	1.49	51%

Availing credible alternative jobs/training

Sector-wise analysis	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Agricultural	2	50%	1	25%	0	0%	0	0%	1	25%	4	100%	1	2.25	1.64	73%
Finance & Investment	3	21%	4	29%	2	14%	2	14%	3	21%	14	100%	2	2.86	1.46	51%
Industrial & Allied	3	23%	5	38%	2	15%	1	8%	2	15%	13	100%	2	2.54	1.34	53%
Commercial & Services	2	20%	1	10%	2	20%	3	30%	2	20%	10	100%	4	3.20	1.40	44%

Departmental analysis	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Human Resources	4	33%	2	17%	1	8%	2	17%	3	25%	12	100%	1	2.83	1.62	57%
Operations	3	20%	3	20%	2	13%	3	20%	4	27%	15	100%	5	3.13	1.50	48%
Finance	3	21%	6	43%	3	21%	1	7%	1	7%	14	100%	2	2.36	1.11	47%

Post-retrenchment counselling to the survivors

Sector-wise analysis	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Agricultural	0	0%	2	50%	0	0%	1	25%	1	25%	4	100%	2	3.25	1.30	40%
Finance & Investment	2	14%	3	21%	2	14%	1	7%	6	43%	14	100%	5	3.43	1.55	45%
Industrial & Allied	4	31%	2	15%	2	15%	2	15%	3	23%	13	100%	1	2.85	1.56	55%
Commercial & Services	2	20%	3	30%	1	10%	2	20%	2	20%	10	100%	2	2.90	1.45	50%

Departmental analysis	Absolutely Unnecessary		Unnecessary		Neutral		Necessary		Absolutely Necessary		TOTAL		Mode	Mean	Stdev	c.v.
Human Resources	3	25%	3	25%	1	8%	1	8%	4	33%	12	100%	5	3.00	1.63	54%
Operations	3	20%	3	20%	2	13%	2	13%	5	33%	15	100%	5	3.20	1.56	49%
Finance	2	14%	4	29%	2	14%	3	21%	3	21%	14	100%	2	3.07	1.39	45%