DOWNSIZING STRATEGIES AND CORPORATE PERFORMANCE AMONGST COMMERCIAL BANKS IN KENYA

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DECLARATION

This research project is my original work and has not been presented for any award in any other university. No part of this project should be reproduced without the permission of the author or and Kenyatta University.

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DEDICATION

I dedicate this project to my two daughters, Emma Zawadi and Joy Mbogo, for bearing with my long hours away undertaking this study; my parents, Mr. Were Miguda and Mrs Roseleah Miguda for their encouragement and prayers, as well as my companions Clara Kagwiria and Vanesa Aroko.

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First and foremost, I am most grateful to God Almighty who has given me the power to think and to write and without whose grace I would not have come this far.

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OPERATIONAL DEFINITION OF TERMS

Downsizing – A set of activities, undertaken on the part of the management of an organization, designed to improve organizational efficiency, productivity, and/or competitiveness. Downsizing represents a strategy implemented by managers that affects the size of the firm's workforce and its work processes

Effectiveness – The extent to which the unit is successful in achieving its planned targets or stated objectives.

Layoff – A work force reduction method entailing the involuntary departure, not for cause, of one or more employees.

Survivors – Employees who remain with the organization after downsizing the work force; they are the counterparts to the victims of a layoff.

LIST OF ABBREVIATIONS

BPR	– Business Process Re-engineering
CBK	– Central Bank of Kenya
ERI	– Early Retirement Incentives
HR	– Human Resource
KBA	– Kenya Bankers Association
PM	– Performance Management
ROA	– Return on Assets
ROI	– Return on Investment
SPSS	– Statistical Package for Social Sciences

ABSTRACT

Downsizing is currently one of the most popular strategies being used by organizations in an effort to survive and compete in the current business environment. Despite the growth of downsizing, controversy surrounding its benefits still persists. However, since downsizing eliminates redundancies and reduces employment costs, many executives believe that this practice helps firms to compete efficiently and improve profitability. In Kenya, a multitude of private sector corporations, governmental agencies as well as ministries have adopted downsizing as a strategy of addressing poor and declining performance with mixed results. Therefore, this research sought to evaluate the role of downsizing strategies in the performance of commercial banks in Nairobi County, Kenya. The study employed a survey design and specifically a cross-sectional research design. Primary data was collected using standard questionnaires assigned to human resource managers in the selected organisations while secondary data was collected via a review of literature on downsizing and corporate performance. Data was analyzed using descriptive statistics. Results were presented in form of tables and in prose form. Out of the thirty nine questionnaires that were distributed to the targeted respondents, twenty five were correctly filled and returned. Results show that while the workforce reduction, organization redesign and systemic downsizing strategies are used by commercial banks in Kenya, certain aspects of these strategies have a negative impact on organizational performance, while others have a positive impact on performance. Based on the findings of the study, the researcher came up with recommendations which are meant to be of practical and theoretical significance. First, organizations need to develop and clearly spell out guidelines for downsizing so as to be able to implement workforce reduction strategy correctly. Second, before embarking on any major organization redesign, organizations should take the time to do a strategic analysis so as to enable them to have a clear idea of their missions, challenges and opportunities in order to know why, how and to what extent they must undergo structural changes, if any. Third, the systemic downsizing strategy offers the best option for long-term, sustainable organization performance, as successful downsizing goes well beyond simply reducing total staff numbers and changes to organizational structures. From an academic perspective, the current study's findings hold theoretical importance to management scholars interested in the various downsizing strategies used to enhance performance in organizations. Also, by empirically reviewing the various aspects of downsizing strategies used by commercial banks in Kenya, this study contributes the existing knowledge in this area.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

In general terms, downsizing refers to the voluntary actions of an organization to reduce expenses (Cameron, 1998). Downsizing represents a conscious decision by management and has been defined as a set of activities, undertaken on the part of management of an organization, designed to improve organizational efficiency, productivity and or competitiveness; it represents a strategy implemented by managers that affects the size of the firm's workforce and the work processes used (Cameron *et al*., 1993; Chapman, 2001).

Since the early to mid-1980s, organizational downsizing has become an omnipresent feature of a multitude of corporations and governmental agencies throughout the world (Littler, 1998; Longenecker & Simonetti, 2001) and continues largely unabated and is even growing in use as a strategic option. In Kenya, the private organizations that adopted this strategy include East African Breweries, Barclays Bank, East African industries, Bata Shoe Company, Shell BP, Agip, Coca Cola, Nestle, GlaxoWelcome amongst others. The parastatals that have undertaken retrenchment include Kenya Airways, Kenya Tea Development Agency, Kenya Commercial Bank and National Bank of Kenya. In the civil service, various ministries have been reducing their staff since 1994 in an effort to reduce costs and increase efficiency (Munjuri, 2011).

The key areas in the implementation of downsizing strategies are communication, employee involvement and proper preparation. (Longenecker & Simonetti, 2001). Indeed, if the downsize is to be successful and strengthen the company's competitive position, it must succeed first time in order to gain credibility with customers, suppliers, investors and, most importantly, the survivors (Longenecker & Simonetti, 2001).

Downsizing is no longer seen as a last resort or a response to crisis. Instead it has become a vital tool for shaping an organization to meet new challenges and circumstances. By now, few organizations have not been through this process. The benefits are clear, but it can also bring problems. Indeed, those employees who continue to work for the organization may experience survivor syndrome (Makawatsakul & Kleiner 2003)

In theory, downsizing is presumed to have positive outcome for the organization. In many situations, downsizing did accomplish what management had intended, and in others, unintended and negative consequences resulted. Although organizations are continuing to use the downsizing tactic as a cost cutting strategy, they are beginning to weigh the relative costs and benefits against the negative impact downsizing has on employees (West, 2000).

Downsizing hurts survivors through so-called “survivor’s syndrome” including job insecurity, anger, and relief which can be manifested in the firm’s performance by reducing job satisfaction and organizational commitment (Brockner, 1992; Gombola & Tsetsekos, 1992; De Meuse & Tornow, 1990). Also from the perspective of network theory, downsizing disrupts existing social networks in the organization, which are intangible assets of firms developed in the long periods (Shah, 2000). Not only does the organization lose the knowledge of laid-off employees, but downsizing also negatively affects the whole network of knowledge within the organization.

Downsizing has been approached from different levels of analysis which have produced different definitions and approaches to downsizing. Three (3) of these levels of analysis include: a macro or global industry level; an organization or strategy level; and a micro or individual level (Cameron, 1994). This study will be at the organizational/strategy level. At the organizational or strategic level of analysis, downsizing issues are concerned mainly with: whether to downsize; how to implement downsizing; and what are the effects of downsizing on the organization's performance. At this level, much less research has investigated strategies for approaching downsizing (Cameron *et al*., 1993).

1.1.1 Downsizing Strategies

Downsizing strategies refer to the methods used to accomplish the reduction of cost (West, 2000). These strategies may range from those that offer less organizational control, slower reductions, and fewer negative effects on employees (i.e., attrition) to those that are under high control, are quick, and have more negative effects on personnel such as permanent layoffs without assistance (Greenhalgh *et al*., 1988). Poorly

implemented strategies, or just poor strategies, have led more to decreases in productivity, quality, and employee well-being than to increases (Cameron *et al*., 1993)
The downsizing literature reveals that a number of distinct implementation strategies have been identified (Gandolfi, 2005; Longenecker, 2007). For instance, Cameron, Freeman, and Mishra (1991, 1993) conducted one of the most extensive and systematic studies of corporate workforce downsizing and reported three major findings regarding downsizing implementation strategies. According to the study, downsizing strategies can be categorized into work force reduction, work redesign and systemic changes.

Similarly, Longenecker (2007) categorized downsizing strategies into work force reduction, work redesign and systemic changes. The work force reduction strategy includes layoffs, firings, early retirements, buy-outs, attrition and others. The work redesign strategy focuses on eliminating work in addition to or instead of eliminating workers. Lastly, the systemic strategy focuses on changing the organization's culture, attitudes and values of employees. In the same way, the independent variable in this study – downsizing strategy - will be represented work force reduction, work redesign and systemic changes.

Firms often decide to engage in downsizing in response to external shocks and poor organizational processes (e.g. Budros, 1999; Cappelli, 2000; Cascio, 2002; Freeman and Cameron, 1993). In essence, there is a widespread belief that through cutting back the workforce, firm performance would be improved significantly.

1.1.2 Performance

Fundamentally performance is the measurement of achievement against intention (Rush, 1986; Oyedele & Tham, 2005). Performance is a multi-dimensional construct, the measurement of which varies depending on a variety of factors (Esu and Inyang, 2009). According to strategic human resource literature (Dyer and Reeves, 1995; Rogers and Wright, 1998), there are four types of measurements for a firm's performance related to downsizing: (1) human resource (HR) outcomes (turnover, absenteeism, job satisfaction), (2) organizational outcomes (productivity, quality, service), (3) financial accounting outcomes (return on assets (ROA), profitability), and (4) capital market outcomes (stock price, growth, returns).

This study views firm performance as organizational outcomes – productivity, quality and service. This study takes a subjective approach to measuring firm performance since objective performance indicators are of limited value in the context of this type of research because more focus is given on non-financial performance compared to financial performance. Thus, subjective approach is more appropriate in getting non-financial data as the data are not easy to be quantified in an objective way. Govindarajan and Fisher (1990) argued that there is no objective way of deriving different weights to various performance criteria and no objective measure can capture some of the factors critical to the success of certain strategies.

1.1.3 Commercial Banks in Kenya

The banking sector in Kenya comprises banks that are locally owned, foreign owned, joint ventures etc. Different banks started their operations at different times and they also differ in size. Banks are classified into small, medium, and large according to the value of assets owned by each (Munjuri, 2011).

The current economic down turn has continued to impact negatively on all businesses in the economy culminating in an unprecedented erosion of revenue margins whilst operational and administrative costs have tended to remain relatively high. The banking sector has not been an exception to this. All endeavours have been made to address these issues and measures have been implemented by banks with a view to achieving optimum results for all the stakeholders and to maintaining the banks market share. Such measures include investing enormous resources in information technology through which the banking halls have began to be decongested, rationalizing the banks branch network and in the process closing unprofitable units in an effort to reduce operating costs and outsourcing non-core services such as internal security services and computer transport in an effort to control administrative costs. Maintenance of these services has been costly to banks. The above measures have led to some changes in the level, type and quality of the banks current and future manpower requirements. In order that the banks can be able to meet new and emerging market challenges and thus remain competitive, it has become inevitable to gradually reduce the work force with the aim of improving productivity (Central Bank of Kenya, 2001).

Most studies conducted in relation to bank performances focused on sector-specific factors that affect the banking sector performance (Chantapong, 2005; Olweny and

Shipho, 2011; Heng *et al.*, 2011). Nevertheless, there is a need to examine downsizing given its importance as a strategic tool in organizational performance. Thus, this study has incorporated key downsizing variables (work force reduction, work redesign and systemic changes) in the analysis.

1.2 Problem Statement

The downsizing of organizational workforces is not a business phenomenon of the recent past (Gandolfi, 2005). Rather, it has maintained and even increased its popularity and pervasiveness as a deliberate restructuring strategy in all industries (Morris *et al.*, 1999), across the world (Dolan, Belout, & Balkin, 2000), and into the new millennium (Baruch & Hind, 2000; Lamsa & Takala, 2000; Gandolfi, 2003).

Despite the growth of downsizing (Chen *et al.*, 2001; De Meuse *et al.*, 2004; Yu and Park, 2006) — controversy surrounding its benefits still persists. On the one hand, since downsizing eliminates redundancies and reduces employment costs, many executives believe that this practice helps firms to compete efficiently and improve profitability (Cascio et al., 1997; Cascio and Young, 2003; Morris *et al.*, 1999). However, empirical and anecdotal evidence suggest that the financial, organizational, and social consequences of downsizing are largely negative (Morris, Cascio, & Young, 1999).

Moreover, until recently, previous research on downsizing has mostly focused on micro individual issues such as the “effect of downsizing on departing employees” or the “consequences of downsizing on survivors” (Karake, 1997; Mishra *et al.*, 1998; Moi, 2002; Mwangi, 2002). While these micro issues are important to investigate, recent management literature has called for studies measuring the impact of strategic human resource practices on more macro organizational issues such as firm level of performance (Wright and McMahan, 1992; Rogers and Wright, 1998).

Given the apparent mixed outcomes from downsizing, the frequency of negative implications following downsizing, the ongoing popularity of downsizing, and the assertion of scholars that downsizing is still regarded as an understudied business phenomenon, this study has examined the relationship of downsizing strategies and performance of commercial banks in Kenya. The study therefore fills the research gap on the relationship between downsizing and performance amongst banks in Kenya.

1.3 Research Objective

1.3.1 General Objective

The main objective was to determine the relationship between downsizing strategies and performance in commercial banks in Nairobi, Kenya.

1.3.2 Specific Objective

i. To establish the influence of workforce reduction strategy on performance of commercial banks in Nairobi, Kenya.

ii. To assess the influence of organization re-design strategy on performance of commercial banks in Nairobi, Kenya.

iii. To determine the influence of systemic strategy on performance of commercial banks in Nairobi, Kenya.

1.4 Research Questions

i. How does workforce reduction strategy influence performance in commercial banks in Nairobi, Kenya?

ii. How does organization re-design strategy affect performance of commercial banks in Nairobi, Kenya?

iii. What role does systemic strategy have in the performance of commercial banks in Nairobi, Kenya?

1.5 Significance of the Study

The findings of the study are of importance to various stakeholders. First and foremost, to the banking practitioners (i.e. the Board of Directors and senior management) for appropriate strategies to deploy in a bid to ensure attainment of strategic objectives. Secondly, for policy makers to use in formulating policies to guide the downsizing process and performance. Lastly, the findings are of theoretical significance to academicians and researchers by exposing the emerging trends regarding downsizing and identifying areas that would require further study.

1.6 Scope of the Study

This research studied downsizing strategies and performance. It restricted itself to banking institutions in Nairobi County, Kenya. It focused on the internal perspective of these banks. Accordingly, human resource managers of these firms served as respondents of the study.

1.7 Limitations of the Study

This study had several limitations. The first limitation regards the fact that the respondents appraised their own performance. This becomes a particular concern in cases where the performance dimension under consideration is better assessed by another source, such as the customer. The second limitation was the choice on Nairobi County, Kenya as the area of study.

1.8 Organization of the Study

The study consists of three chapters. Chapter one, the introductory chapter, is made up of the background to the study, statement of the problem, research objectives, research questions, significance of the study, scope of the study, limitation and organization of the thesis. Chapter two is the literature review. In this chapter both theoretical and empirical review will be carried out. A conceptual framework will be developed from the literature review. Chapter four provides a summary of the study’s findings, analysis together with their discussions. For this study, it concerns itself with the descriptive data analysis of the data collected using the questionnaires. Chapter 5 is the final chapter in this project. It provides a summary of the findings, conclusion and relevant recommendations based on the study’s findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the work that other scholars and researchers have done concerning the relationship between downsizing strategies and performance of commercial banks. Theoretical and empirical reviews were done leading to a conceptual framework that guided the study.

2.2 Theoretical Review

This research was based on the contingency theory, a strategic management theory employed in the study of organizations and their management.

2.2.1 Contingency Theory

The contingency theory (or structural contingency theory) is one of the major theoretical lenses used to view organizations (Donaldson, 2001). It builds on the Strategy-Structure-Performance paradigm first proposed by Chandler (1962) and expanded by Rumelt (1974), who connected strategy and structure to a firm's economic performance. In theory terms, contingency theory explains the existence of fits between structure and contingencies and their beneficial effects on performance (Donaldson, 2001).

The alignment, or fit, of organizational strategy and structure is considered a baseline requirement for organizational performance, including both financial (e.g. revenue, profit, and return-on-investment (ROI) and non-financial (e.g. customer satisfaction and market share) assessments (Galbraith & Kazanjian, 1986; Miles & Snow, 1978). An organization in fit enjoys higher performance, which generates surplus resources and leads to expansion (Hamilton & Shergill, 1992), such as growth in size, geographic extension, innovation or diversification.

Contingency theorists Kast and Rosenzweig (1985) suggest that a leaner organizational structure and reduced red tape increase flexibility and facilitate the fit between intra-organizational processes and the environment. Therefore, positive organizational results are ultimately expressed in the company's economic robustness. Economically, a key reason for downsizing is to reduce costs as organizations seek to maximize efficiency (Cascio *et al*., 1997) and business objectives can be best achieved with fewer employees.

2.3 Empirical Review

Literature on downsizing has centered not only on its causes (e.g., Mckinley *et al*., 2000; Vicente-Lorente and Suarez-Gonzalez, 2007), but also on the strategies implemented to reduce the labour force (Cameron, 1994; DeWitt, 1993) as well as its consequences (Cascio *et al*., 1997; De Meuse *et al*., 2004) such as performance. For this study, the empirical review is made up of prior literature regarding the relationship between downsizing strategies and corporate performance. This is outlined in the following sections.

2.3.1 Corporate Performance and Downsizing

A body of research supports the idea that corporations may obtain higher post-downsizing performance through downsizing. For instance, the works by Espahbodi *et al.* (2000) and Chen *et al*. (2001) show that profitability of American firms improves subsequently to downsizing announcements. Likewise, empirical evidence in other countries supports the same conclusion (see, e.g., Yu and Park, 2006, for Korean firms).

On the other hand, however, downsizing may not result in improved performance (Muñoz-Bullon & Sánchez-Bueno, 2008). Several empirical studies support this conclusion that employee reduction does not necessarily have a positive impact on organizational performance. For instance, for the United States, Cascio *et al.* (1997) found that downsizing practices carried out along the 1980s and early 1990s were unable to improve corporate profitability. Cascio (1998) again found that companies which had implemented downsizing between 1981 and 1990 did not enjoy larger financial performance. In an extension of this research since 2000, Cascio and Young (2003) showed that downsizers enjoyed lower profitability than stable employers or upsizers in the two years subsequent to the announcement of layoffs. Other studies on American corporations (Krishnnan and Park, 1998; Morris *et al*., 1999; Vanderheiden *et al*., 1999) also showed that downsizing did not lead to improved financial performance. For example, De Meuse *et al*. (2004) finds that financial performance of companies which downsized did not significantly differ from non-downsizers. Similarly, Mentzer (1996) found that downsizing was not associated with better corporate performance among Canadian firms.

2.3.2 Workforce Reduction Strategy and Performance

The workforce reduction strategy, often referred to as the “layoff strategy” (Ryan & Macky, 1998), concentrates primarily upon the elimination of headcount and the reduction of the overall number of employees. It encompasses activities, such as layoffs, retrenchments, natural attritions, early retirements, hiring freezes, golden parachutes, and buyout packages (Cameron *et al*., 1991; 1993). This strategy is frequently implemented in a reactive manner as a cost-cutting measure and may serve as a short-term response to declining profits (Ryan & Macky, 1998). According to Cameron (1994), such “grenade-type” approaches to downsizing are rarely successful and tend to be negative in their consequences.

Attrition, in which firms do not replace a person who leaves, is the simplest method. With this approach, employees have the opportunity to exercise free choice in deciding whether to stay or leave, and thus the potential for conflict and feelings of powerlessness is minimized. At the same time, however, attrition may pose serious problems for management, because it is unplanned and uncontrollable (Cascio, 2009).

Early retirement incentives (ERI), in which a company offers more generous retirement benefits in return for an employee’s promise to leave at a certain time in the future, is a third downsizing strategy and one that is often part of a larger buy-out scheme. Sometimes, early retirement offers are staggered to prevent a mass exodus. Retention bonuses with different quit dates may be used to ensure an orderly exit (Cascio, 2009). From an organizational viewpoint, managers assume that early retirement opens up promotional opportunities for younger workers, but one research study found that it is difficult to predict accurately how many older workers will take an ERI. Typically, about one-third of those offered ERIs accept them, but there is a great deal of variation (Feldman, 2007).

Voluntary termination, which includes buy-out offers, is a second approach to downsizing a workforce. The main advantage of a buy-out is that it gives employees a choice, which tends to reduce some of the stigma associated with the job loss. The downside of buy-outs is that: (i) they are expensive - employees with long-term service find them attractive; (ii) the best workers may leave - there is demand for their skills, and low-performers may stay because they are less marketable, and (iii) both high- and low-performing workers will leave out of fear - they worry that they could be dismissed later without any financial cushion (Cascio, 2009).

According to West, (2000), layoff refers to a work force reduction entailing the involuntary departure, not for cause, of one or more employees. It is the involuntary loss of one's employment or the removal of people from a work force. Those persons laid off are referred to as victims because they lost their jobs involuntarily due to an action, such as a layoff or reduction-in-force. laying off workers is the most common action taken in downsizing

2.3.3 Organization Redesign Strategy and Performance

The organization redesign strategy focuses predominantly upon the elimination of work, rather than reducing the number of employees (Luthans & Sommer, 1999). It encompasses activities, such as abolishing functions, eliminating hierarchical levels (de-layering), groups, divisions, products, redesigning tasks, consolidating and merging units, and reducing overall work hours. Organization redesign strategies are commonly regarded as being difficult to implement quickly as this requires some advanced analysis of the areas concerned (Cameron *et al*., 1991; Cameron, 1994).

Unlike workforce reduction strategies, these redesign strategies help avoid the problem of eliminating workers while maintaining the same amount of work for the organization to perform. Instead of piling more work on fewer employees, and thereby risking overload and burnout, a work redesign strategy helps assure that changes are targeted at work processes and organizational arrangements. The downsized organization can attain a greater degree of efficiency because of its simplified structure (Cameron, 1994).

Abolition of functions is another popular downsizing technique. According to Carswell (2002), organizations should ensure that the appropriate number of positions are removed from the organisation may help moderate the relationship downsizing – performance relationship. They therefore need to constantly monitor staffing levels and ensure good planning whenever layoffs are being considered.

The redesigning of work requires less people and the elimination of positions that do not fit the new work environment. For example, team-based work often reduces the need for managers (Osterman 2000). Additionally, workplaces often hire employees in one department, while downsizing in another one (Appelbaum, Everard, and Hung 1999). Workplace transformation also requires investments in new technologies and the use of contingent workers (Cappelli and Neumark 2004), which facilitate the reduction in workforce size.

Reducing the work (i.e. by reducing the overall working hours) is another downsizing measure (Cameron *et al*., 1991; Cascio, 1993). Cascio (2002) used Cisco and Motorola as examples illustrating that in a stagnant economy; firms paid key employees partial salary and re-allocated them to work for non-profit organizations

2.3.4 Systemic Strategy and Performance

The systemic strategy is fundamentally different from the former two strategies in the sense that it appears to embrace a more holistic view of organizational change. Thus, downsizing ought to embrace all dimensions and aspects of the organization, including suppliers, customer relations, production methods, design processes, and inventories (Cameron, 1994). Systemic strategy focuses primarily upon changing the organization’s intrinsic culture and the attitudes and values of its employees (Luthans & Sommer, 1999). Hence, downsizing is viewed as “a way of life” (Filipowski, 1993) and an on-going, continuous, and incremental process (Cameron *et al*., 1991).

Because these strategies require a long-term perspective, they may not generate the immediate improvement in bottom line numbers that workforce strategies will generate. Along with re-design strategies, they may even require some upfront investment in employee training, system diagnosis and team formation. On the other hand, they avoid the need to continually implement periodic grenade-type strategies each time cost savings are needed. (Cameron, 1994).

One systemic downsizing strategy is simplification of processes or business process re-engineering. A business process re-engineering (BRP) is effectively a change management program (Zairi & Siclair, 1995), its implementation often leading to fundamental change within an organization’s structure, culture and management processes (Stebbins *et al*., 1998; Al-Mashari & Zairi, 2000). Appelbaum *et al*. (1999) view it as one of many cost-containment strategies implemented in order to streamline activities and to reduce waste and inefficiency.

On the other hand, bottom-up change is a systemic strategy that focuses on eliminating the status quo, emphasizing culture, allowing the appropriate amount of time for implementation, looking at long-term payoff (Cameron, 1994).

Last but not least is continuous improvement (or convergence), an approach that seeks to is to reinforce the firm's present structure and strategy by continuously attempting to make the firm more efficient. Convergence does not imply any type of major change but rather solicits continuous improvement. All members of the organization are urged to think in terms of how the firm can continue doing what it does better, in a more efficient manner; ways to improve productivity, streamline operations, and increases in efficiency are continually being sought (Appelbaum *et al.*, 1999). By engaging in continuous improvement strategies, the need for periodic radical and drastic reduction in headcount is alleviated.

2.4 Conceptual Framework

Figure 2.1 below is the conceptual framework that was adopted for the current study. The conceptual framework is a schematic diagram of the independent variables and the dependent variable and is based on the study by Cameron *et al*. (1991, 1993) of corporate workforce downsizing. According to the study, downsizing strategies can be categorized into work force reduction, work redesign and systemic changes. In the same way, the independent variable in this study – downsizing strategy - will be represented work force reduction, work redesign and systemic changes. The dependent variable is performance, which was measured using three organizational outcomes: productivity, quality, service.

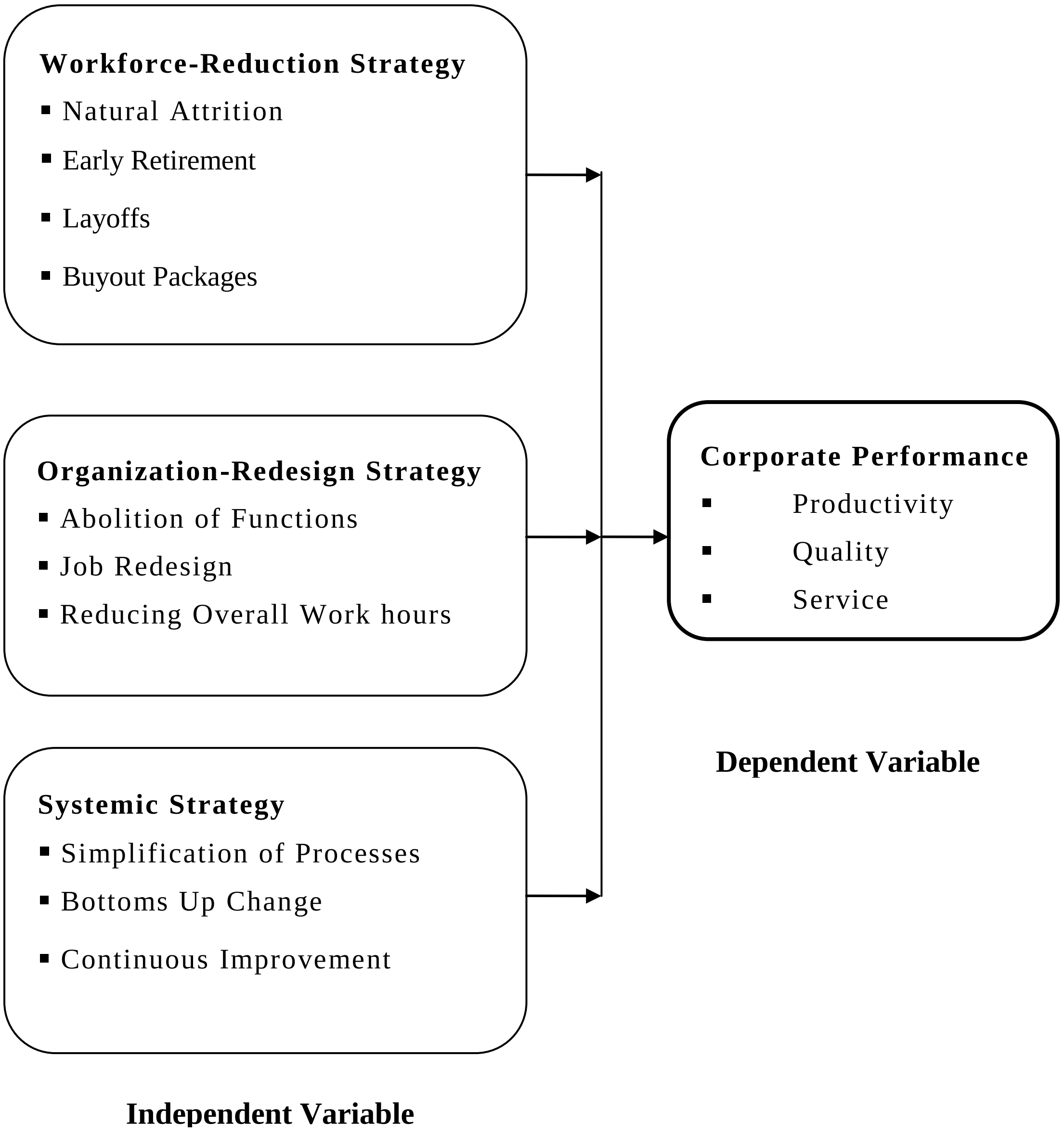
Workforce-Reduction Strategy
Natural Attrition
Early Retirement
Layoffs
Buyout Packages
Organization-Redesign Strategy
Abolition of Functions
Job Redesign
Reducing Overall Work hours
Systemic Strategy
Simplification of Processes
Bottoms Up Change
Continuous Improvement
Independent Variable
Corporate Performance
Productivity
Quality
Service
Dependent Variable

Fig 2.1: Conceptual Framework
Source: Researcher (2013)

CHAPTER THREE
RESEARCH METHODOLOGY

3.1. Introduction

This chapter outlines the research design chosen and the reasons for the choice. It describes the methods and procedures to be used to ensure that the various areas address the central research questions. The study's target population, the sample design, the research procedures that were used as well as the data collection methods that were employed in the study are also outlined and justified. The chapter concludes with data analysis methods used to present and explain the results of the study.

3.2. Research Design

A research design can be defined as the scheme, outline or plan that is used to generate answers to research problems (Orodho, 2003). The choice of a research design is determined by a number of considerations such as; the research purpose, categories of data needed, data sources and the cost factor. Chandran (2004). For this study, the researcher used a descriptive, cross-sectional research design in the form of a survey. The study combined both qualitative and quantitative data which was collected from primary and secondary sources. Given that the research study adopted cross-sectional method, primary data was collected from all the respondents within the same period.

3.3. Target Population

Population refers to an entire group of persons or elements that have at least one thing in common. It also refers to the larger group from which the sample is taken (Kombo & Tromp 2006). According to the CBK (2012), there are 43 licensed commercial banks in Kenya (see Appendix 3). Therefore, the target population of interest during the study comprised of all HR managers in the selected commercial banks in Nairobi.

3.4. Sampling Design and Procedure

The sampling frame for this study was made up of the 43 human resource managers of the commercial banks in Nairobi, Kenya. The sample size was determined using Yamane's formula (1967) shown below. According to the formula, **n** is the sample size, **N** is the population size and **e** is the margin of error at 5 percent (0.05). A 95% confidence level is assumed for the equation.

$$n = \frac{N}{1 + N\,(e)^{2}}$$

At a confidence level of 95% and 0.05 margin of error, the researcher computed a sample size of 39 organizations as shown below:

$$n = \frac{43}{1 + 43\,(0.05{*}0.05)} = 38.8 \sim 39$$

Simple random sampling technique will be used to draw the sample from the population. This technique is preferred because it ensures that each and every unit in the population has an equal and independent chance of being included in the sample.

3.5. Data Collection

The researcher collected primary data using the relevant instrument and procedures.

3.5.1. Questionnaire

In carrying out data collection, the researcher used a self-administered questionnaire. A questionnaire allows for contact with otherwise inaccessible respondents that are to offer data required for the research. This increases response rate due to perceived anonymity as well as allowing for faster data collection. The structured questionnaire consisted of questions that are close-ended with ordered responses. This instrument was selected because close-ended questions are easier to administer and analyse because they are in an immediate usable form. They also tend to be more economical to use in terms of time and money (Mugenda and Mugenda, 2003).

The questionnaire measures were adopted from previous research and adapted for this study. A standard Likert-scale (1 = strongly agree and 5 = strongly disagree) was used in the survey instrument in line with Clinton and Calantone (1997). Care will be taken during the design of the questionnaire so as to ensure that it carries questions capable of providing answers to all the research questions.

3.5.2. Piloting

A pilot study was conducted using five experience human resource professionals drawn from the financial sector as well as two strategic management lecturers. The pilot study enabled the researcher to ascertaining the validity of the data collection instrument. Questions found to be ambiguous or irrelevant during the pilot were modified or left out. After necessary adjustments were made on the instruments, permission was sought from the banks' management to carry out the study.

3.5.3. Data Collection Procedures

Before the actual data collection, the researcher sought permission to collect primary data from the respondents through an introduction letter to the management of the respective commercial banks. The letter of introduction explained in brief the purpose of the survey, the importance of the respondents' participation, who is responsible for the survey, and a statement guaranteeing confidentiality in line with Bisset (1994).

Upon granting of the consent, the researcher shall then administered the self developed semi-structured questionnaires to all the respondents via the drop and pick method. Questionnaires are widely used to collect information from people (or sometimes organisations) whom we are interested in regarding their level of knowledge, attitude, personalities, beliefs, or preferences (Leung, 2001). Subsequently, a follow up will be made to retrieve the questionnaire. Where respondents face difficulty, a research assistant will help to complete the questionnaire. This will facilitate completion of questionnaire and increase response rate.

The raw data from the questionnaires was cleaned and checked for completeness by eliminating unusable data, interpreting ambiguous answers and eliminating contradictory data from related questions.

Secondary data was collected from relevant documents including audited financial statements, published studies on the subject, CBK website as well as KBA publications and website.

3.6. Data Analysis and Presentation

Data was analyzed using descriptive statistics. The descriptive statistics that were used to present the analyzed data includes frequencies and measures of central tendencies such as mean, mode and median. Statistical Package for Social Sciences (SPSS) software Version 19 was used to conduct the descriptive data analysis. Frequency tables, means and percentages were used to present the information.

3.7. Ethical Issues

To ensure smooth data collection, the researcher ensured that the research design utilized provided the information needed to address the research problem. Biased research occurs when the research process is performed improperly resulting in incorrect findings. After data collection, the researcher was also ethically bound to interpret the data as accurately as possible to reflect the respondents' opinion. The misleading presentations of research results can take many forms, such as presenting incomplete research results or failing to provide the whole picture. Every attempt should therefore be made to represent the facts with completeness and clarity (Malhotra, 1999).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study as well as the analysis of those findings. It comprises of the demographic information of the respondents and is descriptive in nature. It has been summarized and presented in the form of tables and narratives.

4.2 Response Rate

Out of the thirty-nine (39) questionnaires that were distributed to the targeted respondents, twenty-five (25) were correctly filled and returned, which represents a response rate of 64%. This response rate was considered as favorable for this study given that Mugenda and Mugenda (2003) argue that a 50% response rate is adequate, 60% good and above 70% rated very well.

4.3 Descriptive Data Analysis

The descriptive data analysis consisted of the respondents' demographic information as contained in section A of the questionnaire, and the subjective information related to the objectives of the study as contained in the rest of the questionnaire.

4.3.1 General information of the informants

Table 4.1 presents a frequency distribution of the general company information as reported by the respondents in section A of the questionnaire. It is organized according to the respondents' gender, the organization category and the type of organization being studies, and shows the number of observations from the data set that falls into each of the categories.

The first part of Table 4.1 regards the gender of the respondents. According to the study's findings, 18 managers who form the majority of the respondents (72 %) were female, as compared to only 7 (28 %) of the managers who were male.With regards to the organization category, a majority of the firms that responded (60 %) were mid-tier banks, followed by 6 (24 %) which were small banks while the minority was large banking institutions (16 %).

Table 4.1: Characteristics of the informants (n = 25)

Variable	Category	Frequency	Percentage
Respondent's Gender	Male	7	28.00
	Female	18	72.00
	Total	**25**	**100.0**
Organization category	Small Bank	6	24.00
	Mid-Tier Bank	15	60.00
	Large Bank	4	16.00
	Total	**25**	**100.0**
Organization Type	Local Bank	17	68.00
	Regional Bank	4	16.00
	Multinational Bank	4	16.00
	Total	**25**	**100.0**

Source: Survey data (2013)

The last aspect was to do with the organization type. The research findings revealed that a majority of the organizations that responded (68 %) were local banks. On the other hand, there was equal response (16 %) for both regional banks as well as multinational banks.

4.3.2 Workforce Reduction Strategy

4.3.2.1 Natural Attrition

Table 4.2 shows the responses to two statements concerning natural attrition as a workforce reduction strategy. According to the first statement, the majority of respondents (40 %) strongly agreed that natural attrition affects bank performance negatively since many unproductive employees are retained for longer than necessary periods, followed by 32 % who agreed while 8 % neither agreed nor disagreed. On the other hand, a tiny minority (8 %) strongly disagreed with this statement while 12 % of respondent disagreed with this proposition. According to the Conference Board of Canada (1998), attrition can achieved through the practice of not hiring replacements for outgoing employees. While effective, this approach is not without shortcomings. In one survey, 77% of downsizing organizations had used hiring freezes as a downsizing solution however, only 38% reported the method as "very effective" (The Wyatt Company, 1993).

Table 4.2: Responses on Natural Attrition

Natural Attrition	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	TOTAL
Natural attrition affects performance negatively since many unproductive employees are retained for longer than necessary periods	2 (8 %)	3 (12 %)	2 (8 %)	8 (32%)	10 (40 %)	25
Natural attrition affects service delivery negatively since employees are not worried about consequences of their work-related behavior	3 (12 %)	3 (12 %)	2 (8 %)	5 (20 %)	12 (48%)	25
TOTAL **(PERCENTAGE MEAN)**	5 (10 %)	6 (12 %)	4 (8 %)	13 (26 %)	22 (44 %)	50 (100%)

Source: Survey data (2013)

The second statement asked whether natural attrition affects service delivery negatively since employees are not worried about consequences of their work-related behavior. According to the survey responses, almost half of the respondents (48 %) strongly concurred with the statement, followed by 20 % who agreed. In contrast, 12 % of respondents strongly disagreed while another 12 % simply disagreed. 8 % neither agreed nor disagreed with the statement.

4.3.2.2 Early Retirements

Table 4.3 presents the responses to one statement regarding the use of early retirements as a workforce reduction strategy. According to the findings, 32 % of respondents strongly agree that offering voluntary retirement may affect organizational performance negatively since many experienced employees might leave. This is followed by 24 % who strongly disagreed with the statement, while another 20 % agree. The remaining respondents disagreed (12 %) while another 12 % neither agreed nor disagreed with this statement. According to the Conference Board of Canada (1998), a formula for early retirement eligibility is typically based upon a combination of years of service and age; the sum having to meet a minimum qualifier to be eligible for full retirement benefits. Any combinations lower than a minimum qualifier may result in a reduction in the annuity by

3-6% per year. As a result, early retirement eligibility can extend to employees who are 10 to 15 years younger than normal.

Table 4.3: Responses on Early Retirement Strategy

Early Retirements	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**	**TOTAL**
Offering voluntary retirement may affect organizational performance negatively since many experienced employees might leave	6 (24 %)	3 (12 %)	3 (12 %)	5 (20 %)	8 (32 %)	25 (100 %)
TOTAL **(PERCENTAGE MEAN)**	6 (24 %)	3 (12 %)	3 (12 %)	5 (20 %)	8 (32 %)	25 (100 %)

Source: Survey data (2013)

4.3.2.3 Layoffs

Table 4.4 presents the responses to three statements relating to the consequence of layoffs as a workforce reduction strategy in the banking sector in Kenya.

Table 4.4: Responses for Layoffs

Layoffs	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**	**TOTAL**
Laying off employees leaves fewer people to do the same amount of work, thus affecting organizational performance negatively	3 (12 %)	2 (8 %)	2 (8 %)	8 (32 %)	10 (40 %)	25 (100 %)
Laying off employees leaves fewer employees do the same amount of work thus affecting the level of service provided negatively	3 (12 %)	2 (8 %)	2 (8 %)	6 (24 %)	12 (48 %)	25 (100 %)
Fair procedures used to select employees result in increased performance, job satisfaction, commitment to the organization and trust among survivors	0 (0.0 %)	0 (0.0 %)	0 (0.0%)	6 (24 %)	19 (76 %)	25 (100 %)
TOTAL **(PERCENTAGE MEAN)**	6 (8.0 %)	4 (0.0 %)	4 (5.3 %)	20 (26.7 %)	39 (54.7 %)	75 (100 %)

Source: Survey data (2013)

With respect to the first statement, the study's findings reveal that 40 % of respondents concurred that laying off employees is detrimental to organizational performance as it leaves fewer people to do the same amount of work. Another 32 % agreed with this statement. On the opposite end, 12 % strongly disagreed with the statement, while only 8 % disagreed. This corroborates one of the arguments against downsizing relating to organizational results, which states that downsizing leads to impairment of human resources (Nixon *et al*., 2004)

The second statement asked whether laying off workers leaves fewer employees do the same amount of work thus affecting the level of service provided negatively. As is evident in Table 4.5, nearly half (48 %) of respondents strongly agreed, followed by 24 % who simply agreed, while 2 respondent (8 %) were neutral. Another 2 respondent (8 %) were disagreed while 12 % totally disagreed with the statement. This confirms another argument against downsizing relating to organizational results according to which it leads to impairment of intra-organizational processes (Gombola & Tsetsekos, 1992). Workforce reductions are liable to impair HR overall value when following layoffs the organization is left without the unique cluster of skills, competences and know-how accumulated overtime at high cost, which the organization may need in the future (Pradhan, 2000).

The third statement sought to establish whether fair procedures used to select employees result in increased performance, job satisfaction, commitment to the organization and trust among survivors. As far as the responses are concerned, a majority of respondents (76 %) strongly agreed, while the remaining 24 % simply agreed. These findings are also in line with Mentzer (1996) who suggested that instead of indiscriminately laying off employees, the most effective way to downsize may be to consciously and carefully choose the employees to be cut. Otherwise, employees' deteriorating motivation and alienation owing to survivors' syndrome adversely affects performance (Appelbaum *et al*., 1999; Makawatsakul and Kleiner, 2003).

4.3.2.4 Buyout Packages

Table 4.5 presents the responses to one statement regarding buyout packages as a workforce reduction strategy in the banking sector in Kenya.

Table 4.5: Responses for Buyout Packages

Buyout Packages	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	TOTAL
Buyout packages increase pension and benefits payouts, thereby impacting financial performance negatively	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	3 (12 %)	22 (88 %)	25 (100 %)
TOTAL **(PERCENTAGE MEAN)**	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	3 (12 %)	22 (88 %)	25 (100 %)

Source: Survey data (2013)

The study findings reveal an overwhelming majority (88 %) of respondents concurred that the use of buyout packages as a workforce reduction strategy increases pension and benefits payouts, thereby impacting the organization's financial performance negatively. This corroborates studies that have shown that often, cutbacks achieve an immediate saving in expenses but the substantial cost linked to severance pay or post-downsizing outsourcing (Davis *et al*., 2003), which considerably reduces the savings achieved in the cost of wages (Rigby, 2002)

4.3.3 Organization Redesign Strategy

4.3.3.1 Abolition of Functions

Table 4.6 shows the summarized responses of two statements concerning the abolition of functions as an organization redesign strategy in the banking sector in Kenya.

Table 4.6: Responses on Abolition of Functions

Abolition of Functions	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	TOTAL
Eliminating some roles contributes to efficiency	4 (16 %)	1 (4 %)	3 (12 %)	12 (48 %)	5 (20 %)	25 (100 %)
Eliminating some roles cuts costs, which improves business performance in the long run	2 (8 %)	1 (4 %)	2 (8 %)	14 (56 %)	6 (24 %)	25 (100 %)
TOTAL **(PERCENTAGE MEAN)**	6 (12 %)	2 (4 %)	5 (10 %)	26 (52 %)	11 (22 %)	50 (100 %)

Source: Survey data (2013)

The first statement sought to find out whether eliminating some roles contributes to organizational efficiency. According to the study’s findings, almost half of the respondents (48 %) agreed with the statement. In contrast, only a meager 4 % disagreed that eliminating some roles leads to efficiency. This is in line with prior studies that have argued that usually, flatter organizations are seen as allowing for a better information flow and thus faster decisions and execution of decisions (Carzo & Yanouzas, 1969; Colombo & Delmastro, 2008).

The second statement asked if eliminating some roles cuts costs, which in turn improves business performance in the long run. According to the study’s findings in Table 4.7, almost two-thirds of the respondents (56 %) agreed with the statement. In contrast, only a meager 4 % disagreed that eliminating some roles improves business performance in the long run. This concurs with Kuhn (2011) who argues that total costs associated with layers (e.g., wages of managers at those layers, supervisory costs, etc.) decrease with the number of layers. So not only labor productivity but also labor efficiency (profitability) has the potential to increase.

4.3.3.2 Job Redesign

Table 4.7 presents the summarized responses to two statements regarding job redesign as a key aspect of organization redesign strategy in the banking sector in Kenya.

Table 4.7: Responses on Job Redesign

Job Redesign	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**	**TOTAL**
Job redesign is important in achieving higher productivity	0 (0.0 %)	0 (0.0 %)	0 (0 %)	5 (20 %)	20 (80 %)	25 (100 %)
Job redesign improves how work is done, more so in terms of the quality	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	2 (8 %)	23 (92 %)	25 (100 %)
TOTAL **(PERCENTAGE MEAN)**	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	7 (14 %)	43 (86 %)	50 (100 %)

Source: Survey data (2013)

The first statement concerned the value of job redesign in achieving higher productivity in commercial banks. According to the study results, an overwhelming majority (80 %) of respondents strongly agreed that job redesign is important in achieving higher productivity in banks. This was followed by 20 % who agreed with the statement. No respondent disagreed with this statement. This corroborates a study by Slocum (1981) according to which job redesign leads to an increase in worker productivity.

The other statement inquired whether job redesign improves how work is done, more so in terms of the quality. According to the study results, 23 out of the 25 respondents (92 %) strongly agreed with the statement. The rest (8 %) were also in agreement. This corroborates a study by Slocum (1981) according to which job redesign leads to an improvement in the level of service provided.

4.3.3.3 Reducing overall Work Hours

Table 4.8 provides a summary of the responses to two statements relating to the reduction of overall working hours in organizational downsizing. For the first statement, the findings of the study show that 44 % of respondents could neither agree nor disagree whether reducing the number of working hours demotivates employees, thus affecting organizational performance negatively, while a tiny minority (12 %) disagreed with it. This is in comparison to 24 % who agreed with the statement, and an additional 20 % who strongly agreed. In their study, the Conference board of Canada (1998) found that reduced working hours allows employees to pursue other activities.

The other statement sought to find out if eliminating overtime improves organizational performance. Based on the findings, 32 % of respondents strongly agreed with the statement while another equally large group (32 %) neither agreed nor disagreed with it. In contrast, a negligible minority (4 %) strongly disagreed with it. This concurs with the Conference board of Canada (1998) which found that reduced working hours lowers salary costs for the employer, and allows employees to pursue other activities. Moreover, Farrell and Mavondo (2004) reported in their study that various firms had attempted to reduce costs without enforcing job cuts by re-orienting their businesses through a variety of methods, such as temporary closures of plants, reductions in capital spending, and greater use of temporary staff.

Table 4.8: Reducing overall Work Hours

Reducing overall Work Hours	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	TOTAL
Reducing the number of working hours demotivates employees, thus affecting organizational performance negatively.	0 (0 %)	3 (12 %)	11 (44 %)	6 (24 %)	5 (20 %)	25 (100 %)
Eliminating overtime improves organizational performance.	1 (4 %)	3 (12 %)	8 (32 %)	5 (20 %)	8 (32 %)	25 (100 %)
TOTAL **(PERCENTAGE MEAN)**	1 (2 %)	6 (12 %)	19 (38 %)	11 (22 %)	13 (26 %)	50 (100 %)

Source: Survey data (2013)

4.4 Systemic Strategy

4.4.1.1 Simplification of Processes

Table 4.9 presents the summary of responses to two statements concerning the simplification of processes as a systemic restructuring strategy.

Table 4.9: Simplification of Processes

Simplification of Processes	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	TOTAL
Simplification of work processes has a positive effect on employee productivity	0 (0.0 %)	0 (0.0 %)	2 (8 %)	13 (52 %)	10 (40 %)	25 (100 %)
Simplification of work processes improves service provision	0 (0.0 %)	0 (0.0 %)	0 (0 %)	8 (32 %)	17 (68 %)	25 (100 %)
TOTAL **(PERCENTAGE MEAN)**	0 (0.0 %)	0 (0.0 %)	2 (4 %)	21 (42 %)	27 (54 %)	50 (100 %)

Source: Survey data (2013)

The first statement asked if simplification of work processes has a positive effect on employee productivity. According to the findings, the majority of respondents (52 %) were in agreement with the statement. This was followed by 40 % who strongly agreed with the statement. The remaining 8 % neither agreed nor disagreed. The second statement asked whether simplification of work processes improves service provision. The vast majority (68 %) of respondents strongly agreed with the statement, while the remaining 32 % of respondents simply agreed with the statement. This is in contrast to a study by Gandolfi (2005) who undertook a multi-year case study research determining and comparing the downsizing implementation strategies of large Australian and New Zealand banks. According to this study, the systemic strategy was rejected by all Australian managers who perceived systemic strategies to inhibit short-term savings and to merely engender long-term payoffs. In stark contrast, New Zealand bank managers perceived organization redesign strategies to be the implementation strategy of choice.

4.4.1.2 Bottoms Up Change

Table 4.10 displays the responses to a couple of statements regarding the use of bottoms up change as a key aspect of systemic strategy.

Table 4.10: Responses on Bottoms Up Change

Bottoms Up Change	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**	**TOTAL**
Instilling bottoms-up change results in increased performance, job satisfaction, commitment to the organization and trust amongst employees	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	2 (8 %)	23 (92 %)	25 (100 %)
Bottoms-up change results in a strong sense of ownership, leading to better quality and service provision	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	3 (12 %)	22 (88 %)	25 (100 %)
TOTAL **(PERCENTAGE MEAN)**	0 (0 %)	0 (0 %)	0 (0 %)	5 (10 %)	45 (90 %)	50 (100 %)

Source: Survey data (2013)

According to the survey results, the bulk of respondents (92 %) strongly agreed that a instilling bottoms-up change results in increased performance, job satisfaction, commitment to the organization and trust amongst employees. In addition, a minority of respondents (8 %) agreed with this statement. The findings are also consistent with Piderit’s (2000) argument that individuals’ responses to change are often multifaceted.

They also point out the role played by the organizational change in shaping job satisfaction, turnover and performance.

Moreover, the study asked if bottoms-up change results in a strong sense of ownership, leading to better quality and service provision. Here, again, the bulk of respondents (88 %) strongly agreed that bottoms-up change results in a strong sense of ownership, leading to better quality and service provision. Another 12 % of respondents simply agreed with this statement. These findings are supported by Carter *et al*. (2012) who established that a bottom-up change influences individual performance behavior such as task performance. According to them, the underlying goal of organizational change is to improve organizational performance. At lower organizational levels, progress toward this goal is gauged in terms of employees' job performance behaviors.

4.4.1.3 Continuous Improvement

Table 4.11 shows the summarized responses to three statements concerning the value of continuous change as a feature of systemic strategy in the banking sector.

Table 4.11: Responses on Continuous Improvement

Continuous Improvement	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**	**TOTAL**
Continuous improvement gives the organization a competitive advantage which in the long run leads to improved performance.	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	2 (8 %)	23 (92 %)	25 (100 %)
Continuous improvement conditions the organization for superior service provision.	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	1 (4 %)	24 (96 %)	25 (100 %)
Continuous improvement inculcates a culture of quality in the organization.	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	1 (4 %)	24 (96 %)	25 (100 %)
TOTAL **(PERCENTAGE MEAN)**	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	4 (5.3 %)	71 (94.7 %)	75 (100 %)

Source: Survey data (2013)

The first statement asked whether continuous improvement gives the organization a competitive advantage which in the long run leads to improved performance. According to the findings of the study, 23 respondents (92 %) strongly agreed, while 8 % simply agreed with this statement. This is consistent with Whittington *et al*. (1999) who identified in their survey of organizations in Western Europe, identified a range of changes in which organizations were engaged in. According to their study, this sort of change is commonly seen as second-order, transformational change that is needed to produce a fundamental reorientation of an organization so that it can cope with highly competitive changes in the business environment.

The second statement asked if continuous improvement conditions the organization for superior service provision. The findings revealed that the bulk of respondents (96 %) strongly agreed with the statement, while the only single respondent (4 %) that remained was neutral. These findings are consistent with scholars who have argued that continuous incremental change requires employees to modify not only work routines but also social practices (e.g., relations with their managers and peers). To do this, employees selectively retain effective elements of their performance routines and integrate them with new, more efficient ones (Feldman & Pentland, 2003).

The third statement concerned the issue of whether continuous improvement inculcates a culture of quality in the organization. Again, the study's findings revealed that almost all of the respondents (96 %) strongly agreed with the statement, while the only single respondent (4 %) that remained was neutral. As Cascio (1993) argues, in order to sustain long-term improvements in efficiency, organizations must engage in continuous improvement processes that include not only organization redesign but also systemic changes, which help eliminate redundancies, wastage and inefficiency. By engaging in continuous improvement strategies, the need for periodic radical and drastic reduction in headcount is alleviated.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter sought to synthesize the findings of the previous chapters. It did this first by way of a summary and discussion of the main findings of the study with respect to each study objective. Thereafter, conclusions based on the findings were made, followed by recommendations of the study and suggestions for further study.

5.2 Summary

The main objective was to find out the relationship between downsizing strategies and performance in commercial banks in Nairobi County, Kenya. The researcher was guided by three specific research objectives: to establish the influence of workforce reduction strategy on performance of commercial banks in Nairobi, Kenya; to assess the influence of organization re-design strategy on performance of commercial banks in Nairobi, Kenya, and to determine the influence of systemic strategy on performance of commercial banks in Nairobi, Kenya. To do this, the study employed a descriptive, cross-sectional, survey design and the study's findings were determined from twenty five commercial banks that responded to the questionnaires out of the thirty nine that were sampled. The response data was analyzed using descriptive statistics and the findings were presented in the form of tables and narratives.

The findings reveal that the significant majority of the respondents were female, with males making up a small minority. With regards to the organization category, a majority of the firms that responded were mid-tier banks, while the minority was large banking institutions. When it comes to the organization type, the research findings revealed that a majority of the organizations that responded were local banks. On the other hand, there was equal response for both regional banks as well as multinational banks.

Results also show that while the workforce reduction, organization redesign and systemic strategies downsizing strategies are used by commercial banks in Kenya, certain aspects of these strategies have a negative impact on organizational performance, while others have a positive impact on performance.

5.3 Conclusions

The study drew three important conclusions based on its findings and in accordance with its three specific objectives. First and foremost, the workforce reduction, a popular downsizing strategy used by commercial banks in Kenya is achieved through natural attrition, early retirements, lay-offs and buyout packages. However, this strategy is generally perceived to have negative impact on the organization’s performance. This means that it should be used cautiously as it can cause significant damage to the organization in the long term.

Second, the organization redesign strategy as used by commercial banks in Kenya is achieved through abolition of functions, job redesign and reducing overall work hours. Apart from reduction of overall work hours, this strategy is generally perceived to have positive impact on the organizations surveyed. The implication here is that it can serve as an effective short-term to medium-term measure for achieving desired performance.

Third, the current study revealed that simplification of processes, bottoms up change and continuous improvement make up the systemic downsizing strategy amongst commercial banks in Kenya. Generally, this strategy is seems to have positive impact on the employees, leading to improved organization loyalty, better quality and service provision. It also appears to embrace a more holistic view of the organizational and should therefore guarantee superior project performance in the long term when applied effectively.

5.4 Recommendations

Based on the findings of the study, the researcher came up with the following recommendations which are meant to be of practical and theoretical significance.

5.4.1 Practical Significance

The results of this study are important to strategic management practitioners such as managers who run organizations on a daily basis and consultants who are from time to time tasked with improving organizational performance.

To begin with, these organizations need to develop and clearly spell out guidelines for downsizing so as to be able to implement workforce reduction strategy correctly. A comprehensive performance evaluation system of staff and organizational productivity is a core platform upon which to base the downsizing plans of the organization.

Second, before embarking on any major organization redesign, organizations should take the time to do a strategic analysis. This will enable them to have a clear idea of their missions, challenges and opportunities in order to know why, how and to what extent they must undergo structural changes, if any. Therefore, this requires organizations to restructure and rethinking their core activities.

Third, the systemic downsizing strategy offers the best option for long-term, sustainable organization performance, as successful downsizing goes well beyond simply reducing total staff numbers and changes to organizational structures. Organizations need to consider systemic changes which offer long-term benefits that will eliminate redundancies and inefficiencies.

5.4.2 Theoretical Significance

From an academic perspective, the current study's findings hold theoretical importance to management scholars interested in the various downsizing strategies used to enhance performance in organizations. Also, by empirically reviewing the various aspects of downsizing strategies used by commercial banks in Kenya, this study contributes the existing empirical studies in this area in Kenya.

5.5 Suggestions for Further Study

Since this study was limited to the commercial banks in Kenya, future research in this area can be widened to incorporate other financial service providers or even extended to other sector of the economy. This may lead to a greater understanding of effective downsizing strategies in organizations.

Also, future studies can take into account the empirical nature of the study for model development. Because this study only employed descriptive statistics, future studies could use both descriptive and inferential statistics in examining the relationship between downsizing strategies and performance. This can contribute to the development of an empirically validated model for downsizing.

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APPENDICES

Appendix 1: Letter of Introduction

Lillian Jamhuri Miguda,
School of Business,
Kenyatta University,
ID: D53/CTY/PT/24454/2011

Dear Respondent,

RE: PARTICIPATION IN ACADEMIC SURVEY

I am a student at Kenyatta University currently working on my thesis in partial fulfillment of Master Degree in Business Administration at Kenyatta University. To this end, I am collecting information regarding "Downsizing Strategies and Performance in Commercial Banks in Kenya". My academic supervisor for this research is Dr. S.M.A. Muathe, who is a lecturer in the Department of Business Administration, School of Business at Kenyatta University,.

This study is based solely on voluntary basis. This questionnaire should take about 5 - 10 minutes to complete. When you have completed this e-mailed questionnaire please send it back to me electronically. A hard copy of the questionnaire will also be available upon request.

Any information that you provide will be confidential to the researchers. All participants will be anonymous such that no personal information concerning you or your company will be made public either during, or after the completion and release of this study. I sincerely hope for your participation in the study.

Regards,

Lillian J. Miguda

Appendix 2: Questionnaire

Section A: General Company Information

1. Gender:

□ Male □ Female

2. Organization Category

□ Small Bank □ Mid-Tier Bank □ Large Bank

3. Organizational Type

□ Local Bank □ Regional Bank □ Multinational Bank

If others, please specify:

……………………………………………………………………………………………………....
……………………………………………………………………………………………………

4. Working experience in the banking industry:

□ Under 5 years □ 6 – 10 years □ 11 – 15 years

□ 16 - 20 months □ 21 years or more

Section B: Workforce Reduction Strategy

Please indicate the extent to which you agree to the following statements by ticking (✓) the appropriate response.

	Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1.	**Natural Attrition**					
	Natural attrition affects performance negatively since many unproductive employees are retained for longer than necessary periods					
	Natural attrition affects service delivery negatively since employees are not worried about consequences of their work-related behavior					
2.	**Early Retirement**					
	Offering voluntary retirement may affect organizational performance negatively since many experienced employees might leave					

3.	**Layoffs**					
	Laying off employees leaves fewer people to do the same amount of work, thus affecting organizational performance negatively					
	Laying off employees leaves fewer employees do the same amount of work thus affecting the level of service provided negatively					
	Fair procedures used to select employees result in increased performance, job satisfaction, commitment to the organization and trust among survivors					
4.	**Buyout Packages**					
	Buyout packages increase pension and benefits payouts.					

Which other factors are important? Please comment: ____

____

____

Section C: Organization-Redesign Strategy

Please indicate the extent to which you agree to the following statements by ticking (✓) the appropriate response.

	Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1.	**Abolition of Functions**					
	Eliminating some roles contributes to efficiency					
	Eliminating some roles cuts costs which improves business performance in the long run					
2.	**Job Redesign**					
	Job redesign is important in achieving higher productivity					
	Job redesign improves how work is done, more so in terms of the quality					
3.	**Reducing Overall Work Hours**					
	Reducing the number of working hours demotivates employees, thus affecting organizational performance negatively.					
	Eliminating overtime improves organizational performance.					
4.	**Others**					

Which other factors are important? Please comment: ____

____

____

Section D: Systemic Strategy

Please indicate the extent to which you agree to the following statements by ticking (✓) the appropriate response.

	Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1.	**Simplification of Processes**					
	Simplification of work processes has a positive effect on employee productivity					
	Simplification of work processes improves service provision					
2.	**Bottoms Up Change**					
	Instilling bottoms-up change results in increased performance, job satisfaction, commitment to the organization and trust amongst employees					
	Bottoms-up change results in a strong sense of ownership, leading to better quality and service provision					
3.	**Continuous Improvement**					
	Continuous improvement gives the organization a competitive advantage which in the long run leads to improved performance.					
	Continuous improvement conditions the organization for superior service provision.					
	Continuous improvement inculcates a culture of quality in the organization.					
4.	**Others**					

Which other factors are important? Please comment: ____

____

____

Appendix 3: List of Commercial Banks in Kenya

No	Name	No.	Physical Address
1	Barclays Bank of Kenya Ltd	23	Gulf African Bank Ltd
2	CFC Stanbic Bank Ltd	24	Middle East Bank (K) Ltd
3	Co-operative Bank of Kenya Ltd	25	African Banking Corporation Ltd
4	Equity Bank Ltd	26	Consolidated Bank of Kenya Ltd
5	Kenya Commercial Bank Ltd	27	Credit Bank Ltd
6	Standard Chartered Bank Kenya Ltd	28	Development Bank of Kenya Ltd
7	Citibank N.A. Kenya	29	Dubai Bank Kenya Ltd
8	Imperial Bank Ltd	30	Equatorial Commercial Bank Ltd
9	Bank of Africa Kenya Ltd	31	Fidelity Commercial Bank Ltd
10	Bank of Baroda (K) Ltd	32	Fina Bank Ltd
11	Bank of India	33	First Community Bank Ltd
12	Chase Bank (K) Ltd	34	Giro Commercial Bank Ltd
13	Commercial Bank of Africa Ltd	35	Habib Bank A.G. Zurich
14	Diamond Trust Bank Kenya Ltd	36	Habib Bank Ltd
15	Ecobank Kenya Ltd	37	Jamii Bora Bank Ltd
16	Family Bank Ltd	38	K-Rep Bank Ltd
17	Guardian Bank Ltd	39	Oriental Commercial Bank Ltd
18	I & M Bank Ltd	40	Paramount Universal Bank Ltd
19	National Bank of Kenya Ltd	41	Trans-National Bank Ltd
20	NIC Bank Ltd	42	UBA Kenya Bank Ltd
21	Prime Bank Ltd	43	Victoria Commercial Bank Ltd
22	Charterhouse Bank Ltd		

Source: (CBK, 2012)