

THE IMPACT OF DOWNSIZING ON THE REMAINING EMPLOYEES

IN THE ORGANISATION

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Contents

| | |
|---|----|
| CHAPTER 1 | 1 |
| INTRODUCTION AND PROBLEM STATEMENT | 6 |
| 1.1 Introduction | 6 |
| 1.2 Problem Statement | 8 |
| 1.3 Research Objectives | 9 |
| 1.4 Hypotheses | 9 |
| 1.5 Definitions And Terms | 10 |
| 1.6 Limitations Of The Study | 11 |
| 1.7 Organisation Of The Study | 12 |
| 1.8 Overview of the Chapters | 12 |
| CHAPTER 2 | 14 |
| LITERATURE REVIEW | 14 |
| 2.1 Introduction | 14 |
| 2.2 Defining Downsizing | 16 |
| 2.3 Levels Of Analysis | 17 |
| 2.4 Downsizing Measurement Criteria | 18 |
| 2.5 Reasons for Downsizing | 19 |
| 2.5.1 Environmental factors | 19 |
| 2.5.2 Organisational factors | 22 |
| 2.6 Advantages of downsizing | 23 |
| 2.7 Planning for downsizing | 24 |
| 2.8 Steps in the Planning Process | 26 |
| 2.9 Methods of downsizing | 28 |
| 2.9.1 Ill-health retirement | 28 |
| 2.9.2 Compulsory redundancy | 28 |
| 2.9.3 Voluntary redundancy | 28 |
| 2.9.4 Early retirement | 28 |



| | | |
|----------------------------|--|----|
| 2.9.5 | Natural wastage | 29 |
| 2.10 | Downsizing Strategies | 29 |
| 2.11 | Ethical considerations of downsizing..... | 30 |
| 2.12 | Recommendations for making downsizing effective..... | 31 |
| 2.13 | How to increase the success of downsizing..... | 31 |
| 2.14 | Strategies for Maintaining Positive Employee Attitudes | 32 |
| 2.15 | Ineffective Downsizing Strategies..... | 32 |
| 2.16 | Downsizing Effects | 33 |
| 2.16.1 | How Down-Sizing Affects Employees' Morale..... | 38 |
| 2.16.2 | Effects on Work Effort..... | 39 |
| 2.16.3 | Survivor Effects | 39 |
| 2.17 | The relationship between downsizing and biographical characteristics | 40 |
| 2.17.1 | Age | 41 |
| 2.17.2 | Gender | 41 |
| 2.17.3 | Education | 41 |
| 2.17.4 | Tenure | 42 |
| 2.17.5 | Job category | 42 |
| 2.17.6 | Race..... | 42 |
| 2.18 | Conclusion..... | 42 |
| CHAPTER 3 | | 44 |
| RESEARCH METHODOLOGY | | 44 |
| 3.1 | Introduction | 44 |
| 3.2 | Research Questions/Problem | 44 |
| 3.3 | Research Objectives..... | 45 |
| 3.4 | Research Hypotheses..... | 45 |
| 3.5 | Rationale For The Study | 46 |
| 3.6 | Research Methodology..... | 46 |
| 3.6.1 | Population..... | 46 |
| 3.7 | Method of data collection | 47 |
| 3.8 | Data analysis techniques..... | 49 |
| 3.8.1 | Pearson Product Moment Correlation Coefficient | 49 |



| | |
|--|----|
| 3.8.2 T-Test..... | 50 |
| 3.8.3 ANOVA | 51 |
| 3.9 QUESTIONNAIRE | 51 |
| 3.9.1 Validity | 51 |
| 3.9.2 Reliability..... | 52 |
| 3.10 CONCLUSION..... | 52 |
| | |
| CHAPTER 4 | 53 |
| PRESENTATION OF RESULTS | 53 |
| 4.1 Introduction | 53 |
| 4.2 Descriptive statistics | 54 |
| Table 4.1: Descriptive statistics for the dimensions of the downsizing questionnaire | 55 |
| 4.2.1 Biographical Characteristics..... | 56 |
| 4.3 Inferential Statistics | 62 |
| Table 4.2: Intercorrelation matrix of the dimensions of the downsizing questionnaire | 62 |
| Table 4.3: Gender differences in the dimensions of the downsizing questionnaire | 63 |
| Table 4.4: Age differences in the dimensions of the downsizing questionnaire | 64 |
| Table 4.5: Marital status differences in the dimensions of the downsizing questionnaire..... | 65 |
| Table 4.6: Tenure differences in the dimensions of the downsizing questionnaire..... | 67 |
| Table 4.7: Education differences in the dimensions of the downsizing questionnaire | 69 |
| Table 4.8: Job level differences in the dimensions of the downsizing questionnaire | 71 |
| 4.4. Factor Analysis of the downsizing questionnaire | 73 |
| Table 4.9. Validity Scores | 73 |
| 4.5 Conclusion..... | 74 |
| | |
| CHAPTER 5 | 76 |
| DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS | 76 |
| 5.1 Introduction | 76 |
| 5.2 Descriptive statistics | 77 |
| 5.3 Inferential statistics..... | 77 |
| 5.4 Limitations..... | 84 |
| 5.5 Conclusions | 85 |

| | | |
|-----|---|-----|
| 5.6 | Recommendations To Improve The Study..... | 88 |
| 5.7 | Implications Of The Study | 90 |
| | REFERENCE LIST | 93 |
| | APPENDICES | 104 |
| | Appendix A: Research Cover Letter | 105 |
| | Appendix B: Informed consent form | 106 |
| | Appendix C: Biographical Questionnaire | 107 |
| | Appendix D: Organisational Commitment Questionnaire | 108 |



CHAPTER 1

INTRODUCTION AND PROBLEM STATEMENT

1.1 Introduction

Since the early 2000's there has been a wave of global downsizing of employees in many organisations. A question can be posed, to what extent have organisations focused to adopt a downsizing policy framework for ensuring a balance of procedural and efficiency imperatives (Chew & Howitz, 2002).

Organisational downsizing has recently become an increasingly important issue that needs to be addressed to ensure fair employment practices. Companies worldwide have used downsizing to improve employee competitiveness, profitability, organisational effectiveness, efficiency as well as to reduce the size of their workforce. Downsizing has ramifications for everyone in the organisation, regardless if employees are remaining in the organisation or those. As a result of restructuring, employees might be suspicious about the future direction of the organisation and their role in it. Trust is especially important in knowledge-based organisations because it is known to support knowledge-creation processes and related interactions (Blomqvist 2002; Tyler 2003).

Employees are often sceptical about change, as new work roles assigned may cause them anxiety and previous interpersonal relationships may be lost; however companies regard downsizing

positively . The reaction of those who survive the downsizing determines the future success of the organisation (Hopkins & Weathington, 2006).

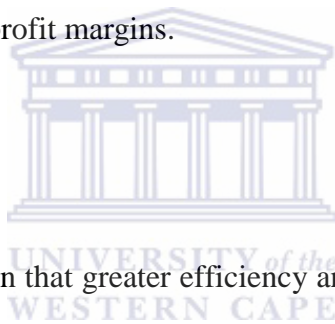
An organisation, in a dominant market, share position due to downsizing and restructuring its strategic business units, thus is more complex and emotionally draining than being the leader during periods of growth. Different organisations, at present, have joined the military march of the global epidemic infected with layoffs that is redefining effective leadership and employee motivation, loyalty and commitment (Noer, 2010).

Downsizing essentially involves the reduction in the number of workforce within the organisation, which can be achieved through several techniques including, retrenchments, early retirements or casualisation of staff (Hellgren, Näswell, & Sverke, 2005). Robbins (as cited in Ndlovu & Parumasur, 2005, p. 14) intensifies the above by defining downsizing as a practice of reducing the organisations size through extensive layoffs, whereby whole layers of the organisation are eradicated and management is done with fewer people. On the other hand, as outlined by Chew and Horwitz (2002), downsizing may not necessarily result in the loss of jobs where employees are retrained and re-deployed, or where other measures such as non-replacement of staff that leave occur.

According to Vermeulen (2002), “Downsizing encompasses a broader range of activities than mere laying-off employees” (p. 28). Drummond (as cited in Ndlovu & Parumasur, 2005, p. 15) is in support of the above and states that downsizing and its respective process increases the responsibility on those who remain in the organisation by placing a premium on commitment. Newell and Dopson (as cited in Ndlovu & Parumasur, 2005, p. 15) also believe that prolonged

periods of downsizing, gives rise to exaggerated working environments, and consequently results in commitment of employees being based on fear rather than loyalty.

The practice of downsizing over the past two decades has increased and can be caused by many internal as well as external factors. These internal factors include, conflict between organisational components and strategic redesign of organisations, whilst the external factors consist of economic changes, technological advances and competition to highlight but a few (Ndlovu & Parumasur, 2005). With regard to the retail sector in South Africa, Bramble and Barchiesi (2003, p. 171) state that South African retailers have been restructuring to compete for market shares in sectors with thin profit margins.



1.2 Problem Statement

Markos and Sridevi (2010) maintain that greater efficiency and productivity are being demanded of employees than at any other time in history. Businesses are striving to increase their performance and managers have to deal with many challenges in order to put their companies ahead of competitors. Corporate restructuring has become a popular approach to dealing with the challenges of a competitive business environment (Nag & Pathak 2009).

Corporate restructuring often followed mergers, acquisitions, demergers or other structural changes, and sought to promote resource optimisation in the organisation. Barney and Wright (1998) highlight a contradiction when they suggest that most corporate annual reports suggest that the organisation's people are its most important asset, and yet when organisations are required to cut costs they typically reduce investments in people in the form of training, wages

and headcounts. A likely outcome of such downsizing and cost-cutting is mistrust; a trust gap develops between managers and employees, and there is a loss of trust in the organisation as a whole (Rankin, 1998; Tyler, 2003).

Lee and Teo (2005) report that both trust and job satisfaction are negatively affected by the extent of change required from employees in the three months following an organisational restructuring. If this were to continue, it could seriously endanger the productivity of the organisation. In light of the above, this research endeavours to elucidate how downsizing impacts on remaining employees in an organisation.

1.3 Research Objectives

The research objectives are:



- To identify whether or not downsizing impacts on the remaining employees within an organisation or not.
- To determine the impact of downsizing on trust, loyalty, employee morale and career advancement opportunities and commitment as perceived by surviving employees.

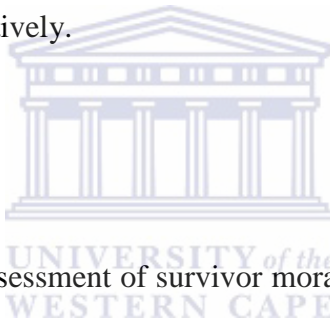
1.4 Hypotheses

Terre Blanche and Durrheim (1992) defines a hypothesis as “educated guesses or expectations about differences between groups in the population or about relationships among variables.”

The following general hypotheses have been developed:

Hypothesis 1: There exists significant intercorrelations amongst the key variables of the study that are influenced by the process of downsizing and transformation (communication, trust, employee commitment and loyalty, employee morale and career advancement opportunities) respectively.

Hypothesis 2: There is a significant difference in the perception of survivors varying in biographical data (age, highest educational qualification, tenure, job category, race, gender) regarding the impact of the process of downsizing and transformation on the key variables of the study (communication, trust, employee commitment and loyalty, employee morale and career advancement opportunities) respectively.



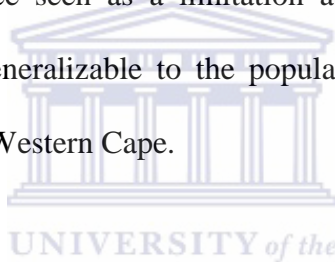
1.5 Definitions And Terms

- Employee morale – The assessment of survivor morale is linked to the feeling of guilt at still having a job whilst colleagues were downsized.
- Employee commitment – The assessment of overall employee commitment is linked to the willingness of survivors to identify with the organisational goals and aspirations and to make sacrifices for the organisation as well, after the retrenchment exercise.
- Employee trust and loyalty – This dimension focuses on the extent to which survivors feel a sense of betrayal that the promise of lifelong employment, still implicit in the employer and employee relationship, has been unceremoniously broken. The assessment of this dimension focuses on whether or not survivors become insecure about their jobs after the downsizing exercise.

- Career development opportunities – This dimension focuses on whether remaining employees are given opportunities to achieve their career goals and aspirations. It would then be possible to determine whether or not there is a perceived decrease in career development opportunities after the transformation process.

1.6 Limitations Of The Study

For the purpose of this study a convenience sampling method was used, this type of sampling is non-probability method it is hence seen as a limitation as the findings stemming from the research cannot be confidently generalizable to the population of employees in all food and beverage organisations within the Western Cape.



The current study only made use of one food and beverage organisation and this will bring up issues of generalizability of the study to the entire population of employees in all food and beverages organisations in the Western Cape.

The language and literacy level of the various employees completing the questionnaire was not considered as questionnaires were only made available in English.

The time frame in conducting research has limitations as a number of employees subjected to the change process have resigned, retired or promoted and some of the employees are new and were not affected by the downsizing.

The possibility also exists that the respondents could have just completed the questionnaire for the sake of filling it out (quality of response) and undermining the quality of the research findings.

1.7 Organisation Of The Study

The present day company was formed in 1997 and is one of the largest producers and distributors in South Africa of a range of food and beverages. They operate across the country, providing the nation with affordable foods of a consistently high safety and nutritional quality, supported by a large, innovative and stable workforce and is one of the largest employers in the food industry in South Africa, with thousands of employees in their factories, offices, warehouses, and distribution channels.



1.8 Overview of the Chapters

Chapter 1 provides an overview of the construct researched in this study, it further highlights the aims and objectives of the study, the hypothesis of the study as well as the limitation and benefits of the study. It provides a brief insight into the research study.

Chapter 2 provides a comprehensive literature overview of the variables (namely, communication, trust, employee commitment and loyalty, career advancement, employee morale) pertaining to the study.

Chapter 3 highlights the research methodology employed in this study. Aspects pertaining to the research design, how the sample was selected, the procedure followed in collecting the data and the statistical methods used in analyzing the data are presented.

Chapter 4 unveils the research findings from the analysis of data collected during the study.

Chapter 5 provides an inspection of the most salient results and presents the discussion thereof.

Furthermore the limitations related to the research will be highlighted and the chapter will conclude with putting forth recommendations to both the organisation and for future research.



CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The business environment is continuously changing and organisations are dealing with the after-effects of a global economic slowdown. Organisations are under pressure to change the way they do business in order to remain competitive in a more demanding and cost-controlled environment. Many organisations have turned to restructuring as a strategic decision to realign internal structures with changing macro-environmental factors (Marais & Hofmeyr, 2013).

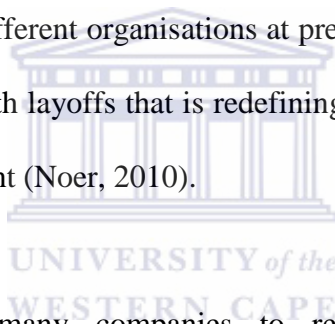
The increase in global competitiveness, together with advances in technology and ongoing changes in the environment, requires organisations to continuously adapt and be willing to change their structures, strategies, methods and practices to remain competitive. In some cases they need to transform themselves from rigid bureaucracies into leaner, more flexible operations (Cummings & Worley 2009).

Organisational downsizing has become a progressively important issue lately, that needs to be addressed to ensure just employment practices. Downsizing can be defined as a “purposeful reduction in the size of an organisation workforce” (Cameron, Freeman, & Mishra, 1991). Companies globally have used downsizing to improve employee competitiveness, profitability, organisational effectiveness, efficiency and to reduce the size of their workforce. Downsizing has consequences for everyone in the organisation, regardless if employees are leaving or remaining in the organisation. The effects of downsizing on employees and the organisation as a whole

vary, due to the numerous social and institutional constraints as well as research procedures that organisations undertake to find operational answers.

Employees are often sceptical about change as new work roles assigned to them bring about anxiety and previous interpersonal relationships may be lost; however companies regard downsizing in a positive light. The reaction of those who survive the downsizing determines the future success of the organisation (Hopkins & Weathington, 2006).

An organization in a dominant market, share position due to downsizing and restructuring its strategic business units, this is more intricate and emotionally draining than being the leader during periods of development. Different organisations at present have joined the military march of the global prevalent infected with layoffs that is redefining effective leadership and employee motivation, loyalty and commitment (Noer, 2010).



Competitive pressures require many companies to restructure themselves from rigid bureaucracies to leaner, more flexible designs (Cummings & Worley 2009). These companies are also forced to re-examine their human resource management (HRM) practices to ensure organisational success (Brewster, Sparrow & Harris 2005).

Nag and Pathak (2009) maintain that restructuring is a multidimensional, on-going process which includes improvements in efficiency and management, a reduction in staff and wages, asset sales and improved marketing efforts, all with the expectation of higher profitability. Corporate restructuring is achieved through changes in corporate structure, including financial structuring, and optimisation of resources.

2.2 Defining Downsizing

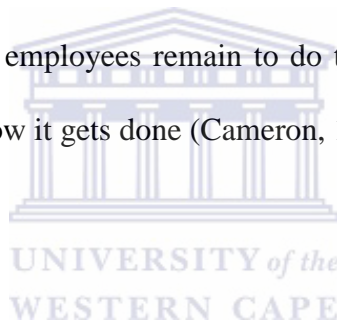
Despite the fact that downsizing has been common and has affected millions of employees, it has not been correctly defined by many authors. Thus, different concepts, different levels of analysis, and different measurement criteria have been utilized to this single construct (Cameron et al.,1993). It has been reported that terms encountered as synonyms of downsizing include resizing, leaning-up, retrenching, consolidating, declining, reduction-enforce, slimming, rightsizing, re-engineering, streamlining, reorganising, researching, restructuring, and many others. Each of these concepts could share certain meaning with downsizing, but every one may also create dissimilar connotations and criteria for assessment. Downsizing should be clearly defined in order to be precisely measured.

Downsizing can be viewed as “a type reorganisation or restructuring, downsizing or workforce reduction is a strategy to streamline, tighten and shrink the organisational structure with respect to the number of personnel that the organisation employs” (Halley, 2001, p. 4). Downsizing from a corporate perspective is a process whereby organisations restructure in terms of outsourcing, replacing permanent employees with contract employees; reduce hierarchical levels in order to make the organisation more efficient and flexible (Author unknown, n.d.). Downsizing is “a set of activities undertaken by the management of an organisation designed to improve efficiency, productivity and/or competitiveness” (Cameron, 1994).

Downsizing is a strategy employed by managers that affects the size of the organisation's work processes and its workforce. Organisational downsizing represents a set of activities, undertaken on the part of the management of an organisation, designed to improve productivity,

organisational efficiency, and/or competitiveness (Cameron et al.,1993). According to Cameron et al.(1993), downsizing has four main attributes that help define and separate it from related, but non-synonymous concepts such as decline and layoffs. These attributes being, intent, efficiency, personnel and work processes are described as follows:

Downsizing may occur intentionally as a strategic, proactive response designed to improve organisational effectiveness. This may involve mergers, acquisitions, sell-offs, or restructuring to better enable the organisation to meet its mission (Kozlowski, 1991). Downsizing emerges either reactively or proactively to control costs, boost revenue and efficiency, and/or strengthen competitiveness. Downsizing activities may bring about changes in the work processes. After a reduction in the workforce, fewer employees remain to do the same amount of work, and this affects what work gets done and how it gets done (Cameron, 1994).



2.3 Levels Of Analysis

There are three different levels of analysis from which downsizing has been approached, each which have generated different approaches and definitions to downsizing. The three levels of analysis include: a macro level; an organisation level; and a micro level (Cameron, 1994).

A great volume of literature exists on divestitures and organisational mergers at the macro level. This includes literature on acquisitions, market segmentation, consolidating industry structures and reinforcing core competencies (Cameron & Freeman,1994).

At the organisational level, downsizing concerns are mainly with: whether to downsize, how to implement downsizing and what the effects of downsizing are on the organisation's performance.

At this level, to a great extent there has been less research that investigated strategies for approaching downsizing (Cameron et al., 1993).

At the micro level, considerable literature exists on the psychological reactions to layoffs and job loss. Layoff refers to a workforce decrease entailing the involuntary departure of one or more employees. Temporary or seasonal job loss in this research is not considered as layoff. At this level research also includes investigation of downsizing impacts on financial well-being, health, family relationships, personal attitudes and other personal factors (Kozlowski et al., 1993).

2.4 Downsizing Measurement Criteria

In addition to the various levels of downsizing analysis, different measurement criteria have been used in downsizing research; these factors have all contributed to the slow development of downsizing literature. The most common alternatives for downsizing have been evidence of decline, layoffs or non-adaptation. Decline is seen as a destructive result of maladaptation to an opposing environmental situation, it is usually unintentional on the part of the organisation. Laying off employees is the most common action taken in downsizing organisations (McClune, Beatty, and Mantagno, 1988), downsizing entails a much broader set of actions and connotations. Layoffs refer to a single, tactical, reaction used to implement downsizing. Downsizing may be both proactive and strategic and may include an array of options for reducing the work force. It may be even exclusive of layoffs (Cameron et al., 1993).

2.5 Reasons for Downsizing

There are various reasons why organisations make strategic decisions to downsizing the workforce. Research by Vermeulen (2002), states that organisations plan the elimination of positions or jobs for a specific reason or to attain a particular outcome. For instance, an organisation would downsize its workforce due to deregulation with an objective of improved labour flexibility in the organisation. The following discussion will categorise environmental and organisational factors as the basis for retailers downsizing their personnel or the relevant, desired outcomes for the grounds of downsizing.

2.5.1 Environmental factors

2.5.1.1 Economic slowdown/ recession



An economic slowdown or recession, as outlined in the Business Dictionary (n.d.), is a period of economic decline, partnered with a fall in retail sales and increased level of unemployment. The most prominent ground for downsizing in organisations is economic downturn. Burden and Roodt (n.d.) explains that clients decrease their expenditure as a result of changes in market demands due to recessions. The decline in consumer expenditure produce lower levels of sales, whereby organisations are forced to cut back costs and for the most part this is done through reducing labour costs or reducing the workforce.

Bramble and Barchiesi (2005) argue that although large international retailers have expanded by means of diversifying their interests towards foreign markets, the South African domestic retail

market has been minimally affected by international competitors. Datta, Guthrie, Basuil and Pandey (2010) opposes this by discussing that economic slowdowns stem downsizing of organisations in other countries, such as China, Hong Kong, South Korea as well as Taiwan, which results in an increase in the vast development of foreign owned businesses in South Africa, trading goods at exceedingly lower rates than South African retailers, consequently increasing competition in the South African industry. To overcome fierce competition, retailers may resort to reducing the number in staff or decide to employ seasonal staff.

2.5.1.2 Increased organisation expenditure

When organisations experience increased costs of production downsizing of personnel may possibly be done to meet cost requirements. Organisations could additionally allocate a reduced budget for salary or wages, subsequently offering current permanent staff new part-time permanent contracts with fewer benefits.

Downsizing caused by increased financial costs can take the form of casualisation, as maintained by Pfeffer, whereby organisations outsource temporary tasks to minimise the core size of the organisation (as cited in Hellgren et al., 2005, p. 87). Due to this practice, proposed amendments to the South African legislation will increase the cost of affording temporary employee as temporary employees will be lawfully entitled to benefits equal to those of permanent employees in a similar position after an initial employment period of six months, prompting further reductions in the number of personnel (Stafford, 2013).

2.5.1.3 Technological advances

Downsizing of employees in many organisations are influenced by technological advances which may result in employee lay-offs due to redundancy of certain positions (Datta et al., 2010). In terms of South African food retailers, by the late 1990's major retailers had invested in electronic-point-of-sale technology and the use of bar coding had become the norm. This is suggestive of the decreased demand for merchandisers needed in stores to price goods (Bramble & Barchiesi, 2005).

In more recent reports, Moorad (2013) discusses the increased e-commerce strategy that several South African retail organisations have undertaken. Moorad (2013) continues to state that although shopping online may be an infrequent trend amongst many South African consumers, as a result of low internet penetration and inefficient postal systems, the factor of convenience that online shopping platforms provide to tech savvy consumers still remains.

An increased use of online shopping consequently decreases the vast quantity of sales consultants needed in retail staff as many positions such as fitting room attendants and division specialist retail consultants have become redundant. Moreover, many retail stores have taken the approach of displaying merchandise so as to facilitate a self-service technique whereby consumers are allowed to shop without the assistance of a sales consultant, causing the division specialist retail consultant position to be superfluous.

2.5.2 Organisational factors

Downsizing is sourced by means of both external factors as well as internal factors which are found within the organisation. Organisational reasons for laying-off employees could include financial concerns of shareholders on their investments or the redesign of the organisation so as to be consistent with charters, relevant to the organisation, supporting black empowerment forces, forcing the organisation to ensure better black representation (Burden & Roodt, n.d.).

Furthermore as researched by Burden and Roodt (n.d) several additional organisation factors could influence downsizing including; poor performance of a financial business unit/s within the organisation, managements decision with regards to strategy on how to grow the organisation through amalgamating with other organisations or expanding into new markets, merging departments due to duplication of functions, and a lack of profitability in the organisation.

Inefficient and ineffective processes in the organisation that need to be addressed through redesigning the organisation could result in employees being dismissed. Lastly, when a business is faced with budget constraints that prevent the organisation from expanding or carrying the prevailing cost structure it forces the organisation to cut cost and reduce the number of employees (Burden & Roodt, n.d.).

In keeping with South African retailers, one of South Africa's largest clothing retail executives have been accused, by their respective union members, of practicing downsizing by means of increasing casualisation of staff to save costs (Mabanga, 2004).

2.5.2.1 Acquisition and mergers

This is a process where two or more companies combine to become one unit. It is aimed to streamline all operational activities in order for all operations to function logically. This grounds downsizing as there are countless positions that are being removed from the organisation, hence the organisation has new strategic goals (Redman, 2001).

2.5.2.2 Declining profits

It is obvious that if the profits of an organisation are showing a major decrease and does not show any improvement after utilizing all other alternatives, managers turn to downsizing the workforce.



2.5.2.3 Preparing for privatization

Organisations downsize as they wish to be more effective and efficient and they wish to be profitable in order to compete and to be recognised in the global stock market. Organisations desire to continue being competitive in the global market, and this might be quite tough. Operating and production and costs are to be kept low and organisations are put under immense pressure as they have to use cheap labour.

2.6 Advantages of downsizing

Downsizing may have a positive impact on performance and efficiency in the short-term (Grimshaw, n.d.). However, she points out that there is an increase in the workload and stress;

and a decline in motivational levels, which is why performance and efficiency is only good in the short term. Yu and Park (2006) agree with Grimshaw, they make mention that downsizing improves an organisations efficiency and profitability. Reasons being, if some employees are eliminated this reduces the labour costs and in turn increases financial income. However O'Neill and Lenn (1995, p.28) point out that “much evidence suggests that organisations do not substantively improve after downsizing”. This is due to downsizing being an intricate process and may be very demanding and managers may not know how to manage the process.

Employees feel they receive a good amount of compensation and high recognition, due to the downsizing process. It is perceived there will be extra promotions and increase in pay (Lee and Corbett, 2006). Yu and Park (2006) hold opposing views in which they say that downsizing diminishes employee satisfaction and sometimes leave little room for promotional opportunities.

Studies give an idea that survivors are likely to be more committed to the organisation, resulting in improved job performance. Employees are inclined to work harder as they would like to keep their job (West, 2000). Grimshaw (n.d.) says the surviving employees become more task orientated.

2.7 Planning for downsizing

The downsizing plan is the implementation of a “smaller but better” structure by an organisation, aiming to achieve its corporate strategy. The planning stage includes evaluation, analysis, decision-making and research which relates to the methods that will be used to reduce the workforce size. The downsizing plan will enable the organisation to be prepared if they are

required to reduce the number of employees, in response to the environmental and economic changes (Labib, 1999).

Organisations must assess and take account of its legal consideration, ethical responsibilities, economic and institutional environment and cost consideration to society when the downsizing plan is established (Labib, 1999). Tomasko (2002) has identified the five general principles that have been long practiced by companies in the planning for the downsizing process, namely:

- **Start before you have to** – a manager who can deal with situations on a daily basis, is able to stop future problems from taking place.
- **Prepare for the downsizing process** – once job elimination has been conducted, the most difficult task is to keep the organisation on track by running lean. Organisational and system changes need to support downsizing and task forces need to help in this regard
- **Use a rifle, not a shotgun** – “when an organisation changes the structure, it becomes necessary to assess each area in isolation and then decide where the excess staff can be located
- **Continually managing size and shape** – this is the most complicated step to perform, since it is imperative that the procedure has to be followed through, the organisation needs to stay lean and the organisation has to be committed to preventing non essential layers from developing
- **Go after more costs and jobs** – organisations need to be aware of the goals of downsizing and must make certain that short term benefits become long term benefits. This means that changes need to be made to the organisational structure,

compensation system, career ladders, hiring and training practices also to the overall corporate strategy (Didonato, 1999).

When an organisation is planning to downsize, it is essential that employers follow a checklist in the planning phase (Band & Tustun, 2000).

- Checklist of planning phase
- “defining and analyzing the company’s competitive position”
- “determining the appropriate workforce structure to maintain the company’s competitive position”
- “conducting a skills analysis”
- “matching the existing skills of the workforce structure to the skills needed”
- “evaluate the current human resource management practices”
- “Recognizing the critical HR areas of concern”
- “Establish alternatives to address the critical HR issues such a lay-offs, freezing recruitment, training etc”
- “Considering the positive and negative effects of the alternatives” (Band, 2000).

In addition to the checklist, managers can also refer to the general principles when planning the downsizing process.

2.8 Steps in the Planning Process

Once organisations follow the general principles of planning to downsize, it will then need to pursue certain steps in the planning process. According to Makawatsakal and Kleiner (2003), any

organisation that wishes to have a successful downsizing process must initiate planning before the formal announcement is made. Planning can be divided into four steps.

Step 1: Making the decision to downsize

Decisions must be made with extra caution with regards to downsizing; managers must first consider all alternatives such as shortened work weeks, eliminate working over the weekends and public holidays and unpaid leave before considering layoffs (Makawatsakal & Kleiner, 2003).

Step 2: Planning the downsizing

Organisations must first establish a cross-functional team to plan and implement downsizing. Managers must be trained to communicate the downsizing announcement empathically and convincingly (Makawatsakal & Kleiner, 2003).

Step 3: Making the announcement

Organisations must be open and honest about why the company decided to downsize, and show concern to both the victims and survivors (Makawatsakal & Kleiner, 2003).

Step 4: Implementing downsizing

Throughout the implementation process the organisation must be prepared to face an extensive array of questions and concerns. The remaining employees must be trained and made aware of changes in their duties and responsibilities, where as the victims of downsizing must be assisted and possible alternate jobs could be found for them (Makawatsakal & Kleiner, 2003).

2.9 Methods of downsizing

There are a number of methods by which an organisation can reduce the size of their workforce (Redman, 2001):

2.9.1 Ill-health retirement

Since the 1990's there has been a major increase in level of ill-health retirement. It is argued that this is a consequence of intensification of work and may also be associated with the increase of stress levels, resulting in a more long-term sickness.

2.9.2 Compulsory redundancy

This method is known as the last resort strategy for employers, as it leaves the employee with no choice of their dismissal. Decisions are made by the manager based on the needs of the business.

2.9.3 Voluntary redundancy

This method of downsizing is increasingly being used by employers, despite the fact that it is expensive. Employees find this method attractive as the best employees leave because of the demand of their skills, whilst poorer employees stay because they are less marketable. Voluntary redundancy gives the employee a choice and this helps to deal with job loss.

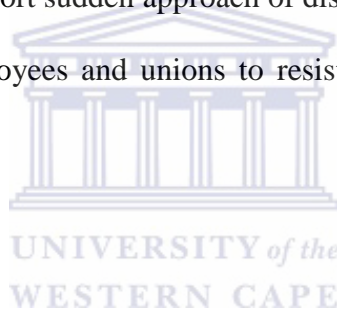
2.9.4 Early retirement

Employees opting for early retirement are less likely to re-enter the workforce. There are a number of advantages of early retirement, as it is more socially acceptable to be retired than

redundant. Last in first out (LIFO) redundancy selection criteria protects older employees by virtue of seniority, leaving them disproportionately vulnerable to enforced early retirement under employers' labour-shedding policies (Redman, 2001).

2.9.5 Natural wastage

This method is seen as the most positive and human method of workforce reduction as it gives the employee a free choice in whether to leave or stay and thus it reduces potential for conflict and employees feel powerlessness. Evidence suggests that this method could depress the workforce morale more than the short sudden approach of dismissal. This form of job loss is also much more complicated for employees and unions to resist because of its incremental nature (Redman, 2001).



2.10 Downsizing Strategies

Downsizing strategy selection is mainly rigid and is oriented toward reducing the effects of downsizing on terminated personnel (Kozlowski, 1993). Downsizing strategies refer to the methods utilized to achieve the reduction. These strategies vary from slower reductions, those that present less organisational control and smaller amount of 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 have led to decreases in quality, productivity, and employee well-being (Cameron, Freeman, and Mishra, 1993). Over a four year period research performed on downsizing manufacturing organisations, found that more organisations were harmed by their

downsizing strategies than were helped by them. Downsizing strategies such as demotions, work redesign, relocations, transfers and reduced work schedules directly affect the welfare of survivors. Research shows that strategies used to achieve personnel reductions will also impact on the behaviors and attitudes of those who survive (Kozlowski et al.,1993). Attitude is defined as the predisposition to behave toward people, situations, or objects in a certain way (Moorhead & Griffin,1992).

2.11 Ethical considerations of downsizing

Rosenblatt and Schaeffer (2000) posed the question “assuming that downsizing is legal can it still be unethical?” Communication during a downsizing may be mismanaged, and managers may abuse information, using it as a source of power. Organisations may choose for instance to hide information from the employees or distort information concerning financial status of the business. Downsizing may have a negative impact on the laid off employees, the surviving employees as well as the organisation that is being downsized (Rosenblatt and Schaeffer, 2000).

The question that Belcourt and McBey (2007) asked was whether or not downsizing is unethical? This particular question received a lot of attention as there was increase in downsizing within organisations. In most cases downsizing is perfectly legal, however it is obvious that there may be a contractual provision that restrict how an employer may engage in downsizing. The labour standard codes often require that an employer provide a indicated period of notice before engaging in a mass lay-off.

Downsizing could involve the breach of social contracts; an organisation is a member of different local communities and a failure to adhere to certain values would result in the

organisation being considered a “poor” corporate citizen. Downsizing may be considered a breach of psychological contract that exist between employer and employee.

2.12 Recommendations for making downsizing effective

The following are recommended (Coulter, 2005, p. 240):

- Clarify the goals and prospects before, throughout and after the layoff
- Supply suitable support to the downsized victims
- Speak honestly concerning required proceedings
- Speak to the downsizing survivors and ask for their input of the downsizing process
- Get rid of redundant employment actions instead of creating reducing people
- Subcontract labour if it's possible to be completed reasonably and successfully somewhere else
- Ensure that the downsizing survivors are aware that they are an asset to the organisation

2.13 How to increase the success of downsizing

Coulter (2005, p. 242) suggests the following steps should be followed to increase the success of downsizing:

- Determine the savings and expenses of downsizing prior to starting the process;
- Consider alternative to job reductions.

- Think long-term and only downsize in the context of a consistent strategic plan; as such, resisting across-the-board workforce cuts that simply reduce costs in the short-term but that lead to negative and unexpected outcomes;
- Get employees involved in the process;
- Communicate honestly with all stakeholders regarding any downsizing plans; and
- Do not neglect the remaining employees.

2.14 Strategies for Maintaining Positive Employee Attitudes

There are eight factors affecting employee loyalty. They are, in descending order: equity, security, good management, integrity, empowerment, good communications, benefits and personal support (McKenna, 1991). Downsizing is a stressful time for employees, and is a time in which they will question each of the eight factors mentioned above. It is possible to avoid some of the most dangerous pitfalls of downsizing, by communicating with employees, thus making them feel part of the organisation, and working to restore loyalty.

2.15 Ineffective Downsizing Strategies

“When an organisation decides to downsize, it must first look at its current mission, objectives and core competencies, as well as its ‘fit’ with the environment.” Once this diagnosis is has been made, the next step is to determine whether the organisation will use reorientation or convergence downsizing approach (Appelbaum, Everard, & Hung, 1999, p. 536).

Hitt, Keats, Harback and Nixon (1994) identified nine ineffective downsizing practices:

- Eliminating training programmes

- Emphasizing employee accountability instead of employee involvement
- Promising high monetary rewards rather than career
- Offering voluntary early retirement programmes
- Placing survivors in jobs for which they lack the necessary skills and hoping they will learn by experience
- Expecting survivors to “row” hard
- Instituting across-the-board layoffs
- Making personnel cutbacks that are too deep and
- Implementing layoffs slowly in phase over time.



2.16 Downsizing Effects

Several organisations attempt to help the downsized employees by providing severance pay, outplacement services, extended health care benefits and advance notice. However, even though organisations try to assist, the phase still remains distressing for both the downsizing employees and the survivors (Gibson, Ivancevich, Donnelly & Konopaske, 2009). Management officials believe that downsizing decreases an employee’s loyalty in the organisation. Thus, an organisation is left with the concern to rebuild the business after the downsizing process has taken place. Organisational design, structural changes in the workflow and the content of the job must be implemented; to guarantee that the survivors are not left with additional responsibilities and tasks which they are unfamiliar with (Gibson, et al., 2009).

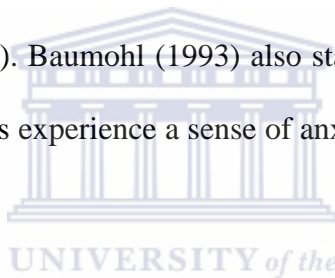
Downsizing may have a traumatic impact on an individual, this is not only during the uncertainty period of whether they will survive a downsizing process but also what will happen if they could suffer the pain of financial insecurities and unemployment. Unemployment does not only result in financial loss but also loss in status, esteem and social support network.(Gibson et al., 2009).

According to (Cameron & Freeman, 1994), most organisations do not achieve the desired improvements, but instead experience an escalation in negative consequence. A survey of 1005 organisations shows that downsized organisations between 1986 and 1991 found that only forty-six(46) percent actually reduced expenses, only thirty-two(32) percent actually increased profits, only twenty-two(22) percent actually increased productivity, and only seventeen(17) percent actually reduced bureaucracy, although each of these goals was intended.

Downsizing is perceived as having a forceful effect on the organisation and the personnel as well as those who are terminated and those who survive. Kozłowski et al. (1993) states that employees who remain with the organisation will also be affected by downsizing strategies intended to improve streamline operations, organisational flexibility and increase employee responsibility. A survey found that seventy-four (74) percent of senior managers in downsized companies said that productivity, morale and trust suffered after downsizing (Henkoff, 1990). Brockner et al. (1992) state that several managers report that layoffs have a decidedly negative effect on their subordinates' productivity, morale, and overall commitment to the organisation. While other managers report that their subordinates respond very differently even within the same organisation. Considerable attention has been given to the effects of downsizing on individual employees.

Researchers report such downsizing effects as: feelings of job insecurity, anger, job stress, decreased loyalty and organisational commitment, lowered motivation and productivity, and increased resistance to change (Brockner, Davy, & Carter, 1985; Cameron et al., 1987; Greenhalgh & Rosenblatt, 1984; Isabella, 1989).

Literature that observes the survivors of downsizing found that survivor's syndrome refers to a common set of symptoms that surface in layoff survivors. These symptoms consist of anxiety, guilt, fear, insecurity, anger and in more severe cases, depression or other physical and emotional ailments. Survivor's syndrome also refers to the manner in which a number of survivors react when numerous of their friends and colleagues are forced to terminate their relationship with the company (Noer, 1993; Cascio, 1993). Baumohl (1993) also states that some survivors experience guilt; others feel relieved and others experience a sense of anxiousness, wondering if they will be next to lose their jobs.

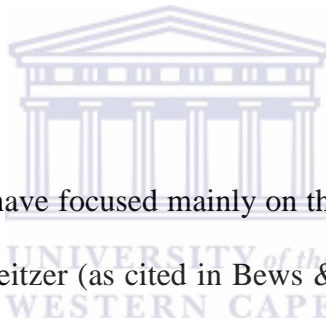


In addition to the effects mentioned above, researchers have reported effects such as: unfairness in job layoff, perceived (procedural) justice, job performance, job security, unfair treatment of the layoffs, coping strategies, supervisor support, turnover intentions, organisational morale, co-employee support, optimism, job satisfaction, effectiveness of communication, and envy of those taking advantage of separation incentive programs. These downsizing effects are of particular interest to supervisors as they will be faced with a work force consisting of survivors of the downsizing (Brockner et al., 1992).

In accordance with Hellgren et al. (2005) downsizing has various impacts on those who remain in the organisation in terms of their employment situation, after downsizing has occurred. For instance employees who have been subject to relocation or have their immediate work situation

altered and experience the stresses of potential job loss, are impacted differently compared to personnel who have more or less the same working situation after the reduction of employees has occurred.

Wilczyńska-Kwaitek (2002) maintains that the period of anticipation of losing one's job should be kept as short as possible, and discharging employees should be done in small numbers, so as to minimise the effect downsizing may have on the development of tension between employees. Conversely, Datta et al., (2010) relates the outcomes of cutting back on employees to be affected by the decision making and implementation process rather than employees situation after downsizing.



While the majority of researchers have focused mainly on the negative impacts downsizing may have on survivors, Mishra and Spreitzer (as cited in Bews & Uys, 2002, p. 27) argue that some survivors regard organisational change as an opportunity to grow within the company while others may experience neutral feelings towards the downsizing process, depending on how they feel the change in personnel will affect them.

Research done by Kaye (as cited in Ndlovu & Parumasur, 2005, p. 18) suggests that many employees who have survived downsizing overcome the debilitating backlash and in turn learn valuable lessons regarding the reality of the contemporary employer-employee relationship. Furthermore, employees who survive the process of downsizing may appreciate the benefits the

reduction in workforce may have, such as improved communication between remaining employees and management and the chance of gaining new skills with increased job content.

According to Cascio (as cited in Chipunza & Berry, 2010, p. 607), survivor syndrome is the negative responses experienced by those employees who are left in the organisation following downsizing. Survivor syndrome manifests itself in a number of ways, including anger, depression, guilt, distrust and loss of morale. The negative impact of downsizing on employees, for the purpose of this literature review, will be discussed in four main areas, namely in terms of: Employee morale, employee commitment and loyalty, employee trust and communication and employee stress.



Some individuals believe that survivors of the downsizing process are quite happy to still have their jobs and will not cause problems within the organisation, which is not entirely the case. In actual fact, the performance of those who survived downsizing is negatively affected and those survivors are left feeling guilty because their jobs were spared while their friends' jobs were not (Mathis & Jackson, 2004). O'Neill and Lenn (1995) identified five consequences of downsizing, namely anger, anxiety, cynicism, resentment and hope. After downsizing, employees experience anger towards managers if the downsizing process was harsh and not strategically planned. This is especially due to managers who do not communicate effectively and openly with their employees. O'Neill and Lenn (1995) states managers often criticise their employees for not doing the job correctly. However, the jobs are too complex and employees become angry because they are doing everything the right way but it's still not enough to please the manager. Lee and Corbett (2006) is of the opinion that employees have high levels of anxiety because they

fear that they might lose their jobs. But according to O'Neill and Lenn (1995), employees have anxiety because they don't understand the strategy of the organisation. The lack of understanding leaves employees uneasy about their future at the organisation. Fourthly, survivors are left sceptical about their future at the organisation because some organisations stock and credit ratings have not improved after downsizing. Lastly, employees are given hope; in whom top managers convince employees the organisation could improve its market conditions but nothing is certain.

2.16.1 How Down-Sizing Affects Employees' Morale

Due to employee turnover companies spend millions in recruitment on a yearly basis. But more and more companies are investing effort and time in making better hiring decisions and doing more to retain their employees. Employee retention is now a buzz word in today's business world. Over two-thirds (70%) of HR managers state that employee retention is a key business concern. HR managers at present find employee retention a business challenge, long-term demographic changes, such as the retiring Baby Boomer population have the likelihood to aggravate this issue. All companies, in spite of their size, are struggling with how to keep employees from leaving their organisation for more money or better opportunities. Studies consistently show that even though employees may perhaps say they are leaving for more money, when those same employees are asked several months later why they really left, the money factor is about 5th or 6th on the list. The first few reasons include disagreement with the culture or direction of the company, lack of excitement about their growth prospects, lack of recognition, poor treatment by their boss, and poor relationships with co-employees. It is

imperative to remember that this experience affects not only the "downsized," but also those who remain in the organisation.

2.16.2 Effects on Work Effort

In an attempt to establish the impact of downsizing, the effects of job insecurity and economic need to work on employee attitudes was examined by Brockner and his colleagues in 1992. In this study, Brockner decided to use work effort as a measure of job attitudes. The study established that high job insecurity joined with high need to work, resulted in amplified work effort following a layoff. High job insecurity, joined with low need to work resulted in no change in the level of work effort. This seems to indicate that when there are high levels of job insecurity, as would be expected during downsizing; employees with a high need to work will increase their work effort, while those with a low need to work will have no change in work effort. While this result is interesting, of more interest was the finding that variables moderated this observed relationship. Specifically, Brockner found that the remaining employees' perception of the fairness of the lay-off process and their attachment to the lay-off victims colored their views. This issue of fairness has been found to be related to a number of other work-related variables and has its roots in theories of organisational justice.

2.16.3 Survivor Effects

According to Appelbaum and Patton (2002, cited in Mathys&Burack, 1993), three issues appear consistently with regards to successful downsizing: employee participation, communication and managing the survivors. The drive of surviving employees can become a serious problem and

steps should be taken to ensure that those who remain with the organisation flourish. Workforce reductions must be accompanied by work redesign to alter the processes in the organisation to ensure that the survivors do not become overloaded with work. It is crucial to create an environment where the survivors feel they have a future with the organisation. If downsizing were performed properly, the remaining workforce would become the 'core' employees and would then enjoy greater job security.

Certain individuals believe that survivors of the downsizing process are quite happy to still have their jobs and will not cause problems within the organisation, which is not entirely the case. In actual fact, the performance of those who survived downsizing is negatively affected and those survivors are left feeling guilty because their jobs were spared while their friends' jobs were not (Mathis & Jackson, 2004).

The survivors of downsizing are left with only a fraction of the organisation in which they are comfortable to perform. Because there are fewer employees to carry out the same amount of work, survivors could realize a greater motivation to perform because they perceive a larger task significance which may lead to greater skill utilization and organisational commitment (Gregory, 1999, cited in Ganster & Dwyer, 1995).

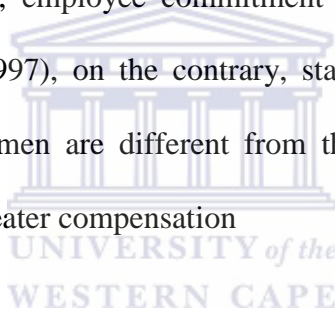
2.17 The relationship between downsizing and biographical characteristics

2.17.1 Age

Winkler (2002) found that younger employees, as well as employees severely affected by the change, want frequent qualitative communication. This further suggests a quest for knowledge and understanding amongst today's workforce.

2.17.2 Gender

Ndlovu and Brijball-Paramasur (2005) found that there is a significant difference in the perceptions of male and female survivors regarding the impact of the process of downsizing and transformation on communication, employee commitment and loyalty and employee morale respectively. Phillips & Imhoff (1997), on the contrary, state that the career experiences and advancement opportunities of women are different from those of men. They state that men advance faster, further and with greater compensation



2.17.3 Education

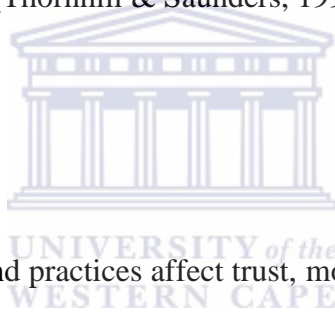
Research states that highly qualified employees felt that they did not receive adequate information, leading to a sense of powerlessness, and that their psychological contracts had been unilaterally altered by the nature of the changes occurring within their organisations (Thornhill & Saunders, 1998).

2.17.4 Tenure

Frost (1999) found that employees with longer service who experience minimal change to their work routine, responded more positively to how adapting employee work behaviour could support successful change implementation.

2.17.5 Job category

Studies conducted in North America and the UK have found that work demands increase significantly for middle managers during and after downsizing. Hence, managers have to work harder and longer in order to cope (Thornhill & Saunders, 1998).



2.17.6 Race

Evidence suggests racist attitude and practices affect trust, morale, motivation, productivity, staff retention and ultimately, profitability. White respondents tend to consistently demonstrate a higher degree of agreement than Black respondents regarding the presence of career advancement opportunities within their organisations (Oakley-Smith & Winter, 2001).

2.18 Conclusion

Downsizing is a strategy that many companies use in order to cope with structural, fundamental changes in the world economy. It is suggested that downsizing will not disappear and 60% of companies will continue to downsize (Mishra & Spreitzer, 1998).

Downsizing should always be initiated from the top, but requires hands-on involvement from all employees. The decision makers should identify precisely where the inefficiencies, redundancies and access cost exist and focus on those specific areas. Workforce reduction must be selective in application and long term in emphasis. Special attention should be paid to those who lose their jobs and the survivors who remain in the organisation.

The next chapter addresses the research design and methodology employed to gain an insight into the impact of downsizing on employees.



CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter depicts how the research problem was explored and describes the research methodology that was used in the investigation of downsizing and its impact on employees. Furthermore the chapter details the procedure followed to collect data as well as the ethical and confidential aspects involved in the research process. It also provides more information on the statistical techniques utilised during the analysis of the data.



3.2 Research Questions/Problem

According to Sekaran (2003, p. 68) a problem statement is a “clear, precise and succinct statement of the question or issue that is to be investigate with the goal of finding an answer or solution.” Following the literature review and in an attempt to confirm the objective of the research study, the following research question was formulated:

- How does downsizing impact remaining employees in the organisation?

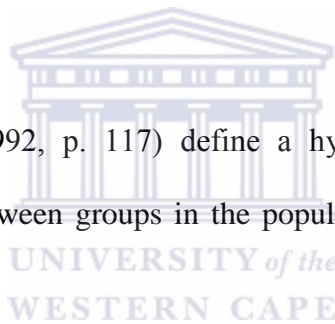
3.3 Research Objectives

The research objectives are:

- To identify whether or not downsizing may have an impact on the remaining employees within an organisation or not.
- To determine the impact of downsizing on trust, loyalty, employee morale and career advancement opportunities and commitment as perceived by surviving employees.

3.4 Research Hypotheses

Terre Blanche and Durrheim (1992, p. 117) define a hypothesis as “educated guesses or expectations about differences between groups in the population or about relationships among variables.”



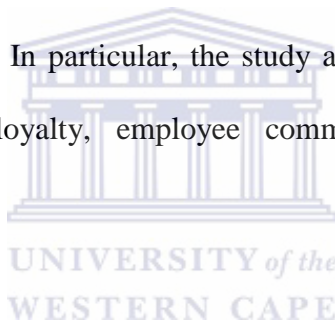
Hypothesis 1: There exists significant intercorrelations amongst the key variables of the study that are influenced by the process of downsizing and transformation (communication, trust, employee commitment and loyalty, employee morale and career advancement opportunities) respectively.

Hypothesis 2: There is a significant difference in the perception of survivors varying in biographical data (age, highest educational qualification, tenure, job category, race, gender) regarding the impact of the process of downsizing and transformation on the key variables of the study (communication, trust, employee commitment and loyalty, employee morale and career advancement opportunities) respectively.

3.5 Rationale For The Study

Corporate downsizing is not a new phenomenon, except perhaps in whom it targets today. It apparently started in the late 1970s, but did not become heavily practiced in the United States until the 1980s and 1990s. Now corporate downsizing is occurring in large corporations, small partnerships, government agencies, universities and public school systems, and non-profit organisations around the world. Even though the word downsize did not widely appear in the English language until the 1970s, it was not applied specifically to humans or entered into the college edition of the American Heritage dictionary until 1982 (Robinson & Carmen, 1999).

The purpose of this study is to determine whether or not downsizing affects the remaining employees within an organisation. In particular, the study assesses the impact that downsizing has on trust, communication, loyalty, employee commitment and career advancement opportunities.



3.6 Research Methodology

Research methodology refers to the research design utilised. It focuses on the manner in which the problem is investigated pertaining to the population, sample size, sampling procedure, method of data collection and data analysis techniques.

3.6.1 Population

A population is an entire group of people or events that the researcher wishes or intends to research (Sekaran, 2001). Furthermore Neuman (2000) states a research population as the specific pool of individuals that the study proposes to investigate.

The population for this study consists of 400 people from an organisation that has undergone downsizing. The group of people are those employees who have survived the downsizing process and are still working at the organisation.

3.7 Method of data collection

A quantitative method was used for this study as well as questionnaires. Sekaran (2003, p. 233) stated that a questionnaire is defined as “a reformulated written set of questions to which respondents record their answers usually within rather closely defined alternatives”. A cover letter was attached with the questionnaire explaining the nature of the study, assuring participants that their responses would be kept strictly confidential and that only members of the research team would have access to the information provided by the respondents. Clear instructions and the assurance of confidentiality were provided.

Data was collected by using a questionnaire developed by Ndlovu and Brijball (2005), specifically designed to capture survivors’ cognitive, affective and behavioural responses to a series of downsizing exercises adopted by the organisation. The questionnaires comprised of two sections. The first section focuses on the biographical data of the subjects includes age, highest educational qualification, tenure, job category, race, gender and is measured on a nominal scale. The second section contains questions based on the key dimensions of the study:-

- **Employee morale** – The assessment of survivor morale is linked to the feeling of guilt at still having a job whilst colleagues were downsized.

- **Employee commitment** – The assessment of overall employee commitment is linked to the willingness of survivors to identify with the organisational goals and aspirations and to make sacrifices for the organisation as well, after the retrenchment exercise.
- **Employee trust and loyalty** – This dimension focuses on the extent to which survivors feel a sense of betrayal that the promise of lifelong employment, still implicit in the employer and employee relationship, has been unceremoniously broken. The assessment of this dimension focuses on whether or not survivors become insecure about their jobs after the downsizing exercise.
- **Career development opportunities** – This dimension focuses on whether remaining employees are given opportunities to achieve their career goals and aspirations. It would then be possible to determine whether or not there is a perceived decrease in career development opportunities after the transformation process.

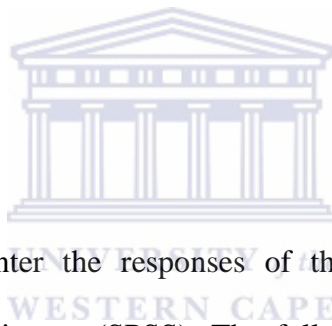
The abovementioned dimensions were measured using a 5 point Likert scale ranging from strongly disagree (1) to strongly agree (5).

The questionnaires were hand delivered to the organisation and employees then completed the necessary questions. A rigorous follow-up then took place to ensure that atleast 30% or 196 of the questionnaires were successfully completed at returned which, according to Sekaran's population- to-sample size table, is an adequate composition for a population of 400 (Sekaran, 2001).

Denzin and Lincoln (2002) stipulate that there are advantages associated with the use of questionnaires:

- The cost per questionnaire is relatively low.
- Structured information in the questionnaire and few open questions makes analyzing questionnaires relatively straightforward.
- Questionnaires give respondents extended time to formulate accurate responses.
- This method of data collection produces quick results.
- Questionnaires are a stable, consistent and uniform method of collecting data.

3.8 Data analysis techniques



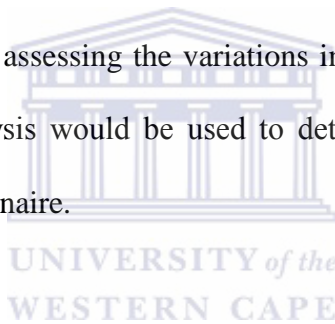
The researcher may manually enter the responses of the completed questionnaire in the Statistical Packages for Social Sciences (SPSS). The following descriptive statistics may be used:

3.8.1 Pearson Product Moment Correlation Coefficient

According to Sekaran (2003) the Pearson Product Moment Correlation Coefficient indicated to the researcher the direction of the relationship between downsizing and the independent variable as well as the strength and magnitude of that relationship. Roberts (2005, p. 71) states that “the sign of a correlation coefficient (+ or -) indicates the direction between -1.00 and +1.00. Variables may be positively or negatively correlated”. Therefore it may be concluded that since the study attempts to describe and discuss the relationship between the different dimensions of

the downsizing as well as the relationship between the biographical variables and impact on downsizing the Product Moment Correlation Coefficient is therefore suitable for this study.

The relationship used in this study is the Pearson's correlation coefficient. Pearson's correlation coefficient is also known as the Pearson product moment correlation coefficient and in most cases; it is abbreviated as r (Sekaran, 2001). The reason for using the Pearson's correlation coefficient is that this study consists of several variables such as the dependent variables (trust 1, loyalty, career opportunities, communication and trust 2) and independent variables (age and tenure). The Pearson correlation coefficient is used in the study to indicate the direction, strength, nature and significance of the bivariate relationships of all the variables in the study. The correlation is then derived by assessing the variations in one variable also varies (Sekaran, 2001). Pearson's correlation analysis would be used to determine the inter-relatedness of the dimensions covered in the questionnaire.



3.8.2 T-Test

The t-test takes into consideration the means and standard deviations of the two groups of variable and tests whether the numerical difference in the mean is significantly different from (zero) as postulated in our null hypothesis (Sekaren, 2001). Does downsizing impact males and females differently?

3.8.3 ANOVA

An analysis of variance (ANOVA) helps to examine the significant mean difference among more than two groups on an interval or ratio scaled dependent variable (Sekaren, 2001).

Coolican(1999, cited in Paulse, 2005, p.73) maintains “analysis of variance procedures are powerful parametric methods for testing the significance of difference between sample means where more than two conditions are used, or even when several independent variables are involved.” In this proposed study the ANOVA may be used to determine whether social employees in different age, gender, tenure and race groups differed significantly in terms of the sub dimensions of the downsizing questionnaire.



3.9 QUESTIONNAIRE

According to Sekaran (2001), reliability specifies the consistency and stability of an instrument measuring the study. Validity means if a test measures what it is supposed to measure, if the test is used for a specified purpose (Sekaran, 2001).

3.9.1 Validity

The validity of the questionnaire was determined using Factor Analysis. A principal component analysis was used to extract initial factors comprising of 23 items. An iterated principal factor analysis was performed using SPSS with an Orthogonal Varimax Rotation.

Five factors with latent roots greater than unity were extracted from the factor loading matrix resulting in 23 items. Only items with loadings >0.5 were regarded as being significant. Furthermore, when items were significantly loaded on more than one factor only those with the highest value were selected.

3.9.2 Reliability

| Cronbach's Alpha Based on Standardized Items |
|--|
| .925 |

The table above shows the reliability of all the variables within the study. The reliability was determined using Cronbach's alpha coefficient. The reliability for the questionnaire was calculated to be 0.925, which exceeds the generally accepted level of 0.7 (Sekaran, 2001). The alpha coefficient shows that there is a high level of internal consistency and that this instrument can be reliably used to assess the impact of downsizing on remaining employees.

3.10 CONCLUSION

This chapter explored the research methodology and statistical methods used to analyse the data obtained from the questionnaire. The hypotheses, sampling techniques and description, and the data collection method were discussed to provide the methodology that this research pursued. Thereafter, data analysis was discussed which involved an elaboration on descriptive and inferential statistics.

CHAPTER 4

PRESENTATION OF RESULTS

4.1 Introduction

In the previous section, the research methodology and design utilised during the current study were outlined. The information provided and discussed in the previous chapters will serve as a background against which the contents of this chapter will be presented and interpreted and is based on the empirical analyses conducted to test the hypotheses.

The statistical programme used for the analyses and the presentation of data in the research in the Statistical Package for the Social Sciences (SPSS) version 21. The descriptive statistics computed for the study are presented first in an outline of the characteristics of the sample with regards to the variables included in the study.

The descriptive statistics calculated for the sample are presented first in an outline of the characteristics of the sample with regards to the variables included in the study. Thereafter the analysis of the construct relevant to the study is presented with the aid of inferential statistical procedures. Conclusions are then drawn on the basis of the obtained results.

The descriptive statistics calculated for the sample are provided in the sections that follow. That is the data pertaining to the variables included in the study, as collected by the two measuring instruments employed, are summarized by the means of calculation of descriptive measures. In this manner, the properties of the observed data clearly emerge and an overall picture thereof is obtained.

This is followed by presentation of the inferential statistics based on examination of each hypothesis formulated for the research.

4.2 Descriptive statistics

This section outlines the descriptive statistics calculated as obtained for the variables included in the biographical questionnaire. The demographic variables that received attention are:

- Gender
- Age
- Marital status
- Tenure
- Education level
- Position in organisation



Table 4.1: Descriptive statistics for the dimensions of the downsizing questionnaire

| | Trust 1 | Loyalty | Career Advancement | Communication | Trust 2 | Total |
|------------------|---------|---------|-----------------------|---------------|---------|--------|
| Mean | 13.10 | 14.27 | 13.67 | 13.06 | 9.35 | 63.46 |
| Median | 13.00 | 14.00 | 14.00 | 13.00 | 10.00 | 66.00 |
| Mode | 5 | 18 | 15 | 12 | 12 | 66 |
| Std. Dev. | 4.772 | 4.345 | 4.404 | 4.494 | 3.182 | 17.169 |
| Skewness | -.076 | -.170 | -.169 | .196 | -.428 | -.327 |
| Kurtosis | -.763 | -.220 | -.337 | -.110 | -.267 | -.035 |
| Minimum | 5 | 5 | 5 | 5 | 0 | 23 |
| Maximum | 25 | 25 | 25 | 25 | 15 | 106 |

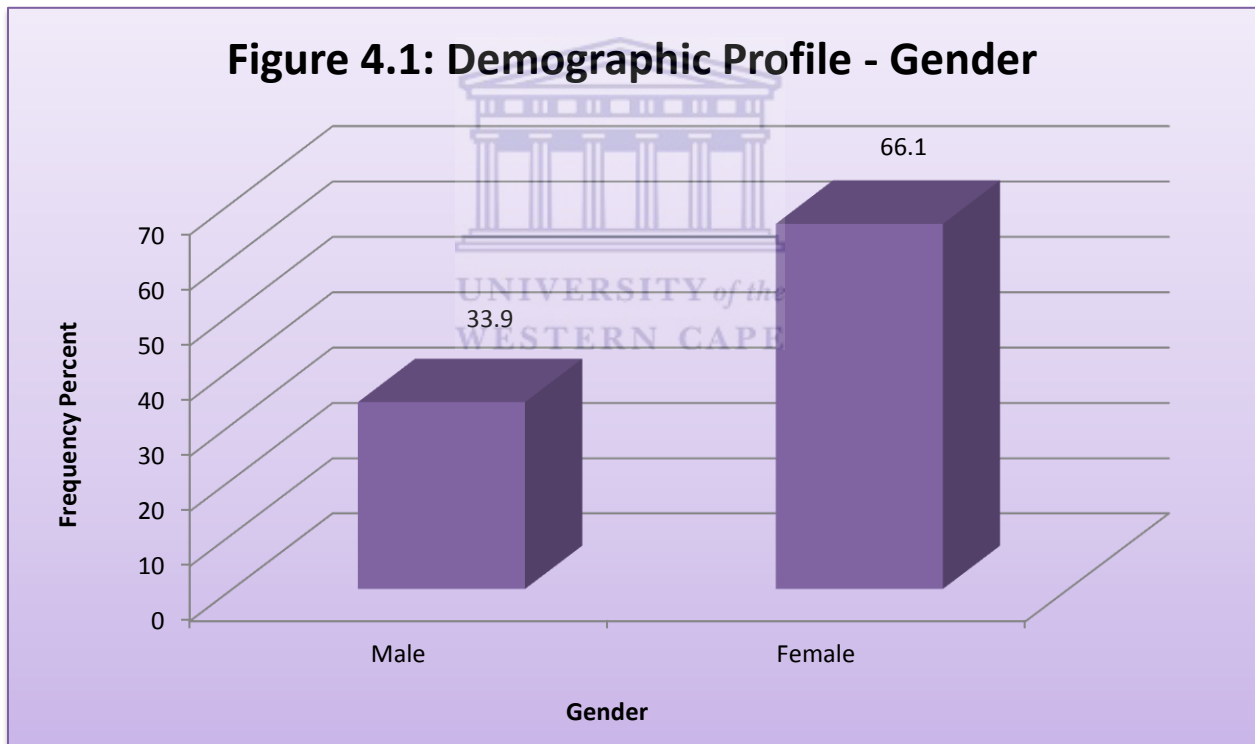
Table 4.1 illustrates the descriptive statistics which emerged from the survey. Of the 192 respondents, it may be seen that Trust 2 (Mean = 9.35, SD = 3.182) was rated lowest. This suggests that employees regarded the process with suspicion. They rated communication second lowest (Mean = 13.06, SD = 4.494), and trust during the downsizing exercise was rated third (Mean = 13.10, SD = 4.472). They also regarded the process as impacting on career

advancement (Mean = 13.67, SD = 4.404). Despite this, they remain relatively loyal (Mean = 14.27, SD = 4.345).

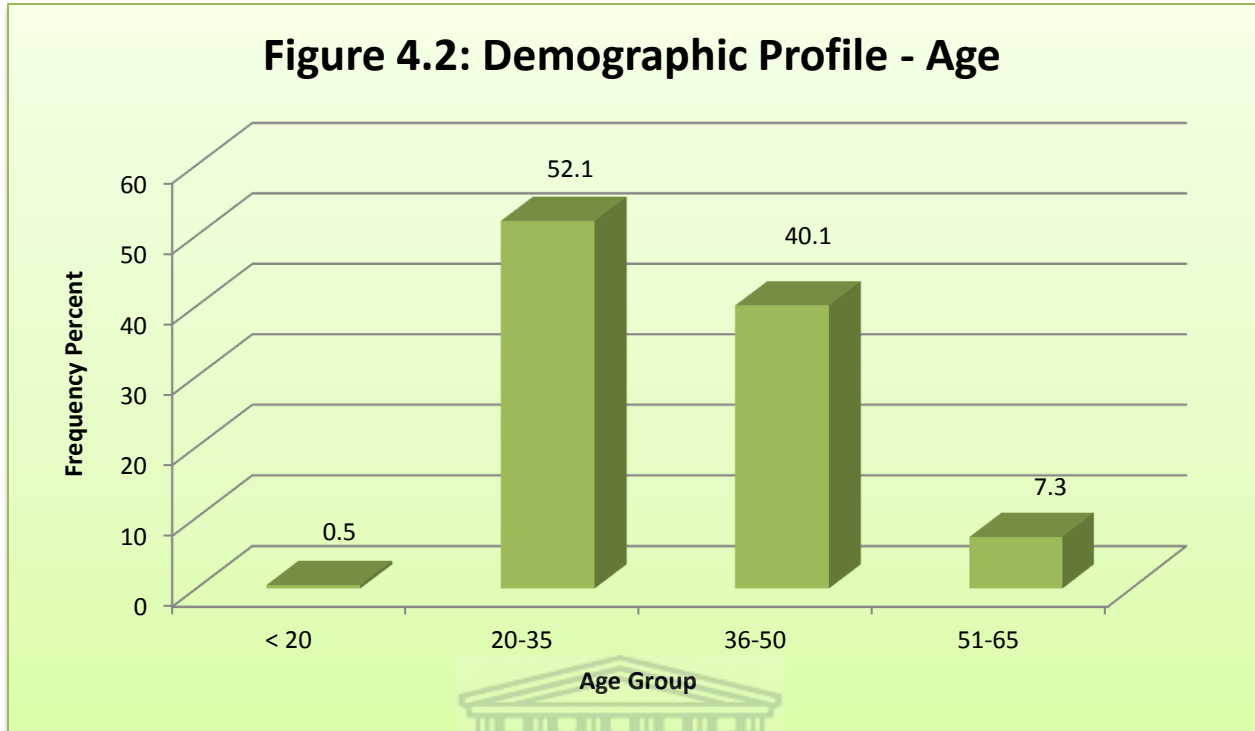
Descriptive statistics in the form of frequencies and percentage are subsequently graphically presented for each of the above-mentioned variables.

4.2.1 Biographical Characteristics

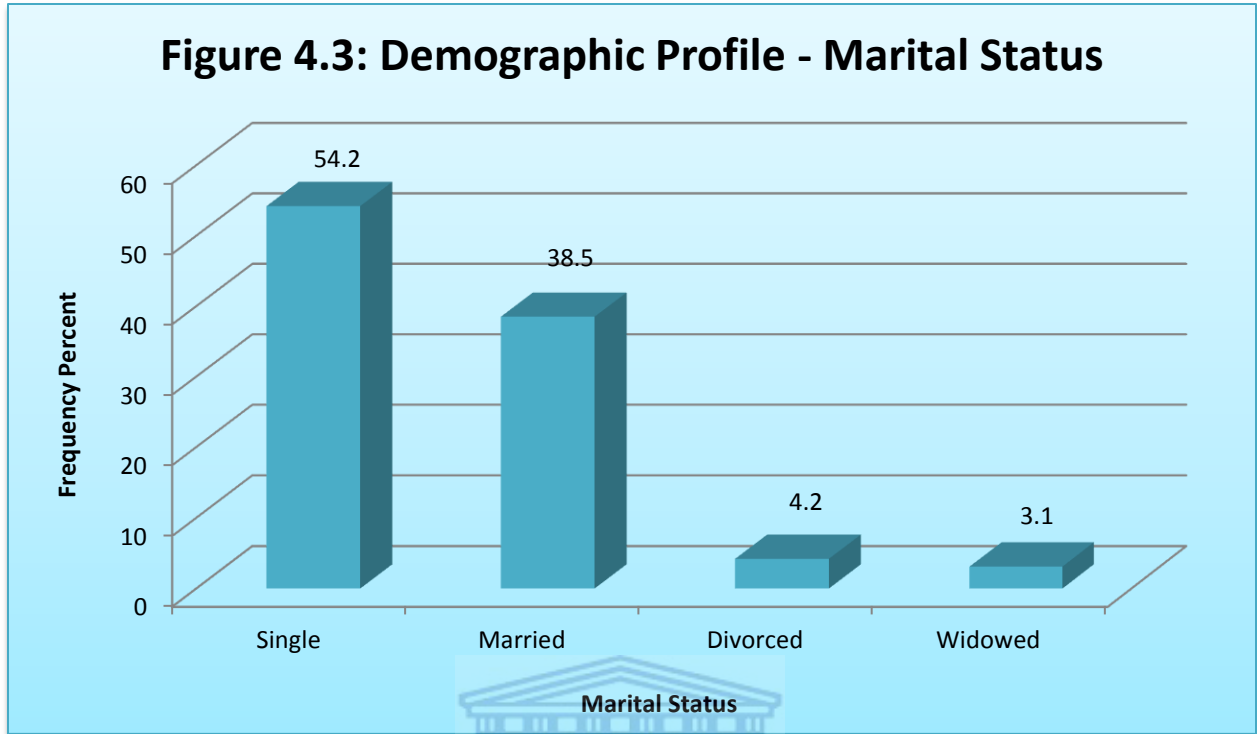
The respondents' gender is depicted in Figure 4.1



It can be seen from figure 4.1 that the majority of the respondents, that is 66.1% (n = 126) were females and the remaining 33.9% (n = 65) was comprised of males.



From the frequency distribution presented in figure 4.2 it may be deduced that a total of 100 of the 192 cases in the sample are between the ages of 20 and 35. It can thus be seen that the majority of the individuals in the sample (52.1%) fall into this category. This is followed by 36 to 50 year age category into which 40.1% (n = 77) of the respondents fall. While only 7.3 (n = 14) of the respondents indicated that they are older than 51 years, and 0.5% (n = 1) indicated being under the age of 20 years.



From figure 4.3 the following may be deduced: the majority of the sample, 54.2% (n = 104), are single. A total of 38.5% (n = 74) indicated that they are married and 4.2 (n = 8) indicated that they were divorced. Only 3.1 (n = 6) indicated that they are widowed.

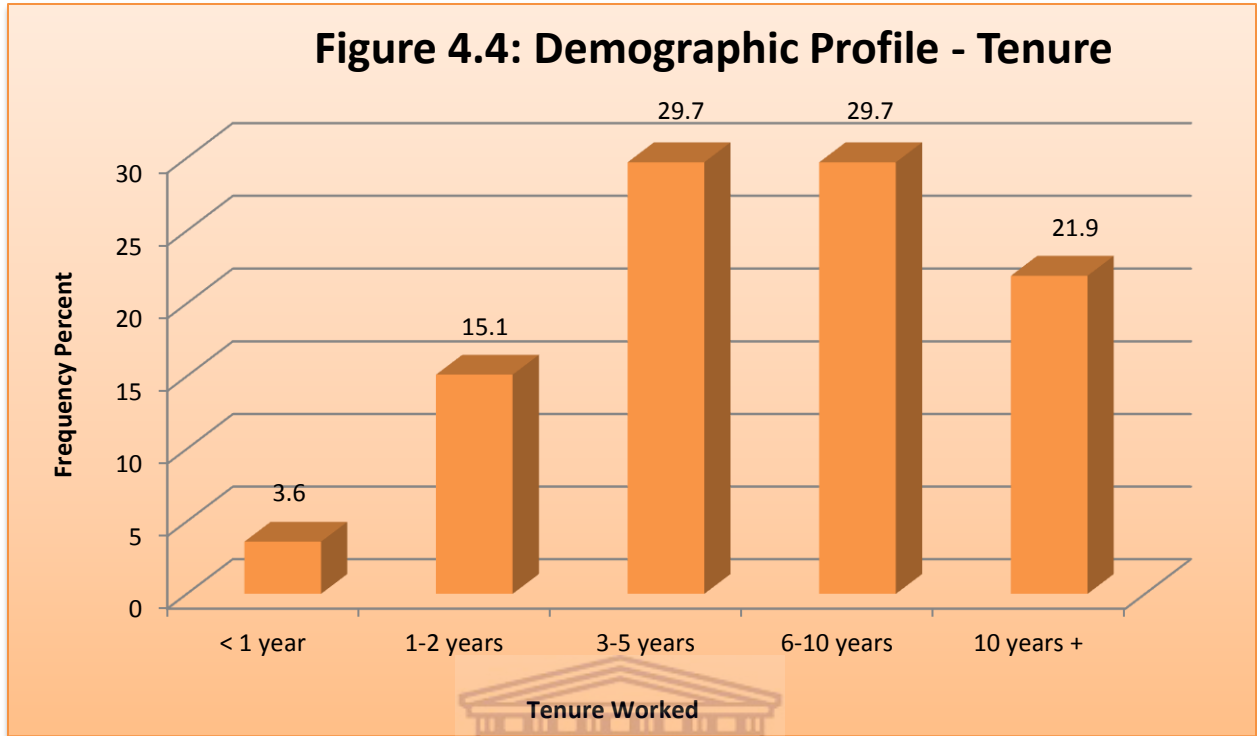


Figure 4.4 indicates that 29% (n = 57) of respondents have served the organisation for 6 to 10 years and another 29% (n = 57) have served the organisation for 3 to 5 years. 21.9% (n = 42) respondents have served the organisation for more than 10 years. 15.1% (n = 29) have served the company for between 1 and 2 years. Only 3.6% (n = 7) of respondents have been employed in the organisation for less than a year.

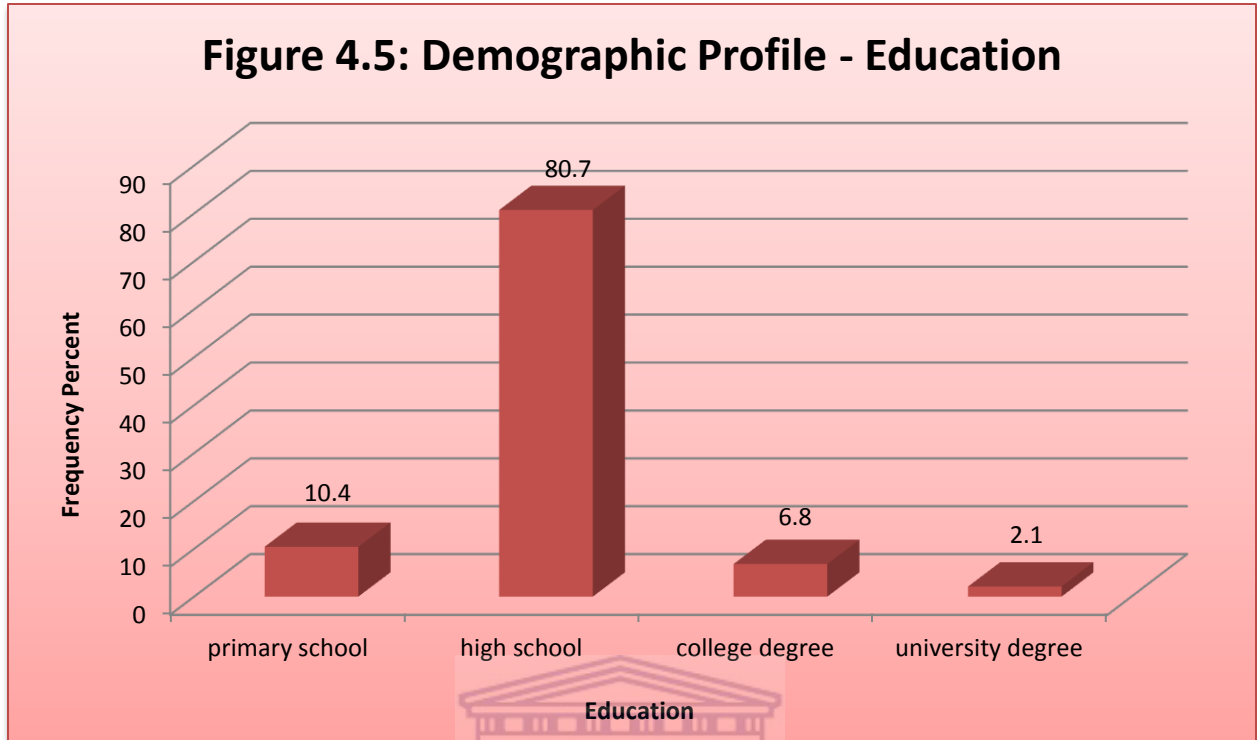


Figure 4.5 indicates that majority of the sample, 80.7% (n = 155), have a high school level qualification, with 10.4% (n = 20) indicating that they have only primary school education. 6.8% (n = 13) indicated that they have a college degree, with 2.1% (n = 4) indicating that they have a university degree.

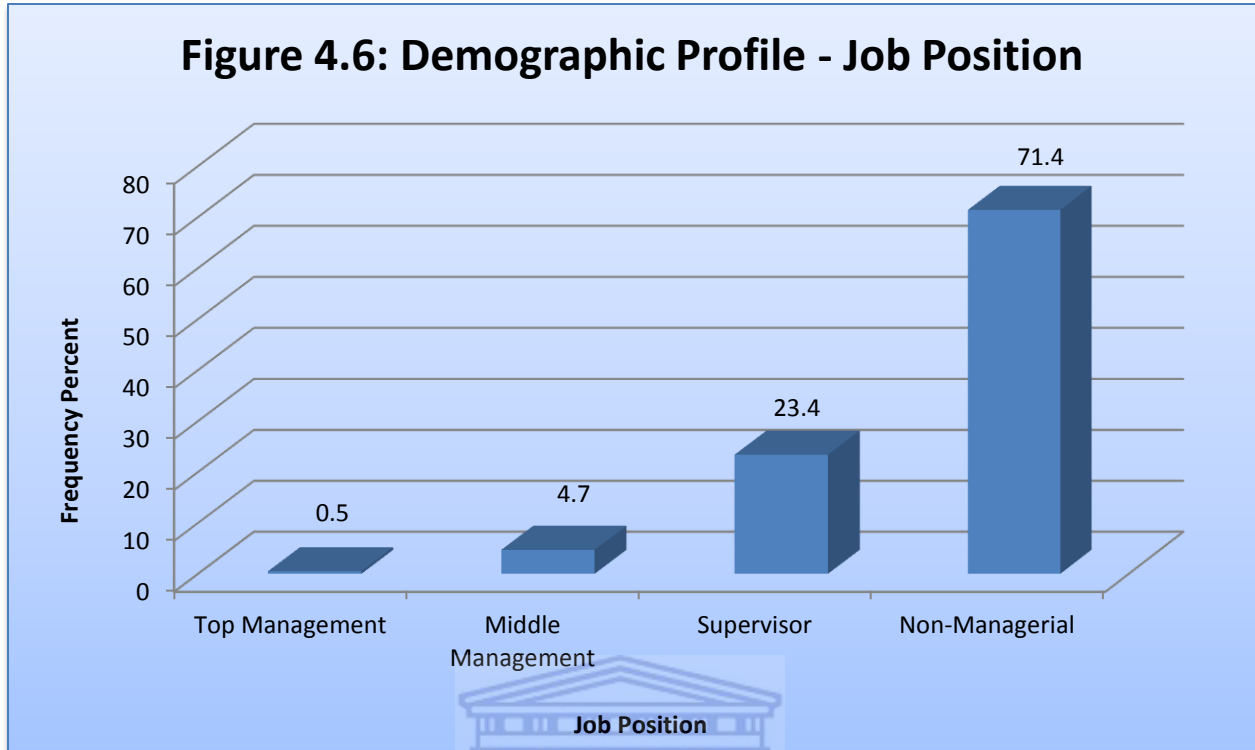


Figure 4.6 indicates that Non-manegerial employees constituted 71.4% (n = 137) of the respondents, and a further 23.4% (n = 45) were represented by Supervisors. This was followed by Middle management employees who made up 4.7% (n = 9) of the sample and finally Top management represented by 0.5% (n = 1) of the sample .

4.3 Inferential Statistics

Table 4.2: Intercorrelation matrix of the dimensions of the downsizing questionnaire

| | Trust 1 | Loyalty | Career Advancement | Communication | Trust 2 | Total |
|-----------------------|---------|---------|-----------------------|---------------|---------|-------|
| Trust 1 | 1 | | | | | |
| Loyalty | .592** | 1 | | | | |
| Career Advancement | .549** | .633** | 1 | | | |
| Communication | .663** | .625** | .694** | 1 | | |
| Trust 2 | .417** | .466** | .459** | .447** | 1 | |
| Total | .592** | .549** | .663** | .417** | .819** | 1 |

** . Correlation is significant at the 0.01 level (2-tailed).

The results in table 4.2 indicate that there are statistically significant relationships between all the dimensions of the downsizing questionnaire ($p < 0.01$). The null hypothesis would hence be rejected.

Table 4.3: Gender differences in the dimensions of the downsizing questionnaire

| | Levene's Test for Equality of Variances | | t-test for Equality of Means | |
|---------------------------|---|------|------------------------------|---------|
| | F | Sig. | t | df |
| Trust 1 | .016 | .899 | -.005 | 189 |
| Loyalty | 2.445 | .120 | .536 | 189 |
| Career Advancement | .616 | .434 | .695 | 189 |
| Communication | 3.915 | .049 | .980 | 189 |
| Trust 2 | 4.615 | .033 | .816 | 189 |
| Total | | | .882 | 159.568 |

The results of the t-test to determine whether there are statistically significant gender differences in response to downsize show no statistically significant differences based on gender ($p > 0.05$).

Hence, the null hypothesis is substantiated.

Table 4.4: Age differences in the dimensions of the downsizing questionnaire

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---------------------------|-----------------------|----------------|-----|-------------|------|------|
| Trust 1 | Between Groups | 50.180 | 3 | 16.727 | .731 | .534 |
| | Within Groups | 4299.737 | 188 | 22.871 | | |
| | Total | 4349.917 | 191 | | | |
| Loyalty | Between Groups | 46.356 | 3 | 15.452 | .816 | .486 |
| | Within Groups | 3559.097 | 188 | 18.931 | | |
| | Total | 3605.453 | 191 | | | |
| Career Advancement | Between Groups | 28.712 | 3 | 9.571 | .490 | .690 |
| | Within Groups | 3675.616 | 188 | 19.551 | | |
| | Total | 3704.328 | 191 | | | |
| Communication | Between Groups | 13.830 | 3 | 4.610 | .225 | .879 |
| | Within Groups | 3843.420 | 188 | 20.444 | | |
| | Total | 3857.250 | 191 | | | |
| Trust 2 | Between Groups | 8.877 | 3 | 2.959 | .289 | .833 |

| | | | | | | |
|--------------|-----------------------|-----------|-----|---------|------|------|
| Total | Within Groups | 1925.040 | 188 | 10.240 | | |
| | Total | 1933.917 | 191 | | | |
| | Between Groups | 258.280 | 3 | 86.093 | .289 | .833 |
| | Within Groups | 56043.387 | 188 | 298.103 | | |
| | Total | 56301.667 | 191 | | | |

The results of the ANOVA determine whether there are statistically significant age differences in response to downsize show no statistically significant differences based on age ($p > 0.05$). Hence, the null hypothesis is accepted.

Table 4.5: Marital status differences in the dimensions of the downsizing questionnaire

| | | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|-----------------------|-----------------------|-----------|--------------------|----------|-------------|
| Trust 1 | Between Groups | 63.505 | 3 | 21.168 | .928 | .428 |
| | Within Groups | 4286.412 | 188 | 22.800 | | |
| | Total | 4349.917 | 191 | | | |
| Loyalty | Between Groups | 73.397 | 3 | 24.466 | 1.302 | .275 |

| | | | | | | |
|---------------------------|-----------------------|-----------|-----|---------|------|------|
| Career Advancement | Within Groups | 3532.056 | 188 | 18.788 | | |
| | Total | 3605.453 | 191 | | | |
| | Between Groups | 24.279 | 3 | 8.093 | .413 | .744 |
| Communication | Within Groups | 3680.049 | 188 | 19.575 | | |
| | Total | 3704.328 | 191 | | | |
| | Between Groups | 45.100 | 3 | 15.033 | .741 | .529 |
| Trust 2 | Within Groups | 3812.150 | 188 | 20.277 | | |
| | Total | 3857.250 | 191 | | | |
| | Between Groups | 13.837 | 3 | 4.612 | .452 | .716 |
| Total | Within Groups | 1920.079 | 188 | 10.213 | | |
| | Total | 1933.917 | 191 | | | |
| | Between Groups | 810.603 | 3 | 270.201 | .915 | .435 |
| Total | Within Groups | 55491.064 | 188 | 295.165 | | |
| | Total | 56301.667 | 191 | | | |

The results of the ANOVA determine whether there are statistically significant differences in response to downsize show no statistically significant differences based on marital status ($p > 0.05$). Hence, the null hypothesis is accepted.

Table 4.6: Tenure differences in the dimensions of the downsizing questionnaire

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---------------------------|-----------------------|----------------|-----|-------------|-------|------|
| Trust 1 | Between Groups | 39.179 | 4 | 9.795 | .425 | .791 |
| | Within Groups | 4310.738 | 187 | 23.052 | | |
| | Total | 4349.917 | 191 | | | |
| Loyalty | Between Groups | 40.444 | 4 | 10.111 | .530 | .714 |
| | Within Groups | 3565.009 | 187 | 19.064 | | |
| | Total | 3605.453 | 191 | | | |
| Career Advancement | Between Groups | 38.031 | 4 | 9.508 | .485 | .747 |
| | Within Groups | 3666.297 | 187 | 19.606 | | |
| | Total | 3704.328 | 191 | | | |
| Communication | Between Groups | 44.841 | 4 | 11.210 | .550 | .699 |
| | Within Groups | 3812.409 | 187 | 20.387 | | |
| | Total | 3857.250 | 191 | | | |
| Trust 2 | Between Groups | 48.145 | 4 | 12.036 | 1.194 | .315 |

| | | | | | | |
|--------------|-----------------------|-----------|-----|---------|------|------|
| Total | Within Groups | 1885.772 | 187 | 10.084 | | |
| | Total | 1933.917 | 191 | | | |
| | Between Groups | 196.655 | 4 | 49.164 | .164 | .956 |
| | Within Groups | 56105.011 | 187 | 300.027 | | |
| | Total | 56301.667 | 191 | | | |

The results of the ANOVA determine whether there are statistically significant differences in response to downsize show no statistically significant differences based on tenure ($p > 0.05$). Hence, the null hypothesis is accepted.

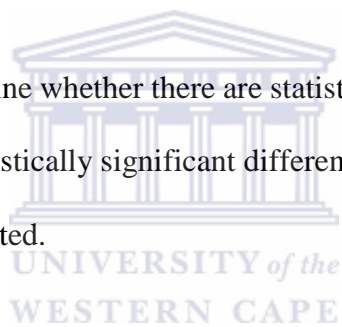


Table 4.7: Education differences in the dimensions of the downsizing questionnaire

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---------------------------|-----------------------|-----------------------|-----------|--------------------|----------|-------------|
| Trust 1 | Between Groups | 138.638 | 3 | 46.213 | 2.063 | .107 |
| | Within Groups | 4211.279 | 188 | 22.400 | | |
| | Total | 4349.917 | 191 | | | |
| Loyalty | Between Groups | 171.891 | 3 | 57.297 | 3.137 | .027 |
| | Within Groups | 3433.562 | 188 | 18.264 | | |
| | Total | 3605.453 | 191 | | | |
| Career Advancement | Between Groups | 55.999 | 3 | 18.666 | .962 | .412 |
| | Within Groups | 3648.329 | 188 | 19.406 | | |
| | Total | 3704.328 | 191 | | | |
| Communication | Between Groups | 136.804 | 3 | 45.601 | 2.304 | .078 |
| | Within Groups | 3720.446 | 188 | 19.790 | | |
| | Total | 3857.250 | 191 | | | |
| Trust 2 | Between Groups | 19.412 | 3 | 6.471 | .635 | .593 |

| | | | | | | |
|--------------|-----------------------|----------|-----|---------|-------|------|
| Total | Within Groups | 1914.505 | 188 | 10.184 | | |
| | Total | 1933.917 | 191 | | | |
| | Between Groups | 2014.065 | 3 | 671.355 | 2.325 | .076 |
| | Within Groups | 138.638 | 3 | 46.213 | 2.063 | .107 |
| | Total | 4211.279 | 188 | 22.400 | | |

The results of the ANOVA determine whether there are statistically significant differences in response to downsize show there are statistically significant differences based on education with respect to Trust 1 ($p < 0.05$). Hence, the null hypothesis is partially accepted.

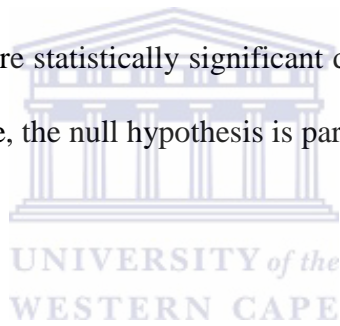
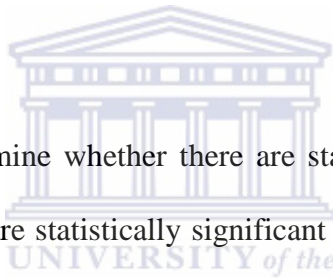


Table 4.8: Job level differences in the dimensions of the downsizing questionnaire

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---------------------------|-----------------------|-----------------------|-----------|--------------------|----------|-------------|
| Trust 1 | Between Groups | 396.724 | 3 | 132.241 | 6.289 | .000 |
| | Within Groups | 3953.192 | 188 | 21.028 | | |
| | Total | 4349.917 | 191 | | | |
| Loyalty | Between Groups | 157.523 | 3 | 52.508 | 2.863 | .038 |
| | Within Groups | 3447.930 | 188 | 18.340 | | |
| | Total | 3605.453 | 191 | | | |
| Career Advancement | Between Groups | 62.920 | 3 | 20.973 | 1.083 | .358 |
| | Within Groups | 3641.408 | 188 | 19.369 | | |
| | Total | 3704.328 | 191 | | | |
| Communication | Between Groups | 156.908 | 3 | 52.303 | 2.657 | .050 |
| | Within Groups | 3700.342 | 188 | 19.683 | | |
| | Total | 3857.250 | 191 | | | |
| Trust 2 | Between Groups | 77.899 | 3 | 25.966 | 2.630 | .051 |

| | | | | | | |
|--------------|-----------------------|-----------|-----|----------|-------|------|
| Total | Within Groups | 1856.018 | 188 | 9.872 | | |
| | Total | 1933.917 | 191 | | | |
| | Between Groups | 3472.135 | 3 | 1157.378 | 4.119 | .007 |
| | Within Groups | 52829.531 | 188 | 281.008 | | |
| | Total | 56301.667 | 191 | | | |



The results of the ANOVA determine whether there are statistically significant differences in response to downsize show there are statistically significant differences based on job level with respect to Trust 1 ($p < 0.01$), Loyalty ($p < 0.05$), Communication ($p < 0.05$) and Total ($p < 0.01$). Hence, the null hypothesis is partially accepted.

4.4. Factor Analysis of the downsizing questionnaire

The validity of the downsizing questionnaire was assessed using factor analysis. Factor analysis was used on the measuring instrument to determine its unidimensionality.

Table 4.9. Validity Scores

| <u>Communalities</u> | | |
|-----------------------|----------------|-------------------|
| | <u>Initial</u> | <u>Extraction</u> |
| Trust 1 | 1.000 | .624 |
| Trust 2 | 1.000 | .692 |
| Trust 3 | 1.000 | .679 |
| Trust 4 | 1.000 | .714 |
| Trust 5 | 1.000 | .590 |
| Loyalty 6 | 1.000 | .501 |
| Loyalty 7 | 1.000 | .623 |
| Loyalty 8 | 1.000 | .732 |
| Loyalty 9 | 1.000 | .660 |
| Loyalty 10 | 1.000 | .723 |
| Career Advancement 11 | 1.000 | .707 |
| Career Advancement 12 | 1.000 | .604 |
| Career Advancement 13 | 1.000 | .492 |

| | | |
|-------------------------|--------------|------|
| Career Advancement 14 | 1.000 | .614 |
| Career Advancement 15 | 1.000 | .701 |
| Communication 16 | 1.000 | .575 |
| Communication 17 | 1.000 | .590 |
| Communication 18 | 1.000 | .701 |
| Communication 19 | 1.000 | .685 |
| Communication 20 | 1.000 | .537 |
| Trust 21 | 1.000 | .619 |
| Trust 22 | 1.000 | .657 |
| Trust 23 | 1.000 | .669 |



In Table 4.9, all scores are above 0.5 indicating that the questionnaire is valid. The lowest score (0.492) is for career advancement 3. The highest score (0.732) is for question number 8. Hence indicating that the questionnaire is measuring what it supposed to be measuring.

4.5 Conclusion

This chapter presented the most salient findings which emerged from the study investigating employee experiences of downsizing. The results were graphically presented and descriptive and inferential statistical analyses were tabulated and discussed. The next chapter provides a discussion of the results, and presents the findings in relation to previous research. Conclusions

which can be drawn are presented and recommendations to individuals and organisations are highlighted.

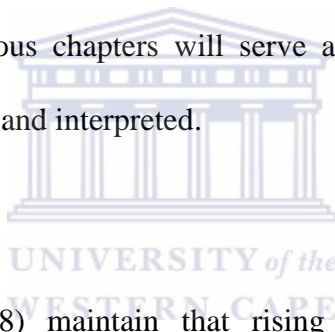


CHAPTER 5

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter the results described in Chapter 4 is discussed in detail and where appropriate current literature will be incorporated into the discussion. Reference is made to relevant research to support the findings of the current study. Furthermore, this chapter also elucidates some of the limitations of the study and suggestions for future research are provided. The information and discussion presented in the previous chapters will serve as a background against which the content of this chapter is presented and interpreted.



Gowing, Kraft and Quick (1998) maintain that rising global competition, advances in information technology, re-engineering of business processes are some of the imperatives that force organisations to restructure their businesses. In South Africa, the situation is exacerbated due to legislative changes that require organisations to empower previously disadvantaged individuals. Employees become insecure, confused about their jobs and therefore, less productive. According to Anderson and Anderson (2001, p. 1) the success of 21st Century organisations is contingent on how successful leaders are at leading and managing change. They surmise that most organisation leaders are found wanting when it comes to leading change successfully.

To the extent that change can adversely impact on both organisation and employees, it is deemed expedient that organisations should implement it carefully, necessitating that managers fully understand drivers of change, the possible consequences of change on both organization and employees, and to take appropriate actions.

5.2 Descriptive statistics

The age distribution of the respondents indicates that the majority of employees that participated in the research comprising of 52.1% fall into the 20-35 age category, with a further 40.1% of the respondents between the ages 36 to 50. The majority of the respondents, that is, 66.1% (n = 126) of the subjects comprised of females and the remaining 33.9 (n = 65) were males. The majority of the sample, 54.2% (n = 104), were single and at least 57 of the respondents (29%) have served more than 6-10 years in the organisation and another 29% served in the organisation between 3-5 years. Given that 58% of participants served in the organisation for period of 3-10 years, it may be concluded that the sample represents a fairly tenured group of employees.

5.3 Inferential statistics

Hypothesis 1: There exists significant intercorrelations amongst the key variables of the study that are influenced by the process of downsizing and transformation (communication, trust, employee commitment and loyalty, employee morale and career advancement opportunities) respectively.

The results in the current research found significant correlations between the dimensions of the downsizing questionnaire.

According to a study conducted by Taylor (as cited in Ndlovu & Parumasur, 2005, p. 18) survivors experience low morale or decreased levels of self-confidence and fatigue as a result of doing more with less. Taylor continues to state that downsizing may cause survivors to experience emotions of guilt at still having a job while long standing colleagues and even friends were downsized.

In a study conducted by Kivimäki, Vahtera, Pentti and Ferrie (2000) an increase in the amount of employee absenteeism due to sickness as well as morbidity and mortality was observed after the implementation of downsizing. This is maintained by Koonce (as cited in Ndlovu & Parumasur, 2005, p. 19) who explains that many organisations reduce their workforce to save costs and become more efficient but many do not actually meet their objectives, instead they are faced with increased levels of absenteeism and drastically reduced levels of employee productivity and morale.

Vermeulen (2002) continues to state that even in the South African context; many survivors of downsizing perceive good performance, loyalty and extended lengths of service to the organisation as little assurance of job security as dismissals of valued employees has been observed. Additionally, these perceptions cause employees to have a loss of morale, job dissatisfaction, increased absenteeism and turnover.

Chipunza and Berry (2010, p. 607) define organisational commitment as the acceptance of organisational values and goals, the desire to remain employed by the company as well as the willingness of the employee to exert effort on their behalf. Ndlovu and Parumasur (2005) argue that downsizing has a particularly negative impact on commitment of survivors if they had shared a close relationship to those employees who were dismissed. Moreover, decreased commitment of those who remain in the organisation may be experienced if the reduction of valued employees were seen. Survivors may observe this practice and lose their sense of loyalty to the company as they may deem the practice to be unfair (Wilczyńska-Kwaitek, 2002).

Organisational commitment can be subdivided into three categories, namely, normative commitment which is the responsibility the employee develops to sustain the activities of the organisation, continuance commitment that is based on the investment the employee has made in the organisation making it costly to leave and affective commitment being the amount of emotional attachment the employee has towards the company (Chipunza & Berry, 2010). Research conducted by Leung and Chang (as cited in Chipunza & Berry, 2010, p. 608) indicates that affective commitment in surviving employees are favourable as it could result in lower turnover, job satisfaction and high productivity.

Petzall, Parker and Stoeberl (2000) maintain that resentment felt by survivors of downsizing toward employers could consequently result in lower levels of commitment towards achieving organisational goals. While on the other hand, some employees who remain in the organisation may experience additional commitment and put in more effort as a means of safe guarding their positions, whereas another group of employee will remain unaffected. Wagar (as cited in Chew

& Horwitz, 2002, p. 30) maintains “By retrenching often committed employees, organisations are seen as breaking a “psychological contract”, leaving survivors feeling betrayed, lacking commitment and loyalty”.

Ndlovu and Parumasur (2005) established that uncertainties in the working environment after downsizing has been implemented, together with minimal information regarding the strategy of the organisation had created a trust gap between survivors and management. From the above information it can be deduced that survivors of organisations regard information of the planned reduction as important as survivors will be concerned about the potential loss of their own jobs and their career advancement.

A study conducted in a Southern African Financial institution by Bews and Uys (2002) further postulates that during downsizing employees may perceive their immediate supervisor to be trustworthy but may not feel the same way about top management. Chipunza and Berry (2010, p. 607) found that after downsizing employees may experience the feeling of loss of control over the situation paired with the uncertainty caused by the probability of losing their own jobs resulting in severe stress among survivors.

Many other research studies have supported this conclusion by reinforcing that downsizing may have resulted in surviving employees who have been relocated to a different position, may not experience the same level of satisfaction they had felt before and could therefore perceive their work more negatively and consequently experience stress, for instance due to an increased workload, perception of role conflict and job insecurity (Hellgren et al., 2005).

Furthermore, survivors of lay-offs may experience stress stemming from the anxiety of dismissals happening in the not so near future and may be concerned about whether their job position will become redundant. In opposition, some survivors may even work harder after surviving a layoff as they become concerned about the security of their job.

After restructuring employees are suspicious about the future direction of the organisation and their roles within it which could have detrimental effects on trust and job satisfaction (Costigan, Iltter, & Berman, 1998). In research by Zeffane and Connell (2003) it was found that efficiency in organisations is possible only when interdependent actors work together effectively in a climate of positive trust. In addition, trust increases the efficiency and effectiveness of communication. Bijlsma and Koopman (2003) identified trust as being critical for job satisfaction, commitment and performance.

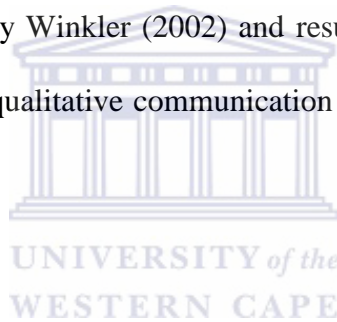
Lee and Teo (2005) found that both trust and job satisfaction were negatively influenced by the extent of change required from employees in the immediate term (three months) following an organizational restructuring. If the change was not handled effectively, and continued, this could seriously endanger the productivity of the organisation.

Hypothesis 2: There is a significant difference in the perception of survivors varying in biographical data (age, highest educational qualification, tenure, job category, race, gender) regarding the impact of the process of downsizing and transformation on the key variables of the study (communication, trust, employee commitment and loyalty, employee morale and career advancement opportunities) respectively.

Age

Ndlovu and Parumasur (2005) found a statistically significant relationship between the age of respondents and their perceptions of the impact downsizing has on employee morale, communication, trust, employee commitment and loyalty.

It can also be deduced that though the relationship between age and employee morale, trust and communication are not statistically significant these factors do share a weak positive relationship. This implies that the older the employee, the more information they would need. The same hypothesis was tested by Winkler (2002) and results are different as it suggests that younger employees require more qualitative communication from management during and after downsizing is implemented.



Education

Research (Ugboro, n.d.) found a significant negative correlation between competence and commitment, suggesting that highly competent survivors have a high propensity to leave an organisation after restructuring and downsizing.

For the relationship between education and stress there is no statistical significance however this relationship is moderately negative and could suggest that the more educated the employee is the less they are concerned about being victims of downsizing or future retrenchments packages and therefore experience lower levels of stress.

Gender

Findings obtained from the results of a study conducted by Ndlovu and Paramsur (2005) contradict these results as their study achieved a statistically significant correlation between genders of respondents and perception on communication, employee commitment and loyalty and employee morale respectively. However results of the same study are in concurrence there is no significant difference in the perceptions of males and females regarding the impact of downsizing and transformation on the level of trust of survivors.



Dependents

With regard to the relationship between the number of dependents of respondents and their perception of employee morale, communication and trust, commitment and loyalty and stress, the findings portray no statistically significant relationship between the number of dependents and the above mentioned dimensions.

Tenure

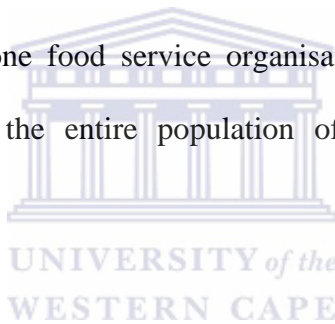
Other research studies reveals a statistically significant relationship in the perceptions of survivors varying in tenure regarding the impact of the process of downsizing and transformation on communication, employee commitment and loyalty and employee morale respectively (Ndlovu & Paramasur, 2005). Research done by Frost (1992) found that there was no statistically

significant relationship between the length of service of respondents and employees perception of trust.

5.4 Limitations

For the purpose of this study a convenience sampling method will be used, this this type of sampling is non-probability method it is hence seen as a limitation as the finds stemming from the research cannot be confidently generalizable to the population of employees in all food service organisations within the Western Cape.

The current study made use of one food service organisation and this could impact on the generalizability of the study to the entire population of employees in all food services organisations in the Western Cape.



The language and literacy level of the various employees completing the questionnaire was not considered as questionnaires were only made available in English.

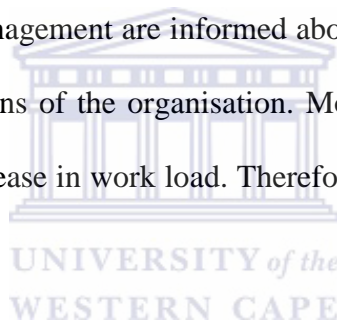
The time frame in conducting research has limitations as a number of employees subjected to the change process may have resigned, retired or promoted and some of the employees are new and were not affected by the downsizing.

The possibility also exists that the respondents could have just completed the questionnaire for the sake of filling it out (quality of response) and undermining the quality of the research findings.

The sample size used in this study, according to Sekaran (2001), is sufficient to provide adequate information. However, a sample size of 192 is too small to generalise to the entire population and it may introduce bias.

Due to the sample being a convenience sample, the findings from the study cannot be generalised and this means that there will be a low external validity.

The impact of downsizing affects non-managerial positions. This is because most of the employees who are part of the management are informed about the restructuring way in advance and they help to make the decisions of the organisation. Most managers will still do the same work and they do not have an increase in work load. Therefore, the downsizing process does not affect them as much.



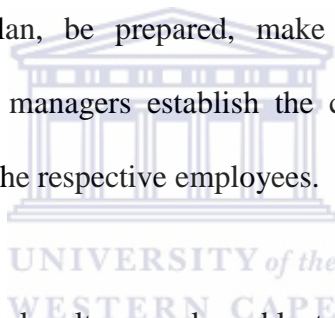
In doing a study like this, it is important to consider the surviving employees attitudes and values. Some employees will be more committed to the organisation than others will.

5.5 Conclusions

Organisational restructuring is a process that requires a great deal of change management. It is for that reason that communication becomes one of the cornerstones of a successful organisational restructuring. Effective communication with employees plays a vital role during the restructuring period of any organisation as it helps to properly inform the employees about

the changes. This helps to remove the uncertainty and allay fears amongst employees and therefore may overcome any resistance that may result thereof.

Communication before, during and after the change is one of the valuable parts of change management. Most leaders neglect to communicate directly with their employees. Therefore adequate notice has to be given, especially if response is expected. Make sure that employees know whom they should respond to with comments and concerns, rather than rely on internal processes to cascade important announcements through to line management who, in turn communicates it with their employees. There are numerous success factors of effective change management, namely: have a plan, be prepared, make yourself available and have the conversation. It is important that managers establish the correct time, place and manner of communicating the downsizing to the respective employees.



The losses due to reduced employee loyalty, morale and lost productivity are compounded by the complexity of the layoff process. For example, the rumours that develop during the initial planning stages, results in employees spending considerable amounts of time gossiping and worrying about what may happen. Unfortunately, many managers in the position of being "in the know" are guided by a policy in which they are to avoid talking about rumours with employees. While this policy may seem suitable, the associated costs, in terms of lost productivity and employee loyalty, may be significant. Communication will help to control the worry and re-direct employees' energies to the job at hand (Fisher, 1988).

Cascio (2002, p. 96) believes that “open and ongoing communication is critical to a successful restructuring effort”. Paton and James (2000, p. 45) believe that “effective communication that is designed to inform, consult and promote action will help in overcoming both resistance and ignorance amongst employees”.

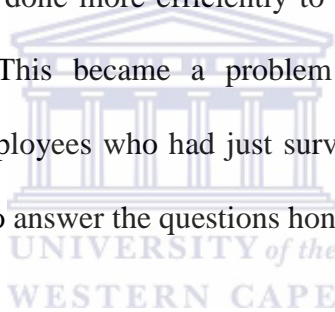
When undertaking the downsizing process, many organisations have the assumption that the surviving employees would be happier and more motivated to work. This may be true in some instances, but in other cases, this is not so true. Surviving employees still have their doubts about whether their jobs are safe or not and some employees are still not putting in the extra effort, neither are they committed to the goals of the organisation. This could be due to the lack of communication within the organisation. Communication is therefore essential in any organisation because this could have an impact on the loyalty and trust that the employees have towards the organisation. Many of the employees believe that there will be no career opportunities since the organisation has become smaller, leaving them with no place to grow within the organisation.

It is essential that all employees understand the reasons for downsizing and what is expected of them. Employees should be able to participate in the downsizing process, as this will make them feel more valued in the organisation. Management fails to recognise that survivors feel guilty about the loss of friendship with the people who have been retrenched. Management should offer support to those survivors and constantly communicate with them as to make them aware that they do have worth within the organisation.

According to Hellgren et al. (2005), downsizing is done in order to increase an organisation's competitiveness and effectiveness, as well as to become more productive using fewer people. However, this means that there will be an increase in workload for the surviving employees and it could negatively affect their health. Downsizing does change the working conditions for the surviving employees in which they will no longer feel happy to work for the organisation, decreasing their loyalty towards the organisation.

5.6 Recommendations To Improve The Study

Planning of the study needs to be done more efficiently to ensure that the timing of the study does not become a limitation. This became a problem for this particular study as the questionnaires were handed to employees who had just survived retrenchments and could have caused them to feel apprehensive to answer the questions honestly.



To ensure the accuracy of data received and to enable generalizability the sample size should be increased and determined using stratified sampling methods to reduce sampling error (Sekaran, 2001).

Furthermore the sample of the study needs to include all the stores as well as all the provinces the organisation trades in. When interviewing the employees, not only floor staff should be included but management as well as back office staff as they have been affected by downsizing as well. Furthermore they also need to be included as the organisation implements multi skilling and even though they are not technically floor staff they practice similar duties.

Additionally the sample size needed to include other divisions of the business group as downsizing has been implemented to several groups including head office.

The sample size for the study should be bigger in order to draw appropriate conclusions for the study and to be able to generalise the study to the entire population. The study should be carried out to more organisations to see whether these five factors that impact survivors after downsizing can be generalised to all organisations and industries that have downsized.

When doing a study similar to this, subgroups need to be selected from a stratified random sample according to job status because downsizing affects each employee differently. A random sample should then be selected from each stratum to identify the perceptual differences between these groups. Employees who hold non-managerial positions are sometimes more affected by downsizing than those who hold managerial positions.

In using this instrument for data collection, open-ended questions could be added to the questionnaire to allow the respondents to express their personal feelings about downsizing and how it has affected them. Open-ended questions allow the respondents to answer the questions in a way that they want to and it gives more insight into topics that are vague and inadequate.

The study should focus on all the biographical items and correlate them with the five factors, rather than selecting a few biographical items. In addition, multiple inferential tests should be done rather than just using one. Using multiple tests will produce appropriate results for the study. The hypothesis for the study should focus more on the significant differences between the biographical items and the five factors, rather than testing the relationship.

Instead of using a quantitative research design, a qualitative method could be used such as an interview and observations. The researcher could use observation as a data collection technique.

This is because employees may not answer the questionnaire honestly. Observations will allow the researcher to observe the employees within the workplace after downsizing and make notes about what is observed. This way the researcher can draw conclusions.

5.7 Implications Of The Study

The organisation can ensure that they provide more information to employees regarding the implementation of downsizing in their organisation so as to provide a sense of transparency to employees. This will allow the employee to establish whether or not they need to find other employment and give them a sense of where they stand in the organisation.

The company should communicate to staff in advance with plans regarding downsizing so employees can prepare themselves emotionally and financially as it is difficult to find employment elsewhere and some employees are the breadwinners of their homes.

The organisation should also become more aware of the fact that not only those who leave the organisation are impacted by retrenchments and layoffs. In many cases those left behind are impacted more severely, as they experience guilt for having survived, anxiety for future downsizing and stress of increased job content. To ensure that downsizing leads to improved communication and improved performance of staff, the organisation should make employees feel as though they are valued in the company and express the reasons as to why the company opted to operate with fewer staff.

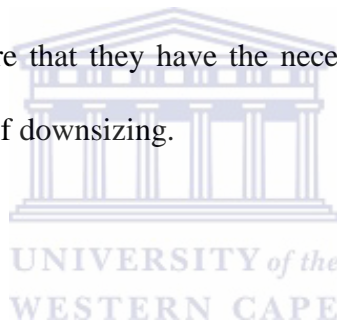
Furthermore the organisation can efficiently implement downsizing and ensure that the process undertaken is done in a sensitive manner by offering good retrenchment packages to make those who are eligible to exit feel as though the company is still concerned about their well being and is not laying-off people by choice.

The implication of the findings for human resources managers is that they should have knowledge of the context in which downsizing is taking place. Such knowledge makes them effective in deciding the criteria, processes and procedures to be adopted when downsizing. Moreover there should be differential of treatment of employees during and after downsizing. This might lead to the strengthening of commitment towards the new organisational order. However, it might also lead to strengthening negative perceptions of deepening discrimination among the survivors. The managerial challenge, then, is to navigate carefully through the downsizing process and maintain a balance among those who leave (victims) and those who remain (survivors). In other words, the elements of downsizing need to be managed with sensitivity to ensure positive psychological outcomes for the survivors and positive economic outcomes for the organisation.

Individuals should ensure that they have a career plan in place and are constantly working towards achieving their goals. The results of this research study also suggest that employees should not remain stagnant in one position in an organisation as they may fall victim of their jobs becoming redundant.

The implications for individuals and organisations are that communication in organisations is still big concern and employees still have the fear that they may lose their jobs. Organisations need to make use of change agents to help surviving employees overcome the change and allow employees to participate in the decision-making. This is because employees feel reassured when they are involved in the organisation. Downsizing creates many negative perceptions and attitudes, especially towards management. Management should make use of strategic downsizing. This way they can strategically plan the process beforehand and try to minimise the negative impacts of downsizing and still meet the organisations goals.

Lastly, individuals should ensure that they continually update their skills so that these do not become obsolete in order to ensure that they have the necessary competencies to join another company should they fall victims of downsizing.



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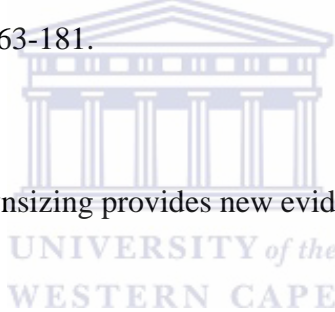
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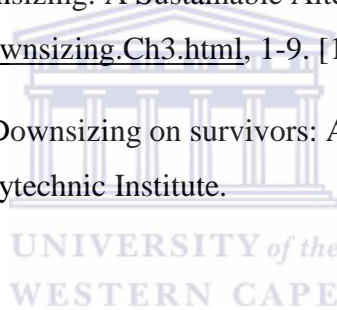
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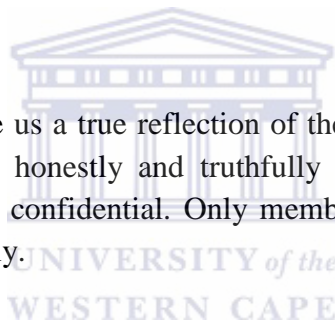
Appendix A: Research Cover Letter

Dear Participant

I, Zakira Sayed am a Masters student at the University of the Western Cape (Industrial Psychology Department) conducting research for my thesis on the impact of downsizing on the remaining employees in the organization.

The attached questionnaire is designed to study employee morale, commitment, trust, loyalty and career development opportunities amongst employees at an organization that has undergone downsizing.

You are the only one that can give us a true reflection of these variables, so I therefore request that you answer the questions as honestly and truthfully as possible. Your response to the questionnaires will be kept highly confidential. Only members of the research team will have access to the information you supply.



A summary of the results can be mailed to you upon request after the data has been analysed. I sincerely thank you for your co-operation and appreciate your assistance in furthering my research endeavor.

Sincerely

.....

Zakira Sayed

Student

.....

Karl Heslop

Supervisor

Appendix B: Informed consent form

I, the undersigned, hereby consent to **participate voluntarily** in the research which is being undertaken.

The aim of the study is to determine the impact of downsizing on remaining employees' looking at employee morale, commitment, trust, loyalty and career development opportunities.

I understand that my participation in this research will be **anonymous** and the results will be treated **confidentially**. I also understand that I am under no obligation to complete this survey and that, should I wish to withdraw my participation in this research, I am free to do so at any stage of the process.

I agree to the results being treated as aggregated data and that no individual/disaggregated results will be used.



Date: _____

Key Words Downsizing, retrenchment, layoffs, employee commitment, productivity, motivation, organisational change, career advancement, communication.

NB: ATTACHED PLEASE FIND THE FOLLOWING DOCUMENTS AS WELL:

- Research Cover Letter
- Research Consent Form
- Downsizing Questionnaire
- Biographical details Questionnaire

Appendix C: Biographical Questionnaire

| Biographical Questionnaire | | | | | | | | | |
|--|--------------------------|-------------------|--------------------------|----------------|--------------------------|-------------------|--------------------------|----------|--------------------------|
| Please tick ✓ in the block most applicable to you. Your responses will be treated as strictly confidential! | | | | | | | | | |
| 1. Gender | | | | | | | | | |
| Male | <input type="checkbox"/> | Female | <input type="checkbox"/> | | | | | | |
| 2. Age | | | | | | | | | |
| Under 20 | <input type="checkbox"/> | 20 - 35 | <input type="checkbox"/> | 36 - 50 | <input type="checkbox"/> | 51 - 65 | <input type="checkbox"/> | 66 + | <input type="checkbox"/> |
| 3. Marital Status | | | | | | | | | |
| Single | <input type="checkbox"/> | Married | <input type="checkbox"/> | Divorced | <input type="checkbox"/> | Widowed | <input type="checkbox"/> | | |
| 4. Length of service (Tenure) | | | | | | | | | |
| less 1 year | <input type="checkbox"/> | 1 - 2 yrs | <input type="checkbox"/> | 3 - 5 yrs | <input type="checkbox"/> | 6 - 10 yrs | <input type="checkbox"/> | 10 yrs + | <input type="checkbox"/> |
| 5. Highest Level of Education | | | | | | | | | |
| primary school | <input type="checkbox"/> | high school | <input type="checkbox"/> | college degree | <input type="checkbox"/> | university degree | <input type="checkbox"/> | | |
| 6. Position held in organisation | | | | | | | | | |
| Top Management | <input type="checkbox"/> | Middle Management | <input type="checkbox"/> | Supervisor | <input type="checkbox"/> | Non-Managerial | <input type="checkbox"/> | | |

Appendix D: Organisational Commitment Questionnaire

| ORGANISATIONAL COMMITMENT QUESTIONNAIRE | | | | | | |
|--|--|--------------------------------|----------|---------|-------|----------------|
| <p>Listed below are a series of statements that represent possible feelings that you may have about the company for which you are working. With respect to your own feelings about the organisation for which you are now working please indicate the degree to which you agree or disagree with each of the following statements by <u>circling</u> the number which is most applicable to you.</p> | | STRONGLY DISAGREE | DISAGREE | NEUTRAL | AGREE | STRONGLY AGREE |
| | | <u>FACTOR 1 - TRUST</u> | | | | |
| 1 | I believe that management has been at least honest with bad and good news about changes in the organisation. | 1 | 2 | 3 | 4 | 5 |
| 2 | I received adequate information about the transformation before it was implemented. | 1 | 2 | 3 | 4 | 5 |
| 3 | Management provides a clear set of direction regarding recruitment and selection of staff. | 1 | 2 | 3 | 4 | 5 |
| 4 | I received adequate information about the transformation process during and after it was implemented. | 1 | 2 | 3 | 4 | 5 |
| 5 | I was very clear about management's intentions when it came to employee transfers. | 1 | 2 | 3 | 4 | 5 |
| 7 | Morale increased among employees after the introduction of double shifting in the company. | 1 | 2 | 3 | 4 | 5 |
| <u>FACTOR 2 – EMPLOYEE COMMITMENT AND LOYALTY</u> | | | | | | |
| 8 | Despite the process of transformation, employees are willing to put in extra effort beyond what is normally expect of them in order to ensure the success of the organisation. | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|----|--|---|---|---|---|---|
| 9 | Employees are not willing to put an extra effort to what is required of them. | 1 | 2 | 3 | 4 | 5 |
| 10 | Employees are very committed to the organisational goals after the transformation process. | 1 | 2 | 3 | 4 | 5 |
| 11 | Employees are still committed to the organisational goals after the transformational process. | 1 | 2 | 3 | 4 | 5 |
| 12 | Employees are willing to own and solve problems rather than to blame others for the problem. | 1 | 2 | 3 | 4 | 5 |
| | <u>FACTOR 3 – CAREER ADVANCEMENT OPPORTUNITIES</u> | | | | | |
| 13 | Employees are no longer committed to the organisational goals after the transformation process. | 1 | 2 | 3 | 4 | 5 |
| 14 | The career advancement opportunities in this company are good. | 1 | 2 | 3 | 4 | 5 |
| 15 | Due to transformation, many chances of being promoted have increased | 1 | 2 | 3 | 4 | 5 |
| 16 | I am confident I can achieve my personal goals in this company. | 1 | 2 | 3 | 4 | 5 |
| 17 | Promotions in this company are conducted and awarded fairly. | 1 | 2 | 3 | 4 | 5 |
| | <u>FACTOR 4 – COMMUNICATION</u> | | | | | |
| 18 | I feel that management has done all they can to help me understand exactly what is expected of me following the changes to the organisation. | 1 | 2 | 3 | 4 | 5 |
| 19 | Little information about business strategy in this organisation has created a trust gap between managers and employees. | 1 | 2 | 3 | 4 | 5 |
| 20 | I believe that communication in this company is generally honest, open and candid. | 1 | 2 | 3 | 4 | 5 |
| 21 | There are open channels of communication in this organisation. | 1 | 2 | 3 | 4 | 5 |
| 22 | Employees trust management after the transformation process. | 1 | 2 | 3 | 4 | 5 |

| <u>FACTOR 5 – TRUST</u> | | | | | | |
|--------------------------------|--|---|---|---|---|---|
| 23 | I was fearful that there could be more job losses. | 1 | 2 | 3 | 4 | 5 |
| 24 | The transformation resulted in some adverse emotions, which prevented employees from getting on with their jobs. | 1 | 2 | 3 | 4 | 5 |
| 25 | Due to the transformation, many chances of being promoted have decreased. | 1 | 2 | 3 | 4 | 5 |





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