

Organisational Downsizing and Its Impact on Leavers and Survivors: The Case of the Reserve Bank of Zimbabwe

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Abstract

Organisational downsizing has considerable negative consequences not only for employees who leave the organisation, but also for those who remain. Organisational downsizing in Zimbabwe has been used by many organisations to improve organisational effectiveness and competitive ability. The purpose of the study was to examine the effects of downsizing on employees who were leaving (leavers) the Reserve Bank of Zimbabwe and on those who were remaining (survivors). In January 2011, 1455 employees who had served the organisation in various capacities were retrenched and 945 were retained as the bank sought to do away with quasi fiscal activities to concentrate on its core functions. A questionnaire was randomly among the survivors and leavers at the Reserve Bank of Zimbabwe. The impact of downsizing was looked at in terms of the attitudes and feelings that leavers and survivors had towards the downsizing process. It concludes by indicating the challenges and measures that top management should take into consideration when carrying out organisational downsizing.

Keywords: organisational downsizing, survivors, leavers, survivor syndrome, job insecurity, employee reduction, retrenchment

INTRODUCTION

Since the late 1980s, many organisations and employees in Zimbabwe have been affected by organisational downsizing. The hyperinflationary environment experienced by the country between the periods 2000 to 2008 exposed most organisations to downsizing. The case was, however, different with the Reserve Bank of Zimbabwe (RBZ) which had to expand its operations to cater for quasi fiscal in a bid to control the hyperinflationary environment during this period as directed by the Ministry of Finance. Because of these activities the bank had to increase the number of its employees to cater for these operations. There was need for the bank to evolve and adapt to the changing economic environment. The need to downsize emerged after the dollarization of the Zimbabwean economy in 2009. This saw the stabilisation of inflation and improvement in the general economy of the country. With these changes, the RBZ had to return to its core functions. By its very nature, downsizing is a selection process where some workers exits, while others remain in the organisation. Definitions of downsizing are characterized by tensions in the literature. For example, Kozlowski (1993: 267) define downsizing as 'a deliberate organizational decision to reduce the workforce that is intended to improve organizational performance'. This definition captures the explicit tensions between the organizational control of the decision to downsize and the uncertainty about the outcomes for the organization, and implicit tensions between the potential benefits for the organization and the potential impacts for the reduced workforce.

These tensions are often concealed in the literature perhaps to prescribe a best practice approach to downsizing which will maximize organizational benefits and minimize adverse employee reactions. Alternatively, they may be concealed by quantitative research methods which seek standardization rather than deeper meanings. Other scholars have also defined downsizing as an approach which refers to "the planned elimination of positions or jobs" (Cascio, 1993; Kets de Vries and Balazs, 1997). These authors emphasize that downsizing is a deliberate organisational decision aimed at systematically reducing employees through an intentionally instituted set of activities with the direct purpose of improving organisational efficiency and performance. It may occur when an organisation wants to improve effectiveness, competitive ability, reduces work and implements cost containment strategies that streamline activities such as transaction processing, Total Quality Management (TQM), information systems and even re-engineering (Cameron, 1991; Kalimo, et al, 2003).

In January 2011, the RBZ was downsized and this saw 1455 employees being retrenched following a legislation passed by the Parliament of Zimbabwe on 31 March, 2010 which curtailed and abolished Treasury's directives to the Central Bank to engage in quasi-fiscal activities. This led to the refocusing of the bank on core activities centred on Bank Licensing, Supervision and Surveillance; Financial Markets and Sector Stability; Exchange Control;

Economic Research and Policy Enhancement; Anti-Money Laundering and Prevention of Terrorist Financing; Bank to Government and Lender of last Resort Activities; Policy and Price Stability Advice to Government. Subsequent to the passing of that Legislation, a new Board of Directors was appointed in April, 2010 and one of its first tasks was to re-align the Bank's activities to its legal mandate and core-business, leading therefore to the drawing up of new internal organisational structures which were designed to meet the challenges of the Bank's new mandate and operating environment. A total of 1 455 people were affected. These were comprised of 964 non-managerial staff, 232 contract workers and 259 managerial employees

LITERATURE REVIEW

Employees who manage to keep their jobs after organisational downsizing are often referred to as "survivors" and those who fail to retain their jobs are called "leavers". While it has become a common practice for organisations operating in the current global economy characterised by recession and political instability to downsize in order to remain competitive, the decision by most organisations to downsize is usually a strategic one. It is undertaken to reduce the waste and inefficiency that builds up in an organisation over time. It is expected to improve business development and repositioning for future growth and success (Isabella, 1989). Downsizing in Zimbabwe has become a permanent fact of life. Many studies have confirmed that both survivors and leavers are often neglected before, during, and even after downsizing. Organisations that are involved in downsizing often expect positive results such as increased productivity, lower overhead costs, faster decision-making processes, and better working conditions. However, many studies carried out in the 1990s have concluded that the benefits of organisational downsizing are not often achieved as perceived. There are negative effects to the organisation's leavers and survivors (Cascio, 1995; Burke and Nelson, 1998; Beylerian and Kleiner, 2003; Devine, et al, 2003). Covin (1993), identified three aspects that characterise the downsizing process and distinguished it from other types of organisational change: First, the top management – with little or no employee participation, usually dictates the downsizing process. Second, downsizing efforts usually focus more on financial efficiency goals than human effectiveness goals. Third, people will be hurt, that is there is no "win-win" situation in a downsizing process.

One of the reasons why organisations that downsize perform poorly is that they have been often successful at anticipating and preparing for the leavers who are to be released but failed to prepare for the low morale and productivity experienced by the survivors after downsizing (Isabella, 1989). In

examining the reactions of survivors after downsizing, Greenberg (1990), found that survivors are in a good position to judge the fairness of downsizing, both distributive and procedurally. Surviving employees were found to be more committed to the organisation when they perceived that the leavers were adequately compensated and equitably treated. Greenberg (1990) also further reports that organisational surveys have indicated that the current job performance of employees is a critical factor in surviving employees' judgment of the fairness of the process.

The literature on downsizing consistently points to the potentially negative impact of downsizing on the survivor attitudes. For example, Worrall, et al (2000) observed the negative impact of downsizing in the public sector as breakdown of the psychological and reduced job security among managers. Mone (199) found out that feelings of loss of control over the situation and the uncertainty caused by the possible loss of their own jobs cause severe stress reactions in the survivors. These are further exacerbated by the sharp increase in the work overload, longer working hours, and fewer vacation days, leading to inefficiency and burnout. The job/work transition theory states that organisational change caused by downsizing results in changes in responsibilities, reporting relationships, co-workers, policies and procedures. In tandem with this theory, Allen, et al (2001) found out that job attitudes such as job satisfaction, organisational commitment, job involvement, role overload, role clarity, satisfaction with top management, and turnover intentions become less favourable after downsizing. These findings indicate that downsizing seem to have a negative impact on a number of work-related attitudes.

Key contributions on approaches to downsizing are provided by Kozlowski, et al (1993). He distinguishes between proactive and reactive approaches to downsizing. A proactive approach is described as involving detailed planning at an organizational and individual level, before, during and after the downsizing programme. In contrast, a reactive approach is described as involving responding to cost reduction strategies with little consideration of any alternatives to redundancy and a hastily conceived plan for those remaining in the organization. Research by McCune (1988: 158) found that '94% of the Human Resource Managers had less than two months to plan and execute downsizing'. Lack of time may be a factor which influences an organisation's approach to downsizing but this continuum of proactive versus reactive approaches appears somewhat simplistic and prescriptive. It suggests that there is one best way of approaching downsizing with the key to this best practice being planning. Whilst this will be a key

factor for organizations, downsizing situations create and involve uncertainty and unpredictability for organizations and individuals and therefore there are limits to which organizations can plan ahead. Communicating and making of decisions frequently have to be made in the heat of emotional moments and therefore, reactive skills based on sound judgement, perception and insight can be as valuable as a proactive approach.

DOWNSIZING STRATEGIES

With regards to downsizing strategies, Cameron, et al (1994) outlines three approaches. First, employee reduction strategies which are intended to reduce headcount usually through redundancy. Second, work redesigns strategies which include redesigning roles, hours and organizational structures. Work redesign includes eliminating functions, hierarchical levels, divisions, or products, consolidating and merging units, and reducing the working hours, while systematic changes entail changing the organisation's internal and external systems such as values, communication, production chains in terms of suppliers and customers (Bleuel, 2001). Third, systemic change strategies which involves redefining downsizing as 'an ongoing process, as a basis for continuous improvement; rather than as a programme or target' (Cameron, et al, 1994: 199). Mishra and Mishra (1994) argue that the reliance on employee reduction as a strategy has a detrimental impact on organisational cost and quality, whilst the use of a work redesign and / or systemic change strategies has a positive impact on organisational cost and quality. This claim is limited by questions of causality, an assumption that the impact of downsizing can be measured and a narrow criterion of success focused on the organisation's perspective. This claim also conflicts with alternative views in the literature that 'Corporate goals of downsizing are rarely achieved, with share prices of downsized firms tending to decline over time' (Redman and Wilkinson, 2001: 317).

Organisational downsizing is mostly done through top-down directives. With it usually come other strategies such as work redesign and systematic changes. Downsizing using the workforce reduction strategy has been regarded as the harshest way of improving efficiency, productivity and worker competencies because of its impact on both the leavers and survivors (Makawatsakul and Kleiner, 2003). The effectiveness of downsizing strategies is ultimately dependent on the reactions of both the survivors and leavers of the process. Thus, the survivors' behaviour is critical for the slimmed organisation's effectiveness. Behavioural changes not only result from changes in the formal system or the normative structures, but are also influenced by changes in the cognitive and perceptual orientations of the individuals (Chin and Benne, 1994; Allen, et

al, 2001). This highlights the importance of the survivors' interpretation and perceptions of the downsizing process as well as the evaluation of their current position and status in the organisation.

METHODOLOGY

To investigate the impact of organisational downsizing on leavers and survivors, an empirical study was undertaken. The quantitative research method was used in this study. A representative sample and structured data collection procedures were used. The quantitative research approaches used are exploratory/descriptive research and confirmatory research. The population involves 900 survivors and 1455 leavers who were comprised of 964 non-managerial staff; 232 contract workers and 259 managerial employees. Questionnaires were distributed to both survivors and leavers in order to determine their feelings, attitudes and emotions towards the downsizing exercise.

RESULTS

The responses of both survivors and leavers were grouped into four levels which ranged from frequent to least frequent. The attitudes and emotions expressed by both survivors and leavers pertaining to the downsizing exercise were negative. The results are presented in Table 1 below.

Table 1: Results of responses of both survivors and leavers

Level one	Shock, mistrust, unfairness, dishonest, demoralised, insecure
Level two	Stressed, worried, threatened, betrayed
Level three	Fear, anger, pressure, hurt, powerless
Level four	Guilty, panic, uncertainty, depressed, frustrated, disillusioned

The table indicates the most frequently expressed attitudes by both leavers and survivors. Most leavers expressed the process as 'unfairly' implemented and indicated that there were no clear criteria used to eliminate them from the organisation. The leavers also blamed the RBZ for failing to incorporate them into its core departments or other government departments and ministries. Survivors also indicated that they were now more vulnerable than before as they had been informed that the organisation would continue to downsize in future in line with the changing economic environment.

DISCUSSION OF RESULTS

Impact on Survivors

The literature argues that often management overlooks the psychological effect of downsizing in terms of attitudes and emotions. Vinten and Lane (2002) point out that downsizing leaves the survivors frustrated, anxious, resistant and with the "wait and see" attitude, a scenario also known as 'survivor syndrome' (Kusum, 2004). Survivors are the greatest

losers when compared to leavers because they have to endure disillusionment, frustration and generally have a perception of insecurity. However, the fact that the most immediate effect of a downsizing process is a reduced workforce highlights the importance of systematic analyses of how downsizing affects the survivors.

One of the major factors that both survivors and leavers indicated was that the organisation had failed to adequately and effectively deal with the 'people factor' throughout the downsizing process. Previous studies indicate that both survivors and survivors also suffer adversely after downsizing has occurred. Isabella (1989) identified the major concerns that focus on career questions after downsizing. From her study, she found that most survivors are not informed or misinformed about many issues after downsizing. Most survivors were not sure of their place in the new structures of the organisation, expected performance standards, the key people in existing networks who were either leaving the organisation or changing their positions, extra work demands, and the value of their expertise to the new organisation and the existence or lack of opportunities for advancement. These factors are further compounded by financial and job insecurity. The following factors were cited as some of the effects that survivors suffered after downsizing by the Reserve Bank of Zimbabwe (RBZ).

Job Insecurity: Job insecurity is defined as "perceived powerlessness to maintain desired continuity in a threatened job situation" (Greehalgh and Rosenblatt, 1984: 438). By definition, job insecurity contains elements of involuntary unpredictability about the future existence of the present job or of the future nature of the present job (Heaney, et al, 1994; Sverke, et al, 2002). Most survivors were worried about their future and how long they were going to keep their jobs within the reduced organisation and were worried that they were not prepared to find employment elsewhere given the prevailing economic situation in the country. Some of them were also worried that there are no comparable jobs for them both in the private and public sector given the salaries and benefits they were getting. Job insecurity is a frequently examined cause of stress in the context of organisational change and downsizing (De Witte, 1999; Sverke, et al, 2002). Job insecurity is stressful for the individual and can be characterized as a work stressor (Barling and Kelloway, 1996). There are two aspects of job insecurity – quantitative and qualitative (Hellgren, 1999). Quantitative job insecurity refers to the worry of losing the job and being laid-off in the near future, whereas qualitative job insecurity reflects the worry or fear of losing on the part of the survivor important aspects of the job, such as job content, career opportunities, salary development, and work mates.

Depression and Anxiety: To most of the managerial employees, the downsizing process was stressful and demoralising given the fact that they had to lay off employees and that they were losing some of their friends and relatives in the process. They were worried about the future of those employees whose jobs were terminated. Most managers felt that they had not anticipated the organisation would dismantle and loose employees of such a magnitude.

Distrust, Cynicism and Betrayal: The potential for distrust between employees and the organisation following a downsizing has been suggested by many scholars (Mishra and Speitzer, 1998; Noer, 1998), but has not been explored empirically in detail. A definition of trust is offered by Mayer, et al (1995:712) who proposed that trust is 'the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party'. It is related to psychological contracts since it entails expectations of another party's future actions based on past actions such as observations of rules of behaviour in relationships. Most non managerial employees felt a sense of betrayal and distrust by the organisation. They felt that their future with the organisation was no longer clear as they were likely to be targeted next. Some of them felt the whole process was so disorganised and poorly implemented. There was lack of communication on the part of RBZ and most employees had first read about the impending downsizing programme in the local newspapers without being informed first. Most survivors indicated that they were not informed of how they were going to fit into the organisation's new vision and strategy.

Impact on Leavers

The individuals who are the most affected by downsizing are supposedly those who lose their jobs. Consequently, research studying the impact of downsizing has typically focused on the leavers (Kozlowski, 1993), or investigated possible organisational consequences, such as loss of crucial skills in human capital and disruption in organisational memory in terms of problem solving, competence and abilities (Kets de Vries and Balazs, 1997). The reaction of employees who have been discharged by an organisation has always been a topic of considerable concern. Most researchers have studied the effects of job loss and the psychological and economic harm it has on leavers who lose their jobs due to displacement or workforce reductions extensively (Winefield, 1995). Organisations need to be concerned about employees who leave the organisation through downsizing as they will act to gain retribution for the organisation's actions through lawsuits, media campaigns or sabotage. In many organisations employees who leave the organisation

through downsizing may be rehired in the future (Topel, 1982; Cascio, 1993; Corak, 1996). Confusion was high on leavers because they did not understand the actual reasons as to why they had to leave since it was not their fault. They indicated that no proper explanation was given for their termination of employment. The decision for them to leave was not related to their poor performance or underperformance. They argued that those who were remaining had not done anything special to warrant their survival. A major factor contributing to the effects of downsizing on leavers was their perceptions of how fairly their positions were terminated and how this was handled.

Lack of reciprocal commitment: Managerial employees indicated that the organisation had abandoned them. They felt the organisation did not treat them with the dignity and respect they were entitled to given the importance of the role they were playing before. Some indicated that they had served the RBZ for more than twenty five years and had known no other employer. The win-win situation that had been developed over the years had been cancelled. Leavers also indicated that top managers had shown no emotional feelings towards their departure and there were no indications that they would be considered for reinstatement in future.

Dissatisfaction with the termination process- Leavers felt that the organisation had terminated their contracts in a manner which was not satisfactory to them. They felt that it was humiliating and insincere as most of them had to be paraded in front of the media so that they would pretend as if the leavers were happy with the process and to portray as if the process was done in a transparent manner. The employees were also not satisfied with the way their termination was being handled as they had not been given their full package.

CONCLUSION AND RECOMMENDATIONS

The RBZ neglected the downside of downsizing because it assumed that the survivors were simply going to be happy about keeping their jobs, while the leavers were going to accept the process and leave. Both survivors and leavers indicated that they were demoralised and distrustful of the whole process. For survivors, their greatest fear was their uncertainty over their future as they may be targets of the next round of downsizing. For leavers, the greatest fear was how and when they were going to get employment elsewhere. It was also about how and when they were going to get their full exit packages. The managerial challenge 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. There is also need for managers in the

downsizing process to display the highest forms of integrity, honesty, openness to ideas and maintaining a degree of equitable fairness to both the survivors and leavers. There is also need to comply with the law and legal provisions of the process at every stage. To be being transparent with all the decision- making processes to all parties in the downsizing exercise.

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