

Impact of Downsizing on the Attitude of Layoff Survivors in Nigeria Banks

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Abstract: Downsizing as an economic restructuring effort of an organization, is aimed at repositioning the organization in a more competitive advantage through cost reduction, increased productivity, improved profitability, and enhanced job satisfaction. Downsizing is predominant in the banking sector, especially since 2005 till date, but no empirical studies have been carried out as to the impact of downsizing on the layoff survivors' attitude in Nigerian banks. Secondly, the adoption of downsizing as a management tool has not been matched with available literature to document the programme. The objective of the study is to find out the impact of downsizing on the layoff survivors attitude towards work. Research question and hypothesis were raised, and formulated, to address the purpose of the study. This study is limited to the impact of downsizing on layoff survivors of banks quoted in the Nigerian Stock Exchange. A survey research method was used, and a total of 21 banks quoted in the Nigerian Stock Exchange, with a staff population of 2,304 employees from which a sample of 341 employees were randomly selected. Structured questionnaire was used for data collection while statistical package for social sciences (SPSS), and statistical analysis software (SAS), were also used for data analyses. The major findings of the study revealed significant negative effects on the attitude of the layoff survivors in the Nigerian banks.

Keywords: Downsizing; Impact; Attitudes; Layoff survivors; Banks; Nigeria

1. Introduction

Industrial development, globalization, financial deregulations, increased operational cost, and economic meltdown, together with the changes in technologies, push up cost, thereby, making it impossible in today's competitive business world for some organizations not only to guarantee job security for their workers, but also, to realize set economic objectives. As organizations become increasingly responsive to these problems, the concept of trimmer is healthier becomes their buzz phrase, hence restructuring or downsizing of their entire workforce.

Downsizing simply means a reduction in the organization's workforce or loss of employees' positions. Cameroon (1994) and Cameroon et al (1993) used different names to describe downsizing which include, building down, compressing, consolidating, contracting, dismantling, re-deploying, re-engineering, resizing, rightsizing, de-hiring, downshifting, reorganizing, restructuring, slimming down, reduction-in-force etc. Harmmer and Champy (1993) see it as reengineering. Ivancevich (2001) sees it as a reduction in workforce.

The aim of downsizing is to cut cost. Improve profitability, increase productivity, and enhance competitiveness. Daft (1995) argues that the purpose of reengineering is to do things right the first time; improve quality, eliminating repeated work, spending less time on bureaucratic rules and procedures, by doing away with them, tearing down barriers between departments, empowering employees and teams, substituting information technologies for paper handling , etc.

There have been downsizing in Nigeria both in the public and private sector, but the manner and ways in which it is done, undermine the good reasons for downsizing, hence unintended consequences. Many authorities have written about the negative impact of downsizing on the attitude of the layoff survivors. According to Cook and Hunsaker (2001), scope and depth are the most basic descriptors of any job. But

other dimensions of a job affect the attitudes of workers, their willingness to perform successfully, the production and reliability of their work output, and corresponding side effects such as accidents, absenteeism, and job stress.

In the Nigerian banking sector, a number of problems were noticed by the CBN governor which include: Banks persistent borrowing from the Expanded Discount Window (EDW); excessive exposure to the oil and gas sector; huge exposure to margin trading losses incurred during the wild days of stock market trading at the Nigeria Stock Exchange, and demonstration of poor judgment in lending, and exhibition of weak risk management. This problem led to the sack of some Chief Executive Officers, and Members of the Board of Directors of some banks, and consequently, triggered off downsizing in the Banking sector.

After a layoff, it is expected that the survivors would be happy that they survived the downsizing exercise and expect reward for being better performers, and enjoy job satisfaction, but the reverse is the case. They see downsizing as a wicked exercise, hence work with mixed feelings as if their confidence in the organization has been undermined by the downsizing exercise. There had been downsizing in the banking sector since 2004 till date, and therefore, it is necessary to study the impact of downsizing on the layoff survivors' attitude, because the success and failure of a downsized organization depends on the workforce remaining after the downsizing.

2. The Purpose of the Study

The purpose of the study is to find out the impact of downsizing on the attitude of layoff survivors in Nigerian banks.

3. Research Question

What are the dominant attitudes of layoff survivors towards organizational downsizing in Nigerian Banks?

4. Research Hypothesis

There is no significant differences in the attitude of layoff survivors in Nigerian Banks before and after downsizing.

The method employed in this study, is a survey research design with a population of twenty one (21) banks quoted in the Nigerian Stock Exchange and a population size of 2,304 employees. The sample size was obtained using Yaro Yemmen formula. The instrument for data collection is a structured questionnaire. The research instrument, was developed using a 5-point Likert scale of strongly agree (5 points), agree (4 points), undecided (3 points), disagree (2 points), and strongly disagree (1 point). Data was collected using Statistical Package for Social Sciences (SPSS) and Statistical Analysis Software (SAS). The two methods of analyses employed in the study are (a) the mean procedure and (b) one-sample z-test. The research questions were analyzed using the mean procedure, while the hypotheses were tested using one-sample z-test. In applying the mean procedure to the research questions, impact is considered a major one if the observed or calculated mean score is greater than the expected value of 3.00 on a 5-point Likert scale.

5. Data Analysis and Discussion of Findings

Research Question: What are the dominant attitudes of layoff survivors towards organizational downsizing in Nigerian banks?

Table 1: The MEAN Procedure for Research Question

| ITEMS | MEAN | STDEV | OBS |
|----------|--------|--------|-----|
| Item_1 | 4.8974 | 0.4647 | 341 |
| Item_2 | 4.8651 | 0.5578 | 341 |
| Item_3 | 4.8475 | 0.5147 | 341 |
| Item_4 | 3.9560 | 0.3084 | 341 |
| Item_5 | 2.1935 | 0.5922 | 341 |
| Item_6 | 2.1642 | 0.5760 | 341 |
| Item_8 | 1.4076 | 0.9145 | 341 |
| Item_7 | 1.2962 | 0.7176 | 341 |
| Attitude | 3.2034 | 0.2648 | 341 |

Eight (8) possible attitudes considered in this study are:

- Item_1: See the downsizing practice as unjust and unfair
- Item_2: Feel guilt and sympathetic for layoff victims rather than a sense of relief for having survived
- Item_3: Obviously feel less secured
- Item_4: Hoard useful information from the organization for fear of betraying themselves
- Item_5: Desist from taking active participation in decision making for fear of being the next victims in future
- Item_6: Work harder to preserve their jobs
- Item_7: Ready to put in more hours of work
- Item_8: Get more committed to the bank for surviving the downsizing exercise.

6. Null hypothesis

There is no significant difference in the attitudes of layoff survivors towards organizational downsizing in Nigerian banks before and after downsizing.

7. Alternative hypothesis

There is significant difference in the attitudes of layoff survivors towards organizational downsizing in Nigerian banks before and after downsizing.

Table 2: One sample z-test for Hypothesis

| <i>Variable</i> | Attitude |
|------------------------|----------|
| Mean | 3.2034 |
| Known Variance | 0.0701 |
| Observations | 341 |
| Hypothesized Mean | 3.00 |
| z-calculated | 14.1863 |
| P(Z<=z) one-tail | <0.0001 |
| z-tabulated (one-tail) | 1.6449 |
| P(Z<=z) two-tail | <0.0001 |
| z-tabulated (two-tail) | 1.9600 |

The analysis in Table 1 shows that out of the eight (8) proposed attitudes exhibited by layoff survivors, four (4) are considered as major or dominant attitudes. These are the first four items in Table 1 with mean scores greater than the expected value of 3.00 on a 5-point Likert scale. The remaining four (4) attitudes, that is, the last four (4) items on Table 1 are not considered as the dominant or major attitudes of layoff survivors in Nigerian banks since they have mean scores less than the expected value of 3.00 on a 5-point Likert scale. Table 1, shows that the overall mean score for all the proposed eight (8) attitudes of layoff survivors towards downsizing in Nigerian banks is 3.2034, which is greater than the expected value of 3.00 on a 5-point Likert scale. This shows that the attitudes of layoff survivors towards downsizing processes in Nigerian banks is generally above expectation, that is, their attitudes tend more to the negative than positive.

Table 2 shows that the hypothesis tested is significant at 5% level of significance, since $p < 0.05$. Therefore, the null hypothesis is rejected, while the alternative hypothesis is accepted. The expected attitudes (3.00) represent their attitudes before the downsizing exercise, while the observed attitudes (3.2034) represent their attitudes after the downsizing exercise. Therefore, there is a significant difference in the attitudes of layoff survivors before, and after downsizing in Nigerian banks i.e., their attitudes towards downsizing in Nigerian banks tend more to the negative than positive. Therefore, the extent of negative attitude of layoff survivors towards downsizing in Nigerian banks is significantly above average, that is, downsizing has a negative impact on the attitudes of layoff survivors in Nigerian banks.

8. Summary of Findings

The findings showed that layoff survivors; see downsizing as unjust and unfair practice, they feel guilt and sympathetic for laidoff victims, they feel less secured, and hoard useful information from the organization for fear of betraying themselves, while, the following are not considered as major attitudes. These are: desist from taking active participation in decision making for fear of being laidoff victims in future, work harder to preserve their jobs, get more committed to the bank for surviving the downsizing exercise, and ready to put in more hours of work.

In conclusion, downsizing has a significant impact on the attitude of layoff survivors in Nigerian banks.

9. Recommendations

To reduce the extent of impact of downsizing on the attitude of layoff survivors, management should meet regularly with them, to discuss certain issues that are bothering them in their area of work, interact with

them in a conducive atmosphere, involve them in decision-making, and encourage them to make useful contributions. In fact, layoff survivors should be encouraged to make use of their “three Hs”, (heads, hearts, and hands), so as to regain their courage and feel a sense of belonging.

10. References

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