

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Effects of Downsizing on Employee and Organizational Performance in Ghana

Isaiah Sikayena

Lecturer, Ghana Technology University College, Ghana

Armstrong Amoah

Lecturer, Ghana Technology University College, Ghana

Kwadwo Ankomah

Lecturer, Ghana Technology University College, Ghana
Ghana Technology University College, Ghana

Abstract:

Corporate downsizing has become a strategy of choice by a multitude of organizations worldwide. Downsizing is mostly carried out to achieve higher levels of efficiency, effectiveness, profitability, and to gain competitive advantage. The study is focused on the implementation of downsizing and its effects on productivity. Personally, administered questionnaire was used to collect information for the study. The data collected were analyzed descriptively. The study revealed downsizing has a significant negative relationship on employee and organizational performance. Also, early retirement, attrition, voluntary and compulsory termination are some of the downsizing strategies employed and could be attributed to factors such as cost reduction, an increase in the levels of efficiency and organizational competitiveness. It was also revealed that employees are normally ignored when taking downsizing decisions causes emotional and behavioural effects on both the downsized workers and the remaining employees. The study therefore recommended that management should have an open and honest communication regarding downsizing and involve employees in the exercise.

Keywords: *Downsizing, Employee, Productivity, organization*

1. Introduction

As of late, downsizing has been one of the main strategies that organizations use to make them stay competitive and survive in their business niche. In the literature, organizational downsizing has been on the issues of the reasons for downsizing, the effects of downsizing and the implementation of downsizing.

Downsizing has turned into a subject for discourse in Ghana for as far back as decade since it is seen as a key methodology for both public and privately owned businesses in an aggressive market. Dr. Godfred Bokpin an Economist and Head of Finance at the University of Ghana Business School in a meeting with Joy News proposed to President Mahama to downsize his government to spare Ghana's feeble economy. This as indicated by him, will lessen the cost required in keeping up government nominees.

The economic and energy crises in Ghana are viewed as a contributing factor to downsizing in the past years. A report issued in May 2015 by the Association of Ghana Industries (AGI) affirmed that a lot of employees have lost their occupations as an aftereffect of the energy crisis and many more laborers are probably going to be laid off if the emergency proceeds. The proof is unmistakably observed as three thousand one hundred (3,100) workers of AngloGold Ashanti have been laid off over the last two years. Newmont Ghana Gold Limited and other mining organizations likewise lay off a few workers toward the start of the year.

2. Problem Statement

Throughout the decades, the responses of public and private employees in Ghana towards downsizing has not been encouraging, this is on account of the general population considers downsizing to be have a negative result since it prompts to joblessness of relatives among others. In addition, the panic over a possible downsizing of a firm may be warranted since the area lacks conclusive empirical works on its consequences on employees and productivity of an organization.

Given that downsizing in Ghana as of late has accomplished the status of an organized standard, the circumstance in AngloGold Asanti (Iduaprim) is not different. The 2015 first quarter report from the human asset branch of AngloGold Asanti (Iduaprim) demonstrated that near 200 workers have been laid off in the previous three years and the circumstance is not liable to change sooner rather than later. The pertinent question is not on whether or why organizations downsize, yet rather, how best to execute the procedure in a way that will empower organizations to accumulate benefits and successfully deal with the negative results of such an exercise. This study looks to examine the impact of downsizing on employee and organization performance using AngloGold Asanti (Iduaprim) as a

contextual analysis. As an investigation of this nature will add empirical literature on the Ghanaian situation of the impact of organizational downsizing on the performance of employees and organizations

3. Research Objectives

The *main* objective of this research is to identify the effect of downsizing on employee performance and organizational productivity. However, the research also hopes to achieve the following *specific* objectives:

- To identify how downsizing is implemented in AngloGold Ashanti.
- To assess the impact of downsizing on employee performance and organizational productivity.

4. Research Questions

To be able to achieve the objectives stated above, the following research questions would be posed for the purpose of the research:

- How is downsizing implemented in AngloGold Ashanti?
- What is the impact of downsizing on employee performance and organizational productivity?

5. Literature Review

5.1. Reasons for Downsizing

Littler & Innes, (2003) places that since the early to mid-1980s, organizational downsizing has turned into an inescapable element of a huge number of partnerships and government institutions all through the industrialized world. Citing from different authors, Gandolfi (2005) contends that the prime motivation for downsizing exercises is the lessening of costs (Cascio, 2003). An improvement of an organizations levels of proficiency, adequacy, profitability (Gandolfi, 2005), and aggressiveness (Cameron, 1994) and in this manner an organizations general performance (Branine, Pollard, and Analoui, 2011). Mutonga, (2011) is of the view that reasons that may propel an organization to depend on downsizing are mergers and acquisitions, change in administration, financial and economic emergencies, excessive workforce and outsourcing.

5.2. Downsizing Strategies

Cascio (2003) proposes that, organizations mainly use any or more of the four strategies when they chooses to downsize which are: attrition, voluntary termination (including employee buy-outs and early-retirement offers), compulsory termination, and across-the-board cuts.

5.2.1. Attrition

This is a strategy whereby firms do not replace the employees who voluntary or out of their free choice decides to leave the organization due to the reasons best known to them. With this approach, representatives have the chance to practice free decision in choosing whether to or leave, and subsequently the potential for strife and sentiments of frailty is minimized. At the same time, however, attrition may pose serious problems for management, because it is unplanned and uncontrollable.

5.2.2. Voluntary Termination

This is also another downsizing strategy that organizations use. This method gives the employee the opportunity to willfully leave the organization. However voluntary termination is costly since employees with long service finds it more profitable because of the large amount of monies that will be paid to them. Also good and highly skilled employees may leave.

5.2.3. Early-Retirement Incentives (ERI)

In which an organization offers more liberal retirement benefits as a byproduct of a employees guarantee to leave at a specific time later on, are frequently part of a bigger buy-out plan. Once in a while, early-retirement offers are lunched to keep a mass departure. Retention bonuses with various quit dates might be used to guarantee an orderly exit. From an authoritative perspective, administrators accept that early retirement opens up limited time open doors for more youthful laborers, yet one research ponder found that it is hard to foresee precisely what number of more established specialists will take an ERI. Regularly, around 33% of those offered ERIs acknowledges them, yet there is a lot of variety. Past that, superior workers may leave if an association offers open-finished, non-focused on ERIs, and motivating forces may not work. For instance, singular amount rewards, for example, one-week's additional compensation for every year of administration, are generally incapable in convincing more seasoned laborers to resign early. On the positive side, poor exhibitions are probably going to take ERIs since they need certainty about future boosts in salary.

5.2.4. Compulsory Termination

In which leaving workers are given no decision, is a third downsizing procedure. Plant terminations and the discount disposal of divisions or specialty units are cases of this approach. Despite the fact that it is, obviously, unappealing to workers, the supervisors who settle on the choices do have the chance to plan and execute criteria in view of the requirements of the business. Dispensing with occupations or whole specialty units likewise makes it more improbable that workers will win in claims asserting segregation.

5.3. Alternatives to Downsizing

As indicated by Ferris, Buckley, and Fedora, (2002), the expenses of wiping out representatives are so huge as far as monetary consumption, confidence, efficiency, notoriety and flexibility. Organizations may seek after different techniques for diminishing costs while holding existing workers. The accompanying depict these option implies and talk about their adequacy.

5.3.1. Pay Cut

Pay cuts are most every now and again connected with composed work. Union individuals consent to relinquish a segment of their compensation as a byproduct of a guarantee that no cutbacks will happen. Pay slices permit the organization to keep up reliable levels of profitability on the grounds that the measure of work does not change.

5.3.2. Pay Freezes

Pay stops are less emotional than pay cut, yet they have a similar purpose. Since laborers hope to get intermittent increments in their profit through typical cost for basic items modification or legitimacy expands, pay solidifies spare cash in resulting year's payrolls. Therefore, pay stops are a generally ease back approach to gather finance reserve funds. Likewise issues of value and worth may workers to look for business somewhere else

5.3.3. Reduced Hours

As with pay cuts and stops, the representatives bear the give up of lower pay. In any case, a decreased hour methodology permits representatives to keep their same aggregate wage, despite the fact that they work less hours. This approach implies that the aggregate efficiency for the association will diminish in light of the fact that it is using less work hours. Along these lines, when confronting declining item request, organizations may incline toward diminished hour procedure over pay cuts.

5.3.4. Job Sharing

Similar to lessened hours, work sharing involves less hours, however it likewise requires the coordination of various specialists. Envision that an organization contracts two bookkeepers yet then, in light of rebuilding, needs just a single of the positions. As opposed to dispose of one of the people, work sharing permits both to work by sharing the obligations of the single occupation. Every laborer would work less hours than already, yet at any rate both would in any case be utilized. Work sharing likewise takes into consideration adaptability in scope. For instance, on the off chance that one sharer is sick or in the midst of some recreation, the other can cover for him or her amid the nonattendance.

5.3.5. Talent Pools

Talent pools are regularly utilized for administrative specialists who were periodically allocated to a particular capacity or person. In an ability pool, the specialists are not allotted to anybody or wherever specifically, they are utilized on an as required premise all through the association. The contention for ability pool is that they disperse work all the more equally and take out the requirement for transitory laborers.

5.3.6. Outplacement Services

Outplacement administrations are typically connected with laborers who have been expelled in cutting back endeavors, however they can be utilized as a way to push workers out of the association. Such administrations regularly incorporate occupation and abilities preparing that prepare uprooted laborers to discover employments outside the association after they have been rejected. In any case, when the administrations are offered to officeholder workers, the recently obtained abilities could urge them to look for business somewhere else.

5.3.7. Leave of Absence

Another technique is to offer time away at decreased or no compensation with the understanding that the worker will have a vocation toward the end of the nonattendance. At reason for existing is to urge specialists to leave the association at any rate incidentally. The time could be spent in instruction, travel, or quest for individual interests. Organizations that energize instructive time away may do as such in the desire that the worker may look for other work after the extra tutoring. In such cases representatives leave deliberately sparing the organization the upsetting assignment of rejecting them.

5.3.8. Transfers

Transferring specialists to different parts of the organization that are not encountering scaling back is an approach to decrease finance without losing laborers totally. Sadly, this methodology can ordinarily oblige just a little extent of the dislodged laborers and is relied on upon the staffing necessities different specialty units.

5.4. Effects of Downsizing on Employees

As per Cascio (2003), impacts of downsizing on employees incorporates the accompanying; diminishes in worker states of mind (occupation fulfillment, responsibility, assurance, confide in administration, steadfastness); increasing anger, blame and stress; increments in lateness, truancy, aims to stop and real stops. Different impacts, as indicated by him, are interruptions in interpersonal

organizations that unfavorably influence authoritative learning and decreases in representative innovativeness, advancement and client benefit.

Jørgensen and Becker, (2015) is likewise of the conclusion that the morale of employees will go down, in this way there is a need to impart rapidly, straightforwardly and answer the most squeezing inquiries immediately. Most survivors might want to know whether the organization will downsize further and the probability that they will survive. Administration ought not postpone in affirming whether there will be employment cuts, and just offer authentic consolations. Mystery or obscure proclamations will simply add to employees feeling of weakness and nervousness.

Jørgensen and Becker, (2015) also recommends that outrage, concern, uncertainty, blame and sadness are consummately characteristic survivor feelings. It is significant for directors to invest energy consoling employees that it is sufficient to feel along these lines or their sentiments may discharge in non-gainful ways, e.g., lessened authority trust, brought down efficiency, withdrawal and even dangerous conduct.

Meyer, Stanley, and Parfyonova, (2012) is additionally of the view that managers will likewise profit by some level of enthusiastic support. Senior pioneers and HR experts ought to be prepared to help workers deal with the anxiety and blame typically connected with their laying off their own representatives, and the worry and even outrage among the individuals who remain.

Meyer, Stanley, and Parfyonova, (2012) recommend that employees will properly ponder whether work will be harder now than before (more work, less assets, less preparing). Expanded workloads for employees who survive are practically inescapable. Frequently, this has the additional impact of harming cooperation when all need to cooperate to reexamine how undertakings are finished. It is imperative to clarify how function will be done another way, as opposed to permitting workers to gradually understand that it will be the same old thing simply fulfilled with less assets.

So as to reduce sentiments of employee feebleness, managers ought to include their representatives in the hunt down business related arrangements. Increase sharing and other representative association endeavors offer open doors for specialists to enhance operations while producing monetary profits for both the organization and workers.

As per Jørgensen and Becker, (2015), the most ideal approach to gage how employees are performing and responding after downsizing is intermittent, methodical, worker state of mind appraisals to empower administration to learn the effect of their activities on the everyday operations of the organization and workforce assurance.

Representative reviews and other comparative devices, for example, center gatherings, likewise exhibit to specialists that they are still imperative resources whose perspectives are basic for administration. Becker, Klein, Becker, and Meyer, (2009) is of the sentiment that, as indicated by the majority of the administrative workers, the cutting back process was unpleasant; unsettling given the reality administration needed to lay off representatives. Additionally the vast majority of the survivors lose their companions and relatives all the while. Survivors would be stressed over the fate of representatives whose employments were fired.

Most non administrative representatives feel a feeling of selling out and doubt by the association. They feel that their future with the association was no longer clear as they were probably going to be focused next. Some of representatives believe that the entire procedure was so disordered and ineffectively executed. There was absence of correspondence with respect to most representatives, whereby administration did not impart to them but rather they first read about the looming scaling back program in the daily papers without being educated first. Most survivors demonstrated that they were not educated of how they would fit into the association's new vision and system.

6. Methodology

The study employed descriptive research design to investigate the effects of downsizing on employee and organizational performance in Anglogold Asanti (Iduaprim). Primary data was basically used and this was collected using personally administered questionnaires. The population of the study was 1000 employees comprises of both permanent and non-permanent employees of Anglogold Asanti (Iduaprim). However, using the statistical table developed by Krejcie and Morgan (1970), a sample size of 278 was obtained for the study. Out of the 278 a quota of 50 were given to supervisors while the remaining 220 were junior staffs. Simple random sampling was used to select the members after the employees were grouped into junior and supervisors.

7. Results and Discussions

After laying the framework for this research, explaining the research design and the research methodology to be used, the analysis of the variables and testing of the hypothesis in this research need to be carried out in this chapter.

7.1. Descriptive Statistics for Demographic Information

Gender			
		Frequency	Percent
Valid	Male	70	70.0
	Female	30	30.0
Age			
Valid	Below 20	2	2.0
	21-30	23	23.0
	31-40	59	59.0
	41-50	9	9.0
	Above 50	7	7.0
Education			
Valid	BECE	1	1.0
	SSSCE	46	46.0
	Tertiary	25	25.0
	Vocational	6	6.0
	Illiterate	22	22.0
Work experience			
Valid	1 Year	9	9.0
	2 Years	4	4.0
	3 Years	1	1.0
	4 Years	7	7.0
	Above 5 years	79	79.0
Marital status			
Valid	MARRIED	70	70.0
	SINGLE	30	30.0
Position at work			
Valid	Management	20	20.0
	Supervisor	18	18.0
	General Staff	62	62.0

Table1: Frequency Distributions
Source: Field Survey July, 2016

Out of the total of 100 respondents who answered the questionnaire, according to table 1, 70 (70.0%) of them are males while 30 (30.0%) of them are females. Table 1 further depicts that 2 (2.0%) of the total respondents are below 20 years, 23 (23.0%) of them are between the ages 21-30, 59 (59.0%) of them are between the ages of 31-40 and 9 (9.0%) of them are between the ages of 41-50 and only 7(7.0%) are above age 50. For level of education, it could be observed that 1 (1.0%) of the total respondents had BECE certificate, 46 (46.0%) had SSSCE, 25 (25.0%) had tertiary education, 6(6.0%) had vocational training while 22 (22.0%) of the respondents were illiterates.

Table1 again shows that 9 (9.0%) of the respondents had been with their company for 1 year, 4 (4.0%), of the respondents had dealt with their company for 2 years, 1(1.0%) of the respondents had dealt with their company for 3 years, 7(7.0%) have worked for their company for 4 years while 79(79.0%) of the respondents had dealt with their company for more than 5 years. The table again shows that 70(70.0%) of the respondents are married while 30 (30.0%) of them are single. Finally, the table shows that out of the total of 100 respondents captured, 20 (20.0%) of them hold management positions, 18(18.0%) are supervisors while 62(62.0%) of them are general staff.

7.2. Answers to Research Question 1

Research question one seeks to discover how downsizing is implemented in the selected organization.

Reason For Downsizing			
		Frequency	Percent
Valid	Reduction of cost	84	84.0
	Increase in levels of efficiency	14	14.0
	Increased in productivity	0	0.0
	Excessive workforce	2	2.0
	Outsourcing	0	0.0
Implementation Downsizing			
Valid	Attrition	16	16.0
	Voluntary termination	68	68.0
	Early retirement	0	0.0
	Compulsory termination	15	15.0
	Natural attrition	1	1.0
Communicating Downsizing			
Valid	Management	71	71.0
	Grape vine	9	9.0
	Newspapers	2	2.0
	Friends	18	18.0

Table 2: Downsizing Implementation
Source: Field Survey, 2016

Table 2: provides necessary information on how downsizing is implemented in AngloGold Ashanti. The table shows that management of AngloGold Ashanti normally embarks on downsizing as a cost reduction strategy. When it comes to the actual implementation of the program, the table shows that management most of the time communicates from their own office to employees to embark on voluntary termination of their appointment; by so doing, reducing the number of staff, leading to the reduction of the targeted cost of labor.

7.3: Answers to Research Question 2

Research question three seeks to assess impact of downsizing on employee performance and organizational productivity. In an attempt to answer these questions, the hypothesis for this research will be tested.

To be able to answer this research question, the use of the simple linear regression analysis becomes paramount.

	Beta	T	Sig
AVE. DW	-.339	-3.568	.001*
* p < 0.001			
a. Independent Variable: Ave. Downsizing B. Dependent Variable: Ave. Organizational Productivity.			

Table 3: Simple Linear Regression Results (Downsizing on Organizational Productivity)
Source: Field Survey, July 2016

	Beta	T	Sig
AVE. DW	-.133	-1.324	.189*
* p ≤ 0.001			
a. Independent Variable: Ave. Downsizing B. Dependent Variable: Ave. Employee Performance.			

Table 4: Simple Linear Regression Results (Downsizing on Employee Performance)
Source: Field Survey, July 2016

7.4. Significance of the Independent Variable

The use of tables 4 and 5 is required to identify the significance of the independent variable. This will further help to answer our main research hypotheses;

→ H₁: Downsizing has a significant negative effect on organizational productivity

→ H₂: Downsizing has a significant negative effect on employee performance and productivity

The beta value in table 4 shows how downsizing impacting on organizational productivity at 5% significance level. From table 4, downsizing has a beta value of -0.339 with a *p-value* of 0.001 < 0.05 at 95% confidence level. This implies that downsizing significantly impact on organizational productivity. The beta value of -0.339 supports the claims that downsizing negatively impact on organizational productivity and the impact is significant, which makes the first hypothesis in this research supported. As a result, the

findings in this research show that an increase in the implementation of downsizing program in an organization reduces the organization's productivity.

Table 5 shows a beta value of -0.133 with a *p-value* of $0.189 \geq 0.05$ at 95% confidence level. This implies that downsizing does not significantly impact on employee performance. Although, the beta value of -0.133 support the claims that downsizing impacts negatively on employee performance, the impact is not significant, thus making the second hypothesis of this research not supported. This finding further implies that the implementation of downsizing program in an organization does not significantly impact on employee performance. Table 6 shows the hypothesis for this study and their status after the analysis at 5% significant level.

Hypothesis	Status
H ₁ : Downsizing has a significant negative effect on organizational productivity	Supported
H ₂ : Downsizing has a significant negative effect on employee performance	Not Supported

Table 5: Hypothesis and Their Status after the Analysis

8. Conclusions

Every downsizing decision that a management makes have both benefits as well as costs. Once the decision is implemented, management should be prepared to deal with the consequences. Thus, before downsizing is implemented in an organization, management need to weigh the risk and the returns involved to be able to make an informed decision. This is because generally, downsizing is associated with more risks.

The major objective of this research is to investigate the effect of downsizing on employee performance and organizational productivity as well as how it is implemented by AngloGold Ashanti, Iduaprem. This research therefore builds on the existing literature regarding downsizing and its effect on employee performance and organizational productivity.

Results from the analysis in this study showed that management of AngloGold Ashanti normally embark on downsizing as a cost reduction strategy and when it comes to the actual implementation of the program, management most of the time communicate from their own office to employees to embark on voluntary termination of their appointment; by so doing, reducing the number of staff, leading to the reduction of the targeted cost of labor.

The analysis further showed that impact of downsizing on employees differs with respect to their level of education. Therefore, there is significant difference in the way employees who have been affected by downsizing react depending on their level of education.

Finally, it has been discovered in this study that downsizing negatively impact on organizational productivity and the impact is significant. As a result, the findings in this research show that an increase in the implementation of downsizing program in an organization reduces the organization's productivity. But upon further analysis, it has been discovered that although downsizing impacts negatively on employee performance, the impact is not significant. This further implies that the implementation of downsizing program in an organization does not significantly impact on employee performance.

9. Recommendations

It is recommended that among the most critical factors leading to successful downsizing is the effective management of the human resource system in the organization. If this is properly achieved, there is the possibility that organizations will maximize the benefits associated with downsizing.

It is further recommended that for a successful downsizing exercise, organizations need to adopt strategies such as employee involvement, teamwork, communication, and information sharing, rewarding, appraising, training, articulating a vision, and administering downsizing in a trustworthy and fair manner.

10. References

- i. Branine, M., Pollard, D., & Analoui, F. (2011). Organisational downsizing and new venture creation in transitional economies: a study of managerial effectiveness in transition. *International Journal of Entrepreneurship and Small Business*, 13(3), 313-332.
- ii. Cascio, W. F. (2003). Responsible restructuring: Seeing employees as assets, not costs. *Ivey Business Journal Online*, 68(2), 1-5.
- iii. Ferris, G. R., Buckley, M. R., & Fedor, D. B. (2002). *Human resources management: Perspectives, context, functions, and outcomes*. Prentice Hall.
- iv. Gandolfi, F. (2005). How do organizations implement downsizing?—An Australian and New Zealand study. *Contemporary Management Research*, 1(1), 57-68.
- v. Jørgensen, F., & Becker, K. (2015). Balancing organizational and professional commitments in professional service firms: the HR practices that matter. *The International Journal of Human Resource Management*, 26(1), 23-41.
- vi. Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educ Psychol Meas*. Retrieved from <http://eric.ed.gov/?id=EJ026025>
- vii. Littler, C. R., & Innes, P. (2003). Downsizing and deknnowledging the firm. *Work, Employment & Society*, 17(1), 73-100.
- viii. Meyer, J. P., Stanley, L. J., & Parfyonova, N. M. (2012). Employee commitment in context: The nature and implication of commitment profiles. *Journal of Vocational Behavior*, 80(1), 1-16.
- ix. Mutonga, J. M. (2011). Effect of downsizing on workforce quality among commercial banks in Kenya. University of Nairobi. Retrieved from <http://erepository.uonbi.ac.ke/handle/11295/12639>