

*Full Length Research Paper*

# The management of downsizing in business organization: A Survey of Skye Bank Plc. in Benue State and Nasarawa State

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In a bid to clock meaningful success in terms of profitability in the global business terrain in general and in Nigeria in particular, organizations are making inroads into a wide range of business endeavours via the instrumentality of downsizing strategies. Defined broadly as a process which results in layoffs and the streaming of functions as well as the redesigning of systems, downsizing is essentially a positive proactive strategy. Properly conceived and implemented, downsizing has a tremendous potential for organizational survival and futurity. As the topic indicates, the pivotal thrust of this piece is a critical-cum-empirical survey of the management of downsizing in business organizations with a focus on Skye Bank Plc in Benue and Nasarawa States. The study adopts a simple empirical survey which is cross-sectional in character. Data elicited were rigorously analysed using percentages. The most outstanding findings are that downsizing strategies are highly necessary for organizational competitiveness in Skye Bank Plc. notwithstanding the fact that downsizing involved costs. The study recommends *inter alia* that downsizing be tailored as both a defensive and offensive strategy in the best interest of the bank under reference.

**Keywords:** Management of downsizing, Business organization, Bank.

## INTRODUCTION

Industrial development, recessions, increased operational costs and economic changes involve risks such that no organization can unconditionally guarantee security of employment to its workers. Employees are constantly advised of their continued relevance and usefulness in the organizations (Obinatu, 2002).

Regrettably, in the last few years, business organizations have learned to strategize how they can be more successful by growing their market share, sales and earnings, but not their organizations or staffing strength. They have reshaped their companies for future success by downsizing their corporate bureaucracies (Tomasko, 2002).

As noted by Akinola (2011) development arising from the dynamic nature of the environment and the need for business organization to survive in today's fiercely global market are causing many organizations to rethink the

way they are doing business in order to remain relevant in the unfolding dispensation, companies are adopting various strategies to survive and grow.

Equally noteworthy is the fact that competitive pressures are forcing many organizations to react to these changes with improved quality services. In the light of these challenges, many organizations have played out the logical restructuring paths through the adoption of varying performance improvement methodologies ranging from Business Process Re-engineering (BPR), Business Process Management (BPM), Total Quality Management (TQM), Management by Objectives (MBO) amongst others.

Initiative-procedure must express care for the employees (Taylor et al, 1998). This clearly reveals that efficient management of the existing skills set and constantly acquiring new skills and education is a sure

way to beat the effects of downsizing.

It is important to stress that corporate downsizing has been the biggest fallout of the troubled times the world is witnessing. Downsizing refers to a process where a company or a firm simply reduces its workforce in order to cut the operating costs and improve efficiency. It has become a legitimate option for business growth strategies especially after the 1980s. It is in fact the most preferred option of companies to sustain operating costs and comply with the existing scope of the business.

### **Statement of the Problem**

According to Appelbaum (1991), the issue of corporate downsizing has assumed a central position and focal point in the management process globally in the recent times. By 1992 over 500 United States of American corporations had been downsized. Stemming from the desire to become more efficient and effective, firms in both the private and public sectors have adopted downsizing strategies (Caeron, 1994). Kodak downsized four times between 1982 and 1992, Honeywell twice within four years. Xerox, IBM and Digital Equipment experiences several cutbacks throughout the 1990s, Compaq computers in 1991, the Pentagon downsized in 1992 and the state of Oregon downsizing of 1993 (Candron, 1996).

Leath et al (1994) noted that to their external environments, companies are attempting to reposition themselves so as to gain a competitive advantage in an uncertain market place. To do this, corporations are undergoing organizational change. Competitive pressures around the world are now prompting organizations to cut costs, restructure and reduce their labour force.

Moreso, in countries that are moving from state to dominated by a market system such as countries in Eastern Europe, privatization often propels the need to reduce firms headcount.

In Nigeria, the environment in which business organizations operate today is changing rapidly. As a result of this, companies have been more or less forced to cut out wasteful and unproductive activities and concentrate resources in the areas of core competence in order to achieve sustainable competitive advantages.

Akinola (2011) observed too that global economic recession has affected company's structures and practices while global management has brought companies face-to-face with complex cross cultural issues and competition. To survive this unprecedented period, many Nigeria financial institutions have embarked on corporate downsizing. A good example is the First Bank of Nigeria Plc.

The Union Bank of Nigeria Plc. has also redesigned its corporate strategy by adopting this pragmatic approach in reversing the adverse trend of low optimization of staff and low return on investment witnessed by the bank between 1995 and 2010.

The New Generation Banks such as Zenith International Bank Plc, Oceanic Bank Plc, Bank PHB (Keystone Bank) amongst others are also not left out in the quest for downsizing.

From the above, it is pertinent to recognize that the Nigerian Banking Industry have regarded downsizing as a beneficial tool of managing change and transformation in their organizations. Thus, the study deems it fit and pertinent to critically carryout a research into the management of downsizing in Nigeria banks to see how far it has aided in enhancing positive performance and effectiveness in organizations.

### **Research Questions**

- i. What are the downsizing approaches and strategies adopted by Skye Bank Plc. in Benue and Nasarawa States?
- ii. What is the extent of relationship between the practice of corporate downsizing and organizational performance of the banks that employ this corporate strategy?
- iii. What is the impact of downsizing on performance in Skye Bank Plc. in Benue and Nasarawa States?

### **Research Objectives**

1. To investigate the downsizing strategies and approaches adopted by Skye Bank Plc, in Benue and Nasarawa States.
2. To evaluate the degree of relationship between the level of downsizing practices and the level of corporate performance of the banks under survey?
3. To determine the impact of downsizing on corporate competitiveness.

### **Research Hypotheses**

The following research hypotheses will be critically subjected to text.

**H<sub>01</sub>:** Downsizing has not significantly impacted on productivity in SkyeBank Plc.

**H<sub>02</sub>:** Downsizing has no positive influence on cost-saving strategies in SkyeBank Plc.

**H<sub>03</sub>:** The impact of downsizing has not been significantly optimal in terms of corporate profitability in

SkyeBank Plc.

## Review of Related Literature

### Conceptual Framework on Corporate Downsizing

Downsizing is one of the modern key concepts of manpower planning. It is also known as workforce reduction. The term was initially coined to describe the scaling down of car sizes by automobile (Heenan, 1991).

Downsizing is the systematic reduction of a workforce through an internationally instituted set of activities by which organizations aim to improve efficiency and performance (Cameron, 1994; Cascini, 1993).

Equally worth noting is the fact that downsizing can be practical, anticipatory or reactive and defensive (Cameron, 1994). A similar definition of the one given above was proposed by De Muse et al (1994). They defined downsizing "as a large permanent, reactive layoffs, a streamlining of functions, a redesign of systems, a redefinition of policies aimed at cutting costs and a proactive strategy". Layoffs are still the most common way to downsize, although many alternatives exist (Markides, 1995). The agreement that downsizing and layoffs are separate and distinct had been put forward by Leatt et al (1997).

Hoskisson (1994) viewed downsizing as a healthy trimming of overgrown organizations in order to protect their life. She referred to this as "creative destruction" and performance of "surgical operations" in which the less effective old supported by a more effective new units.

Drew (1991) believed that downsizing occurs when an organization recoups through cost and asset reduction to reverse declining sales and profits.

On their part, Band and Tustin (1995) posited that downsizing is one tactic within a corporate strategy for shifting the organizational structure from what it is now to what it has to be in order to sustain competitive edge and satisfy customer's needs. They contended that, downsizing should be referred to as "downsizing" particularly when it is not done as a part of a company's strategy but strictly as a cost saving measure with little thought devoted to long term implications.

Contemporary terms such as "re-engineering", "restructuring/reorganizations", "rightsizing", "delaying" and "workforce reduction" are regularly used as substitutes for downsizing in organizational literature.

The concept of Business Process Reengineering (BPR) was credited to two Americans namely: Hammer and Champy (1993).

### Downsizing Strategies and Techniques

These are three common strategies that firms adopt to

downsize work force reduction, work redesign and systemic strategy (Huber and Glick, 1993).

### Workforce Reduction Strategy

This is generally thought of as a quick fix, short "grenade" type's solution. It include transfer, outplacements, retirement incentives, buyout packages, layoffs and attrition (Cameron, 1994a; Casci, 1993; De Meuse et al, 1994).

In a study carried out by Greenhaigh et al (1998) and Wager, (1997), they found out that attrition, induced redeployment, involuntary redeployment, layoffs with outplacement assistance and layoffs without redeployment assistance constitute the five ways of implementing workforce reduction.

### Work Redesign Strategy

This approach aims at reducing work instead of workforce reduction. It is mid-term strategy implemented by phasing out functions, hierarchical levels, departments or divisions, redesigning tasks, combing units and adopting a shorter work week (Cameron, 1994a).

### Systemic Strategy

The main objective of a systemic strategy is to ensure that continuous and respective workforce reduction will not have to be carried out in future. This is a long term strategy which relates downsizing with the simplification of all the areas of the firm, including supplies, design processes, marketing, sales support and production methods.

### Characteristics of Ineffective Downsizing Programmes

Within the downsizing literature, several factors have been accounted for the non-realization of the expected benefits of cutting back the size of employees. They are:

1. Poor execution and management of downsizing projects (Cameron, 1994a; and Freeman, 1994).
2. Inability of firms to look beyond the traditional 3-C's approach to organization design and management i.e. principles of command, control and compartmentalization (Cascio, 1993).
3. The extent of resentment and resistance to change within the firm resulting in the loss of productivity, efficiency and competitiveness (Cameron, 1994a).
4. Inability of firms to determine the reasons for undergoing change as well as their failure to determine their organization contact (Appelbaum et al, 1997).

5. Inadequate preparation for the types of problems that arise due to downsizing (employee resentment and concern, loss of morale, lack of innovation and creation) (Cascio, 1993; Dougherty and Bowman, 1995; Freeman, 1994) and

6. Downsizing is driven by social instead of finding motivation in predicated financial benefits (McKinley et al, 1995).

### **Strategic Phases of Downsizing**

It is noteworthy that there are neither hard and fast rules nor procedures for corporate downsizing. However, it is necessary to set out the critical areas of attention to ensure the success of the downsizing exercise. The following constitute the developmental and strategic phases of downsizing according to David and Tustin (1995).

- Deciding to downsize (pre-downsizing stage);
- Planning to downsize; and
- Implementing and evaluating downsizing.

### **Deciding to Downsize**

Critical issues to be taken into consideration before making the decision to downsize include:

1. Definition and analysis of a firm's competitive position (effect on company's strategy, culture and stakeholders);
2. Determination of appropriate workforce structure to sustain competitive position;
3. Conduct of skills needs analysis;
4. Matching of existing skills of workforce to skills needed;
5. Evaluation of the current human resources areas of concern;
6. Identification of critical human resource areas of concern;
7. Determination of the alternatives to address critical human resources issue (e.g.) training, redeployment, multiskilling, layoffs, downsizing, freezing recruitment, performance management, etc); and
8. Consideration of the positive and negative effects of the alternative (including planning and implementation issues, and cost and benefits).

### **Planning the Downsize**

In order to minimize the dissatisfaction among the survivors and victims of downsizing, the following checklist of criteria should be considered before strategic downsizing occurs according to David and Tustin (1995).

1. What is the focus of the downsizing strategy?
2. What tools should be used?
3. Who should implement/manage the downsizing process?
4. What compensation will leavers receive and when will they receive it?
5. What supportive programmes will be put in place for leavers?
6. What supportive programmes will put in place for stayers at all level?
7. To what extent will employee representatives be involved in the planning process?
8. What information should be divulged to stakeholders?
9. How are the leavers to be identified?
10. When should the leavers go?
11. When should the leavers be advised?
12. How and when will the survivors' jobs be recognized to reflect the new structure? and;
13. What training will be necessary and who will conduct it?

It is important to note at the planning phase that the perceived fairness of the downsizing strategy and its concomitant changes work condition are very critical in order to reduce the negative feelings in the survivors and victims of any layoffs (Brockner, 1992).

### **Implementation Evaluation**

By considering all the influencing factors on the decision and plan to downsize, management should have already formed a framework fore implementation which complements the corporate strategy. In evaluating the downsizing, management must ask; "have we achieved the structure required? Has the required structures changes since we started?" if the answer to the second question is in the affirmative, then management must ponder on the question of its ability to cope with the changes; otherwise, a review of the implementation strategy might be imperative.

### **Modeling Schemes in Downsizing**

Studies by Mishra et al (1998), have developed a four-stage model to downsize. Brockner et al (1987), and Brochner (1998) have investigated the various isolating factors that might be survivors to downsizing. Alevras and Frigeri (1987) have constructed a model which serves to train managers on how to effectively deal with the emotions felt by survivors after a downsizing exercise, Freeman and Cameron (1993) have developed a theoretical framework focusing on downsizing implementation process while Johnson's model (1996) focuses on the antecedents and outcomes of downsizing.

## **The Four-Stage Model**

Mishra et al (1998) have developed a four model to downsize which includes 20 steps to preserve morale during the process.

## **Brockner's Model**

A series of laboratory investigation on the survivors of layoffs were conducted by Brockner (1992). They identified four psychological states that survivors might experience as a consequence of witnessed layoffs. They are job insecurity, positive inequity, anger and relief. In the first laboratory experiment, it is shown that survivors who saw a co-worker being dismissed felt more positive inequity and guilt than workers from a controlled group in which there was no layoff. In this experiment, the individual's disagree of self-esteem is a moderating variable that influences the efforts put into work after the layoff.

The second study is based on the possibility that if the discussion as to who is laid off is based on merit or seniority, survivors is in position to reasonably believe that they were chosen to remain due to their greater inputs. This could conceivably induce them to feel less intuition was corroborated by the fact that layoffs, productivity increased more for survivors of a random than for survivors of a merit group.

Two further studies (numbers three and four) that were conducted suggested that seniority based-layoffs, in the experimental context, produced little impact on the survivor's work performance. This corroborates the findings of the second study.

In the fifth study, the level of attachment felt by survivors towards the victims was manipulated so that they would identify with them at various levels, and the layoffs were conducted on a random basis, in which case, survivor guilty expected to be present.

A sixth study revealed that survivor's work performance increased after the layoffs regardless of whether they experienced job insecurity or not. However, it was observed that when there is job insecurity, there is addition a more negative feeling toward fellow survivors.

Finally a seventh study of survivors examined the effect that the work environment could have on their stress level. It was found the more severe the layoffs, the less the organizational commitment that is present among survivors. It was deduced that commitment to the company is more strongly correlated with layoff severity than to the commitment to work.

## **The Change Reaction Model**

The change reaction model developed by Alevras and

Frigeri (1987) divides employees into four types of groups. These are:

1. Leaders
2. Followers
3. Victims and
4. Avengers.

The change reaction model divided employees into four categories. In the first category are the Leaders. Their concerns are for their distressed organizations and thus perceive the downsizing as an opportunity to increase their level of power and influence.

The second group consists of the followers who feel that they have less power and influence as a result of the downsizing. However, they also believe that the downsizing was necessary for their problem-laden organizations and they do not withdraw themselves into self-concerns.

Next are the victims whose concern is for themselves and they withdraw into feelings of anger and self pity. They do not accept that downsizing was necessary for the good of firms. They also feel powerless.

Finally, we have avengers who are moved by self-concerns. They do not know much about why the downsizing may have been necessary for the organization. However, they seek to increase their power and influence as a result of the downsizing. They see openings that have developed and seek to move up in their organizations.

## **The Freeman and Cameron Model**

Freeman and Cameron (1993) have proposed a theoretical framework focusing on downsizing implementation processes. Specifically, they outline the nature of organizational change at seven different levels, structural, layoffs, redesign, communication, inter-organizational relationships, culture and result during periods of conversation and reorientation. More specifically, downsizing can occur during a period of convergence or orientation each requiring a fundamentally diametrical approach. According to Freeman and Cameron (1993), when downsizing during convergent periods "the organization should implement downsizing strategies aimed at reinforcing the organization's current mission, strategy and system" but during periods of orientation, the organization's focus is to fundamentally change its current mission, strategy and systems.

## **Reasons why a Company Downsizes its Employee Base.**

There are a number of reasons why companies downsize its employee base. These include:

**Table 2.** The Decision to Downsize.

<b>Stage 1:</b> Making the decision to downsize	Use downsizing as a last resort. Craft a credible vision
<b>Stage 2:</b> Planning the downsizing.	From cross-functional team. Identify all constituents. Use experts to smooth the transition
<b>Stage 3:</b> Making the announcement	Explain business rationale. Announce the decision. Notify in advance. Be specific and time the announcement appropriately. Offer employees the day off.
<b>Stage 4:</b> Implementing the downsizing.	Tell the truth and over communicate. Help departing employees. Announce subsequent separation and ensure they planned. Be fair in implementing, separation and generous incentives to layoff workers. Involve employees in downsizing implementation. Provide career counseling. Train survivors.

**Source:** Mishra et al (1998, p. 87).

**Table 3.1:** Respondents Feeling Regarding the Influence of Downsizing on Cost Saving Strategies in Skye Bank Plc.

Statement	Respondents from	Degree of Response					
		SA	A	N	D	SD	T
Downsizing has made positive influence on cost saving strategies in t his bank.	Makurdi Metropolis	12	11	3	2	2	30
	Lafia Metropolis	10	14	1	2	3	30
	Gboko-Dangote Branch	5	2	1	1	1	10
	Gboko Main Town	9	9	0	1	1	20
	Zaki-Biam Town	7	5	1	1	1	15
	Keffi Town	8	10	1	0	1	20
	Otukpo Town	7	5	1	1	1	15
	Mavaraba Town	4	3	1	1	1	10
<b>Total</b>		<b>62</b>	<b>59</b>	<b>9</b>	<b>9</b>	<b>11</b>	<b>150</b>

**Source:** Field Data, 2012.

### Merging of two or more firms

When a certain form combines its operations with another form and operates as a single entity, in order to stay in profit or expand the market reach, it is called a merger.

### Acquisitions

If one organization purchases another one, there is a definite change in the management and the acquired company staff has to face unemployment. The reason for this is the same as the earlier case viz to cut costs and increase the revenues.

### Change in management

The change in the top brass of a company can also result in downsizing. The working methods and procedures vary with the management. Therefore, a significant change in the management soles may drastically affect the employee size to suit a particular style of working.

### Economic crisis

This is the single biggest cause of downsizing often; it consists of huge lay-offs by a number of organizations across various domains.

### Strategy changes

Some companies may reduce certain areas of operations and focus on other areas.

### Excessive workforce

In a period of high growth, a company hires excess staff, to meet the needs of a growing business.

### Increase in efficient workforce and computerized service

If an organization work process is extremely facts and

**Table 3.2.** Subjects Perception of the Effect of Downsizing on Optimal Corporate Profitability in Skye Bank Plc.

Statement	Respondents from	Degree of Response					
		SA	A	N	D	SD	T
The effect of downsizing has been optimal on corporate profitability in this bank.	Makurdi Metropolis	1	1	3	14	11	30
	Lafia Metropolis	2	2	4	11	11	30
	Gboko-Dangote Branch	1	1	1	2	5	10
	Gboko Main Town	0	1	1	8	10	20
	Zaki-Biam Town	0	1	1	4	9	15
	Keffi Town	1	1	0	8	10	20
	Otukpo Town	1	1	0	5	8	15
	Mavaraba Town	0	1	0	2	7	10
<b>Total</b>		<b>6</b>	<b>9</b>	<b>10</b>	<b>54</b>	<b>71</b>	<b>150</b>

*Source: Field Data, 2012.*

easily meets the requirements of the market, it may downsize some of its workforce.

### Outsourcing practice

Organizations catering to international markets require a huge and efficient employee base. If this labour can be obtained by exporting the job to other countries, a huge downsizing takes place in the present country. For instance, if a certain job can be done more effectively in India is more viable economically there than in the United States, the business is operated from that country.

### Research Methodology

The research technique adopted for the study is quasi-experimental design method. In the collection of data because the various elements of the study are not under the control of the researcher and the method emphasizes the scientific generation of the sample such that the members or units use representative of the whole population of interest (Barideam, 1995).

The population for the study comprises of the entire staff of Skye Bank Plc, within Benue and Nasarawa States spread in 7 branches namely; Makurdi – 43 staff, Lafia – 21 staff, Gboko-Dangote branch – 17 staff, Gboko main – 39 staff, Zaki-Biam – 12 staff, Keffi – 24 staff, Otukpo – 32 staff, Mavaraba branch – 52 staff, totaling to 240 staff.

The sample size was determined using Yaro Yamanes formula.

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

Where  $n$  = Sample size sought  
 $n$  = Population size  
 $e$  = Level of significance

$$\text{Therefore, } n = \frac{240}{1 + 240(0.05)^2} = 150$$

All the respondents (150) served with questionnaires responded positively. The response rate was 100%.

Both primary and secondary source of data were used. The primary source sought data on the basic and strategic aspects of corporate downsizing, while the secondary data were derived from Annual Reports and perennial records of the bank from 2003 – 2008.

Simple percentage were used in analyzing the questionnaire and inferential statistics.

### Data Presentation and Analysis

From the data obtained via the administration of the questionnaires, the data presentation and analysis follow suit herein.

As the data of table 4.1 shows, the overwhelming proportion of the respondents felt that downsizing has a high positive influence on cost-saving in Skye Bank Plc. Thus out of 150 respondents 59 + 62 = 121 (representing 81%) felt that downsizing played a positive role as a cost-saving strategy. Only 20 respondents (representing 13%) have an opposite view in this respect. Downsizing strategy or strategies should be instrumental in cost reduction in order for the corporate entity to remain buoyant and competitive. The higher the degree of cost-saving impact, the better for long success of the profit-oriented enterprise or organization.

The respondents perception as per the effect of downsizing on profitability in Skye Bank Plc, is very revealing and intriguing. Although downsizing has been seen as an indispensable factor in corporate profitability, most of the respondents were of the notion that on the whole such was overtly less than optimal. Thus, out of 150 respondents, 54 + 71 = 125 (representing 83%) felt that downsizing was less than optimal in its contribution to corporate profitability. Downsizing should be directed to target optimal profitability for a bank committed to high profitability in their endeavours.

The data as per Table 3.3 clearly indicate that downsizing has significant impact on organizational productivity or efficiency in Skye Bank Plc. Most of the respondents disagreed or strongly disagreed with the assertion that downsizing has not significantly impacted

**Table 3.3:** Respondents Opinion Concerning the Impact of Downsizing Strategies on Organizational Productivity in Skye Bank Plc.

Statement	Respondents from	Degree of Response					
		SA	A	N	D	SD	T
Downsizing has not significantly impacted on organizational productivity in this bank.	Makurdi Metropolis	1	2	2	15	10	30
	Lafia Metropolis	2	3	3	10	12	30
	Gboko-Dangote Branch	1	1	0	3	5	10
	Gboko Main Town	1	1	0	8	10	20
	Zaki-Biam Town	1	0	1	5	8	15
	Keffi Town	0	1	1	9	9	20
	Otukpo Town	1	1	1	5	7	15
	Mavaraba Town	1	1	1	2	5	10
<b>Total</b>		<b>8</b>	<b>10</b>	<b>9</b>	<b>57</b>	<b>66</b>	<b>150</b>

*Source: Field Data, 2012.*

**Table 3.4:** Subjects View Concerning the Relationship Between Downsizing and Capacity Utilization.

Statement	Respondents from	Degree of Response					
		SA	A	N	D	SD	T
Downsizing has not led to increase capacity utilization in this bank.	Makurdi Metropolis	13	11	2	2	2	30
	Lafia Metropolis	12	11	3	2	2	30
	Gboko-Dangote Branch	5	3	1	1	0	10
	Gboko Main Town	9	7	1	2	1	20
	Zaki-Biam Town	6	6	1	1	1	15
	Keffi Town	9	10	1	0	0	20
	Otukpo Town	8	6	1	0	0	15
	Mavaraba Town	5	3	1	0	1	10
<b>Total</b>		<b>67</b>	<b>57</b>	<b>11</b>	<b>8</b>	<b>7</b>	<b>150</b>

*Source: Field Data, 2012.*

**Table 3.5.** Opinion Pertaining to the Impact of Downsizing on Corporate Competitiveness.

Statement	Respondents from	Degree of Response					
		SA	A	N	D	SD	T
Downsizing is a catalyst to corporate competitiveness.	Makurdi Metropolis	15	12	1	1	1	30
	Lafia Metropolis	13	9	3	3	2	30
	Gboko-Dangote Branch	5	4	1	0	0	10
	Gboko Main Town	10	5	2	2	1	20
	Zaki-Biam Town	7	7	1	0	0	15
	Keffi Town	10	8	1	1	0	20
	Otukpo Town	8	6	1	0	0	15
	Mavaraba Town	4	4	1	1	0	10
<b>Total</b>		<b>71</b>	<b>56</b>	<b>11</b>	<b>8</b>	<b>4</b>	<b>150</b>

*Source: Field Data, 2012.*

on corporate productivity in this organization. In fact, out of 150 respondents, 123 (representing 82%) disagreed with the claim that downsizing has not significantly impacted on organizational productivity in Skye Bank Plc. Only about 18% felt differently.

The Table 3.4 data exactly indicates that downsizing has not given rise to increase in capacity utilization in Skye Bank Plc. A total of 67 + 57 respondents representing 83% of the entire population of the respondents felt that downsizing was yet to affect capacity utilization significantly in this bank. Those who had an opposite view were just 15 (or 10%). Downsizing

should normally be directed to optimize capacity utilization. This is especially critical in the financial sector with a focus on banks.

Perhaps one of the most revealing trucks about the relationship between downsizing and corporate competitiveness in the banking sector with a focus on Skye Bank Plc, is that downsizing is a catalytic agent there. From the data of Table 3.5 above, 127 respondents (or 85%) felt that if properly handled, downsizing can do a world of good to corporate competitiveness in the globalization era. From that engage fruitfully on downsizing can turnaround their



**Table 3.6.** Respondents Notion Concerning Downsizing as a Defensive Strategy.

Statement	Respondents from	Degree of Response					
		SA	A	N	D	SD	T
Downsizing has been implemented here mainly as a defensive strategy to enhance organizational performance.	Makurdi Metropolis	13	10	3	2	2	30
	Lafia Metropolis	12	12	2	2	2	30
	Gboko-Dangote Branch	6	2	1	1	0	10
	Gboko Main Town	10	8	0	1	1	20
	Zaki-Biam Town	7	6	1	1	0	15
	Keffi Town	8	10	0	1	1	20
	Otukpo Town	6	7	1	1	0	15
	Mavaraba Town	3	4	1	1	1	10
<b>Total</b>		<b>65</b>	<b>59</b>	<b>9</b>	<b>10</b>	<b>7</b>	<b>150</b>

*Source: Field Data, 2012.*

**Table 3.7.** Subjects View Relating to the Relative Efficacy of the Downsizing Strategy in their Organizations.

**N/B:** VE = Very Efficacious; E = Efficacious; N = Neutral; I = Inefficacious; VI = Very Inefficacious.

Statement/Question	Category	Degree of Response					
		VE	E	N	I	VI	T
What is the relative efficacy of downsizing strategy over time in this organization?	Makurdi Metropolis	10	15	2	2	1	30
	Lafia Metropolis	9	13	2	4	2	30
	Gboko-Dangote Branch	3	5	1	1	0	10
	Gboko Main Town	8	6	2	2	2	20
	Zaki-Biam Town	7	8	0	0	0	15
	Keffi Town	8	10	2	0	0	20
	Otukpo Town	6	7	1	1	0	15
	Mavaraba Town	3	4	2	1	0	10
<b>Total</b>		<b>54</b>	<b>68</b>	<b>12</b>	<b>11</b>	<b>5</b>	<b>150</b>

*Source: Field Data, 2012.*

fortunes here.

From the data of Table 3.6 above, there is not doubt that downsizing strategy is a defensive force. The table shows that 124 respondents (or 83%) felt that downsizing is a predominantly defensive weapon. Only about 16% felt that this is not the case. Importantly, downsizing should also be contemplated as an offensive strategy in the scheme of things, giving that the market environment is competitive.

The data in Table 3.7 is very overt as to the respondent's perception of the relative efficacy of downsizing strategy over time in this bank.

A total of 122 respondents (or 81%) were of the view that downsizing produced the desired results thus far even if that was less than optimal on the aggregate. Only 17 (or 11%) of the respondents felt that the strategy in question was inefficacious.

The information as can be seen in Table 3.8 shows that downsizing was not frequently used or applied in this bank.

In fact, 103 respondents (69%) felt that the use made of downsizing was infrequent in this bank. In short, a high percentage of the subjects had the notion that the use of downsizing was highly (or very) infrequent.

The data in Table 3.9 shows that when it comes to considering downsizing strategy, the factors should not all be equally weighed. Respondents felt that the most critical variables to contemplate on when downsizing should be those of cost-saving, competitiveness, firm's survival, receptivity to change and profitability, to mention the first five factors from the set. For example, cost-saving has a weight of 20%. Competitiveness has 17% and so on.

### Hypothesis Testing

The null hypotheses formulated in section 1.5 are now tested as follows:

**Ho<sub>1</sub>:** Downsizing has not significantly impacted on productivity in Skye Bank Plc.

### Decision criterion

Reject the null hypothesis if the computed value of the test statistic is greater than the critical value. Otherwise, accept the null hypothesis.

**Table 3.8.** Respondents Perception Regarding the Degree of Frequency of the use of Downsizing Strategy in their Organization.

**N/B:** VF = Very Frequent; F = Frequent; N = Neutral; I = Infrequent; VI = Very Infrequent.

Statement/Question	Category	Degree of Response					
		VF	F	N	I	VI	T
How frequent is downsizing applied in your organization?	Makurdi Metropolis	5	10	4	3	8	30
	Lafia Metropolis	4	3	6	8	9	30
	Gboko-Dangote Branch	1	1	0	2	6	10
	Gboko Main Town	0	1	1	8	10	20
	Zaki-Biam Town	0	0	1	7	7	15
	Keffi Town	1	1	1	7	10	20
	Otukpo Town	1	1	1	3	9	15
	Mavaraba Town	1	2	2	2	4	10
<b>Total</b>		<b>13</b>	<b>19</b>	<b>16</b>	<b>40</b>	<b>63</b>	<b>150</b>

**Source:** Field Data, 2012

**Table 3.9.** Subjects Opinion in Respect of which Factor to Lay most Weight on When Contemplating Downsizing.

Factor	No. of Responses	Percentage (%)
Productivity	12	8
Firm's Survival	18	12
Market Scheme	11	7
Cost Saving	30	20
Receptivity to Change	15	10
Competitiveness	25	17
Profitability	13	9
Staff Well-being	8	5
Corporate Image	8	5
Risks	10	7
<b>Total</b>	<b>150</b>	<b>100</b>

**Source:** Field Data, 2012.

Here, the computed value is the percentage value of the respondents that disagree or strongly disagree. The critical value is taken to be half of 100% which is 50% (this is the normal or average behaviour).

From the data of table 4.3, the computed value is greater than the critical value i.e. 82% > 50%. Hence, we reject the null hypothesis. We conclude that downsizing has significantly impacted on productivity in Skye Bank Plc.

**Ho<sub>2</sub>:** Downsizing has no positive influence on cost-saving strategies in Skye Bank Plc.

### Decision criterion

Reject the null hypothesis if the computed value of the test statistic is greater than the critical value. Here the computed value as per table 4.1 is 81% which is greater than the critical value at 50% point. That is 81% > 50%.

Therefore, reject the null hypothesis and accept the alternative hypothesis that downsizing has a positive influence on cost-saving strategies in Skye Bank Plc.

**Ho<sub>3</sub>:** The impact of downsizing has not been significantly optimal in terms of corporate profitability in Skye Bank Plc.

From the data of table 4.2, the computed value is greater than the critical value i.e. 83% > 50%. So, we reject the null hypothesis and accept the alternative hypothesis and conclude that the impact of downsizing has been significantly optimal in terms of corporate profitability in Skye Bank Plc.

### Findings of the Study

The study revealed that downsizing was highly instrumental as both a defensive and offensive strategies. Further, the research found that cost-saving strategies

were critically important in Skye Bank Plc. From the study there were clear indications that downsizing strategies were needful to guarantee success and sustainability in productivity and profitability of this corporate entity.

Apart from the foregoing, the study showed that downsizing and capacity utilization were good bed-fellows.

Importantly, the study showed that corporate competitiveness was contingent largely on downsizing. In terms of aggregate long term success, downsizing was critical to lasting corporate efficacy.

Finally, the study found that the most influential factors at play when contemplating downsizing strategies in this bank are those of cost-saving, competitiveness, firm's survival, receptivity to change and market share.

### Implications of the Findings

The following managerial implications are revealed in the findings of the study:

1. The practice of downsizing has become an acceptable strategic technique for managing change among Nigerian banks. The banks that want to enhance success and sustainable competitive advantage and improve corporate performance in their downsizing programmes should give special attention to a longer planning time horizon.

2. Nigeria banks can benefit by practicing downsizing wisely.

3. Skye Bank Plc's long term success contingent on the use of downsizing both as an offensive and defensive weapons.

4. For Skye Bank to remain competitive, downsizing must be seen and utilized as a regular, if critical, arsenal.

### Recommendations

In the light of the findings of this study, the following recommended measures are desirable to strengthen Nigeria banks in their downsizing programmes:

1. The banks must recognize the need to exhaust all other forms of cost-savings and to use downsizing as a last resort.

2. Management should develop a long-term strategic plan taking cognizance of how departments, areas and processes can be redesigned while retaining high performers.

3. Management must also develop time frame for downsizing programme.

4. Banks must recognize employees as their most valuable assets.

5. Equally important is the fact that, banks downsizing programmes must not be merely managed but headed by a leader. Thus, the overall vision, strategy

and direction have to come from top management.

6. Banks must initiate open and honest communication with their employees.

7. Management must develop a human and dignified outcome for the displaced workers.

8. Stay streamlined: Identify and address the root causes of events that led to the downsizing exercise.

9. The bank, that is, Skye Bank Plc, must employ downsizing both as defensive and offensive strategies, at least every two or three years.

10. Downsizing should be tailored to guarantee regular and adequate productivity and profitability. Productivity or efficiency should be made to increase by at least 10% annually to remain competitive.

11. Skye Bank Plc management must insist on the attainment of high capacity utilization via the instrumentality of downsizing. The utilization should be regular, consistent and optimal.

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