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INFLUENCE OF MANAGEMENT OF SEPARATION ON THE PERFORMANCE OF THE SELECTED PARASTATALS IN KENYA

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Abstract

Purpose: Most organizations effect employee separation programme with an aim of improving productivity and performance, increase competitiveness, decrease costs and improve quality. However, a number of separation processes in several Parastatals have negated this position. Some unexpected undesirable results have attracted both theoretical and practical experts' attention to the output of separation and the main questions involved in managing separation. The study sought to determine the influence of management of separation on the performance of the selected Parastatals in Kenya.

Methodology: The study analyzed six Parastatals in Kenya. Qualitative data was collected using questionnaires from 96 employees of the affected Parastatals. Regression analysis and independent t-test was used to analyze the data. A questionnaire was used to collect data from ninety six employees sampled through stratified random sampling. Linear regression and independent t-test were used to test the relationship between the independent and dependent variable.

Findings: The responses of the respondents disagreed with the statements on employee separation management. The hypothesis testing found out a negative non-significant effect of ranking of jobs on employee productivity.

Unique Contribution to Theory, Practice and Policy: The study recommends that employers manage the separation strategy in such a way that it minimizes disadvantages, whereas employee separation may be desirable in instances where employees underperform or whose skills are not matched with the organization's mandate or goals, managers should limit the turnover rate of employees and ensure key employees are retained in the organization. Further the new employers should undergo a thorough vetting to ensure organizations tap best talent that can be retained in the long run in the organization.

Key Words: *Employee Separation, Management of Separation, Performance, Parastatals*

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1.0 INTRODUCTION

Over the past decade, a number of developments have taken place in business management. The forces emanating from transformation of value chain, influence of the global economy, changing patterns of employment and changes in the organizational structure are among the salient developments in business management (Langat, 2006). These forces have forced organizations to evolve in order to survive in the ever changing turbulent environment. Huczynski and Buchanan (2007) argued that the turbulent environment presents multifaceted, complex and chaotic dimensions in businesses in affecting streams of initiatives affecting work and organization design, resources allocation, and systems and procedures in a continuous attempt to improve performance.

Despite the fact that many change programs require cultural change and need to be transformational, there are circumstances where the emphasis has to be on rapid reconstruction where, in its absence, a business could face closure, enter terminal decline or be taken over. This is commonly referred to as a turnaround strategy, where the emphasis is on speed of change and rapid cost reduction and/or revenue generation. Managers need to be able to prioritize the things that give quick and significant improvements (Johnson, Scholes & Whittington, 2005).

One major organizational response to a declining economy is separation or downsizing. This response incorporates the basic reduction of assets and expenses within the firm and necessitates many turbulent actions such as layoffs, and other forms of separation which management initiates believing, that these measures will help the organizations perform better in the long run. According to Gomez-Mejia, Balkin and Cardy (2008), a company may choose lay-offs as one of several ways of reducing costs or improving profitability. Fisher and White (2000), advanced that firm's costs increase due to separation as a result of the package given during separation and taking care of the re-training needs of those retained by the firm. Cascio (1993) confirms this position by asserting that despite the fact that downsizing is intended to bring down the expenses, other costs such as the severance package, outplacement benefit, pension and administrative costs may increase. Cascio's frame work showed that the cost bill decrease as a benefit of selection is not achievable. Geralis and Terziovski (2003) stated that the result of selection is in the near future (Levine, 1984).

Neubert and Cady (2001), view separation as an exercise whereby management decides to reduce the number of employees due to an economic downturn or the poor financial performance of the company. However, according to Cooper (1987), separation is a dismissal or long term lay off of one or more workers for a reason of an economic, structural or technological character, intended either to reduce the number of workers employed in the undertaking or to alter the composition of work force.

1.1 Statement of the Problem

Although separations are purposed to cut costs, there is a general belief that that if firms remain with the best employees and managers during separation, the firm should realize better performance. However, a number of separation activities in several organizations negate this thought. Some negative outcomes have drawn both theoretical and practical experts' attention to the outcomes of separation and the main questions involved in managing separation. Despite many institutions and organizations adopting separation as a management strategy, a bulk of separation related literature is based on the result of studies conducted in the developed countries (Opiyo, 2006).

It has been reported that Parastatals in Kenya are facing decline in productivity within a span of 5 years, most of the corporations have had to change the chief Executive officers at least twice which contributed to a negative effect on the productivity of employee. However, most of the Parastatals have maintained their workforce despite the complex nature of their jobs (Opiyo, 2006).

Casio (2005) investigated the effect of changes in employment on financial performance of the organizations and concluded that there was lack of evidence to give credence to the premise that separation leads to increased financial performance as measured by return on investment.Critics have cited results of separation done during economic boom as different from separation carried out during recessions. In additions, results of other studies available including Makawatsakul and Kleiner (2003) point out that separation has a negative impact on the retained staff and concludes that massive downsizing often seems to result into more problem than give solutions to them and for sure rarely achieve its original financial objectives.

Margues, Pinheiro and Ferreira (2011), highlighted that lay-offs have direct affect on both organizational commitment and innovative conduct. However, the trio further indicated that a planned approach to the implemented process could lead to continued and long term advantages to the organization. Furthermore, past studies such as those of Kobia and Mohamed (2012) and Sakunasingha (2006), indicate that most of Parastatals have experienced declining quality of service delivery and such spends money on recruiting and training new employees yet the organizations have talent within that can be topped into without incurring much expenditure. Lack of substantial literature and the fact that few studies have been carried out on the effects of separation in Africa, makes 'selection' a key strategy to be examined further. Therefore the research focused on the effect of employee separation on performance of the selected Parastatals in Kenya.

1.3 Purpose of the Paper

The purpose of this study was to assess the influence of management of separation on the performance of the selected Parastatals in Kenya.

2.0 LITERATURE REVIEW

Levine (1984) advance that separations result in economic stress and reduced human resource levels that cause many stressful problems for managers. These problems emanate from methods used by management to contain the effects of retrenchment and reduced budgets while ensuring there is no disruption in visible operating effectiveness. The main bottleneck is the reduced human resource that is the outcome of cost reduction which comes with; loss of skills, energy, morale, commitment, physical and mental health degradation that come from workers withdrawing physically and emotionally. This also emanates from reduced co-operative behaviors, increased fear and distrust, poor communication, reduced performance goals, restriction of production and increased turnover. Biller (1976) advanced that organizational expenses rise because of downsizing as a result of the severing package and taking care of re-training requirements of those who remain in the company.

Separation may lower employees' morale, reduce organizational productivity and make employees to voluntarily request for separation. Separation may also discourage the organizations' most qualified and experienced and productive employees who ultimately would resign from the organizations. Ochieno (2013) in her study on effect of separation on organizational performance at the Telecom Kenya established that over 60% of the respondent cited that there is a great increase in employee work performance after downsizing and there was also an increased effort in performing tasks after lay off as manifested in positive change in the drive to improve work performance.

Anaf et al., (2012) stated that separation of workers increased the level of psycho-social cases such as; decrease in self-esteem, general irritability, stomach related ulcers, and tendency to commit crimes, high blood pressure, heart disease, financial emaciation and depression. These kind of stressful events are not only for lower level workers; managers too are negatively affected. For instance, Burke (1988) concluded that current causes of stress at both managerial and professional levels included separation, job ambiguity and insecurity.

Israelstam (2012) in his study on separation myths companies feed employees, he pointed out that separation directly increase the higher level of unemployment and poverty in the society ad which may lead to increase in prostitution, corruption, low standard of living and higher crime rates in the society. And also separation is the only solution to employer's financial problem and is allowed to retrench merely because the profit has dropped slightly or are expected to drop.

Kurebwa (2011) conducted a study on organizational downsizing and is impact on the leavers and survivors. According to his findings effect of staff separation does not lie on the staff affected only, it also affect those that remained in the service. He further stated that the consequence is also on the bank because the remaining staff will not be able to perform their duties effectively. These may seriously affect the overall performance of the employee in the organization.

Their way of working may adversely change, coupled with resentment, hostility, and anger and may adopt an attitude of reliance and search for a leader figure to save them. These kinds of crises have impact on physical and psychological statuses of the employees. Separately, lay-offs of whatever nature could have favourable results. Therefore, there is need to put in place an effective adjustment policy, related with increased organizational productivity and not strikes (Nirmala, 2006). In addition, it should be connected to increased quality of working life of the workers.

Some authors have advanced that firm's innovation and performance improve as a result of separation. This can be seen in improved service delivery (Ministry of Public Service, 1999, personal communication). Tzafrir, et al., (2006) identified the advantages of separation to encompass reorganization of jobs and departments, reducing of over-sta sense of wellbeing in several ways. They may see the company as having behaved unjustly or unfairly. They obviously feel less secure. They may also lose the belief that their contribution to the business will be rewarded in future. These responses may easily threaten business performance.

Survivors of downsizing can become unduly risk averse and narrowly focused, and therefore less creative and open to change. But 'morale' is not a simple concept. It consists of many facets and may be manifest in many outcomes. These outcomes include: whether employees stay with the organisation, whether they achieve organisational or personal goals, whether they are able to adopt new working practices and learn new skills, how they respond to customers, It is a useful start to identify specific outcomes of morale which the organisation wishes to address (Chilla, 2009).

Retained employees satisfaction and perceptions of equity and job security are likely to be affected by lay-offs. It's important to note that the separation strategy needs to focus mainly on methods of attaining reduction in the number of employees with less hardships and disruption. Therefore, separation plan should incorporate provisions for communicating with staff in due time. Employees are known to embrace change when they are well prepared. Accordingly less disruption will be caused to the organization's business. Hawkins (2010) asserts that 'survivor syndrome' may portray retained employees feel guilty of being survivors and therefore become less motivated and anxious, while the reallocation of tasks make them feel incompetent and stressed.

3.0 METHODOLOGY

The study used causal design. According to Sekaran and Bougie (2016), the design seeks to delineate the cause and effect relationship of one or more problems. The design was key inhelping the researcher examine whether various aspects of separation significantly affects the performance of Parastatals in Kenya.The target populations of the study were employees in Parastatals in Kenya that had effected separation in the last 10 years. These Parastatals include selected branches of the Kenya Commercial Bank, Telkom, Kenya Broadcasting Corporation, National Bank of Kenya, Railways and Posta operating in Nairobi County. The Parastatals were preferred as the majority had reported series of losses before separation processes commenced.

The study used a mixed multistage sampling method; the purposive stratified sampling method to select a representative sample from the identified population. In this technique, the researcher identifies the subgroups of the population of interest and then selects cases from each subgroup in a purposive manner (Teddlie & Tashakkori, 2009). A sample of retained employees was selected from six Parastatals institutions that filled the questionnaires. The Parastatals were preferred since the researcher had prior knowledge of their relative loss making history. In each firm, the respondents included one manager from key departments of Planning, Operations, Marketing and Finance and three employees from each department making up to 96 respondents.

The study used likert scale questionnaires as a major tool for data collection. The questionnaires were dropped to respondents' offices by both the researcher and 2 research assistants, and later collected after one week. This study was conducted in a normal setting and the research questionnaires were coded to exclude the names of the respondents hence protecting their anonymity. Consent of the respondents was sought and an assurance of confidentiality affirmed. All the questionnaires used in data collection were locked in undisclosed location and destroyed after they have served their purpose. Data was collected, coded and analyzed using SPSS version

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20.0. The findings were presented in form of tables and pie charts and discussions and interpretation of the same given.

4.0 RESULTS AND DISCUSSIONS

4.1. Response Rate

The study initially targeted 96 respondents. However the questionnaires that were dully filled, returned on time and used for data analysis were 78. The study therefore had a response of 81.25%, according to Kothari (2004), Mugenda and Mugenda (2003) a suitable response should be 60% or more of the intended sample population. The response rate was therefore considered satisfactory for data analysis.

4.2. Descriptive Statistics

Variables on management of separation had the following means and standard deviation. Tools and procedures put in place had a mean of 2.27 and standard deviation of 0.83; formation of committee to manage the process mean of 2.31 and standard deviation of 0.827; adequate preliminary information mean of 1.86 and standard deviation of 0.597; adequate consultation done mean of 2.38 and standard deviation of 0.754; alternative to job losses considered mean of 1.49 and standard deviation of 0.785 and due consideration undertaken mean of 1.29 and standard deviation of 0.686. All sub-variables had a mean lower than 3 hence it can be concluded that the separation management was not done effectively.

Table 1: Management of Separation

	N	Mean	Std. Deviation
Tools and procedures were put in place	77	2.27	0.837
Committee was informed to manage the process	78	2.31	0.827
Adequate Preliminary Info was gathered	78	1.86	0.597
Adequate Consultation was done wit stakeholders	78	2.28	0.754
Alternative to Job losses was considered	78	1.49	0.785
Due Consideration undertaken	78	1.29	0.686
Valid N	77		

Figure 1 below shows that most employees (83.33%) indicated that due consideration was not taken to ensure separation is necessary and that alternative to job losses was not considered. Besides majority of the employees were uncertain whether adequate information was gathered. Employees in most Parastatals however gave a fairly positive response that consultation with stakeholders was done, committees were formed to manage the process and that tool and procedures were put in place.

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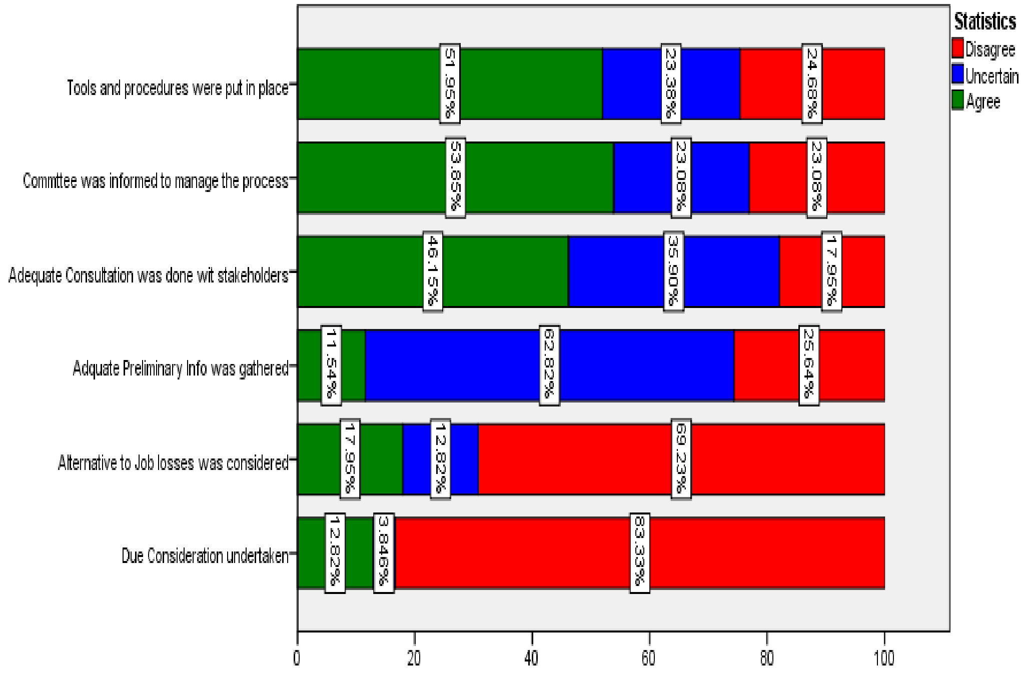

Figure 1: Stacked Bar Chart on Separation Management

The management of separation process was probed. Most Parastatals scores below average, the employees strongly felt that due consideration was not undertaken, alternative to job losses was not considered. On the other hand employees had a fair opinion that tools and procedures were put in place, committees formed and adequate consultation done.

Separation process plays a key role on the implications on organizational stress due to the negative responses to downsizing that eventually impact on organizations' performance and effectiveness (Thornhill & Saunders, 1998). The H_{03} hypothesis states that; there is no statistically significant relationship between the separation management and organizational performance. The study found that there is no evidence of an association between performance and this type of separation management.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The study finds no association between separation management and organization performance hence there is no statistically significant relationship between the separation management and organizational performance. Out of the selected Parastatals that retrenched there workers, 56.3% restructured there organization structure.

5.2 Conclusion

Therefore it can be concluded that separation programme at first instance does not influence organization performance rather it gives way for other organizational processes such as restructuring that in turn affect organization performance. Then the key driver for improving performance could not be identified from the singled out separation issues.

5.3 Recommendations

Based on the study findings, the following recommendations are made; the study found no relationship between employee separation and performance. Therefore employers should manage the separation strategy in such a way that it minimizes disadvantages. That is whereas employee separation may be desirable in instances where employees underperform or whose skills are not matched with the organization's mandate or goals, managers should limit the turnover rate of employees and ensure key employees are retained in the organization. Further the new employers should undergo a thorough vetting to ensure organizations tap best talent that can be retained in the long run in the organization.

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