

## **Effects of retrenchment on the motivation and loyalty of surviving employees of Telkom Kenya Limited**

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### **Abstract**

The study examined the post-retrenchment effects on employees using the case of the Telkom Kenya. The study dealt with the effects and outcomes of organizational retrenchment. It concentrated on the effect of retrenchment on the survivor (those who remain in the organization after the retrenchment), and on the organization. The effects of retrenchment can be either positive or negative, thus, most apparently, there are different factors in the background of the diverse impacts. The study examined these background factors from both organizational and individual points of view. The study was designed with the main objective of determining the effect of retrenchment on employees with specific reference to employees of Telkom Kenya. The specific objectives of this study were; to identify how the motivational levels of employees have been affected by retrenchment process and to establish how loyalty of employees has been affected by retrenchment process in Telekom Kenya. The study was carried out through a descriptive survey which was considered the most appropriate to carry the research as it gives in-depth information about this particular issue. A sample of 112 employees from a population of 1120 employees was selected using stratified random sampling technique. Semi-structured questionnaires were designed from the literature review and administered to the respondents using the drop- and -pick method. Data collected was analyzed using descriptive statistic, specifically the mean scores and standard deviations.

The results were the presented in form of frequency tables and charts. From the study, it was found that the retrenchment process in Telkom Kenya affected various aspects of surviving employee's motivation and loyalty.

**Keywords:** Loyalty, Retrenchment Process, Motivation, Telkom Kenya and Surviving Employees

## **1.0 Introduction**

Due to continued economic decline, many organizations have found it difficult to maintain a large workforce. The services of some employees have been declared redundant leading to poor morale of the remaining workforce as a result of job insecurity. Due to economic constraints, most organizations are compelled to make hard decisions of dispensing human capital investment as they strive to control costs and remain competitive. Some of the common cost reduction programs employed by firms include reducing the number of staff, reducing salary increase budgets, reducing hiring and cutting down on bonuses (Huka, 2003).

Human resource deals with rewarding employees, training and development, recruitment, and separation. Separation concerns the way employees' part relationship with the companies they work for. This research is concerned with retrenchment, a process of separation. Separation can be due to death, lay-off, retiring, and retrenchment. Separation, like selection, affects the composition of a company's workforce. Both the incumbent employees and those being dismissed may be affected by the process in various ways. There is therefore need to carry out the process with all due care to ensure it is a success considering its strategic role in the organization. Retrenchment is usually linked to downsizing programs that play a significant role in the overall process of restructuring. This has greatly affected organizations.

Lewis (1992) defined retrenchment from a legal perspective as a dismissal that is 'attributable wholly or mainly to': an actual or intended cessation of business or an actual or expected diminution in the requirements of the business for employees to carry out 'work of a particular kind', either generally or in the place in which the employee is employed. Retrenchment per se, is the involuntary termination of employment, occupation, or job by the employer through no fault of the employee. Therefore, retrenchment is a form of dismissal and its essence is that the employer requires fewer workers.

Employers normally deal with redundancies in one of the following three ways: an ad hoc approach whereby there are no formally established arrangements, a formal policy setting out their approach to be adopted by management when faced with making redundancies and a formal agreement setting out the procedure to be followed when redundancies have been considered.

Whether or not an employee is dismissed or struggles on, the result is costly in both economic and human terms. Most business enterprises are at present cutting down their workforce due to a number of reasons including overstaffing. Most firms attempt whenever possible to avoid retrenchment situations and prefer to let natural attrition reduce the labour force gradually. Retrenchment situations result in anguish and hardship for the employees, disrupted production and soured industrial relations for the company. Employees find the threat of retrenchment unnerving and extremely worrying. With their livelihoods threatened,

employees may impose sanctions on the company- working to rule, strikes, and factory occupations- in an attempt to save their jobs (Bottomley, 1990).

There are a number of reasons attributable to retrenchment: the overall level of business activity may be low necessitating reductions in the number of employees, the number of employees available for a particular job may be much more when compared to the workload, the job itself may no longer be necessary, there may be a significant change in the contents of a job or there is a change in work methods (Bell, 1981).

Retrenchment decisions are costly to the company. Compensation has to be incurred; trade unions are greatly concerned about the social and personal impact of retrenchment situations. In terms of human accounting, redundancies represent the scrapping by one user of a valuable resource and its transfer into a community pool from which it can be withdrawn and put to work by another (Armstrong and Murlis, 1998).

In the Telecoms Systems reseller and Integration Industry in Kenya which Telkom Limited operates in a lot of changes has taken place. First there was the entrance of Mobile telephony in the year 1999 - 2000, also the Telecommunication service provider business was a monopoly of one state owned organization; this later changed with the liberalization of the telecoms sector to allow other players to enter the Industry. With increased competition, the human resource department was affected as it was deemed that there was too many staff that was not efficient enough. Thus, the restructuring process involved retrenchment of many staff. Six thousand workers were retrenched in 2006. In 2007, 9,767 workers were laid-off, earning the firm the distinction of having retrenched the most workers in Kenya's corporate history. The staffs numbers currently stand at about 7, 521 and half of the staff are to be laid-off this year (Business Daily, 2008).

So far, the study by Shivo (2005) on the work trauma on retrenchment survivors in organizations remains one of the studies done in Kenya on retrenchment. The study does not however indicate the effect of retrenchment on other employee aspects such as job security, motivation and job loyalty. There is therefore an urge to study the implications of retrenchment on the employees left in the organization with a focus on other employee-work aspects. Up to this time, no study has been done to ascertain the effect the retrenchment process has had on the employees of Telkom Kenya. This study fills the gap in literature on the impact retrenchment has had on the survivors of Telkom Kenya Ltd.

## **1.2 The problem**

In the Telecoms Systems reseller and Integration Industry in Kenya which Telkom Limited operates in a lot of changes has taken place. First there was the entrance of Mobile telephony in the year 1999 - 2000, also the Telecommunication service provider business was a monopoly of one state owned organization; this later changed with the liberalization of the telecoms sector to allow other players to enter the Industry. With increased competition, the human resource department was affected as it was deemed that there was too many staff that was not efficient enough. Thus, the restructuring process involved retrenchment of many staff. Six thousand workers were retrenched in 2006. In 2007, 9,767 workers were laid-off, earning the firm the distinction of having retrenched the most workers in Kenya's corporate

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### **1.3 Purpose and objectives of the Study**

The purpose of the study was to investigate the effects of retrenchment on the motivation and loyalty of surviving employees of Telkom Kenya Limited. The objectives of the study were:

1. To identify how the motivational levels of employees have been affected by retrenchment process.
2. To establish how loyalty of employees has been affected by the retrenchment process at Telkom Kenya.

### **2.0 Study Design**

The study adopted the descriptive survey research design. Descriptive research portrays an accurate profile of persons, events, or situations (Robson, 2002). Surveys allow the collection of large amount of data from a sizable population in a highly economical way. It allows one to collect quantitative data which can be analyzed quantitatively using descriptive and inferential statistics (Saunders et al., 2007). Therefore, the descriptive survey was deemed the best strategy to fulfill the objectives of this study.

### **2.1 Population and sample**

The population of the study consisted of all employees of Telkom Kenya at the headquarters in Nairobi-Kenya. The target population was all the 1120 employees in TKL in Nairobi. A stratified random sampling technique was employed to select the respondents. A stratum is a subset of a population that shares at least a common characteristic. The researcher first identified the relevant stratum (the managers and the support staff), and their actual representation in the population. Random sampling was then used to select a sufficient number of subjects from each stratum.

Stratified sampling is often used when one or more of the stratum in the population have a low incidence relative to the other stratum, for example the managers compared to the support staff. The respondents will be grouped into two strata: managers and support staff. To make sure that the departments are represented, the researcher picked 10% of the managers and 10% from the general staff. Mugenda and Mugenda (1999) contend that a sample size should be at least 10% of the population or 30 for studies in social sciences if the results are to be meaningful to a larger population.

Therefore out of the population of 185 managers, 19 were selected for the sample while 93 were selected from the population of 935 support staff in the company. This gave a total sample size of 112 respondents.

## 2.2 Data and methods

Primary data was collected through questionnaires which contained both open-ended and closed-end questions. It was administered on a 'drop and pick later' technique. Data collected was both quantitative and qualitative. The data was analyzed using quantitative techniques involving the use of descriptive statistics such as percentages, mean scores and standard deviations. This method enables comparisons to be made whether it converged or diverged in particular areas. The results were then presented using tables, graphs, and charts. The Statistical Package for Social Sciences (SPSS) aided in the analysis. The data from the questionnaire was coded in the SPSS and the output of the SPSS analyzed based on descriptive statistics.

## 3.0 Study findings

The findings on the effects of Retrenchment on Employees is as detailed in the table below

	strongly agree	agree	indifferent	disagree	strongly disagree	mean	std dev
Given a chance, i would leave this organization for another opportunity elsewhere	22.6	52.4	9.5	0	15.5	2.3	1.274
I am very motivated to work in this company	0	14.3	13.1	67.9	4.8	3.6	0.788
my relationship with my managers has improved since others were laid off	4.8	17.9	28.6	14.3	34.5	3.6	1.264
I am no longer loyal to this company	38.1	4.8	0	23.8	33.3	3.8	0.946
My rate of absenteeism has increased since some staff were laid off	9.5	19.0	4.8	42.9	23.8	3.5	1.303
My productivity has declined since the laying off of others	15.5	22.6	28.6	23.8	9.5	2.9	1.213

In the above table, the researcher sought to find out the effect of retrenchment on employees. The respondents were therefore requested to indicate the extent to which they agreed with the statements in the above table. The findings were then presented using mean scores to show the consensus and the standard deviation to show the diversions of the responses from the mean score.

From the table it is apparent that given a chance, the employees would leave the organization for another opportunity elsewhere as shown by a mean score of 2.3 and also they did not feel more secure working in Telkom Kenya.

The majority of the respondents were indifferent of the fact that their productivity had declined since the laying off of others as shown by a mean score of 2.9 and also they were indifferent on whether their rate of absenteeism had increased since some staff were laid off.

The study further revealed that the majority of the respondents disagreed that they were no longer loyal to the company now more than before as shown by an average response rate of 38.1, they were very motivated to work in the company and their relationship with their managers had improved since others were laid off as shown by a mean score of 3.6 in each case.

#### **4.0 Conclusions**

From the study, the study concluded that retrenchment in Telkom Kenya greatly affected the motivational level of most of the surviving staff. This was because from the study, most of the employees did not feel motivated working in the company.

The study finally concluded that the loyalty of employees and especially towards their managers had greatly been affected by the retrenchment process at Telkom Kenya. From the study, the majority of the employees felt that their relationship with their managers had not improved since others were laid off and also most of the employees did not trust their managers since other were laid off. This clearly shows that their trust towards their managers, and this was mainly due to retrenchment.

#### **5.0 The way forward**

From the study, the researcher recommended that in order to ensure that the surviving employees morale, motivation, loyalty and also to make them feel more secure working in the organization, the human resource managers should ensure that effective policies in retrenchment are formulated.

The study also recommends that for the retrenchment process to be carried out successfully, early communication should be made to the employees. This will make the employees prepare themselves in advance and also it will not have so much effect on the surviving employees. Employee Assistance program should also be put in place to assist the remaining employees who are usually in shock and disturbed by redundancies.

It was also recommended that open the lines of communication should be put in place in the organization so that the employees who have survived the retrenchment process can talk about their feelings and they also need to understand where the organization is headed.

#### **5.1 Significance of the Study**

The study is relevant to the management Telkom Kenya, Human Resource managers, the government, and researchers in human resources in several ways: First, the study is significant to the TKL as the management would be able to ascertain the extent to which the retrenchment process affected the survivors in the organization. Second, the human resource managers will find this study useful as the findings will show the possible effects the retrenchment policies may have on the survivors and the organization by extension. As a result, effective policies in retrenchment will be formulated. Thirdly, the researchers in human resource discipline may use this study as a basis for further research in the same discipline or on the organization. Finally, the government agencies that deal with ensuring that organizations uphold their mandate as relates to employees could choose to use this study as it offers them valuable information about retrenchment processes in organizations.

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