Perceptions of Organizational Downsizing and Job Satisfaction Among Survivors in Nigerian Banks

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Abstract  The objective of the study was to determine how survivors’ perception of downsizing as financially effective, inevitable, and liberating for victims affect their job satisfaction. Data was collected from 150 survivors in 8 banks operating in Makurdi metropolis. Pearson product moment correlation coefficient and regression were tools of data analysis. The study revealed that survivors’ perception of downsizing as financially effective and inevitable negatively affect their job satisfaction. Though the relationship between survivors’ perception of downsizing as liberating for victims and job satisfaction was positive, it was not statistically significant. The analysis of variance showed that there was no difference in survivors’ perception of downsizing among the banks studied, while their level of job satisfaction varied. On the whole, we conclude that downsizing negatively affects the job satisfaction of survivors.

Keywords  Downsizing, Job Satisfaction, Survivors, Banks, Nigeria

1. Introduction

Maintaining the right size of workforce is central to the survival of every organization. Employees remain the most important resources of an organization and are key to gaining competitive advantage. There is therefore the need for employees to be managed effectively if an organization is to survive[1]. As a result of changes taking place within the business environment, occasioned by globalization, competition is not only tough but fierce[2]. To compete effectively, organizations need to maximize productivity, increase effectiveness and improve efficiency, which entails cost reduction as well[3]. Since organizations find themselves operating in more complex, unpredictable, and dynamic environments, they employ different strategies to achieve their goals, with downsizing one of the favoured strategies[4].

“Organizational downsizing is an organization’s conscious use of permanent personnel reductions in an attempt to improve its efficiency and/or effectiveness”[5, p. 70]. This implies that downsizing is deliberate and undertaken by organizations to reduce its workforce[5-8]. Secondly, organizations that downsize are concerned with improving organizational efficiency and/or effectiveness [9-11]. However, some research evidence[12-17] suggests that most downsizing initiatives have not been as effective in achieving organizational effectiveness and/or efficiency as originally expected.

Employees who are unaffected by downsizing and remain with the organization subsequent to downsizing are known as survivors[18-19]. Since downsizing affects work processes wittingly or unwittingly[20], survivors have to adjust to the new forms of organization. Their ability to cope with the changes in the organization and perform effectively determines the success of downsizing[21-22]. It has been observed that survivors confront difficult situations like work overload, which causes fatigue and ultimately leads to dissatisfaction[3].

Job satisfaction has received serious attention in organizational behaviour research due to its potential benefits to individuals and organizations. For instance, it has been reported that employees who are satisfied are productive[23-24], committed to the cause of the organization[25-30] and less likely to exhibit negative work-related attitudes which are costly to the organization such as intention to quit, turnover and absenteeism[31-32]. Research on survivors’ work-related attitudes however show that survivors exhibit a plethora of negative attitudes and behaviours such as intent to quit, decline in organizational commitment, loyalty and trust, feelings of job insecurity, and job dissatisfaction[33-34],[12],[35-36].

Banks in Nigeria have embarked on massive downsizing in recent times, with a view to ensuring more efficient management to enable them deliver better returns to stakeholders[37]. There is therefore the need to examine the effect of downsizing on job satisfaction of survivors in Nigerian banks. However, most of the previous studies on survivors’ work-related attitudes, for example[38],[34],[39-45] were carried out in Western societies. It is therefore
important to enhance our understanding of organizational downsizing and job satisfaction of survivors in a non-western country. The objective of this study therefore, was to examine how survivors’ perception of downsizing affects their job satisfaction in Nigerian banks.

2. Literature Review

Downsizing constitutes a particular form of organizational restructuring[46]; it involves the reduction in personnel[6] and frequently results in work redesign[20] in order to improve organizational productivity[47], efficiency, and effectiveness[11]. Downsizing has been used to avoid bankruptcy and secure survival[48] and is commonly adopted by firms after making large investments in labour saving technologies. Banks in Nigeria have invested in technologies as could be seen in the proliferation of ATMs and internet banking. This is perhaps one of the reasons for massive downsizing in the sector since technology has replaced most human jobs. Reference[37] found that downsizing has improved the efficiency and profitability of banks in Nigeria.

Previous studies[49],[4],[14-15],[50] have shown that downsizing is not a guarantee of organizational success. Organizations that downsize still perform poorly. One of the reasons for the poor performance of organizations that downsize is that too often, the focus is on employees who are released while those that remain are neglected. The thinking is that employees who remain with the organization are relieved for not loosing their jobs. These survivors exhibit symptoms such as low morale, low productivity, increased levels of absenteeism, tardiness, cynicism, turnover, dissatisfaction, among other negative attitudes[41].

The negative attitudes employees exhibit subsequent to downsizing is described as survival syndrome or sickness[38],[51]. This survival syndrome is defined as the mixed bag of behaviours and emotions often exhibited by employees following organizational downsizing[52]. Organizations have often under-estimated the negative effects of downsizing and do not consider the difficulties in motivating survivors to achieve greater productivity which is paramount to organizational success and employee job satisfaction[53]. Survival syndrome is expressed in increasing anxiety and risk aversion[54-55]. Issues relating to survival syndrome can be painful and far reaching at both the individual and organizational levels. Employees often rationally understand and defend the need for downsizing but find it difficult to accept it emotionally. It is therefore important to recognize employees’ career needs and educate them on the new organizational vision and structure, while helping them process their feelings[56]. The feelings and concerns experienced by survivors are; lower morale; guilt and fear[57-58], lack of trust[40], job insecurity; unfairness; depression, anxiety, fatigue; reduced risk taking and motivation; distrust and betrayal; lack of reciprocal commit

3. Framework for the Study

The manner in which downsizing is implemented determines the success of the strategy in achieving organizational effectiveness. This is because employees’ perception of downsizing influences their work-related attitudes following organizational downsizing[59]. The authors suggest that the criteria used in selecting employees for downsizing must not only be clear and appropriate, but must also be perceived by all employees to be clear, appropriate, and fair. This is especially true of surviving employees as, according to[60], survivors are in a unique position to judge the fairness of downsizing and that they respond positively to this perception by becoming more committed to the organization. Survivors are not only concerned about the outcome of downsizing but the rationale for downsizing and how it was done. In this study, we consider three ways employees perceive downsizing since perception affects their attitudes after downsizing[45]. Employees may perceive organizational downsizing as being financially effective, inevitable, and liberating for victims[45]. These affect their work-related attitudes such as job satisfaction.

![Framework for the Study](image)

On the basis of the framework for the study, the following hypotheses will be tested.
H1a: There will be no significant positive relationship between survivors’ perception of downsizing as financially effective and job satisfaction.

H1b: There will be no significant positive relationship between survivors’ perception of downsizing as inevitable and job satisfaction.

H1c: There will be no significant positive relationship between survivors’ perception of downsizing as liberating for victims and job satisfaction.

H2: Organizational downsizing negatively affects job satisfaction of survivors.

4. Methodology

This study adopted the survey research design since data was collected from the participants without imposing any condition or treatment on them. A structured questionnaire was distributed to 180 layoff survivors in 8 banks operating in Makurdi metropolis namely, Union Bank, United Bank for Africa (UBA); First City Monument Bank (FCMB); Ecobank; Access Bank; Fidelity Bank; First Bank; and Mainstreet Bank. A total of 150 questionnaires (83.33%) were duly completed and returned.

The study sought to determine how survivors’ perceptions of organizational downsizing affects their job satisfaction. Downsizing was measured using a scale adapted from [45]. The scale has sub-scales measuring survivors’ perceptions of downsizing as financially effective; inevitable; and liberating for victims. This was measured on a 5 point Likert Scale anchored from 1 = “Strongly Disagree” to 5 = “Strongly Agree”. The reliability of the scale was 0.680. Job satisfaction was measured using the job satisfaction index (JSI). This scale has been used with success among Nigerian samples. The scale measured job satisfaction on a 5 point Likert scale anchored from 1 = “Strongly Disagree” to 5 = “Strongly Agree”. The reliability of the scales was 0.579.

Downsizing was considered the independent variable while job satisfaction was considered the dependent variable. Pearson’s correlation and Regression analysis were the statistical tools used to determine the relationship between the independent and dependent variables.

5. Results and Discussion

Data analysis was based on 150 questionnaires that were duly completed and returned. The demographic characteristics of the respondents shows that 95 (63.3%) were male while 55 (36.7%) were female. Majority of the respondents (47.3%) were Degree holders, working at low level management (56%). The means, standard deviations and correlations between the variables of the study is presented in table 1. The correlations in table 1 indicate that survivors’ perception of downsizing as financially effective negatively correlates with job satisfaction (r = - .165, p < .05). There was also a negative correlation ( r = -.84) between survivors’ perception of downsizing as inevitable and job satisfaction. Furthermore, the table shows that though the relationship between survivors’ perception of downsizing as liberating for victims and job satisfaction was positive ( r = .074), the relationship was not significant (p > .05).

| Variables                          | Mean | S. D. | N  | 1   | 2    | 3    | 4    | 5    | 6    | 7    |
|------------------------------------|------|-------|----|-----|------|------|------|------|------|------|
| Perception of Downsizing as        |      |       |    |     |      |      |      |      |      |      |
| Financially Effective              | 14.173 | 3.969 | 150 |     |      |      |      |      |      |      |
| Perception of Downsizing as        |      |       |    |     |      |      |      |      |      |      |
| Inevitable                         | 15.806 | 3.644 | 150 |     |      |      |      |      |      |      |
| Perception of Downsizing as        |      |       |    |     |      |      |      |      |      |      |
| Liberating for Victims             | 15.786 | 3.880 | 150 |     |      |      |      |      |      |      |
| Sex                                | 1.37 | .484  | 150 |    |      | - .135 |      | .056 |      | - .037 |
| Education                          | 1.98 | .709  | 142 |    |      | -1.58 | .180* |      | - .019 | .085 |
| Job Status                         | 2.64 | .530  | 127 |    |      | - .060 |      | - .90 |      | - .152 | - .295** |
| Job Satisfaction                   | 16.926 | 3.266 | 150 |    |      | - .165* |      | - .084 | .074 |      | .055 | .072 | - .203 |
| Downsizing                         | 45.766 | 7.369 | 150 |    |      |      |      |      |      |      |      |

**Correlation is significant at .01 level (2 tailed)
*Correlation is significant at .05 level (2 tailed)
In order to determine how much survivors’ perception of downsizing predicts their level of job satisfaction, the regression analysis was applied and presented in Table 2. The table shows that survivors’ perceptions of downsizing as financially effective negatively predict their level of job satisfaction ($\beta = - .155$, $p > .05$), similarly, survivors’ perception of downsizing as inevitable negatively predict their level of job satisfaction ($\beta = -.063$). There was a positive but insignificant relationship between survivors’ perception of downsizing as liberating for victims and job satisfaction ($\beta = .087$, $p > .05$). The overall influence of downsizing on job satisfaction shows that survivors’ perception of downsizing does not predict their level of job satisfaction ($F_{3,146} = 1.890$, $p > .05$). We therefore accept hypotheses 1a, 1b and 1c. The correlation between downsizing and job satisfaction as shown in Table 1 indicates a negative relationship between downsizing and job satisfaction ($r = - .091$, $p > .05$). Hypotheses 2 is therefore accepted. This means downsizing negatively affects the job satisfaction of survivors. Previous studies indicate that downsizing negatively affects the job satisfaction of layoff survivors[3]. This is because layoff survivors often feel discouraged, fearful and have low morale due to downsizing. It has also been reported that downsizing does not improve organizations as a result of negative consequences[6]. In the same vein,[12] assert that downsizing may create negative outcomes for individuals and organizations.

Table 1 further shows no significant relationship between sex and job satisfaction ($r = .055$, $p > .05$) as well as no significant relationship between education and job satisfaction ($r = .072$, $p > .05$). However, there was a significant but negative relationship between job status and job satisfaction ($r = -.203$, $p < .05$).

Table 2. Regression Results for Perception of Downsizing and Job Satisfaction

| Predictor Variable                  | $\beta$ | Level of Significance | $R^2$ | $F$ - Statistics |
|------------------------------------|---------|-----------------------|-------|-----------------|
| 1. Perception of Downsizing        |         |                       |       |                 |
| as financially effective            | -.155   | .063                  | .037  | 1.890 (p = .134)|
| 2. Perception of Downsizing        |         |                       |       |                 |
| as inevitable                       | -.063   | .449                  |       |                 |
| 3. Perception of Downsizing        |         |                       |       |                 |
| as liberating for victims           | .087    | .287                  |       |                 |

a Predictors: (Constant), financially effective, liberating for victims
b Dependent variables: Job Satisfaction

There was no significant relationship between sex and perception of downsizing as financially effective ($r = -.135$, $p > .05$), education and perception of downsizing as financially effective ($r = -.158$, $p > .05$), and job status and perception of downsizing as financially effective ($r = .060$, $p > .05$). The relationship between sex and perception of downsizing as inevitable was not significant ($r = .056$, $p > .05$). The relationship was however significant for education and perception of downsizing as inevitable ($r = .180$, $p < .05$), but was not significant for job status and perception of downsizing as inevitable ($r = -.00$, $p > .05$). The relationship between sex and perception of downsizing as liberating for victims was not significant ($r = -.019$, $p > .05$). It was also not significant for education ($r = -.019$, $p > .05$), job status ($r = -.050$, $p > .05$) and perception of downsizing as liberating for victims. The findings were somewhat in line with those of[45].

Table 3. ANOVA Results of Perception of Downsizing and Job Satisfaction among Banks studied

|                      | Sum of Squares | df | Mean Square | Statistic |
|----------------------|----------------|----|-------------|-----------|
| Downsizing Between Groups | 666.881         | 7  | 95.269      | .087      |
| Downsizing Within Groups   | 7425.953       | 142 | 52.295      |           |
| Total Downsize          | 8092.833       | 149 |             |           |
| Job Satisfaction Between Groups | 269.412       | 7  | 38.487      | .000      |
| Job Satisfaction Within Groups | 1320.781      | 142 | 9.301       |           |
| Total Job Satisfaction | 1590.193       | 149 |             |           |

The result in Table 3 shows that there was no significant difference in survivors perceptions of downsizing among the banks studied ($F_{7,142} = 1.822$, $p > .05$). However, there was a significant difference in the job satisfaction of survivors among the banks studied ($F_{7,142} = 4.138$, $p < .01$). While survivors of Fidelity bank had the highest level of job satisfaction (Mean = 19.214), survivors at Mainstreet bank had the lowest level of job satisfaction (Mean = 14.888). The result suggests that irrespective of bank, survivors’ perception of downsizing was the same. However, the differences in the job satisfaction of survivors among the banks indicate that survivors’ response to downsizing depends on how the organization treats them. Overall, the survivors among the banks studied were not satisfied.

6. Conclusions

We conclude that survivors’ perception of downsizing as financially effective and inevitable negatively affect their job satisfaction. Although the relationship between survivors’ perception of downsizing as liberating for victims and job satisfaction was positive, it was not statistically significant. This means though that survivors are concerned about those who leave the organization as a result of downsizing, this is
not enough to improve their job satisfaction. On the whole, downsizing negatively affects the job satisfaction of survivors. Organizations need to adopt strategies to improve the job satisfaction of survivors since the success of downsizing rests on the shoulders of survivors who must provide both the core competencies and corporate memory necessary for moving forward into a new era of business prosperity. For suggestions on how organizations can cushion the negative effects of downsizing on survivors, see references [61], [6], [38] and [37].

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