APPROVAL FORM

The undersigned certify that they have supervised the student Maenzanise Lewis Shingirai's dissertation entitled **the effectiveness of corporate downsizing as a cost reduction strategy: a case of Zimbabwe Commercial banks** submitted in Partial fulfillment of the requirements of the Bachelor of Commerce in Banking and Finance Honours Degree 4th year at Midlands State University.

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DEGREE TITLE:	Bachelor of Commerce Honours Degree in Banking and Finance
YEAR THIS DEGREE IS GRANTED:	2018
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DEDICATION

This research project is dedicated to my dearest mother, all my family members and friends for their unfaltering and visionary support during the hard times encountered when carrying out the research.

ACKNOWLEDGEMENTS

I feel privileged to have had the opportunity to carry out this study as a demonstration of knowledge gained during my study for the Honours degree at Midlands State University. I am indebted to various people and organizations without whose material support or otherwise, this research would not have succeeded. I take this opportunity to express my sincere gratitude to each of these people. First, I give glory to the Almighty GOD for the grace He showered unto me and for being with me throughout the study. I also want to give special thanks to Mr J.T Mabonga for significant supervision, advice, encouragement, guidance and mentorship throughout the project.

Consequently, many thanks to all the other lecturers who through their lectures impacted knowledge that made this research report possible, I express utmost gratitude and special thanks to my family, especially my mother Doreen Maenzanise.

ABSTRACT

The research was carried out to investigate the effectiveness of corporate downsizing as a cost reduction strategy, a case of Zimbabwe commercial banks. The objectives of the study was to evaluate the effectiveness of downsizing as a cost reduction strategy, to determine factors to be considered when implementing downsizing, to assess the effect of implementing downsizing strategy on performance and to establish the measures to be adopted to ensure effective implementation of downsizing. The study applied descriptive research design. The target population was the managers of commercial banks and employees in Harare. Banks.. The sample consisted of fifty-five respondents. The respondents were all from commercial banks branches and departments in Harare. Instruments used were questionnaires and interviews. Fifty-five questionnaires were administered and 73% of them were returned. Seven interviews were also carried with the management and employees. The major findings indicated that downsizing has led to a reduction of costs due to the reduced payroll costs and overtime bans but it has led to jeopardized operational performance, the process has led to overburdened staff with very high workloads and it has compromised the productivity of employees. The researcher came up with the conclusion that though the operating costs were reduced, downsizing has led to insecure employees and demotivated staff with high workloads. Lack of effective communication between the management and the employees as to the cost strategies was seen by the researcher as a reason for the compromised productivity of the employees. The major recommendations were that management should not solely concentrate on reducing costs but should also consider the welfare of the employees as well as the long term goals of the organization. Management should assure the remaining staff of their jobs and should restructure the duties and responsibilities of employees to match with the remaining staff so as to reduce the problem of heavy workloads on employees.

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RBZ	Reserve Bank of Zimbabwe
IAF	Internal audit function
HR	Human Resource

CHAPTER ONE: INTRODUCTION

1.1 Introduction

Business organization particularly the banking sector of the 21^{st} century operates in an aggressive situation. Many organizations implementing different policies in mandate to achieve their desired level of output .Some of the approaches include corporate downsizing, cost cutting and acquisition. According to O'Hearn (2015) the major reason companies implement cost cutting policies is to increase or preserve profitability, stay competitive, increase in productivity. Meekings (2013) further supported that companies with a good cost reduction policies has competitive advantage. Downsizing has become the strategy favored by many commercial banks in Zimbabwe attempting to cope with fundamental economic changes in the world. The researcher was motivated to undertake a study on identifying, understand and assessing the effectiveness of corporate downsizing as a cost reduction strategy among commercial banks in Zimbabwe.

1.2 Background to the study

Companies, depending on the nature of their businesses, structure, and size use different approaches in order to attain their anticipated level of output. The business therefore must implement the correct strategies that they have formulated if the anticipated performance level is to be realized. Some of the policies include; corporate restructuring, cost cutting, mergers and acquisitions, diversification, divestitures among others. Therefore, those businesses that actively manage their business portfolios through achievements and divestitures generate a considerably more shareholder value than those reserved in a fixed business line up according to Thompson and Strickland (2008).

Corporate downsizing is a thoughtful organizational decision to decrease the personnel that is anticipated to improve organizational performance according to Kozlowski (1993). Generally downsizing arises when a company needs to improve effectiveness, competitiveness, reduce work and implements costs reduction policies. It now a common exercise for organizations operating in the existing global economy characterized by recessive and political uncertainty to economize in order to remain competitive.

The overall business environment since 1990 has experienced an era of frequent and dramatic changes triggered mainly by competitive pressures, modern technology and a demanding customer driven market as stated by Ulrich (1998). Huge and beaucratic structures are no longer maintainable. Lean, smaller and responsive organization appears to be a favored feature of organization plan according to Amstrong (2011). Downsizing has become and will continue to be a commonly applied method.

Over the period 2007 to 2013 banking sector in several countries experienced significant ownership transformations in numerous dimensions. The global financial crisis bound to have several allegations on investment decisions. This results in several banks being compulsory or voluntary retrenched from foreign activities according to Stinj and Neeltje van Horen (2014).

Table 1.1 Financial Soundness of Zimbabwean Commercial Banks

Key indicator	December 2015	March 2016	June 2016	September 2016	December 2016
Net profit	$127.47 million	$38.55 million	$69.97 million	$111.78 million	$181.06 million

Source; Monetary policy (2017)

Table 1.1 shows that the Zimbabwean banking industry stayed profitable through the period 31 December 2016, with an amassed net profit of $ 181.06 million an increase of 42.36% from 127.47 million reported for the previous period in 2015. Throughout the period ended 31 December 2016 all functioning commercial banks recorded profits according to Monetary policy statement (2017). The growth in profits was manly funded by lower loan loss provisions in line with improved asset quality as well as continued realignment of cost cutting strategies like downsizing at most banks as highlighted in the Monetary policy statement (2017). Salaries and employment benefits dominated total cost for commercial banks as they accounted for 42.53 percent of the total banking sector costs.

In order to cut cost and improves effectiveness Barclays bank Zimbabwe in 2011 which was the country’s fourth largest commercial bank by deposit closed down and merged three of its branches following a collapse in business as stated by Muronzi (2014). The bank had 39 branches and 45 active automated teller machine before the 2011 reorganization. It also merged its Westgate, Highfield and Chitungwiza branches to Avondale branch. This made the bank to reverse its loss making position resulting a cut in workers expenses which weighted down operations. Before this exercise employees costs accounted for 53 percent of total cost as stated in Barclays annual report (2009)

The economic crisis started during the period of 2000 to 2008 which bring the need to keep financial sector stability. From 2004 Zimbabwean commercial banks encountered banking fragility originating from poor liquidity issues and macroeconomic challenges. High inflation had an outcome on increasing capital cost to commercial banks, squeezing interest margins and decreases profitability as stated by Chikoko (2012). This lead to liquidity crunch for some banks and most banks carry out downsizing as a cost reduction since they was a reduction in profitability. During this era ZB Financial Holdings experienced a decrease of 4 % in their total earning for the financial period 2014 and posted a loss in that financial period as emphasized in Monetary policy (2014). A lot of actions to increase operational efficiencies were considered. Downsizing was implemented as a cost reduction strategy and also to ensure profitability. According to Muronzi (2014) workers were reduced from 1600 as at 31 December to about 1200 as at 31 June 2014.

According to Kiviniem (2018) Standard Chartered declared that it will close its 100 branches next year 2019 in Asia, Africa and the Middle East in an effort to improve its profitability. This marks Standard Chartered bank Zimbabwe closed its six branches include Beitbridge branch, Victoria falls and Karoi branch and retrenched about 100 employees in the process as the bank downsize its operation in the country as part of a restructuring plan in financial service to cut costs and improve profitability.

Banks that downscale often expect positive results such as increase in productivity, lower operating costs, faster decision making processes and better working conditions. The banking industry in Zimbabwe has made remarkable chances aimed at improving the industry and the sector plays a significant role in the growth of the economy.

1.3 Statement of the problem

Downsizing has become a turnaround strategy of most commercial banks in Zimbabwe but however profits have not improved as expected. Evidence shows that profits are increasing by a smaller margin. The danger of downsizing comprise hidden cost not actually recognized in the downsizing process which include increase in retrenchment costs than projected, increase in overtime, loss of business opportunities and deconstruction of organizational system. The study was then concerned to assess whether corporate downsizing was effective in minimizing operating costs or it actually increased the costs.

1.4 Objectives of the study

The main objective of the study was to identify and analyze cost reduction strategies employed by commercial banks. However the specific objectives include:

- To determine factors to be considered when implementing downsizing.
- To assess them effects of implementing downsizing strategy on performance
- To establish the measures to be adopted to ensure effective implementation of downsizing

1.5 Research questions

This study attempts to answer the following answers:

- What are the cost reduction techniques employed by commercial banks?
- What are factors to be considered when implementing downsizing?
- What are the effects of implementing downsizing on performance?
- What measures can be adopted to ensure effective implementation of downsizing?

1.6 Significance of the study

This study will play a significant role as it will bring out the importance of corporate downsizing as a cost reduction strategy among commercial banks in Zimbabwe. It will be useful to the government of Zimbabwe policy making bodies, as it will provide knowledge useful in formulation of policy and regulatory framework on best practices on improving organizational restructuring in commercial banks to avoid negative effects of downsizing on employees and the organization. It will also be significance to the researchers and scholars who will find this study significant as it will form the foundation for further study and act as source of knowledge to scholars.

1.7 Delimitations of the study

This research only focuses on the downsizing of commercial bank as a cost reduction strategy .They are many factors that may be used to reduce cost rather than downsizing but for the purpose of this study only downsizing was taken into account .In terms of physical location, all selected banks have their Head office in Harare and the study will be focused in Harare. The research focused on the implications of downsizing to operating costs, financial performance as well as to the operational performance and the research covered the period from 2014 to date.

1.8 Assumption of the study

The researcher worked with the following assumptions in order to carry out this research.

- The research is objective in data presentation and analysis.
- The information provided by the respondents were neutral, appropriate and honest.
- The data and evidence collected and used in this research is error free.

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1.9 Limitation of the study

The following expectations were made in conducting the study:

- Financial information in financial institutions are treated as sensitive and confidential therefore the researcher had to wait patiently with the respondents until some information required were disclosed and used for academic purposes.
- The target population of the research involved senior members of the institution who were difficult to see especially for answering questionnaires .However the researcher had to keep constant with respondents as to remind them about appointments and the questionnaires
- The research has to make use of available secondary information over the internet and public platforms so that the research maintains its feasibility in terms of originality.

1.10 Definition of terms

Commercial Bank –banking institution that largely specialize in demand deposits and short term commercial loans, (Alijoyo and Antonius, 2004)

Corporate downsizing- is viewed as a planned elimination of positions and jobs and is a relatively recent management strategy, (Spreitzer and Mishra,2000)

Cost efficiency-the extent to which resources are being allocated to the use with the highest expected value, (Falkena,2004)

Effectiveness- the degree to which objectives are achieved and the extent to which targeted problems are solved, (Walden 2002).

Operating costs-expenditure that a business incurs as a result of performing its normal business operations, (Nancy, 2006)

1.11 Organization of the study

Chapter one comprises of the introduction, the study background, problem statement, research objectives**.** Study significance are also looked at in chapter one. Empirical and theoretical literature review are all in chapter two**.** Chapter 3ooutlines the methodology used in data gathering, analysis and presentation. Chapter four present the findings, analysis and presentation of such. Chapter five then conclude the research with a summary of key results, conclusion and recommendations. At the end of the document they is appendices and references.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Numerous studies have been done in relation to the effectiveness of corporate downsizing as a cost reduction approach and the results are accompanied by several theories and different approaches. The bases reviewed gave an insight and evaluation in assessing the effectiveness of downsizing in operating cost reduction .This chapter examines both the theoretical and empirical evidence so as to suffice the aim of the study without any doubt.

2.2 Theoretical Literature

According to Saunders (2012) defines literature review as a critical investigation of published body of information through summary and evaluation of past research studies, review of literature and theoretical articles.

2.2. Analysis of cost reduction techniques

They are many cost reduction techniques which include reduction of employee benefits and allowance, asset retrenchment, downsizing and service outsourcing**.**

2.2.1. Reduction of employee benefits and allowance

Sudarsanam and Lai (2011) indicated that employees benefits and allowance remain a key factor of outflow and they decrease will increase financial performance of the business. This was reinforced by Bruton and Wan (2013) who declares that many organization suffer massive expenses such that their decrease would in fact help improve their economic situation. The authors Schoenberg et al (2015) and Hofer (2011) also suggested that cutting of personnel benefits and allowance will not benefit in the liquidity situation of the business but unlike downsizing it similarly maintain a positive level of incentive within the workforce as all workers are engaged. The elimination of a certain percentage in every employees allowance and benefits will automatically decrease total costs of the business, according to Aral (2015) and Mercer (2013).

However Flynn and Staw (2014) claimed that the cutting of employee allowance might inspire employee demoralization. This was supported by Cameroon (2014) who also indicated that it will disturb the organization if it reduces other remunerations and it will affect employee self-esteem and efficiency. Cheinhall (2011) also reinforced that wellbeing related benefits surrounded by additional paybacks should certainly not be reduced since they disturb the labor force and the working environment.

2.2.2 Asset retrenchment

According to Hair et al (2012) an asset retrenchment scheme is when a business sells redundant properties. The author alluded that this permits the company to realize cash inflows and at the same period ensure away with the non-performing assets. Himme (2012) and Basu (2015) emphasized that selling of assets for the commercial bank to finance additional businesses causes in order to grow and reinvest it to accomplish more profits. Excessive cost of depreciating, maintenance and storing the idle assets are also reduced according to Mudely and Raphulu (2013). Gandolfi (2013) also highlighted that assets downsizing technique must be the first technique to be executed by a business as it concentrate on idle and redundant machinery in the business.

However Flynn and Staw (2014) discussed that asset reduction scheme may not result in supporting the effectiveness of it as businesses usually buy back the assets when they expand and various occasions at a huge cost. This was reinforced by Berk (2010) and Hoper (2011) who further suggested that corporations frequently loose out once the sold assets may be required in the future. The sale of resources will bring cash inflows in the form of earnings from sale and decrease in costs only affect income figures and not real cash flows as depreciation cost are non-cash item according to Warren et al (2011).

Habib (2015) and Cameron (2014) took a impartial view point and proclaimed that there is always an identical chance of losing or else gaining after implementing the assets retrenchment method in cost reduction. They further clarified that cash generated are speedily multiplied after disposal is made nevertheless the worth of the asset will be required in the future. Kitching (2011) indicated that it is much healthier to lease the asset than to sale the asset as they may be wanted in the future.

2.2.3 Service outsourcing

According to Zhou and Ren (2010) highlighted that in order to cut the costs of the business they is need to outsource portion or all of its business. Outsourcing is defined as removing, delegating and giving responsibilities to other companies then it reduces cost as agreed by Tayauova (2015).

Kremic (2004) indicated that the implementing of outsourcing of extra business process passes a reduction of cost because the company will not obtain the cost of recruiting and training. Rother and Shook (2011) also reinforced that when business elements are outsourced, the company can focus on its main business thus reduces expenditure costs. According to Hofer (2011) outsourcing take along many benefits to the company therefore mostly focused on its main business, cost cutting and improved performance.

On the other hand Troaca (2011) argues that outsourcing causes downsizing of workers which leads to overheads of laying off and also destroys self-confidence between workers which disturb output, also costs will be incurred in selecting the best corporation to outsource. According to Hila (2004) argues that quality of products can be affected after subcontracting and that will cost the organization in the long term.

2.2.4 Staff retrenchment

According to Kitching (2011) cost-cutting takes numerous forms of job losses yet manly a decrease in employees leads to a dismissal but mostly a reduction in workers often stated to as laying-off or downsizing generally for possible of efficiency gains or reducing demand for the business's product or else service. Marrow et al (2016) supports that downsizing of employees is a essential cost reduction method as the wage bill is one of the main expense of various bodies in the world therefore regular study of the workforce size and downsizing it will result to further effective practices. Kesner and Dalton (2014) add that the retrenchment process guarantees a better liquidity for the business as payments and additional pension and medical aid are significantly reduced. The authors Holey et al (2015) and Basu (2015) also highlighted that retrenchment permits the firm to maintain or minimizing cash outflow sin form of salaries especially those of senior management which will be titanic and increasing the wage bill.

Contingency theorists Kast and Rosenzweig (1985) they suggest that a slimmer organizational structure and reduced red tape increase flexibility and facilitate the fit among intra-organizational. On the other hand Boyne and Meir (2012) argue that downsizing arises with enormous cost that comprise the compensation packages, token payments, unpaid leave outstanding's and extra costs comprising bonuses and pension. Mudely and Raphulu (2015) supports that the main cause of carrying out the downsizing implementation is to shrink expenses so that the sustaining of any cost might lead to the business suffering losses since the retrenchment pratices creating it unsuccessful. Hofer (2011) and Aral (2015) also emphasized that in tallying to the cost reducing other employees may result to the demoralization of the outstanding employees then disturbance of the production process which will negatively disturb output and incomes.

Cameron (2014) took a neutral position declaring that economizing does develop the variability of the business but it also has harmfully effects mainly in the long run so it has to be handed with great caution. This was also reinforced by Gandolf (2013) who alluded that workforce downsizing decrease cost but it is generally a extensive method and costs more than the outcomes of retrenching. Most of the benefits of retrenchment are for short term else it has undesirable long term effects in the labor force output and appearance of the company added Rother and Shook (2011).

2.3 Factors to be considered when implementing downsizing

They are factors to be considered when implementing downsizing which includes management expertise and loss of skilled personnel.

2.3.1 Management expertise

According to Aranda and Arellano (2010) the complex procedure of cost cutting mechanisms fruitfully with everyone's participation since the original arrangement and suggesting of procedures to be accepted such that management expertise regarding the procedure is key cause that can lead to the success of the method. This was reinforced by Bark (2010) and Morrow (2014) who indicated that it is management who initiate the application of the cost reduction methods in the business thus there is requisite for skilled employees to design and implement such policies to guarantee achievement. Brutun and wan (2013) also postulated that in most circumstances where the application of cost reduction methods has not developed the business outcomes, trainings have revealed that it is management who would have unsuccessful design and perform efficiently the execution of the techniques.

On the other hand Mudely and Raphulu (2015) claimed that the success of implementation procedure and its yielding of enriched economic performance outcomes does not lie on management expertise. The authors clarified that it is the workers who have a better part to play therefore can affect the level of success of the course and not management or their capability. Ritching (2011) and Basu (2015) also added that instead of management expertise the fundamental element that creates or affect the implementation procedure is communication else even non-expert board with numerous and perfect communication can successfully implement the cost cutting technique.

A neutral author Himme (2012) indicated that for the cost reduction methods implemented to work out a number of reasons contribute not only management expertise but furthermore employee commitments and it can also results to the loss of skilled workforce as well. Hofer (2011) reinforced that management knowledge has to be used in combination with correct planning, employee contribution and common communication to safeguard in carrying out downsizing in Zimbabwean commercial banks.

2.3.2 Loss of skilled and experienced personnel

Falkenberg (2012) declares that the implementation of downsizing technique has most influence on employee particularly since it rotates around the retrenchment of workers or the assets being used for production by the personnel. The author further highlighted that it is therefore critical for management to take into account the possible loss of experienced, skilled and faithful personnel when trying to implement downsizing.

2.3.3 Implementation costs

Hunt and Phillips (2013) clarified that there is also the need for management to reflect the cost of implementation particularly when bearing in mind staff retrenchments. This was supported by Rother and Shook (2011) who declared that there are huge costs that are connected to the retrenchment of workforce such that management have to consider them and evaluate the benefits of retrenchment outweigh the direct cost of implementation. Dahl (2012) and George (2015) recognized the following as illustration of direct costs of the retrenchment procedure to the organization. Warren et al (2015) identified that direct costs composed with indirect cost such as reduced employee confidence and disruptions of the products process can negatively disturb the performance of the business and should be extremely considered.

On the other hand, Himme (2012) discussed that to successfully cut cost there are costs that will be incurred but the gain of implementing the cost reduction method outweigh the costs. This was supported by Gitlow et al (2014) and Hofer (2011) who added that the costs to be incurred are only directly and cannot be associated to the gains that will be incurred by the organization in the long term. The fact that costs reduction techniques have been implemented in corporate for years mean that they recover the performance and competitiveness of the business thus the costs cannot take away the benefits to be gained from the successful implementation added Thompson (2016).

2.3.4 Effects on quality.

According to Kenser and Dalton (2014) the key concern that management has to make before disembarking on cost cutting procedure is the effect that will have on product or service value. Hofer (2011) and Lewis (2015) asserted that the regular thing0forobusinesses employing cost cutting is the possible compromise on quality. Management have to consider this as it will affect their livelihood and continued existence both in the short and long term added Bruton and Wan (2013). Osak (2011) also added thatoit0is the organization’s main business to safeguard product and services delivered to meet client obligation thus the probability of any cost reduction has to be with the aim of at slightest preserve product quality when selecting cost reduction approaches and when considering which expenses to cut.

On the other hand Rother and Shook (2011) said that cost cutting does not indicate quality compromise thus management may not want to worry about. Morrow (2014) and Holey et al (2013) supported that businesses normally consider cutting costs that do not bring income first that is indirect cost such that the quality of products or services will not be affected at all.

2.4 Effects of implementing cost reduction techniques on personnel performance

Reduced morale and reduced profits are some of the effects of cost reduction techniques on personnel performance

2.4.1 Reduced morale

Osak (2011) emphasized that once job cuts are completed directly this may results in reduced self-esteem and abilities of the outstanding workforce. This was supported by Dahl (2012o) and Wegner (2013) who stated that the retrenchment of workers from the workforce and any other cost reduction technique frequently lead to reduced motivation in workers as they become unclear and scared of losing their contracts as well. Employees are likely to abuse customers when they are demoralized during their usual tasks. Mudely and Raphula (2015) also noted that workforce reduction tend to be tough and expensive.

On the other hand Wegner (2013) also suggested that the execution of cost reduction techniques may not lead to reduced morale but rather cheer workers to work even harder to preserve their job. This was supported by Holley et al (2015) who suggested that the execution of cost reduction techniques can actually be a influential motivator for remaining workforce.

2.4.2 Reduced profits

Flynn and Staw (2004) declared that the execution of cost reduction systems may lead to reduced profits particularly since direct inflow in costs related to retrenchment that include compensation packages and overheads of leave days. This was supported by Himme (2012) and Kitching (2011) who emphasized that the costs that are incurred by businesses when downsizing workers may actually results in key cash outflows and occasionally lawsuits for the organization that may leave the organization bankrupt with no profits at all. Boyne and Mieir (2012) also alluded that the possible decline in employee morale and production also adds on the disputes that negatively affect the organization profits in the short run and sometimes even threatening the existence or survival of the business.

On the other hand, Saudarsanam and Lai (2011) argued that the employment of cost reduction practices on organizational costs especially in the wage bill can be significantly reduced thus increasing profits and not decreasing them. Morrow et al (2016) supported that the cost reduction techniques are more likely to rise than decrease the organizational incomes. Gandolfi (2013) also highlighted that even if management are to experience retrenchment cost they can be staggered or delayed to allow the organizational to get back on its feet and decrease the danger of actually making losses due to the downsizing exercise.

2.4.3 Disruption in production

Zurich (2012) asserts that when companies economize the first real effect of the exercise is the disruption of the production process and eventually the productivity. This was braced by Rother and Shook (2011) who distinguished that employee’s job uncertainty causes anxiety and a significant discount in self-esteem that result in the reduction in productivity. Workforces do not see themselves as a part of the future of the business such that they do not see themselves as a part of the future of the organization such that they do not see the need to work at all or as much as they did added Gitlow et al (2014). Osak (2011) also added that the outstanding employees have a lot of tasks to do after others are let off and they may find it problematic to cope and carry out all events as normal.

However Wegner (2013) and George (2013) argued that when and if accurately scheduled the layoff of workforces or general implementation of cost reduction methods does not lead in a reduction in productivity. The author clarified that the tasks are rearranged to the remaining workers and they are made aware soon after the downsizing is vanished such that there will be an instant responsibilities. Hunt and Philips (2013) also noted that employees are usually laid off because of duplicated responsibilities and after thoughtful considerations are made by the management hence if the process is done agreeing to the plan there will be a smooth changeover that may not disrupt production.

2.4.4 Lost business opportunities

According to Rother and Shook (2011) commissioning cost cutting methods such as asset disposal they risk losing business by economizing their processes and workforce. This is due to their operations, workforce and shrinking employee ability and productive capacity and so they may not be able to meet client request. Basu (2015) added that the business also misses its good image by retrenching employees such that potential venture capitalist, creditors and clients may avoid doing business with it as it will be showing struggles to survive within the market.

However McDemott (2015) argued that cost cutting brings efficiency and improved quality which will recall customers, attract investors and creditors as well. The downsizing processes do not ill all cases encompass in cost reduction. Still in some cases new products are introduced, new sources of revenue open up or additional work developed without a proportion addition of the number of employees Dahl (2011).

2.5 Measures to be adopted to ensure effective implementation of downsizing

For effective implementation of downsizing they are factors which should be taken into account

2.5.1 Establishing a vibrant internal audit function

The internal audit function must be an essential part of any planned cost reduction program because it can safeguard the redesigned business methods activities and structures remain responsive to the risk and are embedded into the business methods and practices, according to Oates (2013). Cohenand (2010) also emphasized that the internal audit function guarantees the safeguarding of business organization resources and ensures that actions are put in place to make sure that the business concerned does not lose its resources by unjust means. Barolsky (2011) and Mc Demott (2011) noted that management alone can come up with policies to reduce expenditures but a vibrant IAF creates and monitors controls on technique before and after execution to ensure loopholes are dealt with.

However, Mercer (2010) argued that the running of internal audit function maybe expensive to an organization as it embraces hiring competent and experienced individuals who are specialists. Lewis (2015) also noted that enhancing a vibrant of internal audit function may not be feasible if the organization is in dire need to cut costs significantly such that the few members that are there now maybe retrenched as well or the whole department wiped out totally.

2.5.2 Earlier and frequent communication

According to Rother and Shook (2011) the best method to guarantee the implementation of downsizing effective and successful is through communicating with workers. Ruch (2015) and George (2013) reinforced that communicating with employees earlier, during and after the execution process guarantees a smooth and efficient process. Employees accept cost reduction better once management communicate with them openly the motives for and all possibilities according to Gandolfi (2013).Communicating with employees may also disturb decision since more ideas from employees must be observed. The author further highlighted that communicating more, the management will strategize with the remaining workers after downsizing, restructuring of responsibilities and ensuring a smooth evolution. Berk (2010) alluded that it is easier to regulator the condition when or if management communicate and speak out first unlike if the news influences employee informal channels as it will cause panic and make the condition difficult to monitor and control.

On the other hand Kesner and Bulton (2014) claimed that communication itself lead to risings of unions that may in the end create misunderstanding. This was supported by Falkenberg (2011) that sometimes the frequent update of employees by management of plans of cost reduction may cause panic, unrest leading in less productivity.

2.5.3 Employee awareness and training

According to Harrington et al (2010) it is easier and wiser to first implement all supplementary cost cutting policies that do not boarder on worker retrenchment but rather motivates and encourages workers to work hard and come up with ways to decrease the cost of the business. This was supported by Mercer (2013) and Ruch (2015) who highlighted that it is significant to maintain a steady employees core to ensure effective cost cutting and when employees know the culture of the organization and aware of the need for cost cutting it is really easier than reducing them. The author was supported by Bruton and Wan (2013) who alluded that when employees have a sense of belonging to a business and have job security they work vigorously to safeguard goals are achieved for their benefit and for the benefit of the business as well.

On the other hand Morrow et al (2014) argued that the main cost of most companies are salaries and wages and the easiest and fastest way to cut the cost is by retrenching non performing staff than training them. This was supported by Thompson (2012) who asserted that the reason why businesses downsize employees is because the reduction in salaries figures are more significant than spending years cutting irrelevant gradually and not making much different.

2.6 Empirical Review

This section contains case studies carried out by other researchers on the related downsizing and cost reduction strategies.

2.6.1 Costs and implications of downsizing.

The case study was done by Agwu and Carter (2014) they explored that the costs and implications of the massive wave of redundancies in the workforce in Nigerian banks. A sample of 10 out of 22 banks in Nigeria was randomly selected using a qualitative research design. The impact of downsizing on organization was the main objective of the study. With the help of data obtained from open-ended interviews conducted with various stakeholders in downsizing operations and applied within a clinical framework. Finding revealed a mixed feelings among various employees and it expose the far reaching implications both to the organizations. The literature of downsizing portrays an overwhelmingly negative picture of the financial benefits of downsizing, however findings proved otherwise with respect to some Nigerian banks based on the information gathered from newsletters and annual reports. A remarkable financial increase showed annual reports of three of the banks. Positive organizational outcomes following downsizing were shown on the major findings.

2.6.2 Whether banks realized their financial objective after downsizing

This case study examined whether Portugal's eight largest banks realized their financial objectives upon the execution of downsizing activities during their recent 2008-2010 by Gandolfi (2013). Employee efficiency, profitability and asset quality was used to measure financial performance. Six hypotheses were defined using six different financial ratios which were deemed as integral tools for measuring financial performance of deposit-accepting banks. The secondary data were analyzed within a defined framework of two distinct phases' pre and post-downsizing phases and a sample of 8 banks was selected. The research findings showed no statically significant difference in return on assets (ROA), return on equity (ROE) and loans to assets and non-performing loans to loan ratios. On the basis of this analysis, the study conclude that downsized large Portuguese banks have largely failed to achieve their projected financial objectives.

2.6.3 Corporate downsizing and organizational performance of the banks

Staff of Skye Bank in Nigeria analyzed the data using percentage and the population for the study. The study was done by Teryima (2012) aimed at evaluating the degree between the relationship of downsizing practices and the level of corporate competitiveness. However the study revealed that downsizing strategies were needful to guarantee success and sustainability in productivity and profitability of the corporate entity. Further all the findings showed that corporate competitiveness was contingent large on downsizing. Recommendations made were that downsizing strategies were highly necessary for organizational competitiveness in Skye Bank Plc notwithstanding the fact that downsizing involved costs.

2.6.4 Effects of Downsizing on Operating Performance.

The changes in the operating performance following downsizing was the main focus of the study done by Reza (2000). To test their hypothesis, a sample size of 118 companies was selected and the authors used regression analysis to identify variables that may be significantly associated with the improved performance. Companies that downsized between 1989 and 1993 for an eight year period they were examined on the operating performance. However they examined the cost components to identify the sources of the improved operating performance and it was reviewed that after downsizing the total labour cost component as a percentage of profit declined significantly compared with the control group, indicating that downsizing led to an increase in efficiency.

2.6.5 Effects of Downsizing on financial performance.

The main objective of the study was to examine the relationship between downsizing and financial performance of Turkish banks by Ozkanli (2006). A sample of 22 Turkish banks was used and the scope of the study was deposit accepting banks in Turkey. Paired Samples T- Test was used to measure pre and after downsizing performance of the banks. According to the hypothesis test results there was no significant difference between the profitability of Turkish banks before and after downsizing. In the hypothesis test results four of the performance variables did not reveal any significant relation between downsizing and performance. In order to increase the performance of Turkish banks, it was recommended that instead of downsizing other methods such as reducing working hours ,voluntary resignation, low wages, salary cuts, mandatory vacation, redeployment, freezing recruitment, reducing overtime, career breaks and introducing more flexible working patterns such as job sharing and part time work can be realized.

2.7 Summary

The chapter dealt with the review of literature and empirical evidence on the effectiveness of corporate downsizing, the factors considered when implementing downsizing as a cost reduction strategy, the effects of the implementation of downsizing technique, possible measures that can be implemented by management to ensure successful implementation of downsizing. The next chapter focuses on research methodology.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the various methods used in carrying out the research in order to enrich validity and reliability of the data gathered. According to Jankowicz (2000) defined methodology as a specific method or methods in a given study. The aim of this chapter is therefore to deliver opinions for the method that the researcher used in gathering data in order to reply the research questions and objectives. The chapter deals with the research design, sample population, data presentation and analysis plan.

3.2 Research design

Research design regulates the approaches of data collection to be used and sources of data as well, according to Kumar (2013). The descriptive research design which includes the use of questionnaires and interviews was used. According to Langen (2014) this technique permits the researcher to witness, describe or clarify a situation or events of the company. Descriptive research design provides the researcher slight or no control of the variables therefore the researcher can only use whatever was said by the respondent. Questionnaires were circulated to selected banks management and staff.

3.3 Research Population

The study was carried out in the city of Harare. The population of this research consisted of staff and managers of commercial banks in Harare. According to Lavrakas (2015) indicated that a target population must include all element to be studied and should be defined by geographic characteristics and it should be ease of convenience of the respondents.

3.4 Research Sample

Sampling comprises the selection of respondents from the designated population in order to develop a controllable size of the respondents who are well-informed about the area under study, according to Lavrakas (2015). The researcher choose the judgmental sampling technique to select the respondents who have information of cost reduction measures like downsizing as employed by commercial banks and random sampling techniques were used as for the banks under study. Convenience sampling was used in the distribution of questionnaires. In coming up with the sample respondents to the research, the researcher distributed questionnaires to all commercial banks.

3.5 Data Collection Methods and Instruments

Primary data was collected by means of a survey based on questionnaires and in-depth interviews.

3.5.1 Questionnaires

A questionnaire includes all techniques of data collected in which the person is asked to respond to a set of questions in a predetermined order according to Saunders et al (2008). It is also a research instrument made up of a series of questions and the respondent generally senses it in as per instruction. The questionnaires were distributed to all commercial banks. The researcher used questionnaires as a technique of primary data collection because it is capable of producing large quantities and standardized data. They is an allowance of free style of investigation in questionnaires, it is quick to collect information and it is possible to collect information from a large portion. However in some circumstances there was non-response and also provision of incomplete information.

Questionnaires were chosen because it offered the respondents additional time to give well understood answers, by this means coming up with suitable and more informative responses according to Rowley (2014). Questions in the questionnaire were short and precise and they included closed questions. Questionnaires allows the researcher to gather honest responses because they will not be a direct contact with the respondents and the respondents will be aware that there response will not haunt them unlike with interviews.

3.5.2 Interviews

An interview is a logical oral method for collecting data straight from an individual. It is a purposeful discussion between two or more people as stated by Dekker (2009). It is a face to face questionnaire used to gain access to what is inside a person’s mind and gives the researcher an opportunity to verify the information given by respondent immediately. To ensure that they was consistency meetings were conducted in a structured form an interview agenda was used. In order to meet the researcher’s objectives of the study personal interviews were used because they are more flexible and it enables the researcher to have control over the respondents. On the other hand they was some challenges to find an appropriate time for the interviews as the respondents was committed to their work

3.6 Data Validity and Reliability

Saunders (2009) defines validity as the assessment of information with the condition and requirement in order to achieve precise and honest information. Validity guarantee that the information gathered from the targeted population is valid. Trustworthiness of research instruments is the consistent findings in which the results collected would be collected and analyzed as cited by Saunders (2009). The researcher collected information frequently to ensure that information is correct for it to be trustworthy. The researcher made use of the questionnaire and interviews as research tool to ensure validity and reliability.

3.7 Data Presentation and Analysis Plan

To analyze data gathered in the administration of the research qualitative technique was used. The quantitative information gathered from the questionnaires by the researcher were analyzed and Microsoft excel package was used to present data in the form of graphic and tabular presentations. The use of charts, graphs and tables to present data provided a visual way to look and see what happened and make interpretations.

3.8 Summary

The chapter emphasized on how the study was conducted and how raw data was collected. The research was carried out with the use of questionnaires. The explanation of each technique used was presented and the data analysis methods were also highlighted. The next chapter will presents data analysis, interpretation and analysis**.**

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents on how the data collected was presented and analyzed. Researcher presented the data in tabular and graphical form with the assistance of excel software, using responses from questionnaires and interviews. A discussion linking to empirical and theoretical studies on the topic was also incorporated.

4.2 Response Rate Analysis

A total of 55 questionnaires were distributed both to bank management and employees with thirteen interviews being targeted. Below are the responses which were obtained from questionnaires and interviews. The table 4.1 below shows the response rates from banks respectively.

4.2.1 Questionnaire Response Rate

Of the 55 questionnaires distributed 12owere targeting bank managers and 43 to bank employees. Table 4.1 gives a summary of the questionnaire response rate The total number of the questionnaires distributed was 55 and 40 of the questionnaires were completed which translate to a response rate of 73%. According to Mugenda and Mugenda (2003), the statistically significant response rate for an analysis should be at least 50%. Gordon (2012) asserts that a higher response rate is better. The response rate of 73 percent was sufficient to justify the study and therefore gave credibility to the findings that were presented

Table 4.1: Questionnaire response rate

Respondents	**Questionnaires distributed**	**Responded**	**Response rate %**
Commercial Banks	55	40	73
Total	55	40	73

Source: Primary data (2018)

Gordon (2012) asserts that a higher response rate is better. The response rate of 74opercentowasosufficientotoojustifyotheostudy and therefore gave credibility to the findings that were presented.

4.3 Tests for Reliability

Cronbach's alpha was used to test validity and reliability of data collected using SPSS package.

Table 4.2: Validity statistics

Case Processing Summary

		N	%
Cases	Valid	40	95.2
	Excluded[a]	2	4.8
	Total	42	100.0

a. List wise deletion based on all variables in the procedure.

Table 4.3: Reliability statistics

Cronbach's Alpha	N of Items
0.969	18

Source: SPSS Package

The tables above shows the reliability test which was done on selected variables using the SPSS package. The variable were used to come up with the Cronback's alpha using reliability testing. The research data is reliable since it is 0.969

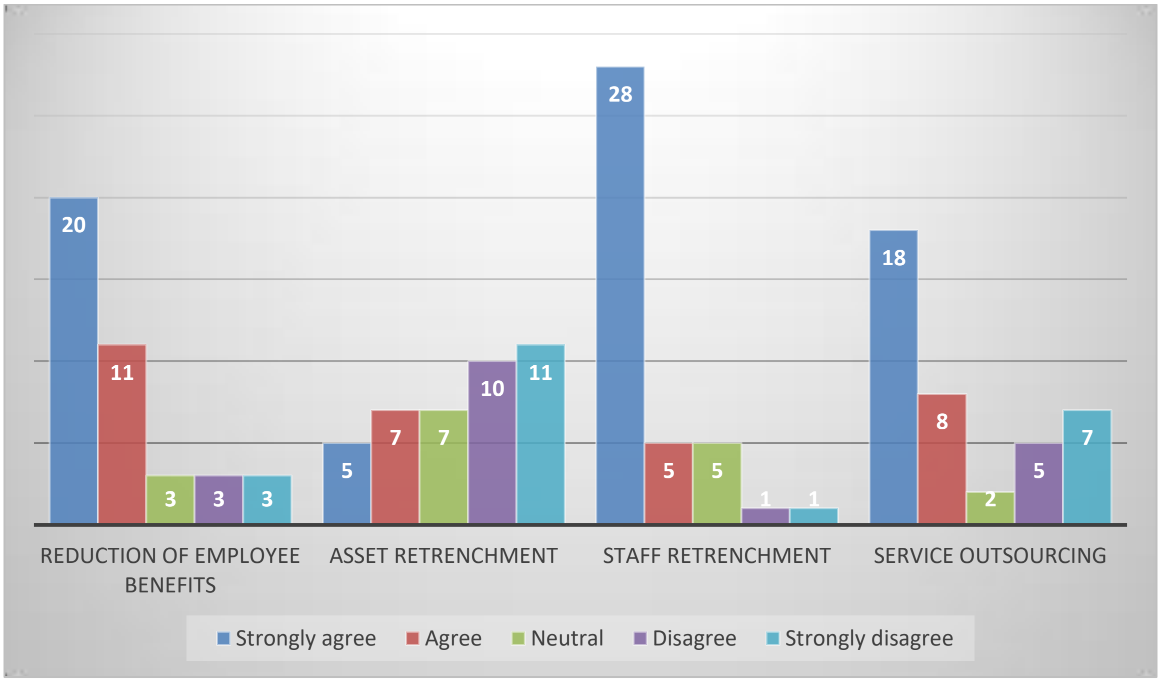
4.4 Data presentation and analysis

The analysis of the variables included which have a great impact on downsizing as a cost reduction strategy was done to bring out the most important features that each might have, this was done by looking at the factors that affect the implementation of downsizing.

4.4 Effectiveness of cost reduction techniques

According to Reza (2000) cost cutting techniques leads to a reduction of the total labour cost component of an organization.

Figure 4.1: Cost reduction techniques



Source: Primary data (2018)

4.4.1 Staff retrenchment

Figureo4.1 above shows that 28/40 (70%) of the respondents at commercial banks strongly agree that the implementation of staff retrenchment as a cost cutting measures is effective while 5/40 (13%) only agreed. 5/40 (13%) of the respondents took a o neutral position. 1/40 (3%) strongly disagree.

An aggregate of 33/40 (83%) of the respondents argued that employee retrenchment has positively affected the financial performance of commercial banks and yielded results in cost reduction and thus improved financial performance. This was in line with Kesner and Dalton (2014) who alluded that staff retrenchment reduces cash outflows and ensures a better liquidity position for the organization. There was a strong contention of 7/40 (18%) of the respondents who disagreed with the idea that staff retrenchment are effective in cost reduction. Their position was supported by Boyne and Meyer who asserted that the process of retrenchment comes with a lot of cost including packages results in severe cash outflow.

An insignificant number of 2/40 (5%) of the respondents were neutral suggesting possible gains and losses can be incurred when applying cost cutting strategies. Their arguments were backed by Cameroon (2014) who asserted that although retrenching staff may result in reduced wage bills but there are also cost that will incurred in the retrenchment process that may actually result in more cash outflows.

In conclusion staff retrenchments are an effective strategy of cost reduction and it improve financial performance from the mode of 33/40 of the respondents from the data gathered at commercial banks. This was in line with Kesner and Dalton (2014)

4.4.2 Reduction of employee benefits

Figure 4.1 shows that 20/40 (50%) of the respondents strongly agreed that the reduction of employee benefits and allowance is effective way of reducing cost resulting in better financial performance while 11/40 (28%) only agreed. 3/40 (8%) of the respondents were neutral, also 3/40 (8%) disagreed and the remaining 3/40 (8%) strongly disagreed.

A staggering 31/40 (77%) agreed that implementation of benefits and allowance reduction results in a better financial performance of commercial banks. This was in line with Sudarsanam and Lai (2011) who asserted that employee related cost such as benefits and allowances form a huge portion of organization expense hence their reduction results in increased profits and it will benefit the organization.

4.4.3 Asset retrenchment

As shown in figure 4.1 above 5/40 (13%) of the respondents strongly agreed that asset retrenchment are an effective method of cost reduction in commercial banks while 7/40 (18%) only agreed. 10/40 (25%) of the respondents were neutral while 10/40 (25%) only disagree and 7/40 (18%) strongly disagree.

This means that 12/40 (30%) agreed that the process of asset retrenchment results in increased cash flows and better profits as asserted by Himme (2012) that disposal of idle non-current releases tied up funds to be invested in the business for other purposes. A significant proportion ofo17/40 (43%) of the respondents disagreed arguing that asset retrenchment may not be an effective cost cutting technique. This was in line with Hofer (2011) who alluded that asset retrenchment do not result in the reduction of cost for the long run of the organization. A good number of 10/40 (25%) of the respondents were neutral and not certain about the effectiveness of asset retrenchment which is in line with the idea asserted by Cameron (2014) that organization may gain in the disposal of idle assets but will still need to implement other cost cutting strategies as asset retrenchment do not make a significant different to the organization.

4.4.4 Service outsourcing

From the figure 4.1 above 18/40 (45%) strongly agreed that service outsourcing is an effective method of cost reduction as it results in reduced cost and efficiency while 8/40 (20%) only agreed, 2/40 (5%) were neutral while 5/40 (13%) disagreed and 7/40 (18%) strongly disagreed.

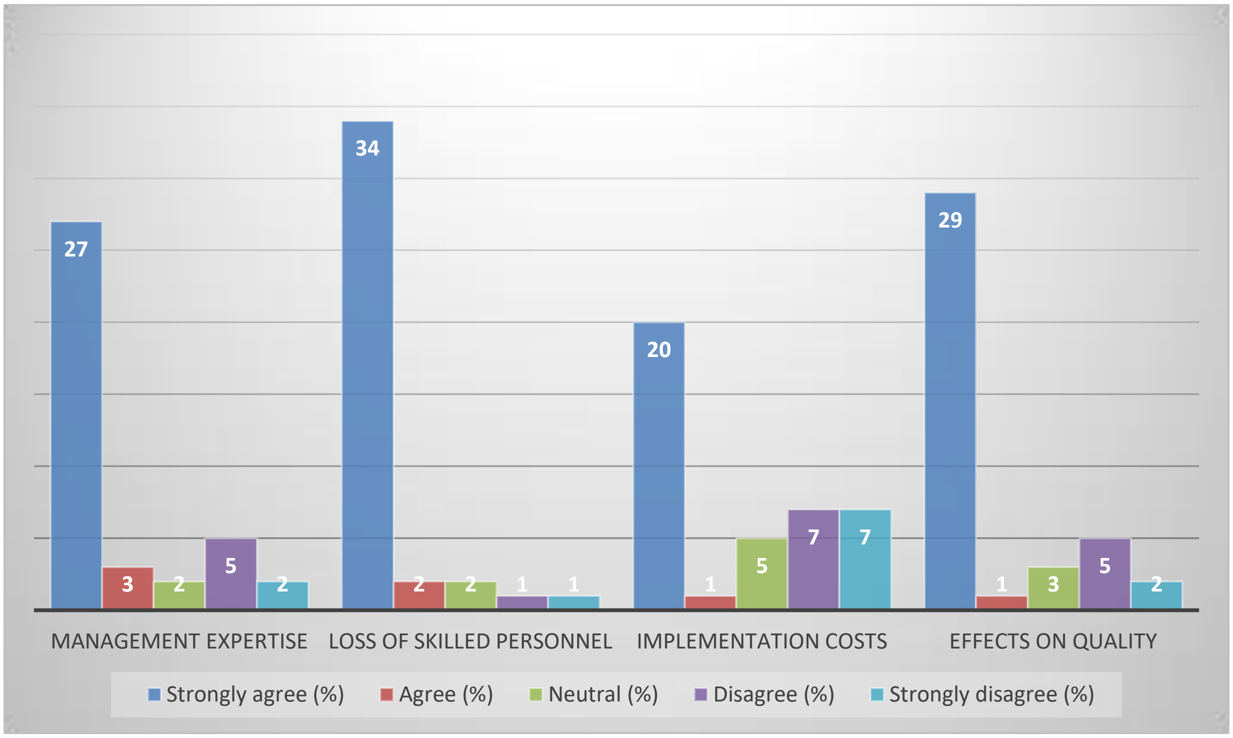
A staggering (26/40) 65% agreed that service outsourcing is effective on financial performance of an organization and this was in line with sentiments by Zhou and Ren (2010) who stated that transferring responsibilities and risks of a particular function within the organization results in cost reduction and efficiency. An insignificant proportion of 5/40 (13%) of the respondents disagreed with the idea that service outsourcing is effective in cost reduction and this was in line with Hurt and Philips (2013) who asserted that the organization loses control of the outsourced function and this may results in possible compromises to quality and other elements of the production or service delivery .the remaining 2/40 (5%) of the respondents were impartial and this was in line Boyne and Meier (2012) who asserted that it is not guaranteed that outsourcing will reduce costs

The mode of 26/40 can be used to conclude that service outsourcing is also another effective method of cost reduction at commercial bank as also emphasized by Zhou and Ren (2010).

4.5 Factors to consider when implementing downsizing

They are many factors to consider before implementing downsizing as a cost reduction strategy which includes management expertise, loss of skilled personnel, implementation costs and effects on quality

Figure: 4.2 Downsizing factors



Source: Primary data (2018)

4.5.1 Management expertise

As shown in figure 4.2, 27/40 (68%) of the respondents were strongly agree that Commercial banks management has to consider the level of management expertise when they are choosing cost cutting techniques to implement while 3/40 (8%) only agree, 2/40 (5%) were neutral, 5/40 (13%) disagree that management expertise should be considered as a factor when choosing cost reduction strategy whist 2/40 (5%) were strongly disagreed that management expertise should be considered when choosing cost reduction strategy.

The aggregate of 30/40 (75%) of the respondents were in agreement that commercial banks should consider management expertise when choosing downsizing as a cost reduction strategy. This fall with sentiments made by Brutin and Wan (2013) that the ability to choose the appropriate cost reduction strategy and successful implemented them lies within a certain level and caliber of expert management only. The other 7/40 (18%) of the respondents disagreed that management expertise has to be considered and this was in line with Basu (2015) who alluded that communication rather than management expertise is the factor to seriously consider as it makes or breaks the effectiveness of the implementation process.

The mode of 30 out of 40 of the respondents can be used to conclude that the level of management expertise has to be considered when downsizing as a cost reduction technique as was emphasized by Brutin and Wan (2013).

4.5.2 Loss of skilled personnel

From the above figure 4.2, 34/40 (85%) of the respondents were strongly agreed that downsizing can lead to loss of skilled personnel and 2/40 (5%) agreed whilst only 1/40 (3%) of the respondents strongly disagree.

The aggregate of 36/40 (90%) agreed that the possibility of loss of skilled personnel is a factor to consider when deciding downsizing as a cost reduction strategy. This is in line with Falkenberg (2012) who alluded that cost reduction techniques most affect employees morale and result in high rate of staff turnover thus management has to consider the possibility of losing experienced, skilled and loyal personnel when choosing downsizing as a technique to implement in commercial banks.

It can be concluded that a mode of 36 out of 40 of the respondents that management need to put into consideration the possibility of losing skilled workers when choosing and implementing downsizing at commercial banks as was stated by Falkenberg (2012)

4.5.3 Implementing cost

The figure 4.2 above shows that 20/40 (50%) of the respondents strongly agreed that the cost to be incurred during implementation has to be considered when choosing downsizing as a technique to use while 1/40 (3%) only agreed, 5/40 (12%) were neutral while 7/40 (18%) disagreed and the remaining 7/40 (18%) strongly disagreed.

An overall of 21/40 (53%) of the respondents agreed that the amount of costs to be incurred in implementation of downsizing has to be put into consideration. This is in line with Dahl (2012) who stated that cost need to be considered especially on staff retrenchment otherwise the cost may compromise the effectiveness of the strategy. 14/40 (35%) of the respondents disagreed that cost have to be considered and this is in line with Himme (2012) who stated that the benefits to flow to the organization especially in the long run after implementing downsizing are more than any costs to be incurred during implementation. The remaining of 5/40 (13%) were neutral and this is in line with Davis (2012) that there is need to carry out cost benefits strategy analysis when choosing cost reduction strategy.

A mode of 12/40 was used to conclude that cost have to be considered when selecting cost reduction technique in commercial banks as was emphasized by Dahl (2012).

4.5.4 Effects on quality

The figure 4.2 above it shows that 29/40 (73%) of the respondents strongly agreed that one of the factors to consider when choosing and implementation downsizing is the possible effect on quality while 1/40 (3%) agreed while 2/40 (5%) were neutral and 5/40 (13%) strongly disagreed.

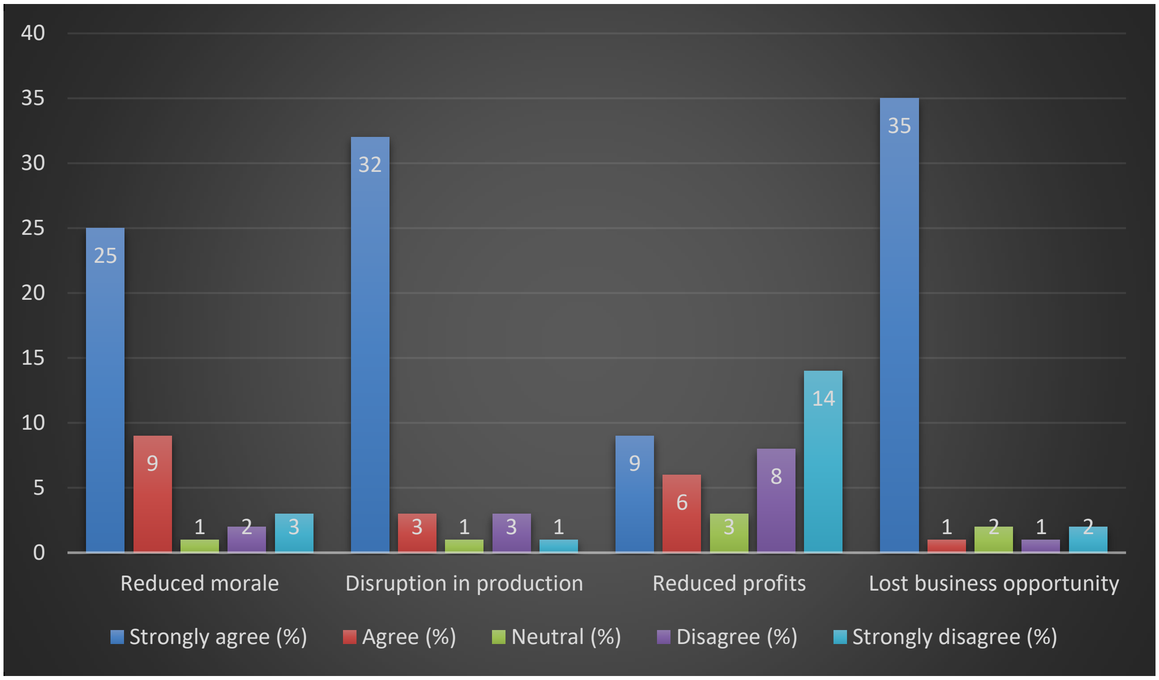
An aggregate of 30/40 (75%) agreed that the effects on quality have to be considered when implementing downsizing as was alluded by Kesner and Dalton (2014) that the major consideration to be made when selecting cost reduction techniques to be implemented isotheir effects on quality and efficiency. An insignificant proportion of 7/40 (18%) of the respondents disagreed and this is in line with Morrow (2014) who stated that the quality of products and services can always be maintained by the use of cheaper alternatives and methods hence itois not a factor to worry about. A small proportion of 3/40 was impartial on the need to consider the effects on equality of the cost cutting measures to be implemented as asserted by Mudely and Raphulu

A mode of 30/40 was used to conclude that when choosing and implementing downsizing the possible impact on quality have to be put into consideration as was alluded by Kesner and Dalton (2014).

4.6 Effects of implementing downsizing

Downsizing has many effects on the performance of the employees and also on the organizational performance. The effects of downsizing on the organizational performance includes reduced morale, disruption in production, reduced profits and lost business opportunity.

Figure: 4.3 Downsizing effects



Source: Primary data (2018)

4.6.1 Reduced morale

From the figure4.3, 25/40 (63%) of the respondents strongly agree that cost reduction strategies affects or reduce the morale of the employees, while 9/40 (23%) only agree and only 1/40 (3%) was neutral 3/40 (8%) strongly disagree that it reduce the morale of the employees.

The overall result shows that a staggeringo34/40 (85%) of the respondents agreed that the implementation of downsizing strategy results in reduced morale among personnel in the organization. This was in line with Osak (2011) who stated that staff retrenchment and other personnel related methods of cost reduction create a hostile and unfavorable working condition that results in reduced productivity and profits. An insignificant 2/40odisagreed that morale levels would be affected by implementing cost reduction technique and this is in line with Wegner (2013) who started that processes such as employee retrenchment may not lead to reduced morale but rather encourage employees to work even harder.

The mode of 34/40 of the respondents can be used to conclude that implementation of downsizing technique results in reduced morale within the workforce as was also stated by Osak (2011).

4.6.2 Reduced profits

Figure 4.3 above highlighted that 9/40 (23%) of the respondents strongly agreed that downsizing reduces organizational profits while 6/40 (15%) only agreed. 3/40 (8%) were neutral, 8/40 (20%) disagreed and the remaining 14/40 (35%) strongly disagreed.

An aggregate ofo15/40 (38%) agreed that the implementation of cost reduction techniques lead to reduction of profits. This is in line with Kitching (2011) who stated that costs incurred during downsizing may results in the reduction of profits. However staggering 22/40 (55%) of the respondents disagreed that the techniques results in reduced profits but rather increases profits. This was in line with Gandolfi (2013) who stated that even if cost will be incurred during downsizing it will results in more inflows to the organization.

The mode of 22/40 was used to conclude that profits do not reduced but rather increased when downsizing technique is implemented in commercial banks. This was also in line with Gandolfi (2013) who supported that the implementation of cost reduction techniques ultimately results in reduced cost and more profits.

4.6.3 Disruption in production

Figureo4.3 above also highlights that 32/40 (80%) of the respondents strongly agreed whileo3/40 (8%) only agreed ando1/40 (5%) were neutral that downsizing can lead to disruption in production. Only 1/40 strongly disagreed.

A staggering 35/40 (88%) of the respondents agreed that the implementation of downsizing technique results in the disruption of production process or service. This is in line with Zunich (2012) who alluded that as a company downsizes production may stop or be severely affected and disrupted

4.6.4 Loss of business opportunities

As shown in the figureo4.3oabove, 35/40 (88%) of the respondents strongly agreed that the implementation of downsizing as a cost reduction technique results in the loss of business opportunities and 1/40 (3%) only agreed while 2/40 (5%) were neutral. 1/40 (3%) disagreed and 2/40 (5%) strongly disagreed.

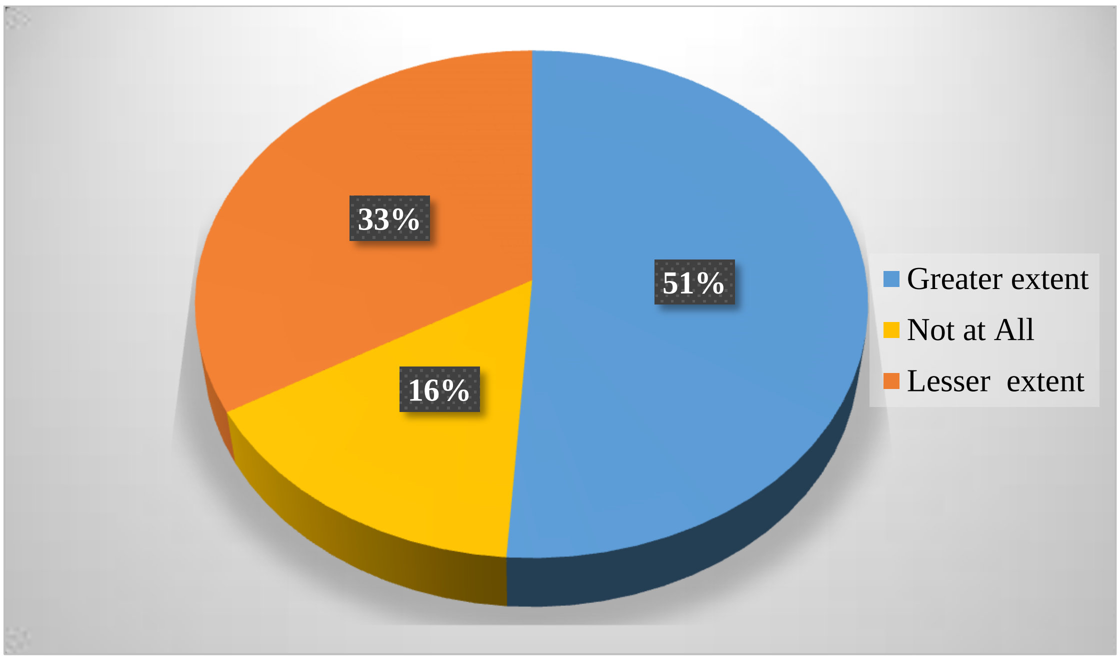
The overall ofo36/40 (90%) of the respondents agreed that during the implementation of downsizing as a cost reduction strategy, business opportunities will be lost. This is in line with the sentiments by Basu (2015) o hat an organization loses its good image by retrenching staff and customers and suppliers may avoid doing business with it as the fear for the survival of the organization.

The mode of 36/40 (90%) can be used to conclude that business opportunities are lost during and after implementation of downsizing technique as highlighted by Basu (2015).

4.7 Downsizing effect on employee productivity

Downsizing can affect positively or negatively on employee productivity

Figure: 4.4 Downsizing effect on employee productivity



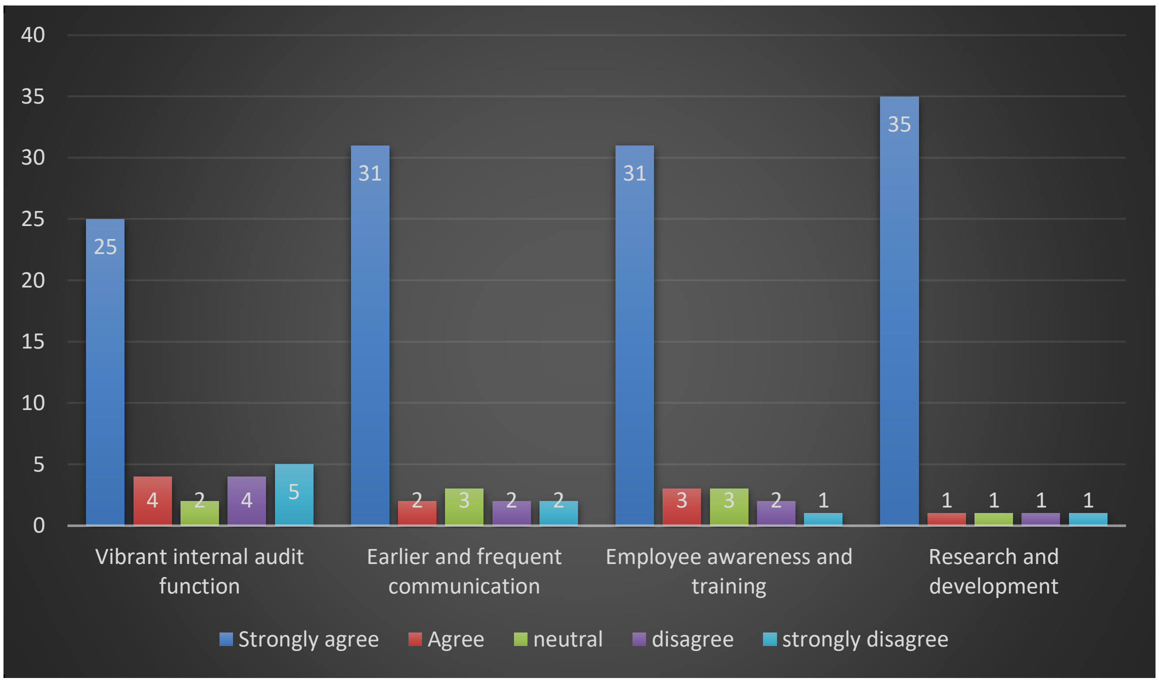
Source: Primary data (2018)

From the above pie chart it highlighted that 51% of the respondents indicated that the downsizing strategy affect welfare and productivity of workers to a greater extent, 33% of the respondents propose to a lesser extent that downsizing affect employee productivity. Only 16% of the respondents stated that downsizing did not affect the productivity of employees. Through the interviews with the bank workers the researcher found that employee productivity have been affected. They also added that these factors stress and demotivates employees. This is in unison with the findings found on the study of the Barclays bank of Kenya, the researcher argues that downsizing exercise leads to reduced level of productivity among staff members who survived the exercise. The bank being in the service industry, the mood of the staff members affects their output and this affects quality of service being offered to their clients.

4.8 Measures to ensure effectiveness implementation

They are measures which must be taken into account before implementing downsizing which includes vibrant internal audit function, earlier frequent communication, employee awareness and training and research and development.

Figure: 4.5 Measures necessary for downsizing



Source: Primary data (2018)

4.8.1 Vibrant internal audit function

As shown in the figure 4.5, (63%) of the respondents strongly agreed that having a vibrant IAF and ensure effective implementation of downsizing and 4/40 (10%) only agreed. 2/40 (5%) were neutral while 4/40 (10%) disagreed and the remaining 5/40 (13%) strongly disagreed.

An overall of 29/40 (73%) of the respondents agreed that having a vibrant IAF results in the effective implementation of downsizing as a strategy and this is in line with Oates (2013) who stated that a vibrant IAF ensures business processes, activities and structures are redesigned and remain responsive to risks thus maximize profits from the lowest cost possible. An insignificant proportion of 9/40 (23%) of the respondents disagreed that the vibrancy of the IAF can make a different on the success of the implementation process just as alluded by Mercer (2010) that the IAF itself is costly to establish and run to its recommendation. The remaining 2/40 (5%) were neutral which is in line with Berk (2010) who alluded that having a vibrant IAF does not guarantee cost reduction.

A mode of 29/40 can be used to conclude that the vibrant IAF can assist and ensure effective implementation of downsizing as was asserted by Oates (2013).

4.8.2 Earlier frequent communication

The above figure 4.5 shows that 31/40 (78%) of the respondents strongly agreed that communication does ensure effective implementation of downsizing and 2/40 (5%) agreed while 3/40 (7%) were neutral. 2/40 were strongly disagreed.

An overall of 33/40 (83%) of the respondents agreed that frequent communication does results in reduced cost and increased profits. This is in line with the sentiments of Ruch (2015) that communication with the employees before, during and after downsizing ensures a smooth and effective process.

The mode of 83% can be used to conclude that communication is a basic and foundation for effectively implementation of downsizing. This was in line with Ruch (2015) who alluded that communication guarantees effective implementation of downsizing technique.

4.8.3 Employee awareness and training

The figure 4.5 above shows that 31/40 (78%) strongly agreed that employee awareness and training results in effective implementation of downsizing and 3/40 (8%) only agreed while 3/40 (8%) were neutral. 2/40 (5%) disagreed and 1/40 (3%) strongly disagreed.

The overall of 34/40 (85%) argued that employee awareness facilitates effective implementation. This is in line with Mercer (2013) who alluded that a culture of training and awareness to employees encourages initiatives, noble ideas and participation of employees in building and growing the organization.

The mode of 34/40 was used to conclude that training and awareness of employees also guarantees the success of the cost reduction process as was stated by Mercer (2013).

4.8.4 Research and development

The figure 4.5 also shows that 35/40 (88%) of the respondents strongly agreed that continuous research and development of cost reduction and techniques results in effective implementation of downsizing. 1/40 (3%) only agreed, 1/40 (3%) of the respondents were neutral while 1/40 (3%) disagreed and the remaining 1/40 (3%) strong disagree.

A staggering 35/40 (88%) agreed that continuous research and development on reduction and control of costs ensures effective implementation. This is in line with Jung (2012) who stated that through research and development, the organization also develops a culture of continuous cost control with results in improved performance. A proportion ofo2/40 (5%) of the respondents disagreed and this is in line with Thompson (2012) who alluded that a lot of expenditure is incurred at research and development stage hence it may be wise to only implement cost reduction techniques without having to incur the research and development cost as well.

A mode of 35/40 can be used to conclude that continuous research and development is necessary to ensure successful and effective implementation of cost reduction techniques as was also emphasized by Jung.

4.9 Interview Responses

4.9.1. Success of the cost reduction techniques implemented

The cost and management Accountant of Barclays bank stated that the process of downsizing yielded significant and positive significant and positive results in the reduction of cost and boosted profits at Barclays gradually from 2015 to 2017. This agreed with the mode of 32/40 of the respondents from questionnaire who believed staff downsizing improved financial performance. Although they was a slightly significant contest by 8/40 of the respondents but the majority were in line with the sentiments of Basu (2015) who stated that downsizing ensures reduced personnel related cost hence increased profits.

The Finance manager of CBZ bank stated that service outsourcing was a cheaper method because it passed the burden, risk and responsibilities of a complete function in the organization to other companies especially in security thereby reducing cost and allowing the bank to concentrate on its core business. This was in line with the mode of 39/40 of the respondents who were strongly agreed that outsourcing is a successful method of cost reduction.

The Human resource manager of ZB bank however disagreed that personnel targeted strategies such as downsizing have many demerits that it may be much better to implement other strategies like optimization of business processes that did not affect personnel and still benefited the bank in the short and long term. Vergidis (2015) also stated that optimization of the business process reduced costs and enhances service quality.

4.9.2. Factors that are considered in cutting down cost

Standard Chartered branch manager emphasized that workers play a major role in ensuring effective implementation that the possibility of retrenching skilled employees has to be considered especially when downsizing. This was in line with Boyne and Meier (2012) who postulated that valuable workers are not lost during the implementation of cost reduction strategies. ZB bank finance manager and cost accountant emphasized that it is important to take into account implementation cost as they sometimes results in huge outflow of cash that will affect the profits of the bank. Dahl (2012) also stated that direct costs of implementation of cost reduction strategies must be taken into account against the benefits.

Barclays bank finance director alluded that the possible outcome on quality have to be considered when choosing cost cutting measures to implement. This was in line with Basu (2015) who stated that it is of greater importance that management should keep in mind product quality when formulating cost reduction strategy.

All the respondents agreed that management expertise, implementation costs and possible effects on quality are factors to be taken into account when choosing cost reduction strategy and this agreed with the mode of 29/40 of the respondents. Rother and Shook (2011) also supported that there are huge cost incurred in the process of downsizing.

4.9.3 Challenges faced in implementing the cost reduction techniques.

The human resource manager of CBZ explained that personnel morale usually affected by the implementation of cost cutting techniques. This was in line with Wegner (2013) who stated that downsizing of staff from the workforce and any other cost cutting measures usually lead to reduced motivation in employees as they became uncertain of losing their jobs as well.

The Operations manager of CBZ also highlighted that production process is often disrupted during implementation and profits as well. Zunich (2012) was in line with this that productivity and profits are negatively affected when companies downsized. Finance manager of ZB bank agreed that the implementation of its cutting cost techniques does not result in reduced profits as expenditure is cut. Gandolfi also postulated that even downsizing is implemented the organization can take long to get back on its feet due to retrenchment exercise.

4.10 Chapter summary

The chapter presented the data gathered and arranged it in tables, data analysis was done using graphs and percentage. Measures of central particularly the mode were used in interpreting the data and SPSS package was used to calculate validity and reliability of data gathered. The next chapter summaries chapters, establish conclusion and recommendations on the study.

CHAPTER FIVE CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main objective of the study was to show the effectiveness of corporate downsizing as a cost reduction strategy and do an analysis of the results guided by objectives and research questions. This chapter focuses on the summary, recommendations based on research findings and conclusion.

5.2 Summary of the study

The study aimed at investigation the effectiveness of corporate downsizing as a cost reduction strategy in Zimbabwean Commercial Banks. The objective of the study was to identify and analyze cost reduction strategies implemented by Zimbabwean commercial banks and to determine factors to be taken into account when employing cost cutting strategy like downsizing to guarantee a recovering financial performance. The importance of the research limitations and delimitations of the study were also explained.

The literature on the effectiveness of corporate downsizing was reviewed. Kitching (2011) and Bruton and Wan (2013) were of the opinion that it is essential to implement cost reduction policies such as downsizing to safeguard organizations and to stay competitive within the market while Flynn and Shaw (2014) claimed that other cost reduction methods may be costly and unsuccessful hence the need for organization to select carefully on which methods to implement.

Research approach and design was also explained. The researcher used descriptive research as method as a research design. A sample size of 55 respondents was also chosen from the selected population which achieved 72% as a response rate which was significant to the study. Research instrument to be used were also elucidated and these comprised interviews and questionnaires. The researcher then gave details of how data collected was to be presented and analyzed and likewise ethical consideration in the research.

Data gathered was presented and prepared using tables, graphs and pie charts and the information collected was analyzed using methods of central tendency that include the mean, mode and median. This encouraged accuracy and transparency in data presented and analyzed.

5.3 Conclusion

- The researcher concluded that the most effective cost reduction technique employed by commercial banks is downsizing. 83% of the respondents vouched for downsizing. 77% vouched for reduction of employee benefits. Most interview respondents decided that the two remained the most successful but also highlighted that employee retrenchment were effective and produced results even if employees did not favour the technique.
- The researcher also discovered that loss of skilled workers, effects on quality and management expertise were the top most factors to be taken into account by commercial banks when choosing downsizing as a cost cutting strategy as supported by 90%, 75% and 75% of the respondents who agreed respectively.
- It was exposed in the research that main encounters faced during the application of downsizing as a cost cutting technique are production disruptions, loss of business opportunities and reduced morale. Many respondents added that employee morale is reduced especially when personnel related costs are cut through retrenchment and allowance. The mode of 90% agreed that loss of business opportunities are lost while 88% agreed that it lead to disruptions in business activities.
- It was also recognised throughout the research that communication and awareness training are the main measures that can be implemented by commercial banks to guarantee effective implementation of downsizing as a cost cutting technique. A mode of 83% of the respondents agreed that both ideas guarantees effective implementation. Management interviewed also agreed that communication results in effective processes together with research and development. The mode of 88% of the respondents decided that research and development ensures effective implementation and a mode of 73% of the respondents agreed that a vibrant IAF guarantees the effective implementation of downsizing.

5.4 Recommendations

Zimbabwean commercial banks human resource department must be involved in the implementation of the downsizing policy by exercising earlier and frequent communication, employee awareness and putting advance notices to mitigate risk associated with downsizing like low morale of employees, disruption on production, reduced profits and lost business opportunities.

There should be done training after downsizing for the survivors of downsizing so as to reduce pressure and stress and this will make them feel that the bank had recognizes them and it will make them less resistance to changes to changes in work design's. Management should not solely concentrate on reducing costs but should also consider the welfare of the employees as well as the long term goals of the organization.

Management should assure the remaining staff of their jobs and should restructure the duties and responsibilities of employees to match with the remaining staff so as to reduce the problem of heavy workloads on employees.

Every employee should be involved in making decisions concerning cost reduction especially in their respective departments to avoid disruption in production and low morale by employees.

Continuous training and development of employees should be done by the company so that costs can be reduced and management should consider rewarding or giving a token for every reasonable cost reduction idea given.

5.5 Suggestion for further study

This research concentrated on finding out the effectiveness of downsizing as a cost reduction strategy of commercial banks but leaving other strategies. The researcher therefore suggest the analysis of other cost reduction techniques which can be implemented to reduce costs on commercial banks

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APPENDIX A

QUESTIONNAIRE

My name is Lewis Maenzanise and I am an undergraduate student at Midlands State University. As part of the fulfilment of the requirement for the award of an undergraduate degree, am conducting a research on **the effectiveness of corporate downsizing as a cost reduction strategy: a case of Zimbabwe commercial banks.** Kindly provide your responses to the questions. The information you provide will be treated with utmost confidentiality and will used for academic purposes only.

Kindly indicate by ticking where appropriate or fill in the spaces provided

QUESTIONNAIRE TO SUPERVISORS AND GENERAL STAFF

Instructions

I) please respond by ticking the appropriate box

2) Please answer all questions

1) The following techniques implemented by commercial banks effectively reduced costs and increased financial performance:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Staff retrenchment					
Reduction of employee benefits and allowance					
Asset retrenchments					
Service outsourcing					
Business optimization					

2) The following factors need to be considered when implementing cost reduction techniques.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Management expertise					
Loss of skilled personnel					
Implementation costs					
Effects on quality					

3) The implementation of costs reduction techniques results in the following effects.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Reduced morale					
Disruption in production					
Reduced profits					
Lost business opportunity					

4) The following measures can ensure effective implementation of cost reduction techniques

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Vibrant internal audit function					
Earlier frequent communication					
Employee awareness and training					
Research and development					

INTERVIEW GUIDE

Questions:

1. What cost reduction techniques have been implemented commercial banks?
2. What factors need to be considered when downsizing?
3. What has been the effects of successfully implementing cost reduction techniques like downsizing on the profits, productivity and efficiency commercial banks?
4. What challenges have been faced in implementing the cost reduction techniques?