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

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ABSTRACT

Most organizations effect employee separation programme with an aim of improving productivity and performance, increase competitiveness, decrease costs and improve quality. However, a number of separation processes in several Parastatals have negated this position. Some unexpected undesirable results have attracted both theoretical and practical experts’ attention to the output of separation and the main questions involved in managing separation. The study sought to determine the influence of separation process on the performance of the selected Parastatals in Kenya. The study analyzed six Parastatals in Kenya. Qualitative data was collected using questionnaires from 96 employees of the affected Parastatals. Regression analysis and independent t-test was used to analyze the data. A questionnaire was used to collect data from ninety six employees sampled through stratified random sampling. Linear regression and independent t-test were used to test the relationship between the independent and dependent variable. From the findings discussed above, the benefits of separation as envisioned in the structural adjustment programme are yet to be met by the affected Parastatals. The study found out among the identified four processes; ‘payment of dues’, ‘exit interview’, ‘handing over’, ‘transfer of knowledge ’and' separation processes, the study found insignificant relationship between the processes and organization performance. Therefore it can be concluded that separation programme at first instance does not influence organization performance rather it gives way for other organizational processes such as restructuring that in turn affect organization performance. Then the key driver for improving performance could not be identified from the singled out separation issues. The study recommends that employers manage the separation strategy in such a way that it minimizes disadvantages, whereas employee separation may be desirable in instances where employees underperform or whose skills are not matched with the organization’s mandate or goals, managers should limit the turnover rate of employees and ensure key employees are retained in the organization. Further the new employers should undergo a thorough vetting to ensure organizations tap best talent that can be retained in the long run in the organization. 

Key Words: Employee Separation, Separation Process, Performance, Parastatals
1. Introduction

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

Organizational performance cannot be viewed as a simple sum of individual performance. Although the research result of many studies suggest the existence of positive correlation between job satisfaction, individual performance and organizational performance. Regarding the studies that address employee separation and organization performance, is it clear generally does not bring some direct reward or benefit to a particular worker.

In several research done recently on organisational success; managers often point out that employee morale is one of the crucial factors for success. Even Napoleon said: the effectiveness of the army depends on its size, training, experience and morale and morale is worth more than all other factors together. Focusing on the recent times, it could be stated general that managers want to have satisfied employees who feel good in their work place; they prefer to work with people who have positive view of the job.

According to Eiser (2011), an organization would achieve productivity with proper human resource management techniques that go beyond pay incentives. These management tools and tips will help them get the productivity and performance they deserve while giving employees the rewards they want. Employees do not necessarily need to work harder to increase productivity (Figart, 2010) since working more efficiently and effectively can achieve the same result. One of the key management techniques that have helped managers achieve employee productivity is job evaluation concept. When the number of employees in a company grows, many companies find they need to do a job evaluation as it is difficult for Human resources to know each job in detail.
This helps the management to decide on the importance of individual jobs within the company (Eiser, 2011; Figart, 2010).

Bediako (2002) describes separation as a method in which the likelihood of reduction in employment is forecast and regulated. Consequently, separation is described as a process in which the number of workers is reduced based on reorganizational processes in the firm such as technological changes and alignment with world-class standard. With the looming threat posed by technological advancement such as the introduction of computerized automated work systems, many organizations both in the private sectors and the government find it necessary to downsize or right size their workforce in order to survive in the dynamic business environment. Companies wishing to protect their reputation, opt for the alternative such that instead of separating staff, they may refreeze employment, limit procurement of all assets or cut down the operational costs. As Mejia, Balkin and Cardy (2008), stated, most organizations search for alternative cost reduction methods before turning to lay-offs.

2. Statement of the Problem

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

It has been reported that Parastatals in Kenya are facing decline in productivity within a span of 5 years, most of the corporations have had to change the chief Executive officers at least twice which contributed to a negative effect on the productivity of employee. However, most of the Parastatals have maintained their workforce despite the complex nature of their jobs (Opiyo, 2006). Casio (2005) investigated the effect of changes in employment on financial performance of the organizations and concluded that there was lack of evidence to give credence to the premise that separation leads to increased financial performance as measured by return on investment. Critics
have cited results of separation done during economic boom as different from separation carried out during recessions. In additions, results of other studies available including Makawatsakul and Kleiner (2003) point out that separation has a negative impact on the retained staff and concludes that massive downsizing often seems to result into more problem than give solutions to them and for sure rarely achieve its original financial objectives.

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

3. Objective of the Study

The objective of the study was to establish the influence of separation process on the performance of the selected Parastatals in Kenya.

4. Literature Review

4.1 Goal Theory

The Goal theory founded by Latham and Locke (1979) points out some methodologies that link goals to productivity results. The methodologies focus on priorities; they urge individuals to put together their talents and experience into action to increase their likelihood of success. According to the theory, the more important is the goal to them, the more they will draw on their full repertoire of skills. Armstrong (2009) concurs that this theory supports the emphasis in productivity management on formulating and having consensus on objectives upon which productivity can be measured.
According to Nzuve (2009), formulating and disseminating the team’s objectives, giving space for people to be greatly responsible and encouraging opinions and giving room for lower staff to have the responsibility of implementing the ideas provides a challenge for the team members. This theory fits the fourth variable of the study that is; defining job scales/groups. When this process in job evaluation is achieved employees are provided with clear information and guideline concerning their work objectives, management, pay grade and responsibilities.

Armstrong (2009) in looking at motivation as a goal focused behavior; highlights that employees are inspired to perform when they expect that an action taken by the management is likely to contribute to the achievement of a goal and a valued reward – one that provides for their individual needs and wants. Motivating employees is concerned with enabling them to move in the direction the organization require them to move so as to attain an outcome.

4.2 Separation Process and Employee Performance

Downsizing can threaten employees’ Gribble, and Miller; (2009) conducted a research on identifying the psychological contracts underpinning the effects of employee separation. The employees who have time to find other employment before they leave their former organization are far better than those who have to leave the premises immediately. It must also be acknowledged however the pressure to find a new job is only defined underlying psychological constructs. It must be seen as a part of a solution rather than a total solution to the effect of separation. Loss of self-concept is based on how separated staff how other will see them as a result of their separation. They concluded that suck employees could be expected to suffer a loss self-concept and worry about what other people think about them as a result of involuntary separation.

Zatzick, Marks, and Iverson, (2009) in their research on which way to downsize in crises, noted that as many organizations have been crumbling to figure out how best to restructure and cut cost without jeopardizing the valuable human capital that they had built and managers have been inundated with advice on the does and the don’ts of lying off employees but the truth is that there is no one size fit all approach to downsizing. It was concluded that global economic downtime has forced many companies to make deep cut to their work forces.
Makawatsakul and Kleiner (2003), point out that for a long period, there exist a strong practice to perpetuate a downsizing strategy to handle economic pressures in the environment. Though it has been treated in the past as a short term measure, downsizing has been adopted as way to improve organizational performance. In addition, there are many expected benefits of downsizing, in terms of the economic level and increase operational efficiency of the organization. It can increase productivity, the value of the companies share.

Relevant skills, strategies and tactics are required to implement and manage employee separation. The main reason for this is that, selection goes with organizational change and resistance to change is a common occurrence in many organizations. Meier (2011) conducted a research on changing recruitment landscape. Based on his finding he stated that separation could be devastating, it affects not only the financials security of the individual and it also distorts personal worth and separation exposes the sacked staff to uncertainties, since they cannot be certain for how long they remain unemployed.

Kusum, (2004) conducted a study on revisiting the survivor syndrome, the role of leadership in implementing downsizing. It was found out that management usually overlooks the psychological effect of downsizing in terms of attitude and emotions. The management leaves the survivors frustrated and anxious, survivors are greatest losers when compared to leavers because they have to endure disillusion, frustrating and generally have a perception of insecurity. The author concluded that both management and affected employees also suffer adversely after downsizing has occurred.

Hassan, Tahir and Mohammad (2011) highlighted in their study on separation effect on job performance with mediating effect on work life balance. Based on their findings they reported that there is positive relationship workload and work life balance. It reveals that on the time of survey, general observation regarding workload and work life was interrelated the context of employee performance. It gives clue to the banking sector so that they can improve the employee performance during recession or restructuring and also create a balance between work and life and lastly if an employee has a clear role in work and family, then he can avoid conflicting and stressful situation that ultimately maximizes employee performance.
Vermeulen (2005); in the study on perception of procedural justice in the separation of managers, the study reported that the way people exit from organization is likely to influence their perception and psychological reaction to unemployment outcome. Also the findings reported that employee who experience involuntary separation react more negatively to unemployment and are more likely to perceive employee separation as a one sided breach of psychological contract with the organization.

The remaining workers focus on the acquisition of market-attractive skills and seeking job openings, which is a clear indication of a shift from organizational to career loyalty (Sheaffer et al., 2009). Such employees have tendencies of lack of concentration on their tasks while at the same time ignore objectives of the organization, which include quality and product development, among others. As a result, the organization suffers from stagnation or deterioration of productivity.

Positive selection results were equally identified on the level of the organization. Increased shareholder value and decrease in the general cost of labour became key economic achievements. Additional expected benefits of selections included; reduced overheads, removal of hierarchies, reduced bureaucracy, increased speed of decision making, more inclusive communication, flexibility in improving the firm’s capability for developing more distinct entrepreneurial conduct, improved productivity and income (Cameron, 1998, Cisco, 2002).

Even though selections have resulted to standardized strategic management in many organizations, their ability to effectively improve efficiency in organizations is obscure (De Meuse, 2004). Several theories contrast and research outcomes are conflicting (Krasz, 2004). Therefore, expected and unexpected findings must be investigated as a foundation for a more all-inclusive research question: How does cutting down the number of employees increase organizational performance, and is the increase in performance viable. It has been imagined that downsizing employees reduces costs and the organization processes and therefore earns competitive advantage and better performance (Cascio, 2002). Restructuring takes place when unwanted organizational layers are exterminated so as to allow focus on core capabilities and improved performance (Krasz, 2004).

Executives of organizations believe that expenses can be forecast more than inevitable incomes, and that costs on wages are fixed costs. Consequently, reducing expenses through downsizing is a viable bet for improving business performance, and ultimately raising shareholder value (Redman
& Wilkinson, 2009). Furthermore, shareholders are usually happy with reducing employees, although in recent times, studies have shown that declaration of downsizing has an overall negative impact on stock market prices. However, reduction in employees numbers send a message of streamlining of operations and uplift expected levels of performance in terms of profits. A favorable outcome will be reflected in terms of improvement of shareholders value and is expected to increase the organization’s attractiveness to positional investors (Cisco, 2002; Meier, 2011).

A number research works have been directed to financial performance on the basis the basis of the belief that firm’s main reason for being is profit optimization. Owing to the significance of profit in determining a firm’s market position (Gribble, & Miller, 2009), it is obvious that the relationship between downsizing and profitability outcome is of great importance. More studies have given focus to the divergence between long and short –term result (Sheaffer et al., 2009).

De Meuse, 2004) notes that separation may improve performance in the short-run because dismissal reduce expenses and improves profitability. Furthermore, firms have greater advantage from a basic improvement in output, as employees left behind work harder and more competitively in pursuit to keep their jobs (Krasz, 2004). Although there can be an increase in liquidity, basic increase in performance is short-term and can be inclusive of organizational behavior changes such as the survivor syndrome (Noer et al., 2006), in addition, a cost leadership strategy may be emulated by mistake and used in unintended manner.

Unlike in most East-Asian countries, India has over the years enacted and implemented a variety of legislation meant to protect the well-being of the worker. Thus there are laws protecting trade union rights, law that abolish bonded labor and child labor from hazardous industries, legislation guaranteeing a minimum wage and laws to prevent separation, layoffs and dismissal of labor.

Employee separation has been interpreted differently by many authors (Standing & Tolkman, 1991). It has advantages and disadvantages which are dependent on the method of management. It shows there is need for separation; its planning, implementation and impact are related. It also shows that the need for separation (for example, of an oversized public and private organization) leads to planning and implementation of the exercise. Implementation may result in favourable or unfavourable results and this has influence on employees who are laid-off and those who remain on their jobs. Separations affect the organizations the country.
5. Methodology

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

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

The study used likert scale questionnaires as a major tool for data collection. The questionnaires were dropped to respondents’ offices by both the researcher and 2 research assistants, and later collected after one week. This study was conducted in a normal setting and the research questionnaires were coded to exclude the names of the respondents hence protecting their anonymity. Consent of the respondents was sought and an assurance of confidentiality affirmed. All the questionnaires used in data collection were locked in undisclosed location and destroyed after they have served their purpose. Data was collected, coded and analyzed using SPSS version 20.0. The findings were presented in form of tables and pie charts and discussions and interpretation of the same given.

6. Results and Discussions

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

6.2. Descriptive Statistics

The study sought to establish whether separation process has an influence on organizational Performance. The respondents were expected to rate five questions on a 5 point Likert scale. Majority of the employees (61.54%) expressed a positive opinion that the employees were paid dues on the right time as shown in Figure 1. This is in line with the general expectation since the government through the World Bank initiative had set aside funds to cater for the separation costs. Most employees felt that exit interview was not done adequately. Respondents were indifferent on whether handing over was done during the separation process. In addition dissatisfaction was expressed on a manner in which knowledge was transferred to the retained workforce; likewise most employees were of the opinion that separation process was not used by most Parastatals.
Figure 1: Stacked Bar Chart on Separation process

From the descriptive statistics below, payment of dues reported the highest mean of 3.42 with a standard deviation of 1.11, followed by transfer of knowledge at 2.64 and standard deviation of 1.006. Exit interview had the least mean of 1.69 and a standard deviation of 1.241. Hence most respondents agreed that payment of dues were aptly paid. Exit interview was not done to satisfactory.

Table 1: Process of Separation

<table>
<thead>
<tr>
<th>Process of Separation</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Were dues paid to the affected</td>
<td>78</td>
<td>3.42</td>
<td>1.111</td>
</tr>
<tr>
<td>Was exit interview done</td>
<td>78</td>
<td>1.69</td>
<td>1.241</td>
</tr>
<tr>
<td>Was handing over allowed</td>
<td>78</td>
<td>2.42</td>
<td>1.295</td>
</tr>
<tr>
<td>Was separation process used</td>
<td>78</td>
<td>2.28</td>
<td>1.172</td>
</tr>
<tr>
<td>Was transfer of knowledge used</td>
<td>78</td>
<td>2.64</td>
<td>1.006</td>
</tr>
</tbody>
</table>
The $H_0$ stated that there is no statistically significant relationship between the separation process and organizational performance. Stepwise regression failed to include the variable at 5% significance level, the variable was insignificant hence the study finds no evidence of association between this separation process and performance. The independent t-test was carried out to test the relationship between organization performance and separation process, the mean for the firms that indicated improved profitability had a higher mean compared to those that reported a contrary view. The difference was not statistically significant. Therefore, there is no evidence to support that a relationship exists between organization performance and the method of separation (Method; $t=0.330$, df =73; $p>0.05$).

### Table 2: Independent T-tests

<table>
<thead>
<tr>
<th>Process of Separation</th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>0</td>
<td>0.992</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>0.334</td>
<td>53.214</td>
</tr>
</tbody>
</table>

### 7. Conclusions and Recommendations

The study found out among the identified four processes; ‘payment of dues’, ‘exit interview’, ‘handing over’, ‘transfer of knowledge’ and ‘separation processes, the study found insignificant relationship between the processes and organization performance. Therefore it can be concluded that separation programme at first instance does not influence organization performance rather it gives way for other organizational processes such as restructuring that in turn affect organization performance.
performance. Then the key driver for improving performance could not be identified from the singled out separation issues.

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


