

The effect of downsizing on employee performance  
A case study of Postbank

by

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APPROVAL

THE EFFECT OF DOWNSIZING ON EMPLOYEE PERFORMANCE  
A CASE STUDY OF POSTBANK

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DECLARATION

THE EFFECT OF DOWNSIZING ON EMPLOYEE PERFORMANCE  
A CASE STUDY OF POSTBANK

I declare that this thesis is my original work and has not been submitted to any other college or university for academic credit.

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## LIST OF ABBREVIATIONS AND ACRONYMS

CEO:	Chief Executive Officer
COYA:	Company of Year Awards
KPOSB:	Kenya Post Office Savings Bank
MBO:	Management by Objectives
NACOSIT:	National Commission for Science, Innovation and Technology
SPSS:	Statistical Package of Social Sciences

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## ABSTRACT

Downsizing is defined as a deliberate organizational decision to reduce the workforce in order to increase organizational performance. There are various strategies used in downsizing, namely workforce reduction, work redesign, and systemic strategies. Downsizing using the workforce reduction strategy has been regarded as the harshest way of improving efficiency, productivity and worker competencies because of its impact on both the victims and survivors. For the purpose of this study, the word 'downsizing' has been used to refer to 'workforce reduction'. The objectives of the study were to analyze the process of downsizing by Postbank, the effects of downsizing on its employees and the challenges faced by the organization as a result of downsizing. This study set out to investigate the effects of downsizing on employee performance. The researcher adopted a descriptive research design. The target population for this study involved employees of Postbank, head office in Nairobi. A representative sample was drawn from this population using stratified random sampling. The research instruments used were questionnaires, interview and focus group discussions. Data collected were analyzed using the SPSS computer package version 21 and findings were presented in percentages. The findings of the study revealed that downsizing at Postbank had negative effects on employee performance. The major effects were low job satisfaction, low commitment levels, lack of motivation and lack of trust in the organization. The major challenge facing the organization was loss of skills and knowledge and customer service. The study recommended measures such as managing on change and transition motivate and manage survivors as well as effective organizational communication. The study further suggested on research of downsizing on organizational performance at Postbank and its long term effects.