

THE IMPACT OF COST SAVING ON SERVICE QUALITY

By

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DECLARATION

Statement 1

I, Fiona Mary van Rayner, hereby declare that the work in this research paper is my own original work.

Statement 2

I hereby declare that all sources used or referred to have been documented and recognised.

Statement 3

I declare that this research paper has not been previously submitted in full or partial fulfilment of the requirements for an equivalent or higher qualification at any other recognised education institution.

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ABSTRACT

The aim of all companies is continuously to improve their products and/or services. Managers need to understand what service quality entails and what measures to take to ensure that quality is upheld and employees are satisfied.

Cost-saving initiatives often require certain changes to take place within the organisation. In the event of such changes, the psychological contract is often violated, which may have a positive or negative effect on the affected individuals.

Management expects to get more work done with fewer employees, who in turn are expected to keep up the service quality. The current shortage of medical technologists in the country has made it impossible for them to cope with the heavy workload. As a result, many leave the profession and venture into something completely different. Those that are left become completely demotivated; they experience less job satisfaction and show less commitment to their work. However, some may even embrace the changes because to them it may mean bigger and better challenges.

The aim of this study is to identify which approaches management took to ensure cost saving and how these approaches impacted on the behaviour of employees.

A literature review was conducted to determine what the theory reveals about cost saving and its impact on employee behaviour. This was followed by an empirical survey conducted within the National Health Laboratory Services in the Ibhayi region.

Finally, the practical findings and literary theory were compared to make recommendations to management on how to ensure positive employee behaviour and boost employee morale.

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CHAPTER 1

PROBLEM STATEMENT AND OUTLINE OF STUDY

1.1 INTRODUCTION

In June 1999 the South African Institute for Medical Research underwent a transformation process to unite the fragmented public health services. In this way, duplication of service could be avoided, thus ensuring cost efficiency and waste elimination. It then became known as the National Health Laboratory Services (NHLS), a network of integrated pathology laboratories throughout the country that utilise common laboratory systems.

(http://www.nhls.ac.za/about_we.html:14/08/2006).

This network of laboratories was divided into five branches, with each branch having its own executive regional manager. The branches were further subdivided into regions, with each one having its own business manager.

(http://www.nhls.ac.za/about_we.html:14/08/2006).

Later in the year 2000, management in the Ibhayi region announced that the Microbiology laboratories at the main hospitals should merge. Later, in 2003, the Haematology departments at the same two hospitals also merged to form one unit. The rationale behind this was to save costs and to centralise more expensive tests.

During and after the transformation process, many key people left the organisation. They either took early retirement packages or left the company to find employment with the private pathology laboratories. The result was a major staff shortage, leaving the remaining staff with a heavier workload and having to work overtime.

1.2 MAIN PROBLEM

The aim and main problem of this research is

- To evaluate the impact of cost saving measures on service quality in the National Health Laboratory Services.

1.3 SUB-PROBLEM

The following sub-problems have been identified to solve the main problem:

Sub-problem one:

- What criteria do management use to determine the need for cost saving?

Sub-problem two:

- How do the cost saving initiatives impact on employee behaviour?

1.4 OBJECTIVES

- To identify the cost saving criteria revealed by the literature
- To assess the impact of these criteria on employee behaviour
- To make recommendations as to what management should do to minimise negative behaviour

1.5 DEFINITION OF KEY CONCEPTS

1.5.1 Cost

Cascio (1991:7) explains that cost can be conceptualised in two ways. One reflects outlay cost (for example, materials used in training new employees and acquisition of new machinery) versus time costs (for example, supervisors' time spent orienting new employees). A second distinguishes between fixed, variable and opportunity cost. Fixed costs are independent of production rate; for example, salary and fringe benefits for personnel who replace absentees. Variable costs rise as production rate rises; for example, overtime remuneration. Opportunity costs reflect what organisations might have earned had it put the resources in question to another use. Opportunity cost would be the profit lost during the replacement process. Only variable costs are related directly to behaviour. Fixed costs are incurred regardless of behavioural occurrences, while opportunity costs are realised only if some employees put their free time to productive use while others do not.

1.5.2 Quality

Slack, Chambers and Johnston (2001:45) define quality as “doing things right”. This means that fewer mistakes are made and less time will be spent correcting mistakes that might lead to confusion and irritation inside operations. These authors further explain that the quality objective has both an external aspect to it, which leads to customer satisfaction, and an internal aspect, which leads to a stable and efficient organisation (Slack, Chambers & Johnston, 2001:46).

1.5.3 Job satisfaction

Potgieter (2003:219) refers to job satisfaction as “a personal appraisal of the job and the psychological experience at work”. It measures a specific individual’s general attitude towards his or her work.

1.5.4 Organisational Commitment

Organisational commitment is the degree to which an individual identifies with the company, company goals and the intention to quit, on a personal level (Potgieter, 2003:221).

1.5.5 Motivation

According to Bagraim (2003:52), motivation “is the force within us that arouses, directs and sustains our behaviour.” The arousal is the energy that drives behaviour, which in turn leads the individual to choose certain behaviour to achieve his/her goal. Sustaining the behaviour is the individual’s willingness to persist at attempts to meet his/her goal.

1.5.6 Communication

Kelly (2000:92-101) as quoted by Schultz (2003:118) describes communication as the exchange of information between two or more individuals. The information is understood by all parties involved with the intention to motivate or influence behaviour.

1.5.7 Involvement

Potgieter (2003:221) defines job involvement as the degree to which employees identify with the job. They participate in the job activities and consider the importance of their job performance.

1.6 DEMARCATION OF THE RESEARCH

Delimiting the research makes the topic manageable. The scope of the research is limited to the National Health Laboratory Services. The staff involved includes the support staff and all junior and senior technical staff up to supervisory level. However, the researcher does not imply that research on the same topic is not needed in other organisations.

1.6.1 Geographical demarcation

The area to be researched is limited to the Ibhayi region in the Eastern Cape Province, which has gone to great lengths to achieve cost savings.

1.7 THE SIGNIFICANCE OF THE RESEARCH

Costs are the bases for budgeting and eventual cost control. It keeps the quality aspect of the business under the spotlight. If, for example an organisation wants to identify high-cost problem areas, then approximate costs will suffice. If, however the purpose is to set a percentage cost-reduction target on total quality related costs, it will be necessary to identify and measure all the contributing

cost elements to be sure that costs are reduced and not simply transferred elsewhere (Dale & Cooper: 1992:34-5).

Organisations should decide how to deal with overheads since many quality-related costs are normally included as part of the overhead, while others are treated as direct costs and attract a proportion of overheads (Dale & Cooper: 1992:34-5).

The findings of this research could be used by management as a point of departure to retain and develop employees to an extent that the National Health Laboratory Services can become the employer of choice for the future.

1.8 AN OVERVIEW OF THE RELATED LITERATURE

Corporate leaders are under constant pressure to add value to their companies. Processes that are not central to the company's operations are streamlined and leaders focus more on strategic or core processes (Schulman, Harmer, Dunleavy & Lusk, 1999:3).

Managers need to understand the cost, time and quality of activities performed by employees or machines throughout an entire organisation to achieve the major goals of business process improvement, process simplification and improvement. Productivity can be improved when waste is eliminated or reduced when information replaces expenditure of capital and when cost, risks and rewards are shared among organisations. (Costing organisational activities, nd).

According to Slack, Chambers and Johnston (2001:55), cost will be the main objective to companies that compete on price. The lower the cost of producing goods and services, the lower the potential price to their customers. Even companies that compete on things other than price, however, will be interested in keeping their cost low. Low cost is a universally attractive objective. The ways in which cost is influenced depend on where the costs are incurred. Money is spent on:

- Staff cost (the money spent on employees)
- Facilities, technology and equipment costs (money is spent on buying, caring for, operating and replacing the operations hardware), and
- Material cost (money spent on materials consumed or transformed in the operations) (Slack, Chambers & Johnston, 2001:55).

Since staff salaries are the largest part of the budget, it is also a major object in resource allocation. Changing staff behaviour is a major factor in improving the quality of service. When making changes, good human resource management is required to maintain high performance levels. Better staff performance is possible if employee skills can be improved or new skills are acquired, or employee commitment can be increased or morale can be improved (Human Resources in the Health Sector, nd).

Organisations rely on the knowledge and creativity of employees in conducting business and generating innovative products and services for their customers. Employees are considered the most significant source of operating expense. Businesses are taking alternative ways to cope with downturns. Some decide to cut costs by cutting employees, while others decide to cut costs without cutting peoples (Cascio, 2002:4).

Cascio (2002:4) also states that, although layoffs are intended to reduce costs, some costs may increase. An alternative to layoffs is 'responsible restructuring', which often results in a reduced workforce that is accomplished through mechanisms such as attrition, early retirements, voluntary severance agreements, or layoffs.

Cost saving initiatives always affect employer-employee relationships, either positively or negatively, depending on the approaches that management use to relate to employees. Cascio (2002:38-40) mentions three types of employee-organisation relationships:

First is the 'mutual investment' relationship in which the employer offers more than just short-term monetary rewards. The employer is concerned with the employee's well-being and career. The employee, on the other hand, agrees to

do extra work even if it falls outside his expertise or prior agreements with the organisation. Employees who work under these arrangements show high commitment to their jobs and the organisation, and endorse the overall fairness of decisions regarding pay. As a result, the quality of service also improves (Cascio, 2002:38-39).

Second is the under-investment relationship in which the employee is expected to 'undertake broad and open-ended obligations'. The employer, on the other hand, only offers short-term rewards. There is no intention of building a long-term relationship or assisting the employee in his career development. Employees working under these conditions reduce their performance; they refuse to do anything extra and are often absent from work (Cascio, 2002:39-40).

The third type of relationship is referred to as 'over-investment'. The employees perform their activities while the employer offers a broad range of rewards, including training opportunities for career advancement. These employees also show a higher level of performance and a favourable attitude towards their jobs.

Levit (1994:117) states that there is no doubt that laying off direct labour personnel will immediately reduce the payable burdens associated with labour group. If labour content remains constant, then labour cost may even go up if overtime or additional shifts are required to meet production requirements. Various indirect impacts that can be expected as a result of layoffs include:

- An impact on trust
- Additional burden to remaining employees
- Lowered morale
- Impeded organisational ability to adopt new methods or technologies
- Diminished quality
- Decreased productivity
- Confused teamwork
- Retarded responsiveness
- Lowered maintenance
- Retraining costs
- Unstable workforce, hiring and firing to meet seasonal fluctuations

(Levit, 1994:118-120).

Research indicates that millions of people have lost their jobs, while those remaining experience a high degree of job insecurity as a result of organisational change through restructuring or downsizing. Job satisfaction is lowered and absenteeism increases because of remaining employees suffering from psychological distress and poor health (Greenglass 1, Burke & Fiksenbaum, 2002).

1.9 RESEARCH METHODOLOGY

This section outlines the research methodology that was followed to solve the main problem and sub-problems.

1.9.1 Literature survey

A literature survey was conducted to identify criteria for cost-saving, measures of cost saving, and the resultant impact of these within the National Health Laboratory Services in the Ibhayi region, Eastern Cape province.. Additional information was gathered from the libraries of the Nelson Mandela Metropolitan University, as well as the Internet.

1.9.2 Empirical study

The empirical study proceeded as follows:

- A survey was conducted in the demarcated area among support staff and junior and senior technical staff including unit supervisors. A questionnaire was drawn up by the researcher to find out how the cost saving initiative have affected the employees.
- The measuring instrument was a comprehensive questionnaire based on the information from the literature study.

1.10 KEY ASSUMPTIONS

It was assumed that cost saving initiatives would be welcomed by employees, with the intention to improve the quality of service delivered by employees.

1.11 OUTLINE OF STUDY

The research was planned to include the following chapters:

Chapter 1: Introduction, problem statement and definition of concepts

Chapter 2: Criteria used to determine the need for cost saving.

Chapter 3: The impact of cost saving on employee behaviour.

Chapter 4: Research methodology and analysis of biographical details

Chapter 5: Analysis and interpretation of results

Chapter 6: Summary, conclusion and recommendations

1.12 CONCLUDING REMARKS

The main problem and sub-problem were stated in this chapter. Key concepts were defined, a related literature review was presented and the study outline was highlighted. In chapter two the criteria that companies use to determine the need for cost savings are discussed.

CHAPTER 2

CRITERIA USED TO DETERMINE THE NEED FOR COST SAVING

2.1 INTRODUCTION

According to Schuler and Harris (1998:4), new world-class companies of all nations found that improved quality resulted in improved cost and productivity. Bonini, Sharfin, Norris and Doyle (2003) explain that companies are often looking for ways to reduce cost and will use different approaches to achieve their goals.

Companies should be able to identify and reduce waste. This information can be used to seek areas in need of improvement, thus leading to increased profitability and service quality.

For the purpose of this study the following points will be discussed in this chapter:

- Understanding the ideas behind cost savings.
- The cost of quality.
- Waste identification.
- Laboratory audits.
- Systems and processes.
- Current procedures.
- Application of International Organisation for Standards (ISO Standards).
- Human resources issues as a way of saving costs.
- A strategy to introduce, position and integrate cost reduction into the organisation.

2.2 UNDERSTANDING THE IDEAS BEHIND COST SAVINGS

Managers must understand and use certain principles to understand the ideas behind cost saving. Pereus (nd) suggests that, firstly, goals must be set to improve services and cutting expenses. Managers must therefore focus on

continuous improvement and cost savings, and make employees aware of such goals while at the same time give them a chance to implement their ideas.

The goals must be based on customers' requirements and expectations rather than internal company standards. This will enable companies to measure and monitor features that customers care about (Zeithamel, Parasuraman & Berry, 1990:83). Goals must be challenging but realistic. It should be:

- Designed to meet customers' expectations
- Specific. This will enable service providers to understand what customers ask them to deliver.
- Accepted by all employees. Employees will perform to standard once they understand the goals.
- Managers should indicate which aspects of the job are essential.
- Measured and reviewed regularly. This will enable corrections to be made where necessary.

(Zeithamel, Parasuraman & Berry, 1990:83).

Secondly, employees must be encouraged and rewarded for their efforts. This will cultivate trust among employees. Thirdly, there must be systems in place to ensure that money is spent on the right strategies. Fourthly, information technology can be used to collect data. This will allow better focus on measurement and improved performance (Pereus, nd). By conducting a self-assessment of the business, operations and administrative functions, these principles can be translated into cost savings.

2.3 THE COST OF QUALITY

Budget and finance executives tend to regard costs, revenues and 'hard' productivity measures, rather than quality, as the drivers of the organisation. Costs may be tangible but it is not necessarily the most accurate indicators of fixed costs growth potential or total quality improvement (Milakovich, 1995:130-1). Four categories of traditional costs of quality can be identified, namely internal failure costs, external failure cost, prevention costs and appraisal cost. The former two are referred to as the cost of poor quality, and the latter two are

referred to as the cost of good quality. Internal failure costs usually exceeds external failure cost because external failures costs will be brought to the company's attention through customer complaints (Fellenstein, nd).

Since managers do not always understand the losses incurred because of poor quality, it will be wise to implement a Total Quality System (TQS). Non-value added expenses would be eliminated, thus reducing the cost of poor quality. Managers need to understand the interaction between cost, quality and productivity in order to cultivate a quality-managed cost effective and continuous improvement culture (Milakovich, 1995:131).

Effective control of the cost of quality can eliminate problems, reduce inventory and increase communication. The cost of good quality in a clinical laboratory can be illustrated as follows:

- The cost of planning for quality (prevention cost), and
- The cost of doing quality control (appraisal cost).

Wasted time and effort on materials are indicators of poor quality, which results from repeating control runs and patient blood samples (internal costs). Doctors often repeat test orders and/or add additional tests to confirm laboratory results (external failure cost) (Périgo & Rabelo, nd).

2.3.1 The importance of measuring poor quality

In many organisations uncertainty exists because quality measures do not exists, problems are solved as they occur or their existence is denied. Once managers understand the relationship between cost, quality and productivity, it will enable them to determine the cost of non-conformance and the cost of conformance (Milakovich, 1995:134).

The cost of non-conformance increases cost because thing are not done right the first time. In health care this may result in litigation and law suits because of wrong administration of medication due to erroneous laboratory results. The price of conformance is the costs incurred by doing the right things right in the first place at the right time (Milakovich, 1995:134-5).

Organisations should analyse the costs incurred by defective work that has to be fixed. Breaking down costs into direct and indirect costs can do this. Direct costs can the further be broken down into controllable (prevention and appraisal) cost and resultant (internal and external) (Milakovich, 1995:135).

2.4 WASTE IDENTIFICATION

Waste can be found in every aspect of business. Many kinds of resources are inputs that are transformed to create products and services as output to meet customer needs. In addition to this, waste is also generated through this transformation (Smith, nd).

Inman (1998) explains that consultants have identified a number of items of waste at activity and facility level. These are

- Poor procedures which means that work is not done as needed even though everybody is doing their best.
- Failure to delegate, therefore delaying the process of decision-making and reducing control effectiveness.
- Losing customers and having to win them back or replace them.
- Levels of queries or complaints with customers taking up people's time.

Traditional wastage areas include:

- Continuing to work on something which will inevitably be rejected.
- Rework to rectify something which is not as needed.
- Inefficiencies in processes – using more than is necessary to produce good output. This may be due to unnecessary operations, poor supervision and poor methods, which constrain production.
- Waiting time and downtime which could have been prevented.

Companies must use internal measurement to manage themselves more effectively, and external measurements that will help them face uncertainties inherent in venturing beyond the traditional roles to new and expanded areas. Through external measurement, an organisation will be able to identify room for improvement and its greatest concern for staying competitive (Czarnecki, 1998:3-7).

2.5 LABORATORY AUDITS

Performance audits can be conducted to examine cost efficiency, productivity, timeliness, service levels, and output, and effectiveness and business practices. Most laboratories conduct paper trail audits, or audits to identify deficiencies. Deficiencies may include inconsistencies in monitoring laboratory support equipment, incomplete training files, inadequate bench space, facilities or instrumentation, improper error correction, a procedure for cleaning glassware and inadequate reviews of logbooks (Kassakhian, nd).

2.6 SYSTEMS AND PROCESSES

Milakovich (1995:139) states that service processes can be improved by successive cycles of analysis, measurement, performance evaluation, and controlling for consistency. This should be done on an ongoing basis. Procedures for measurement may become standardised and the whole system ultimately improves.

Further, total quality indicators can be used as the basis to demonstrate service quality. These indicators must be comparable, based on fact and consistent with other providers. It must be supported by internal management systems that are designed to set quality standards, define customer requirements and monitoring them, and provide statistical feedback to eliminate the underlying causes and cost of poor quality (Milakovich, 1995:123).

2.6.1 Total quality indicators

In 1996 Hennequin-Le Meur, Triadou, Lucet, Lacour and Chastagnol (nd) created a Quality Management Committee that has developed a five-year programme. The objective was to implement a successful quality improvement tool, which would allow them to follow the update of care procedures and to provide suitable educational and training opportunities for the professional staff.

Hennequin et al (nd) found the following quality indicators to be useful:

- Management: department projects, quality policy and quality objectives.

- Quality Management: internal and external quality control, identification of non-conformities.
- Laboratory equipment including consumables: follow-up of maintenance of equipment, damage and malfunction recording, transport, storage and use of consumables.
- Health and Safety: incidents related to waste disposal and to radioactivity use.

2.7 CURRENT PROCEDURES

The rapid changing environment has forced companies to change their mode of operating. Technology plays a big role because of increased customer demands.

The laboratory plays a critical role in providing timely results to doctors since they use the information to make decisions regarding patient care. Laboratory managers must realise that, because of the diverse nature of laboratories, connectivity and communication are critical components for laboratory success (Park, 2004). The computer revolution made it possible for clinical laboratories to become early adopters of new technology. Hospitals expect clinical laboratories to deliver more revenue and to operate with positive margins. This calls for laboratories to be more effective and efficient in delivering services, thus enabling them to expand in scope and client base. This can be achieved by re-engineering key laboratory operations as well as customer billing, customer service and other functions such as specimen processing and dissemination of results (Park, 2004).

A recent case study conducted at the John Mather Hospital in Port Jefferson New York, has shown how services have improved after adoption of the latest technology. Test volume at the hospital has increased by 82,6% since 1993. The hospital had to address the new changes and realised the benefits of new technology. It changed from the traditional laboratory-bench set up (with separate testing stations) to an integrated laboratory delivery system. The new system is currently processing 80% of the laboratory's test volume in clinical

chemistry alone (Beckman Coulter, nd). The John T Mather Memorial Hospital used turn around time, productivity and overall cost as measures to establish success. It was found that turnaround time has decreased, productivity has increased, overall cost has decreased and profitability has increased (Beckman Coulter, nd).

2.7.1 Dimensions to justify return on investment

Companies invest in new technologies hoping that operations pay for themselves either by a reduction in expenses or that their business will expand. Laboratory management teams see this as profit opportunity. The expansion is justified by return on investment by examining the following dimensions:

- Increasing efficiency in the laboratory (for example, cost savings realised by electronic order entry)
- Reducing user error through electronic ordering tools that provide advanced data validation
- Increasing reimbursement rates with automated medical necessity checking, and streamlining the specimen intake process

(Source: Park, 2004).

2.8 APPLICATION OF INTERNATIONAL ORGANISATION FOR STANDARDS (ISO STANDARDS)

Although ISO standards are well known in the manufacturing industry, it is fairly new in healthcare and service organisations. The idea behind ISO is to make development, manufacturing and supply of products and services more efficient, safer and cleaner (Périgo & Rabelo, nd).

ISO certification standards are more concerned with management and processes. It does not contain requirements for specific products. Specific standards merely serve as guidelines but the approach is more of a technical and specific nature. It assists in the organising and standardising of processes to achieve better results.

ISO 15189:2003 – Medical Laboratories: particular requirements for quality and competence, is a specific standard that can even be adopted by international bodies for accreditation purposes. It became a widely accepted standard for accreditation of laboratory competences. Laboratories will be able to organise their operational procedure more efficiently, meet customer expectations and improve service quality. Medical laboratories can be assessed on their technical competence as well as the effective quality management of a professional service (Périgo & Rabelo, nd).

ISO 15189 standards consist of both management and technical requirements. The management requirements are more generic requirements related to quality while the technical requirements are more specific requirements related to activities carried out by clinical laboratories (Périgo & Rabelo, nd).

Medical/clinical laboratories play a vital role in patient care. By adopting ISO 15189 standards, these laboratories will meet the needs of medical practitioners and patients alike who, in turn, will show more confidence in these laboratories.

2.9 HUMAN RESOURCES ISSUES AS A WAY OF SAVING COSTS

The cost of doing business within healthcare organisations has increased significantly over the past two decades. This was primarily due to decreased payments. Organisations had to find additional ways to reduce cost. The financial concerns inspired healthcare organisations to operate more efficiently, which forced them to look within to find ways to save cost (Long, nd).

Various elements of cost need to be analysed to understand the full cost of customer service. Conner (2003) identifies the following costs:

- Direct labour cost
- Benefits including holidays, vacations and sick leave
- Hiring/recruiting costs
- Training costs
- Management/supervision overhead cost
- Customer service

- Equipment maintenance cost
- Customer training cost

Once these cost elements have been identified, organisations can analyse their current situation and quantify the current cost of customer service delivery. This cost will then become the baseline by which all improvement efforts will be measured (Conner, 2003).

2.9.1 Evaluating labour contracts

Labour cost and the cost of supplies are often regarded as primary areas to find savings. According to Pereus (nd) the 1960s and 1970s were marked by labour relations that resulted in the addition of contract language 'aimed at compensating for the fact that public money was scarce and private sector money was soaring'. In modern days there are more wage-and-benefit packages in the public sector than in the private sector. However contracts in public sector still include costly language that covers areas such as overtime, sick leave and vacations. This can impact on productivity especially if staff performs limited work as stated in the contract. This calls for management to develop a plan, which focuses on mutual interests and alternative solution, to identify and eliminate costly language that impedes service and performance (Pereus, nd).

2.9.2 Controlling absenteeism

Absenteeism often increases costs because often substitutes have to be used, or people have to work overtime. This is often due to sick leave or sometimes just ordinary annual leave.

Organisations can control this situation effectively by setting certain standards, and developing a reporting system that gives managers information on the employee's use of sick leave (Pereus, nd). This will prevent employees from using sick leave for personal reasons, which is often the case (Carrell, Elbert, Grobler, Hatfield, Marx & Van der Schyf, 1998: 398). Establishing discipline steps that conform to the guidelines set out in the Basic Conditions of Employment Act can enforce these standards.

2.9.3 Worker compensation costs

Management should design and implement safety plans to reduce worker compensation cost. They can start by gathering data on work injuries, lost time, medical claims and worker compensation costs for the past five years. This information can be shared with union leaders. Steering committees among management and union leaders can be formed to review the data, set priorities and develop plans to prevent the leading causes of injury (Pereus, nd).

Health and Safety professionals have realised the importance of cost justifications regarding the health and safety of employees. Their programmes, aimed at improving employee health by reducing work-related hazards exposure, have become important enough to support their funding needs in the past. As a result the Health and Safety field did not focus on the skill and data collection systems to support their return on investment (ROI) statements (Ergo Solutions, 2004).

2.9.4 Ergonomics

Ergonomics is a relatively new frontier for Health and Safety. It is seen as an expense rather than an investment with financial gains. Many ergonomic improvements are not well deployed and no results are achieved (Ergo Solutions, 2004).

Any organisation investing in ergonomic programmes must ensure that the projects undertaken are 'effective' enough in reducing hazard exposures to achieve results. This is usually accomplished through engineering controls such as changes to the equipment, tools, controls, workstations and workflow that eliminate or significantly reduce risk factors (poor postures, excessive forces and high rates of repetition). Engaging in projects that merely involve changes to task responsibilities and/or procedures and methods that reduce exposure to risk factors, are less effective in reducing potential injury. As a result, no financial gains in productivity and quality will be achieved (Ergo Solutions, 2004).

2.9.5 Staffing

Conner (2003) explains that managers can use forecasted service demand and established service goals to meet staffing needs. This will enable them to determine the optimal number of people required to handle the service demand, since too few people will miss service level goals while too many will increase cost without adding value.

Service customer demand may vary by month, day or week. Organisations using fixed staffing levels often struggle because they did not 'significantly' overstaff. The result is high cost to the detriment of service quality (Conner, 2003).

2.10 STRATEGY TO INTRODUCE, POSITION AND INTEGRATE COST REDUCTION INTO THE ORGANISATION

Martin (nd) explains that an organisation can expect maximum value, in the form of direct savings and the instalment of a culture of efficiency, by using cost reduction strategies that are well conceived by managers and supervisors. He suggests the following five steps that managers should follow if they want to introduce, position and integrate a cost reduction strategy.

Step one

Managers must generate buy-in with key stakeholders on the need and definition of strategic cost reduction. Employees always see layoffs in a negative light. This requires an explicit explanation by managers to employees what strategic cost reduction is and the benefits that can be achieved. Employees must understand that the core purpose of cost reduction is to eliminate waste and conserving resources. The resultant savings can be reinvested in other assets, like employees, training, technology and research and development, that are critical to the organisation (Martin, nd).

This does not mean that quality will suffer or that the service provided will be inferior. Instead it will enable the organisation to better leverage existing and

new assets to bring value to customers and shareholders. Chief executive officers (CEO's) can obtain buy-in by explaining these issues to managers and supervisors, since they are the ones who will have to extend the cost reduction efforts across the organisation. Management can engage in a number of activities such as forming cost reduction teams (Martin, nd).

Step two

Objectives must be set. Organisations can formulate vision statements to enable them what they want to achieve (Martin, nd).

Step three

The cost reduction initiative must be aligned with the organisation's business strategy to avoid detracting from the strategic vision, or affecting the organisation's performance in a negative way. Managers will be able to determine the gap between current capabilities and the future needs of the company (Martin, nd).

Step four

Once objectives are set, managers must decide on an approach that will meet the set objectives. Management can decide to point out a specific business unit, activity or input that requires immediate cost reduction attention. Other areas may include inefficient processes, raw materials that take up a significant portion of total expenses or an opportunity to leverage skills and information in a better way (Martin, nd).

Step five

Once the above four steps have been completed, management can set measurable goals. A percentage cut across the board may not be a wise move because it might imply that all of the organisation's operations are inefficient (Martin, nd).

2.11 CONCLUSION

The need to save costs and improve service quality should be every organisation's goal. Managers should therefore have a clear understanding of the ideas behind cost saving.

Current systems and procedures should be evaluated, against the external and internal environment, on a continuous basis to identify and/or eliminate waste, thus indicating areas in need of improvement. Managers should therefore understand the interaction between cost, quality and productivity.

Since the biggest cost to companies comes from human resources, various cost elements, for example direct labour cost, training costs etcetera, need to be analysed.

The criteria used and approaches taken by management to achieve cost saving, often impact on the employees of the organisation as well as their customers.

In chapter three the impact of these criteria and approaches will be discussed.

CHAPTER 3

THE IMPACT OF COST SAVINGS ON EMPLOYEE BEHAVIOUR

3.1 INTRODUCTION

Many organisations are challenged by global competition, advancing technology, the utilisation of a diverse workforce and the provision of high quality products. These organisations engage in reengineering, restructuring and downsizing to reinvent themselves with the aim of saving costs and improving the service quality. It involves change and, as a result, employment agreements might have to be renegotiated and altered to fit the changing circumstances. The change is crucial to the organisation, but “it is the way in which the change is executed that often results in the violation of the psychological contract”, (Knights & Kennedy, 2005).

This chapter focuses on the meaning of work, the impact of change through reengineering, restructuring and downsizing and what management can do to minimise the negative effects.

3.2 THE MEANING OF WORK

Dolgoff (1976) explains that ‘work is the major means by which people develop and maintain their identity, self concept and self esteem’. People’s images about themselves depends upon what others think of them; not just in words but also in job related messages about salary, grade classifications, job assignments, status in the organisation and working conditions.

Work also shapes an employee’s personality and they become the kind of persons that the situation demands. Work is the major means of dealing with one’s fears and anxieties; it binds the individual to reality and therefore the loss of work can become a loss of structure upon which physical health and psychological balance depend, (Dolgoff (1976).

For the purpose of this study, ‘the meaning of work’, as explained by Dolgoff, forms an integral part of the psychological contract, especially in the face of

reengineering, restructuring and downsizing, which in turn are the approaches taken by companies to save costs.

3.3 THE PSYCHOLOGICAL CONTRACT

The psychological contract is a set of beliefs and perceptions held by individuals regarding reciprocal obligations between the employee and the organisation. The employee's expectations include security, financial rewards, informal recognition from the manager and employer, promotion opportunities, pay, training, career development and support with personal problems. Employers, on the other hand, expect that employees are willing to work extra hours, be loyal, be willing to accept transfers and so on. These obligations and expectations have a powerful effect on the employer-employee relationship (Knights & Kennedy, 2005).

3.4 BEHAVIOURAL RESPONSES WHEN THE PSYCHOLOGICAL CONTRACT IS VIOLATED

Restructuring, reengineering and downsizing require that current systems and processes be integrated to form new ones (Knights & Kennedy, 2005). Levit (1994:118-120) explains that employees perceive the reality of the 'change' and it is their perception of this reality that shape their expectations, attitudes and behaviour.

When the psychological contract is violated, one party feels that the other has failed to fulfil its obligations or promises. Employees experience feeling of betrayal, distress, anger, resentment, a sense of injustice and wrongful harm. The emotional experience often leads to attitudinal and behavioural responses such as job dissatisfaction and lowered organisational commitment especially if employees show resistance to the changing circumstances of their work (Knights & Kennedy, 2005).

3.4.1 Resistance to change

Employees face great uncertainty and anxiety as the systems and processes are put in place. They fear the unknown because they are used to doing things out of habit. A feeling of personal loss exists and employees may even feel that the change was not in the organisation's best interest. They are so intimidated by the new systems and processes that they feel they may never be able to learn them, (Robbins & Coulter, 2005:319).

Furthermore, employees feel that they have lost something valuable. The investments they have made in the current status quo might be lost and therefore they will resist the change brought about by the new systems and processes, (Robbins & Coulter, 2005:319).

3.4.1.1 The four phases through which people react to change

Hatthaway (2000) explains the following four phases through which people react to change:

Phase 1: Ignore the pain. People ignore the fact that the change is happening and focus more on what others are doing to them. They deliberately avoid any information that pertains to the change.

Phase 2: People start feeling the pain and realise that the change is worse than they thought. Five types of reactions can be expected in this phase.

Firstly, individuals try to deal with the pain themselves and do not want others to know what they are really feeling. Stress levels are reaching a high and productivity and attitude are negatively affected.

Secondly, employees start lashing out at the bosses behind their backs. They have their own agendas and would try to manipulate the system, regardless of the impact on others. Morale is negatively affected. Kettley (nd) explains that morale consists of many facets and may manifest in the following ways:

- Whether employees stay with the organisation

- Whether they achieve organisational or personal goals
- Whether they are able to adopt the new working practices and learn new skills
- How they respond to customers

Thirdly, aggression may set in and things are said in anger. Others' feelings do not count and the individual wants everyone else to feel miserable as well.

Fourthly, if teamwork is involved, the individual refuses to participate and would stick to his own territory. Mistakes are covered up.

Lastly, information that can benefit everyone is not shared. The individual feels that the boss does not recognise his/her contribution. Information then becomes power.

Phase three: The pain is still felt and the individual focuses on himself. However, the past becomes forgotten eventually and the individual focuses on the future.

Phase four: People are starting to build trust in the organisation's leadership and consider making a commitment to the organisation.

3.4.2 Job Satisfaction

Job satisfaction is the attitudinal variable that reflects how people feel about their jobs. It reflects the immediate reactions to specific tangible aspects of the work environment. Job satisfaction has many facets such as pay, promotion, benefits, supervision, job conditions, the nature of the work itself, communication and job security. Discrepancies in any of these facets, as a result of the cost saving initiatives, will result in job dissatisfaction, leading to increased absenteeism and turnover (Knights & Kennedy, 2005). These employees, if they stay with the organisation, may engage in counterproductive behaviour such as poor services, destructive rumours, theft and sabotage of equipment. Such behaviour, as well as absenteeism and turnover, are costly to the organisation in terms of lost productivity and replacement costs.

3.4.3 Organisational commitment

Knights and Kennedy (2005) define organisational commitment as 'a strong identification with and involvement in the organisation'. It develops slowly and consistently over time as a result of the employer/employee relationship.

Leung and Chang (1999) explain two forms of organisational commitment, namely continuance commitment and affective commitment. Continuance commitment is the extent to which the employees perceive that they are connected to a job. It involves feelings of psychological attachment. These employees feel the 'need' to stay with the organisation because they may find it difficult to take their skills to another organisation. They fear financial loss. Employees showing affective commitment stay with the organisation because they 'want' to. They are unwilling to leave and feel comfortable in their relationship with the organisation.

In addition to the two types of commitment, Williams (nd) also identifies a third type of commitment, namely normative commitment which refers to 'an employee's moral obligation to stay with the organisation'. The employee will stay with the organisation because s/he feels that the organisation has treated him/her well.

When employees are affected by the cost saving initiatives, they might move from affective commitment to continuance commitment. They start to distance themselves from the organisation. Survivors, who are high in continuance commitment, will work harder because their specific skills are not transferable (Leung and Chang, 1999). Productivity may be positively affected.

As is the case with job satisfaction, low organisational commitment is also linked to increased absenteeism, low motivation, low morale and decreased feeling of altruism. Employees may lash out against the organisation to outsiders and in the event, reduce the organisation's chances of recruiting high quality employees (Knights & Kennedy, 2005).

Lack of employee commitment therefore means that employees are out of alignment, with each other and with customers, in executing the company's mission, goals and strategic objectives, and what they are doing on the job can be counter productive and damaging (Lowenstein, 2006).

3.4.4 Staffing levels

Section 2.9.5 pointed out that organisations often try to do more work with less people but still want to provide a high level of service quality. This means that management can either use temporary assignments, job sharing or temporary workforce reductions to save cost. This strategy has both advantages and disadvantages for both management and employees (Flexible Staffing Options, nd).

3.4.4.1 Temporary assignments

Employees may be temporarily reassigned to other positions without compensation or without having their roles affected. This means they may perform duties in positions in the same, higher or lower pay bands. This will ensure that workflow changes are met when co-workers are on leave (Flexible Staffing Options, nd).

The downside of such an arrangement is that the reassigned employees may not have the experience required and may even be less productive. Employee morale is negatively affected because the reassigned employee may feel that management is just using him or her and may engage in counterproductive behaviour, (Flexible Staffing Options, nd).

3.4.4.2 Job sharing

Job sharing means that a full time position is split into two; two employees perform the same duties but not necessarily in the same space and schedule. Employees involved in job sharing would want to enjoy the same rights and responsibilities as any other employee in the full time position (Flexible Staffing Options, nd).

This approach can be advantageous to the individuals sharing the job; for example, the employee does not have to work overtime. In the event, employee satisfaction and productivity are guaranteed because the job structure allows the employees enough time to meet their personal needs. These employees have enough energy and motivation to produce more in less time, (Flexible Staffing Options, nd).

3.4.4.3 Temporary workforce reductions

Temporary workforce reductions consist of either a reduction in employees' work hours or leave-without-pay for a certain period. This method can be used as a temporary measure for budget reduction. In the event, employers still have to provide the same level of service. If properly planned, employees may even volunteer to meet their own personal needs (Flexible Staffing Options, nd).

The disadvantage of this method is that productivity and morale of the remaining employees would be negatively affected because they fear the temporary layoff. Good employees may also be lost by securing employment elsewhere (Flexible Staffing Options, nd).

3.5 A LITERATURE REVIEW ON THE MOTIVATIONAL THEORIES THAT CAN BE APPLIED IN A WORK SETTING

3.5.1 Maslow's hierarchy of needs theory

Abraham Maslow maintains that human needs are not of equal strength and therefore emerge in a definite sequence (Richman & O'Reilly, 1997:122). Five levels of needs are indicated, namely

- Physiological needs (first level needs)
- Safety and security needs (second level needs)
- Social needs (third level needs)
- Esteem and status needs (fourth level needs) and
- Self-actualisation and fulfilment needs (fifth level needs).

According to Maslow people have needs that they wish to satisfy and gratified needs are not as strongly motivating as unmet needs (Richman & O'Reilly, 1997:122). Maslow makes it clear that the hierarchy of needs is not necessarily fixed. Some people will find, for example, the need for self-esteem more important than the need for relationships.

Maslow's theory poses some problems when relating to the work situation. Firstly, people do not necessarily satisfy their needs through the work situation. Other areas of life also come into play. This requires managers to have a clear understanding of an employee's private and social life (Mullins, 1993:454).

Secondly, people place different values on the same need; for example, they would rather work under safe conditions in a bureaucratic organisation than to be in a highly paid job with less job security in a different organisation. (Mullins, 1993:454).

Thirdly, for people in the same level of the hierarchy the motivating factors will not be the same (Mullins, 1993:454).

Fourthly, Maslow regarded motivation as the main motivational outcome of behaviour although job satisfaction does not necessarily lead to improved work performance (Mullins, 1993:454).

Maslow's theory today still remains a popular theory of motivation in the workplace. Despite criticism the theory has a significant impact on management approaches to motivation and the design of organisations to meet individual needs (Mullins, 1993:45).

3.5.2 Herzberg's Two-Factor theory

Herzberg's theory was based on interviews that he conducted with accountants and engineers, who were asked to relate times when they felt exceptionally good or exceptionally bad about their jobs. It was concluded that people work first for their own self-interest because they are truly happy and mentally healthy through work accomplishment (Motivational theorists and their theories, nd).

Based on the above findings, Herzberg described two kinds of factors that affect motivation and this was done in different ways:

Hygiene factors are those factors whose absence demotivate, but if present, have no perceived effect. If these things are taken away people become dissatisfied and will act to get them back. Examples include decent working conditions, pay, benefits (like health insurance), company policies and interpersonal relationships. Hygiene factors therefore prevent dissatisfaction, thus bringing motivation to a neutral state. These factors are generally extrinsic and relate to Maslow's lower level needs, that is physiological, safety and social needs (Mullins, 1993:457-8).

Motivators are those factors that, if present, motivate employees. However, if absent, these factors do not cause dissatisfaction, they just fail to motivate people. These factors are generally intrinsic and relate to Maslow's higher level needs (Mullins, 1993:458).

Managers should pay attention to both hygiene factors and motivators. According to Herzberg good performance leads to job satisfaction rather than the reverse (Mullins, 1993:458).

Dissatisfiers (hygiene factors) should be removed even though they do not in themselves provide productivity incentives for employees. However, their removal provides an incentive to motivate employees, something that is often forgotten or overlooked by management (Milakovich, 1995:141).

3.5.3 The importance of equity

Managers are always locked into an organisation-wide compensation system and they are often frustrated by the little freedom they have to adjust wages and salaries to fit each employee's hopes and expectations. Apart from money, there are other returns that employees look for to justify the time, energy and mental and emotional effort they devote to the organisation (Deeprise, 1994:3).

He explains that the organisation meets employees' needs for esteem, challenges, professional growth, and socialisation to the same degree that

employees contribute to meeting the objectives of the organisation. Since employees are helping managers reach organisational goals, they have every right to expect managers to help them meet their goals. This gives rise to three equity equations:

Equation one

“What the employees receive from the employer must be equal in value to the quality and quantity of work done by the employee”.

This indicates that employees compare what they receive from the employer with what other people in the organisation receive for doing similar work; or with what is received by people doing similar work in other organisations.

Equation two

“ What the employee receives from the employer must be equal in value to what is received by other employees doing similar work of similar quantity and quality”.

Equation three

“What the employee receives from the employer must be equal in value to what is received by people who do similar work for other organisation”.

It is clear from the above that although employees will always compare ‘pay’ they will also bring in opportunities to do challenging and interesting work, the recognition they receive for their accomplishments as well as the surroundings of the work environment (Deeprise, 1994:4).

Managers should be able to influence the employees’ perception of equity regarding income and increases. This can be done by ensuring that employees understand the organisation’s financial status and how the salary budget fits into the financial picture. The salary budget, financial bottom line and the organisation’s long-term expectations must clearly be communicated to the employees. This serves as a form of recognition because it acknowledges that

employees are intelligent enough to understand, valuable enough to be informed and trustworthy enough to be included. Employees will then understand how much the organisation can afford (Deeprise, 1994:4).

3.6 MONEY AS A MOTIVATOR

Lawler (1996:195) states that employees are motivated by pay systems to perform at a higher level. This can have a critical impact on organisational performance.

Although money is usually the first thing that comes to mind when trying to motivate employees, it has three major disadvantages. These disadvantages are:

- Firstly, the impact of money is short-lived. This is due to the fact that as living expenses increase continuously, the monetary increase becomes history. People are back to where they were before the increase.
- Secondly, if employees receive money as a reward for outstanding performance they afterwards feel that they are entitled to it and see it as part of usual business.
- Thirdly, when people do extra work for pure enjoyment, or for the excitement of confronting a new challenge, the intrinsic reward of enjoyment and satisfaction is supplemented by money

(Lawler 1996:195).

In view of the above three points, money cannot be regarded as a good motivator although most companies depend on it. However, the power of money cannot be ignored. Although not a good motivator, if absent, it will become a strong demotivator. Also, if financial rewards do not meet the equity equation, employees' need for money may force them to go and find work somewhere else (Deeprise, 1994:13).

Most managers find the idea of paying for performance attractive. However, there is a great deal of evidence that pay for performance is not always desirable (Pay for Performance, nd). Firstly, it often conflicts with the

compensation goals of equity. Employees in the same work group may not be earning the same pay and feelings of inequity arise. People are often put in competition with each other. Cooperation is lacking which results in low productivity. 'Pay for performance' is time consuming and must be designed and administered carefully. If not, employees will distrust management. Lastly, it is a system that relies on the judgement of managers, and employees must perceive that it is in fact their performance that is rewarded. Employees might see the 'pay-for-performance' programme as manipulation of employees by management (Pay for Performance, nd).

Lawler (1996:207) disagrees with Maslow and Herzberg, who argue that employees are not motivated by pay but rather by intrinsic rewards. He maintains that, if pay caused dysfunctional behaviour, then it affects behaviour and therefore must be important enough to affect performance. The dysfunctional behaviour is caused by poorly designed pay systems and is therefore not evidence that pay cannot be an effective motivator.

3.7 CREATING A HIGH PERFORMANCE ENVIRONMENT TO ENSURE POSITIVE BEHAVIOUR AND BOOSTING EMPLOYEE MORALE

Herman (nd) maintains that the most effective way to boost employee behaviour and morale is to provide an optimum work environment. Managers should actually 'create' an optimal environment to inspire employees to do their best given the situation as it is. Key elements to consider include:

- Communication
- Involvement
- The working environment
- Appreciation

3.7.1 Communication

According to Bruce and Pepitone (1999:52), communication is the most important tool for recognising and boosting low morale. This view is supported by Schultz (2003:118), who describes communication as "the process by which

information is exchanged and understood by two or more people, usually with the intent to motivate or influence behaviour”.

The type of medium used to communicate has a direct impact on the communication process. Media can be written, oral or electronic. The choice of medium should be determined by the situation at the time.

Oral or face-to-face communication amongst workers, and between workers and managers, give everyone a chance to express their opinion about their work. It is the best method to transmit emotions. In this way everyone feels valued and they know that someone is listening to what they have to say. Apart from face-to-face communication other oral media include the telephone, conferences and meetings and speeches and presentation (Schultz, 2003:125). Communication also allows expectations to become clear. It creates a positive working environment. In this way the employees know what is expected of them in order to do his work. Work will be done right the first time. However, they should be offered a fair deal for their, (Leary-Joyce,2004:132). Ensuring that the workforce is well informed, involved and sharing in the success of the company create a sense of belonging.

3.7.2 Involvement

Employees are the ones closest to the work they do and they know how to do their work most effectively. They want to be involved in their jobs and want to contribute to the success of their company. Managers should, therefore, allow employees to set their own objectives and suggest better ways to do things (Herman, nd). In this way, trust is cultivated among employees and management since employees are allowed to give their input and help with decision-making related to their jobs. The organisation will have more confidence in its workers, who, in turn, will be more confident and productive.

3.7.3 The work environment

The work environment includes both the physical and social environment. The actual physical place is an expression of the organisation’s policies and values.

It should be comfortable, safe, pleasant and efficiently organised to do the task (Herman, nd).

The physical and social environments are only two aspects of ergonomics that managers have to consider. Other aspects include:

- The job itself and the demands on the workers.
- The equipment used and how appropriate it is for the task.
- The information used; how it is presented, accessed and changed.

Failure to consider these aspects can have serious repercussions for both individuals and organisations. Managers should apply good ergonomics to ensure good health and prevent accidents. They should be talking to employees to get their views. In this way important knowledge of the work that is done, the problems that employees have and the impact on their health, safety and performance might come to light (Understanding Ergonomics at work, nd).

3.7.4 Appreciation

People come to work with their personalities set. Therefore, managers should recognise and treat each employee as an individual and recognise their contributions. Failure to do so may result in employees leaving their jobs because they feel that the company has failed them.

Appreciation can be expressed through verbal praise or tangible rewards such as time off and bonuses. The praise should be specific, honest and continuous. Successes should be celebrated and people's accomplishments should be acknowledged (Herman, nd).

3.8 THE RELATIONSHIP BETWEEN EMPLOYEE SATISFACTION AND CUSTOMER SATISFACTION

Research studies have shown that there is a strong relationship between employee satisfaction and customer satisfaction. It was found that perceived employee satisfaction, perceived employee loyalty, and perceived employee commitment impact on perceived product quality and on perceived service quality (Bulgarella, 2005).

3.8.1 Reasons why employee satisfaction affects customer satisfaction

- Employees who interact with customers will be in a better position to respond to customer goals and needs
- If employees are motivated they have the motivational resources to deliver adequate effort and care
- Employees who are satisfied are empowered and have the resources, training and responsibilities to understand and serve customer needs and demands
- Satisfied employees are willing to give good services. The minimum they can do, is deliver a more positive perception of the product/services provided
- Satisfied employees can give customers adequate explanations for undesirable outcomes. The quality of such interpersonal treatment that customers receive will impact positively on customer satisfaction. This indicates that employees are experiencing interactional justice and will therefore show empathy, understanding, respect and concern (Bulgarella, 2005).

3.8.2 Organisational antecedents of employee satisfaction and employee customer services.

Research studies have identified three antecedents of employee satisfaction and employee customer service. Firstly, the extent to which employees perceive that the organisation values their contributions and cares about their well-being, will impact on their levels of satisfaction. Secondly, the extent to which supervisors create a climate of trust, helpfulness and friendliness means that socio-emotional resources are immediately available in the environment. Thirdly, the extent to which customers are physically, mentally and emotionally involved in the delivery of a service/product will play a role (Bulgarella, 2005).

The research findings suggested that perceived supervisory support was the most powerful predictor of job satisfaction and employee service effort, and job

satisfaction was a more important predictor of employee service quality than service effort (Bulgarella, 2005).

3.9 CONCLUSION

When the psychological contract is violated, employees build up resentment towards management and sometimes towards colleagues. This leads to undesired employee behaviour because employees express uncertainty about what to do next, anxiety about the future and a feeling of no control over their work. This can lower morale and affect productivity. Some may even see it as an opportunity to leave the organisation since they cannot find job satisfaction.

It is imperative that managers should guide and lead affected employees. This requires good two-way communication and understanding of employee needs, taking into consideration that each employee is an individual.

Organisations always should make employees aware that the customer comes first to ensure customer satisfaction. The level of employee satisfaction directly impacts on customer satisfaction. Therefore, employees should be put first because of the customer. This will ensure excellent service quality, despite any cost saving initiatives.

CHAPTER 4

RESEARCH METHODOLOGY AND ANALYSIS OF BIOGRAPHICAL DETAILS

4.1 INTRODUCTION

The primary aim of research is to establish new knowledge or to ascertain how and why events take place. This process usually starts with a simple question in the researcher's mind. They want to describe, explain and understand. Careful planning is the key.

Leedy and Omrod (2003:2) describe research as a "systematic process of collecting, analysing and interpreting data." In this chapter the research methodology is described.

4.2 RESEARCH DESIGN

Leedy and Omrod (2003:85) refer to research design as the strategy for solving the research problem. Saunders, Lewis and Thornhill, (2000:92) state that it is a general plan of what action the researcher will take to answer the research problem. The plan includes the procedures the researcher will follow, the data that will be collected and the data analyses that the researcher will conduct. Success is guaranteed if objectives, derived from the research question, are stated clearly, resources from which data are collected are specified, and the constraints that the researcher might encounter are considered. Whereas strategy refers to the overall approach adopted by the researcher, tactics are concerned with the finer detail of data collection methods and the subsequent analysis.

Since the general research procedure is fundamentally the same in all academic disciplines, the method of data collection and data analysis may differ. Researchers should therefore be able to choose the most viable research problem and in the event consider all the kinds of data that the investigation will

require and a feasible way of collecting and interpreting the data (Leedy and Omrod, 2003:87).

The descriptive research method was the most suitable design structure for this study. It describes the situation as it is and enables the researcher to identify and describe the variability of different phenomena such as attitude, beliefs and behaviour. Attitude variables record how respondents feel about something. They differ from belief variables “which record what respondents think or belief is true or false”. Behavioural variables record what respondents do; attribute variables include characteristics such as age, gender marital status, education, occupation and income (Saunders, Lewis & Thornhill, 2000:286).

This method enabled the researcher to make some inferences about how particular tactics used by the organisation influence individuals. The main problem investigated was:

“The impact of cost savings on service quality.”

This study focuses on how the cost savings initiatives, undertaken by the National Health Laboratory Services, impact on service quality.

4.3 TREATMENT OF DATA

4.3.1 Data collection

All research involves some form of data collection. Careful planning and management of data will avoid data becoming a barrier to the research project. It is vital that the researcher has a clear understanding of the different types of data, the different approaches to, methods of, and specific techniques of data collection (Lancaster, 2005:64-5).

Leedy and Omrod (2003:87) suggest that researchers, in their approach to data collection, should answer the following four questions:

- What data are needed?

- Where are the data located?
- How will the data be secured, meaning how will the researcher get the data?
- How will the data be interpreted? At this point the researcher must carefully consider how the research problem was worded and must be able to use the data.

Thomas (2004:27) supports this view. He explains that if wrong or invalid data are collected, then no amount of subsequent analysis can rescue the project.

Modes of data collection include face-to-face interviews, telephone interviews and questionnaires. The two methods used for data gathering in this study were a literature review to develop a theoretical framework and the survey questionnaire. The questionnaire, accompanied by a covering letter, was delivered to respondents either physically or via the internal mailing system.

4.3.2 Data analysis

Data analysis is the process of turning the data into information. This information is further used to develop concepts, theories, explanations or understanding, which in turn can be used to identify and select the most applicable technique of data analysis (Lancaster, 2005:157).

Lancaster (2005:155) identifies four processes involved in data analysis; namely distillation, classification, identification and communication.

- Distillation is the process whereby large amounts of data are distilled into forms that are more readily managed and absorbed. Inappropriate data are discarded
- Classification involves grouping of data into categories that allow the researcher to 'see what factors are involved and potentially what the data means'. In this way the researcher can develop order
- Identification helps the researcher to establish causes and/or relationships
- Communication: the first three processes allow the researcher to communicate research findings and their meaning to other people

Since there are various approaches and techniques to data analysis, it is important that the researcher decides at the planning stage of the project which approach and technique will be followed.

4.4 QUESTIONNAIRE DESIGN

Gillham (2000:2) explains that questionnaires 'are just one of a range of ways of getting information from people'. Questions need to be well-structured, meaning that the researcher determines which questions need to be asked, and the range of answers that can be given. Lancaster (2005:138) suggest that researchers should consider the following key aspects when designing a questionnaire:

- The range and scope of questions to be included.
- Question types, for example open-ended or closed questions
- Content of individual questions
- Question structure
- Question wording
- Question order.

Visual layout of a questionnaire is important since it can have an impact on the response rate. Thomas (2004:119) describes questionnaire layout as 'the visual impact of the questionnaire'. He further suggests the following rules when designing a questionnaire. A questionnaire should:

- Be visually attractive. It must be eye-catching and have a businesslike appearance. The aim is to have an 'uncluttered' look
- Look short. Questions should be grouped into sections and be numbered within sections to reduce the impression of there being many questions
- Look interesting. The main problem that researchers face is to get people to complete the questionnaire. It is advisable that the first question grabs the people's attention even if the information that it asks for is not really required. Sensitive question should be located at the end of the questionnaire

- Be easy to complete. Instructions as to how answers must be answered; for example tick, write in, and so on must be clear and unambiguous
- Be easy to return.

For the purpose of this study, only closed questions were asked. The questions were rated using the Likert-style rating scale in which respondents were asked how strongly they agreed or disagreed, using a five-point scale. Saunders, Lewis & Thornhill (2000:295) recommend that both positive and negative questions are included to ensure that correspondents read the questions carefully and think about which block to tick. Simple, plain language was used to make it easier for respondents to understand all questions. None of the respondents asked for clarity on the questions, indicator that the researcher achieved the goal of clarity.

4.5 PILOT STUDY

The purpose of a pilot study is to simulate the main study. Fewer people, representing the final target group, are involved (Gillham, 2000:42). This will ensure that respondents will have no problems in answering the question and there will be no problems in recording the data. It also allows the researcher to tests the validity of the questions and determines the response rate.

Researchers can also consult with an expert or a group of experts to comment on the representativeness and suitability of the questions prior to the pilot study. This will allow the researcher enough time to make the necessary changes. Each completed pilot questionnaire should be checked thoroughly to ensure that respondents understood all the questions. (Saunders, Lewis & Thornhill, 2000:305).

According to Gillham (2000:42) indicators that questions were misunderstood include:

- A low, or very slow response rate
- 'Misunderstandings' of what a question means or how respondents are supposed to respond

- Omitted response
- Incomplete, crossed-out or crossed-out
- Frequent comments such as 'not applicable' or extra options added to a list.

The respondents used in the pilot study for this study included five employees; namely one data input clerk, one technician, one medical technologist, one chief medical technologist and one unit supervisor. All these respondents understood the questions clearly and the completed questionnaires were returned within two days after they were received. The questionnaire (see Annexure 2), with an accompanying letter (see Annexure 1) explaining the reason for the survey, was then sent to all respondents in the Ibhayi region, Port Elizabeth, via the organisation's internal mailing system. The region consists of the main branch (head office for Ibhayi region), the Livingstone hospital branch, Dora Nginza branch and Uitenhage branch. The researcher thanked all respondents either in person or via telephone.

4.6 THE SAMPLE POPULATION

Since it is not always possible for a researcher to study an entire population, a subset or sample of the population under study is selected. The sample should be truly representative of the entire population to enable the researcher to make generalisations of that population (Leedy & Omrod, 2003:198). This view is supported by Lancaster (2005:149), who states that confidence in the results 'rests' on the size and representativeness of the sample.

Thomas (2004:106) explains that there are two general methods of sampling; namely probability and non-probability methods. For the purpose of this study only the probability methods will be mentioned.

In probability sampling, all units of a population have an equal chance of being selected. Representativeness of the entire population is achieved by randomly selecting units from the population. Thomas (2004:106) and Leedy and Omrod (2003: 199 - 206) identify four methods of probability sampling, namely; simple,

systematic, stratified and cluster sampling. In simple random sampling every member has an equal chance of being selected. In systematic sampling individuals are selected according to a predetermined sequence. Stratified sampling involves using known characteristics of the population during sampling to increase the likelihood that the sample will be representative. Cluster sampling (also known as area sampling) is used when no complete sampling frame exists or when it is difficult for the researcher to create one. The population under study is then divided according to geographical area or other traits such as race, age and gender.

For the purpose of this study, the cluster sampling technique was used; the representative sample consisted of 60 employees of the NHLS within the Ibhayi region in the Eastern Cape Province. The sample consisted of both technical and support staff.

4.7 THE LIKERT SCALE

The Likert scale was used to find out how strongly the respondents agree or disagree with the questions. Saunders et al (2000:295-6) suggest that, when using this scale a negative statement should be included. This allows for respondents to sit on the fence rather than admitting they do not know. For this study the term 'uncertain' was the negative term used.

4.8 RESPONSE RATE

4.8.1 Overall response rate

Out of a total of 60 employees, 55 completed questionnaires were returned. This total makes up 92 percent of the total of responses. Non-responses constituted only 8 percent of the total sample. The overall response rate is depicted in Table 4.1 below.

Table 4.1

Overall response rate

RESPONSE RATE	RESPONSES	PERCENTAGE
Returns	55	92%
Non-returns	5	8%
TOTAL	60	100%

Source: Responses from the overall survey

4.8.2 Responses according to department

Table 4.2 below shows the response rate of each department.

Table 4.2

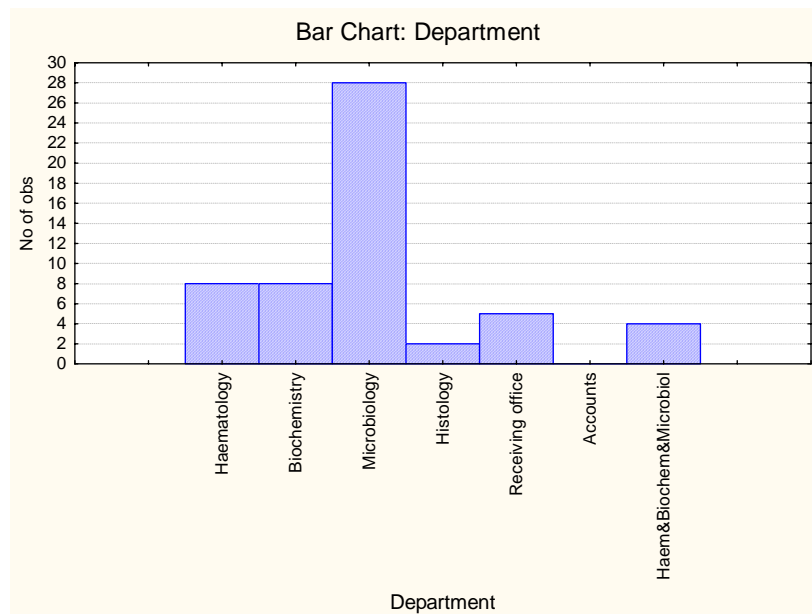
Responses according to department

Category	Frequency table: Department	
	Count	Percent
Haematology	8	14.55
Biochemistry	8	14.55
Microbiology	28	50.91
Histology	2	3.64
Receiving office	5	9.09
Haem&Biochem&Microbiol	4	7.27
Missing	0	0.00

Source: Responses from analysis by department

Figure 4.1

Responses according to department



Source: Table 4.2 converted to a bar chart.

The Microbiology department recorded the highest response rate of 50.9 percent. This is because the department is made up of Bacteriology, Serology and Media departments. The Cytology department was also included as part of the Microbiology department. The Haematology and Biochemistry departments each recorded a 100 percent response rate even though each contributed a response rate of only 14,55 percent to the overall response rate.

4.9 ANALYSIS OF BIOGRAPHICAL DATA

Respondents were asked to indicate their gender, age, years of service and position.

4.9.1 Responses according to gender

Table 4.3 indicates the responses by gender.

Table 4.3

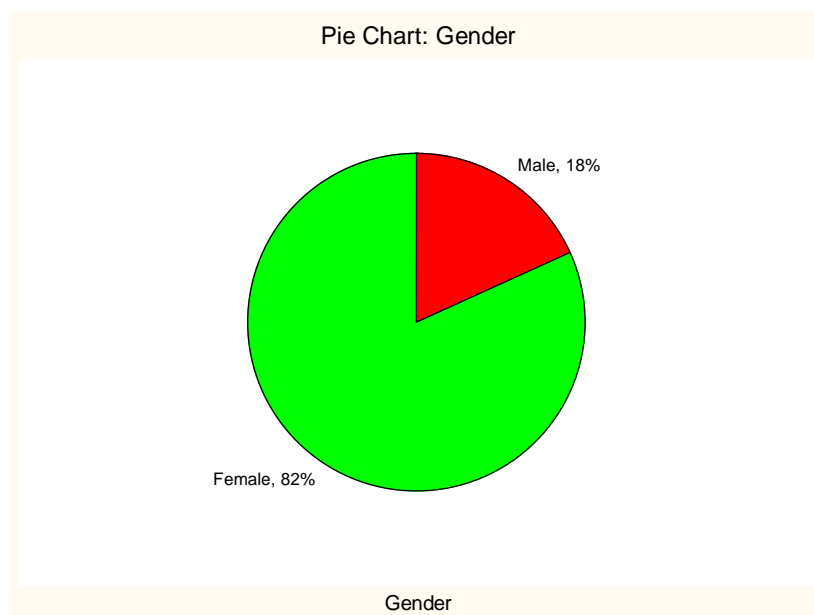
Responses according to gender

Category	Frequency table: Gender	
	Count	Percent
Male	10	18.18
Female	45	81.82
Missing	0	0.00

Source: Responses from analysis by gender

Figure 4.2

Responses according to gender



Source: Table 4.3 converted to a pie chart

The majority of respondents were female who constituted 82 percent of the total sample population. Male respondents only contributed 18 percent to the population.

4.9.2 Responses according to age

Respondents were asked to indicate their age. Table 4.5 shows the responses by age.

Table 4.4

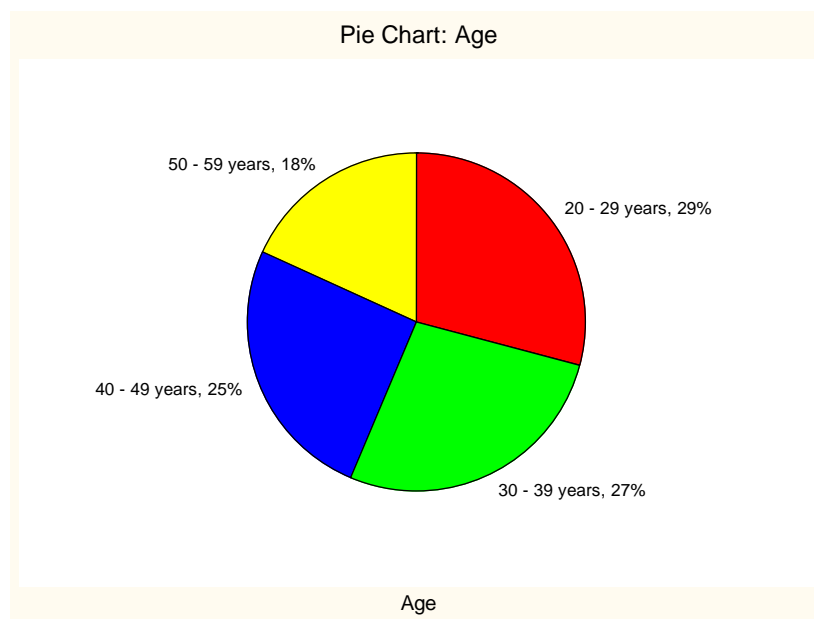
Responses according to age

Category	Frequency table: Age	
	Count	Percent
20 - 29 years	16	29.09
30 - 39 years	15	27.27
40 - 49 years	14	25.45
50 - 59 years	10	18.18
Missing	0	0.00

Source: Results from analysis by age

Figure 4.3

Responses according to age



Source: Table 4.4 converted to a pie chart

The majority of respondents were under the age of fifty (82 percent), with 29 percent between 20-29 years, 27 percent between 30-39 years and 25 percent between 40-49 years. Only 10 percent were between 50-59 years. There were no respondents younger than 20 years or older than 59 years. (see Table 4.4).

4.9.3 Responses according to years of service

Table 4.5 below, shows the years of service.

TABLE 4.5

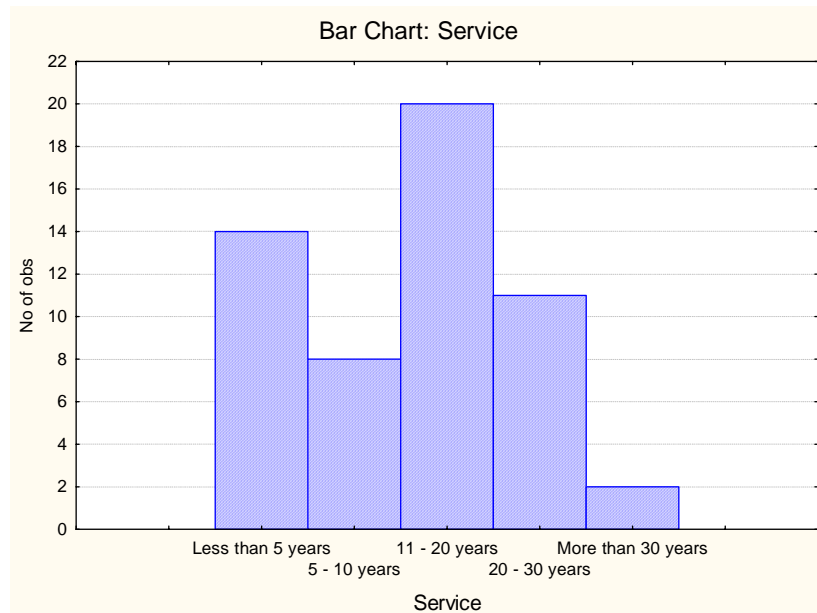
Responses according to years of service

Category	Frequency table: Service	
	Count	Percent
Less than 5 years	14	25.45
5 - 10 years	8	14.55
11 - 20 years	20	36.36
20 - 30 years	11	20.00
More than 30 years	2	3.64
Missing	0	0.00

Source: Results from analysis by years of service

Figure 4.4

Responses according to years of service



Source: Table 4.5 converted to a bar chart

Twenty five percent of respondent were with the company for less than 5 years, 14 percent between 5 and 10 years, 36 percent between 11 and 20 years, 20

percent between 20 and thirty years and only three percent were more than 30 years. Some employees have left the company shortly after completing the questionnaire.

4.9.4 Responses according to position

Respondents were asked to state their positions (see Table 4.6)

Table4.6

Responses according to position

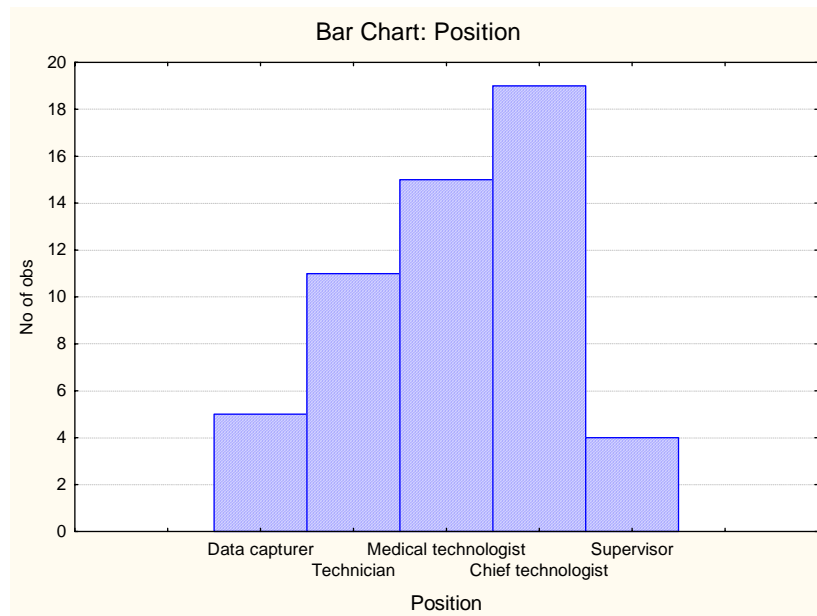
Category	Frequency table: Position	
	Count	Percent
Data capturer	5	9.09
Technician	11	20.00
Medical technologist	15	27.27
Chief technologist	19	34.55
Supervisor	4	7.27
Missing	1	1.82

Source: Results from analysis by position

Chief technologists and technologist were categorised separately. However, with the new grading system that came into effect in July 2006, these two groups are now falling into one category, namely medical technologists. This group is the largest part and constitutes 61 percent of the total of the respondents. Technicians constitute 20 percent, data capturers nine percent and supervisors only four percent. The low percentage of supervisors is due to the fact that not all supervisors in the departments responded to the questionnaire.

Figure 4.5

Responses according to position



Source: Table 4.6 converted to a bar chart

4.10 CONCLUSION

The research methodology process that was followed was discussed in this chapter. The discussion included the theoretical research background, the research process and an analysis of the biographical information of the respondents.

In Chapter five the results of the survey will be discussed. These findings, together with the biographical information will be used to assess how the cost saving measures have affected employee behaviour and the quality of the service delivered.

CHAPTER 5

ANALYSIS AND INTERPRETATION OF RESULTS

5.1 INTRODUCTION

Research methodology and the biographical data were discussed in Chapter four. In this chapter the outcomes of the empirical study will be presented to determine how cost saving measures have impacted on the service quality of the organisation. A questionnaire (appendix 2) was designed to address the following issues:

Section B1: The cost saving initiatives which employees find most disturbing in their work.

Section B2: ISO standards, training, overtime and work-family life

Section C: The employees' resistance to the change as a result of the cost saving initiatives.

Section D: The extent to which employees experience job satisfaction

Section E: The degree of employee commitment

Section G: Communication; and

Section H: Employee involvement

An analysis and interpretation of the responses on each of the above mentioned issues will follow.

5.2 COST SAVING INITIATIVES

Table 5.1
Cost saving initiatives that employees find most disturbing

Category	Frequency table: B1	
	Count	Percent
ISO 15189 standards	7	12.73
Staffing levels	27	49.09
Overtime	5	9.09
New technology	1	1.82
All of above	6	10.91
Staffing levels & overtime	7	12.73
ISO 15189 & staffing levels	1	1.82
Missing	1	1.82

Source: Responses from analysis of cost savings initiatives

The information depicted in Table 5.1 shows that, although only 12.73 percent find the new ISO standards disturbing, 49 percent of respondents find the low staffing levels most disturbing in their work. As a result, 90.9 percent of respondents are working overtime (see Table 5.2, B2.6).

An analysis of items B.2.1 to B.2.12 in Table 5.2 was broken down as follows:

- B.2.1 and B.2.2: ISO standards
- B.2.3: staffing
- B.2.4 and B.2.5: training
- B.2.6, 5.2.7 and B.2.8: overtime and work-family life
- B.2.9: injuries
- B.2.11 and B.2.12: morale

Table 5.2 below shows that 81.82 percent of respondents (B2.2) find it easy to accept and conform to new ISO standards and procedures, while 74.55 percent of respondents feel that the laboratory is efficient in its operations (B2.1). All age groups, regardless of their years of service or position, support the new ISO standards.

Although 76.36 percent of respondents report that they are adequately trained to run all benches (B2.4), 65 percent feel that the work is not done as required

even though they are doing their best (B2.5). It is possible these respondents are suffering from distress, in keeping with Potgieter's (2003:210) explanation that 'at a certain point the sheer weight and demands of the task render them incapable of performing'.

The staff shortage make it impossible for respondents to take leave as 89.09 percent report that they do not take leave to get away from the work situation (see table 5.2, item B 2.8). This affects their work-life balance (72.73 percent). The impact on work-life balance is supported by all age groups in all the positions.

Despite the long working hours only 25.45 percent of respondents have experienced physical injuries. However this, together with the long working hours, is an issue of great concern since it can be detrimental to the quality of service provided by the employees.

Eighty percent of respondents state that management did not explain the reasons for the cost savings, which could be the reason why 90.91 percent feel that their morale was negatively affected.

Table 5.2**ISO standards, training, overtime and work-family life**

			Yes	No	Total
B2.1	With the application of ISO standards do you feel that the laboratory is more efficient in its operations?	No %	41 74.55	14 25.45	55 100
B2.2	Did you find it easy to accept and conform to the new standards and procedures?	No %	45 81.82	10 18.18	55 100
B2.3	Do you feel that your department is adequately staffed to manage the workload?	No %	5 90.9	50 9.09	55 100
B2.4	Do you feel that you are adequately trained to run all the benches in your department?	No %	42 76.36	13 23.64	55 100
B2.5	Even though you feel that you are doing your best, do you sometimes find that the work is not done as required?	No %	36 65.45	19 34.55	55 100
B2.6	Do you work overtime?	No %	50 90.91	5 9.09	55 100
B2.7	Does the current work situation affect your work-family-life balance?	No %	40 72.73	15 27.27	55 100
B2.8	Do you often (twice a month or more) take leave to get away from the work situation?	No %	6 10.91	49 89.09	55 100
B2.9	Have you experienced any physical injuries as a result of your work?	No %	14 25.45	41 74.55	55 100
B2.10	Did management at any time explain to you the reasons for cost saving?	No %	11 20	44 80	55 100
B2.11	Did the changes affect your morale in a positive way?	No %	5 9.09	50 90.91	55 100
B2.12	Did the changes affect your morale in a negative way?	No %	50 90.91	5 9.09	55 100

5.3 EMPLOYEE RESISTANCE TO CHANGE

Table 5.3

Employee resistance to change

	EMPLOYEE RESISTANCE TO CHANGE		Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
C1.1	I feel comfortable with the new systems and processes in place	No	3	28	19	3	2
		%	5.45	50.9	34.5	5.45	3.64
C1.2	I always share information with others	No	10	41	4	—	—
		%	18.18	74.5	7.27		
C1.3	Management have their own agenda	No	23	17	13	1	1
		%	41.82	30.9	23.6	1.82	1.82
C1.4	Management tries to manipulate the system.	No	20	13	21	—	1
		%	36.36	23.6	38.1		1.82
C1.5	I am prepared to adopt new working practices	No	16	33	4	2	
		%	29.09	60.0	7.27	3.64	
C1.6	I am prepared to learn new skills.	No	32	22	1	—	—
		%	58.18	40.0	1.82		
C1.7	I refuse to participate in any group work	No	—	3	2	22	28
		%		5.45	3.64	40.0	50.9
C1.8	I often say negative things about management	No	5	11	13	17	9
		%	9.09	20.0	23.6	30.91	16.36

Source: Analysis of results obtained on employee resistance to change

Table 5.3 shows the respondents' resistance to change. Seventy two percent of respondents agree that management have their own agenda (C1.3); 60 percent agree that management tries to manipulate the system (C1.4) while only 29 percent agree that they often say negative things about management (C1.8).

The low percentage could be due to the fact that employees do not want to be seen as criticising management and they also fear that their jobs might be at risk.

There is also a positive feeling among employees regarding their willingness to adopt new work practices as 89 percent agree on this (C1.5). Ninety eight percent are prepared to learn new skills (C1.6) and 90 percent disagree that they refuse to participate in group work (C1.7)

Respondents (55 percent) feel comfortable with the new systems and processes in place. This corresponds well with the findings in Table 5.2 where employees indicated they find it easy to conform to the new standards and procedures.

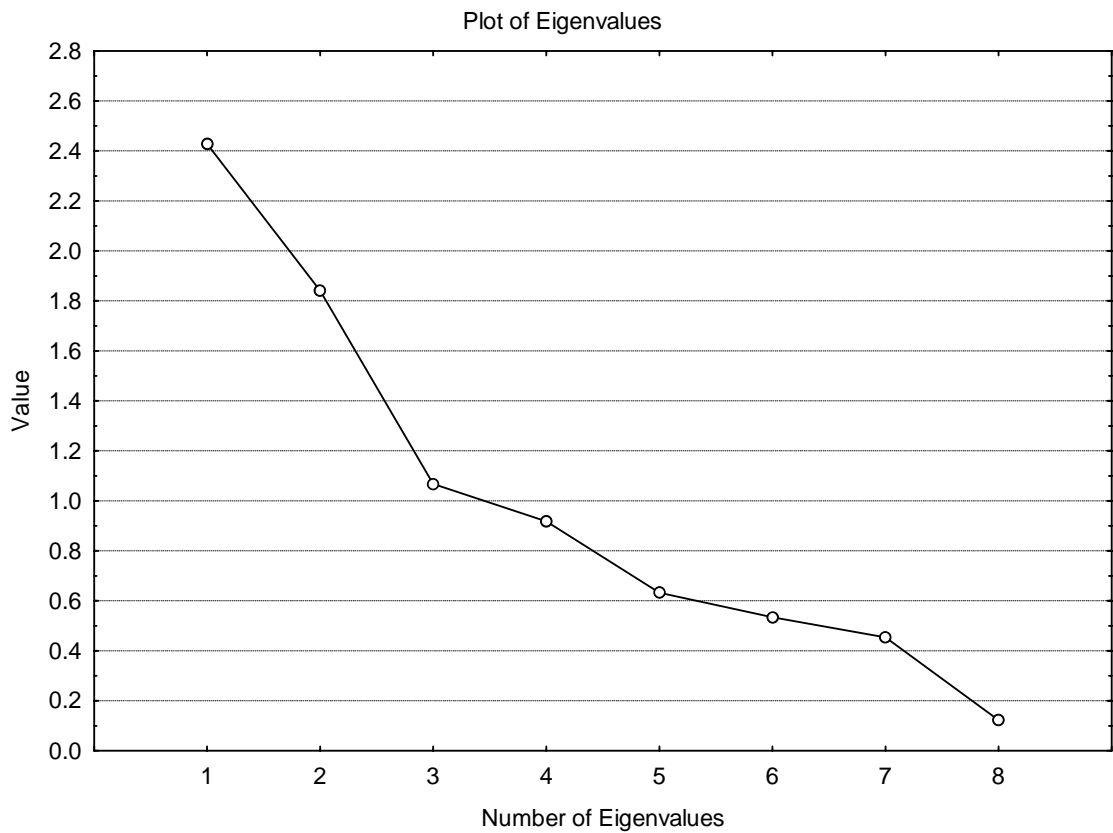
Table 5.4
Correlation analysis of employee resistance to change

Variable	Correlations Casewise deletion of MD N=55							
	C1.1	C1.2	C1.3	C1.4	C1.5	C1.6	C1.7	C1.8
C1.1	1.00	0.09	-0.20	-0.25	-0.03	0.16	-0.25	-0.26
C1.2	0.09	1.00	0.14	0.02	0.27	0.11	0.01	0.11
C1.3	-0.20	0.14	1.00	0.84	0.06	0.04	0.07	0.50
C1.4	-0.25	0.02	0.84	1.00	0.02	0.19	0.09	0.52
C1.5	-0.03	0.27	0.06	0.02	1.00	0.27	-0.33	0.02
C1.6	0.16	0.11	0.04	0.19	0.27	1.00	-0.46	0.08
C1.7	-0.25	0.01	0.07	0.09	-0.33	-0.46	1.00	0.13
C1.8	-0.26	0.11	0.50	0.52	0.02	0.08	0.13	1.00

Table 5.4 shows the correlations among the eight items measuring employees' resistance to change. Inspection of the correlations shows that there are a number of big correlations, which is an indication of the possible factors. Factor analysis was done to determine sensible grouping of items. A scree-plot (see figure 5.1) was drawn to determine how many factors exist among the eight items. This plot, together with the 'eigen values greater than one' rule, showed that three factors exist since there are three eigen values that are greater than one.

Figure 5.1

Factor analysis on employee resistance to change



Source: Table 5.4 converted to a scree-plot

Table 5.5

Factor loading on employee resistance to change

Variable	Factor Loadings (Varimax normalised) Extraction: Principal axis factoring (Marked loadings are >.350000)		
	Factor 1	Factor 2	Factor 3
C1_1	-0.294	0.233	0.045
C1_2	0.056	0.050	0.701
C1_3	0.838	0.031	0.106
C1_4	0.988	0.107	-0.071
C1_5	0.023	0.374	0.348
C1_6	0.095	0.591	0.111
C1_7	0.153	-0.839	0.028
C1_8	0.576	-0.049	0.111
Expl.Var	2.133	1.263	0.656
Prp.Totl	0.267	0.158	0.082

The factor loadings were examined to indicate which items belonged to the three factors (See table 5.5). Based on this the factors that emerged were as follows:

- Factor 1 (F1) = average of C1.3, C1.4 and C1.8 (management)
- Factor 2 (F2) = average of C1.5, C1.6 and C1.7 (employee willingness)

The coding for C1.7 was reversed since it was negatively stated.

The third factor consists only of item C1.2. Item C1.1 did not load onto any factor; consequently only F1 and F2 are valid factors from this analysis and C1.1 and C1.2 will be analysed separately.

Further analysis of F1 (management) and F2 (employee willingness) was done to establish their internal reliability. This enables the researcher to indicate how strongly items in a factor correlate with each other. Factor one has a Cronbach alpha of 0.8. The closer this value is to one, the stronger the internal reliability of the factor. The average inter-item correlation for factor one was 0.65, indicating that management is high on internal reliability. Factor two has a Cronbach alpha of 0.6, which does not indicate high internal reliability but is still acceptable with an average inter-item correlation of 0.36, which is quite acceptable.

Table 5.6

Internal reliabilities of two factors: Management versus Employee Willingness:

F1 (Management):

Summary for scale: Mean=7.23636 Std.Dv.=2.68717 Valid N:55 Cronbach alpha: .812599 Standardised alpha: .831168 Average inter-item corr.: .655860					
variable	Mean if deleted	Var. if deleted	StDv. if deleted	Itm-Totl Correl.	Alpha if deleted
C1_3	5.327273	3.565620	1.888285	0.744442	0.672724
C1_4	5.163636	3.482314	1.866096	0.761941	0.653123
C1_8	3.981818	3.290578	1.813995	0.532550	0.914205

F2 (Employee willingness)

Summary for scale: Mean=4.92727 Std.Dv.=1.54985 Valid N:55 Cronbach alpha: .608495 Standardised alpha: .621608 Average inter-item corr.: .356618					
variable	Mean if deleted	Var. if deleted	StDv. if deleted	Itm-Totl Correl.	Alpha if deleted
C1_5	3.072727	1.303802	1.141841	0.355197	0.598377
C1_6	3.490909	1.486281	1.219131	0.455222	0.493772
C1_7r	3.290909	0.969917	0.984844	0.483681	0.411725

Table 5.7
Descriptive statistics of factors:

Variable	Descriptive Statistics					
	Valid N	Mean	Median	Minimum	Maximum	Std.Dev.
C1_1	55	2.51	2.00	1.00	5.00	0.84
C1_2	55	1.89	2.00	1.00	3.00	0.50
F1 (Man)	55	2.41	2.33	1.00	5.00	0.90
F2 (Work)	55	1.64	1.67	1.00	3.33	0.52

An analysis of the descriptive statistics shows the means for all groups with regard to age (mean = 2.5), years of service (mean = 2.5) and positions (mean = 2.4) for C1.1. These values fall on the lower end of the scale, meaning that respondents in all age groups regardless of years of service and their position, agree that they feel comfortable with the new systems and processes in place.

The means for all groups for C1.2 are: age (mean = 1.8), years of services (mean = 1.8) and position (mean = 1.8). Although respondents in the age groups 20 – 29 years, 50 – 59 years, those with up to ten years of service and the technicians and medical technologist have means slightly higher than the means for all groups, they still fall on the lower end of the scale, indicating that there is strong agreement with regard to the sharing of information.

Factor 1 (F1) has a mean of 2.4 for all groups in all categories, with the mean for supervisors even lower. This is an indication that there is slight agreement among respondents about the items on management.

Factor 2 has a mean of 1.6 for all groups in all three categories. Respondents aged 20 – 29 years have a mean slightly lower than 1.6, while the individual means for F2 gradually increase from below 1.6 to slightly higher than 1.6. for years of service. This can be an indication that employee willingness is gradually decreasing as the years of service are increasing. Most respondents (55 percent) feel comfortable with the new systems and processes in place. This corresponds well with the findings in Table 5.2, where employees indicated they find it easy to conform to the new standards and procedures.

5.4 EMPLOYEE JOB SATISFACTION

Table 5.8
Employee job satisfaction

EMPLOYEE JOB SATISFACTION			Yes	No
D1.1	Do you perceive your work as meaningful?	No %	53 96.36	2 3.64
D1.2	Does your job provide you the needed job security that you seek?	No %	33 60	22 40
D1.3	Do you feel that working conditions have changed since you started working for this organisation?	No %	47 85.45	8 14.55
D1.4	Does your supervisor communicate to you that your work is important?	No %	39 70.91	16 29.09
D1.5	Do you feel that your supervisor is treating everyone fairly with regard to his or her performance management?	No %	31 56.36	24 43.64
D1.6	Do you trust your supervisor enough to share any personal problems you might have?	No %	32 58.18	23 41.82
D1.7	Do you receive regular, timely feedback regarding your job performance?	No %	21 38.18	34 61.82
D1.8	Were you provided with opportunity for added responsibility (not just more tasks)?	No %	28 50.91	27 49.09
D1.9	Do you perceive that you have ownership of your work?	No %	35 63.64	20 36.36

Source: Results from analysis on employee job satisfaction

An assessment of Table 5.4 shows that 96 percent of respondents find their work meaningful (D1.1), while 60 percent feel that they are provided with the needed security (D1.2). Even though the employees with more than 20 years experience constitute only 20 percent of the total number of respondents, 53.85

percent of them feel that they are not provided with the necessary job security (see Table 5.9).

Table 5.9
Employee response to job security (D1.2) based on years of service

Summary Frequency Table (MBA data.sta) Table: Service_n(3) x D1.2(2)				
	Service_n	D1.2 n	D1.2 y	Row Totals
Count	Up to 10 years	5	17	22
Row Percent		22.73%	77.27%	
Count	11 - 20 years	10	10	20
Row Percent		50.00%	50.00%	
Count	More than 20 years	7	6	13
Row Percent		53.85%	46.15%	
Count	All Grps	22	33	55

Source: Results obtained from analysis of item D1.2

There seems to be a good working relationship among supervisors and subordinates since 70.91 percent feel that supervisors do communicate the importance of their work to them (D1.4). More than half (56 percent) of respondents feel that they are treated fairly with regard to their performance (D1.5) even though only 38 percent report that they receive timely feedback (D1.7).

Table 5.10
Employee response to fair treatment (D1.5) based on years of service

Summary Frequency Table (MBA data.sta) Table: Service_n(3) x D1.5(2)				
	Service_n	D1.5 n	D1.5 y	Row Totals
Count	Up to 10 years	10	12	22
Row Percent		45.45%	54.55%	
Count	11 - 20 years	7	13	20
Row Percent		35.00%	65.00%	
Count	More than 20 years	7	6	13
Row Percent		53.85%	46.15%	
Count	All Grps	24	31	55

Source: Results obtained from analysis of item D1.5

Further analysis of item D1.5 shows that 53.85 percent of employees with more than 20 years experience feel that supervisors are not treating them fairly with regards to job performance (See table 5.10). This can be detrimental to the longrun operations of the organisation, because these employees are usually the ones with the most knowledge and experience. They may decide to leave the organisation, meaning the loss of expertise.

Table 5.11

Employee response to added responsibility (D1.8) based on position

Summary Frequency Table (MBA data.sta) Table: Position(5) x D1.8(2)				
	Position	D1.8 n	D1.8 y	Row Totals
Count	Data capturer	3	2	5
Row Percent		60.00%	40.00%	
Count	Technician	3	8	11
Row Percent		27.27%	72.73%	
Count	Medical technologist	7	8	15
Row Percent		46.67%	53.33%	
Count	Chief technologist	10	9	19
Row Percent		52.63%	47.37%	
Count	Supervisor	3	1	4
Row Percent		75.00%	25.00%	
Count	All Grps	26	28	54

Source: Results obtained from analysis of item D1.8

In table 5.8 only 50.9 percent of respondents reported that they were provided with added responsibility (D1.8). Further analysis of item D1.8 shows that although technicians only make up 20 percent of the total number of respondents, 72.73 percent were given added responsibility (see table 5.11). This could be due to the shortage of medical technologists, meaning that technicians have to do work done by medical technologist even though they are not compensated for it.

5.5 EMPLOYEE COMMITMENT

Table 5.12
Employee commitment

	EMPLOYEE COMMITMENT		Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
E1.1	I am strongly committed to my job.	No	35	15	2	2	1
		%	63.64	27.27	3.64	3.64	1.82
E1.2	The organisation has treated me well, in accordance with the conditions of service.	No	2	25	12	10	5
		%	5.45	45.45	21.82	18.18	9.09
E1.3	I can easily take my skills to any other organisation	No	20	22	9	4	—
		%	36.36	40.00	16.36	7.27	
E1.4	I would remain in the employ of this organisation until retirement age	No	6	12	23	8	6
		%	10.91	21.82	41.82	14.55	10.91

Source: Results obtained from responses to employee commitment

Table 5.12 shows that 90 percent of respondents agree that they are strongly committed to their jobs. Items E1.1 to E1.3 deal with the normative, continuous and affective commitment respectively. Leung and Chang (1999) explain that these are distinct constructs representing different psychological states and should therefore be looked at separately.

Only 50.87 percent of respondents were high on normative commitment because they feel that the organisation has treated them well in accordance with the conditions of service. A further 21.82 percent expressed their uncertainty (E1.2) while 27.27 percent felt that the organisation has not treated them well (E1.2).

Respondents show low continuous commitment, since only 7.27 percent feel that they cannot easily take their skills somewhere else, while 76.36 percent feel that they can. Employees who are high in continuous commitment feel bound to their jobs because of the cost associated with leaving (Potgieter, 2003:221). Leung and Chang (1999) further explain that continuous commitment is a negative attachment, whereby employees fail to share the values and principles of the organisation but still remain with the organisation.

There was a high degree of uncertainty among respondents about whether they would stay with the organisation until retirement age as 41.82 percent were uncertain, 32.73 percent agreed and 25.46 percent disagreed.

The descriptive statistics show that items in section E do not correlate strongly and therefore should be analysed separately.

Table 5.13

Descriptive statistic on items E1.1 to E1.4 according to age

Breakdown Table of Descriptive Statistics (MBA data.sta)												
N=55 (No missing data in dep. var. list)												
Age	E1.1 Means	E1.1 N	E1.1 Std.Dev.	E1.2 Means	E1.2 N	E1.2 Std.Dev.	E1.3 Means	E1.3 N	E1.3 Std.Dev.	E1.4 Means	E1.4 N	E1.4 Std.Dev.
20 - 29 years	1.437500	16	0.813941	2.375000	16	0.885061	1.937500	16	0.997914	3.375000	16	1.087811
30 - 39 years	1.933333	15	1.162919	2.666667	15	0.975900	1.933333	15	0.703732	3.066667	15	1.032796
40 - 49 years	1.285714	14	0.611250	3.071429	14	0.997249	1.714286	14	0.825420	2.714286	14	0.994490
50 - 59 years	1.400000	10	0.699206	3.300000	10	1.494434	2.300000	10	1.159502	2.300000	10	1.251666
All Grps	1.527273	55	0.878858	2.800000	55	1.095445	1.945455	55	0.911210	2.927273	55	1.119764

Table 5.14

Descriptive statistic on items E1.1 to E1.4 according to years of service

Breakdown Table of Descriptive Statistics (MBA data.sta)												
N=55 (No missing data in dep. var. list)												
Service_n	E1.1 Means	E1.1 N	E1.1 Std.Dev.	E1.2 Means	E1.2 N	E1.2 Std.Dev.	E1.3 Means	E1.3 N	E1.3 Std.Dev.	E1.4 Means	E1.4 N	E1.4 Std.Dev.
Up to 10 years	1.454545	22	0.800433	2.409091	22	0.796366	2.045455	22	1.090097	3.181818	22	1.139606
11 - 20 years	1.650000	20	1.089423	3.050000	20	1.050063	2.000000	20	0.794719	2.950000	20	1.099043
More than 20 years	1.461538	13	0.660225	3.076923	13	1.441153	1.692308	13	0.751068	2.461538	13	1.050031
All Grps	1.527273	55	0.878858	2.800000	55	1.095445	1.945455	55	0.911210	2.927273	55	1.119764

Table 5.15

Descriptive statistic on items E1.1 to E1.4 according to position

Breakdown Table of Descriptive Statistics (MBA data.sta)												
N=54 (No missing data in dep. var. list)												
Position	E1.1 Means	E1.1 N	E1.1 Std.Dev.	E1.2 Means	E1.2 N	E1.2 Std.Dev.	E1.3 Means	E1.3 N	E1.3 Std.Dev.	E1.4 Means	E1.4 N	E1.4 Std.Dev.
Data capturer	1.200000	5	0.447214	3.000000	5	1.000000	2.600000	5	1.341641	2.800000	5	1.483240
Technician	1.545455	11	0.687552	2.636364	11	1.433369	1.909091	11	1.044466	2.454545	11	1.439697
Medical technologist	1.466667	15	0.833809	2.400000	15	0.632456	1.800000	15	0.941124	3.333333	15	0.899735
Chief technologist	1.736842	19	1.147079	3.052632	19	1.223551	2.052632	19	0.705036	2.947368	19	1.078769
Supervisor	1.250000	4	0.500000	3.000000	4	0.816497	1.500000	4	0.577350	2.750000	4	0.500000
All Grps	1.537037	54	0.884093	2.777778	54	1.093146	1.962963	54	0.910380	2.925926	54	1.130234

The sample as a whole has a mean of 1.5 for age years of service and position (E1.1). Respondents in the age group 29 – 29 years, those with 11 – 20 years service and chief technologists have means slightly higher than 1.5, although it still falls on the lower end of the scale. This is evident that all respondents are strongly committed to their jobs.

Item E1.2 has individual means that gradually increase towards the right of the scale for the age and service categories, but the mean for the whole sample is 2.8, which is more towards the middle of the scale. The age group 50-59 years has an average of 3.3, meaning that they tend to disagree that they have received good treatment, while the group 40-49 years (mean = 3.0) shows uncertainty. Respondent with 11 – 20 years service, and the data capturers, chief technologists and supervisors also express uncertainty since these groups each have a mean of 3.0.

Since the overall mean of E1.2 is 2.8 for all groups, one can conclude that respondents are uncertain about whether they have been treated well.

The three categories for item E1.3 each have a mean of 1.9 (which fall on the lower end of the scale) for all groups. Respondents aged 50 – 59 years, those with up to 10 years and 11 - 20 years service, data capturers and chief technologists have means that are slightly higher than the overall means but are still falling towards the lower end of the scale. Based on this, respondents strongly agree that they can easily take their skills to another organisation.

Item E1.4 has an overall mean of 2.9 (see Tables 5.13, 5.14 and 5.15). Respondents aged 20 – 29 years (mean = 3.3) (see Table 5.13) those with up to ten years service (mean = 3.1) (see Table 5.14) and the medical technologists (mean = 3.3), (see Table 5.15) show a tendency more towards the right of the scale meaning that they disagree about staying with the organisation until retirement age. However, with an overall mean of 2.9, one can conclude that there is some uncertainty among respondents as to whether they would stay until retirement age.

5.6 EMPLOYEE MOTIVATION

Table 5.16
Responses on employee motivation

	EMPLOYEE MOTIVATION		Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
F1.1	I look forward to coming to work every morning	No %	3 5.45	20 36.36	13 23.64	15 27.27	4 7.27
F1.2	I feel excited when I am asked to do a different task every day	No %	8 14.55	26 47.27	11 20.00	9 16.36	1 1.82
F1.3	I am well compensated for the work that I am doing	No %	3 3.64	10 18.18	14 25.45	14 25.45	15 27.27
F1.4	I find new opportunities at work very challenging	No %	12 21.82	27 49.09	9 16.36	6 10.91	1 1.82
F1.5	I still put in extra effort to ensure that organisational goals are achieved	No %	16 29.09	37 67.27	1 1.82	1 1.82	—
F1.6	I am motivated by money	No %	14 25.45	14 25.45	8 14.55	16 29.09	3 5.45

Source: Results obtained from analysis on employee motivation

Table 5.16 shows that 41.81 percent of employees look forward to coming to work (F1.1); 34.54 percent disagree while 23.64 percent express uncertainty. There is also a significantly high percentage (70.91 percent) of respondents who find new opportunities at work challenging.

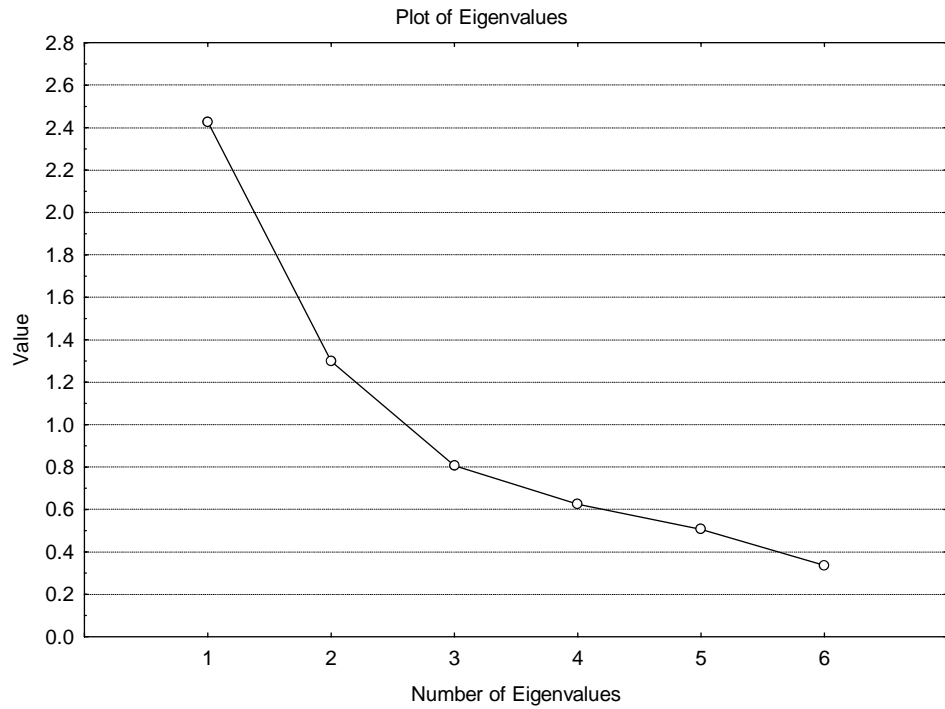
It seems like respondents do take their work seriously, as 96.36 agree that they put in extra effort to ensure that organisational goals are achieved. However, 52.72 percent of respondents feel that they are not well compensated for the work they are doing. This is in keeping with Byars and Rue (2000:305), who explain that compensation and pay are not synonymous. Compensation is the extrinsic reward that employees receive in exchange for their work. Examples include paid vacations, health insurance life insurance and retirement pensions.

Correlations analysis was done to determine if there is any correlation among items F1.1 to F1.6 (see Table 5.17). These correlations were examined and it was found that there is a strong correlation among these items.

Table 5.17
Correlation analysis on employee motivation

		Correlations (MBA data.sta) Casewise deletion of MD N=55					
Variable	F1.1	F1.2	F1.3	F1.4	F1.5	F1.6	
F1.1	1.00	0.30	0.59	0.22	0.31	-0.31	
F1.2	0.30	1.00	0.45	0.40	0.25	-0.10	
F1.3	0.59	0.45	1.00	0.39	0.19	-0.24	
F1.4	0.22	0.40	0.39	1.00	0.32	0.15	
F1.5	0.31	0.25	0.19	0.32	1.00	0.08	
F1.6	-0.31	-0.10	-0.24	0.15	0.08	1.00	

Figure 5.2
Factor analysis on employee motivation



Source: Table 5.17 converted to a scree-plot

Table 5.18
Factor loading of items on employee motivation

Factor Loadings (Unrotated) Extraction: Principal axis factoring (Marked loadings are >.350000)	
Variable	Factor 1
F1.1	0.665398
F1.2	0.578318
F1.3	0.801090
F1.4	0.490459
F1.5	0.379883
F1.6	-0.195609
Expl.Var	1.842074
Prp.Totl	0.307012

Table 5.19

Internal reliability of the factor: Motivation

variable	Summary for scale: Mean=12.9091 Std.Dv.=3.38992 Valid N:55 Cronbach alpha: .723630 Standardised alpha: .722495 Average inter-item corr.: .348342				
	Mean if deleted	Var. if deleted	StDv. if deleted	Itm-Totl Correl.	Alpha if deleted
F1_1	9.96364	7.198678	2.683035	0.512845	0.664952
F1_2	10.47273	7.594711	2.755850	0.499266	0.670091
F1_3	9.36364	6.231405	2.496278	0.627874	0.610999
F1_4	10.69091	7.886281	2.808252	0.453550	0.688017
F1_5	11.14545	9.687934	3.112545	0.356992	0.724311

Factor analysis on these items showed that items F1.1 to F1.5 belong together which can be seen in the strong correlations among these items (see Table 5.18). A scree-plot was drawn to determine how many factors exist amongst these items. Only one factor could be formed, which was the average of F1.1 to F1.5. This factor has a Cronbach alpha of 0.7, and an inter-item correlation of 0.3, indicating relatively high internal reliability among the items (see Table 5.19). Item F1.6 did not correlate with the rest of the items and is therefore discussed separately.

Table 5.20

Descriptive statistics for the factor and F1.6

Variable	Descriptive Statistics					
	Valid N	Mean	Median	Minimum	Maximum	Std.Dev.
F1_6	55	2.64	2.00	1.00	5.00	1.30
F1(Motiv)	55	2.58	2.60	1.00	4.20	0.68

The descriptive statistics in Table 5.20 show that item F1.6 has a mean of 2.64 which falls more towards the middle of the scale (slightly to the left), indicating that money is not an issue, even though 50.90 percent of respondents agree that they are motivated by money.

5.7 COMMUNICATION

Table 5.21
Responses to communication

	COMMUNICATION		Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
G1.1	Any changes that affect me are always clearly communicated to me	No	4	13	9	20	9
		%	7.27	23.64	16.36	36.36	16.36
G1.2	Communication is always done timeously	No	3	9	5	28	10
		%	5.45	16.36	9.09	50.91	18.18
G1.3	Through communication I am allowed to express my feelings	No	3	20	11	11	10
		%	5.45	36.36	20.0	20.00	18.18
G1.4	I know what is expected of me and therefore I still feel a sense of belonging to this organisation	No	6	30	12	4	3
		%	10.91	54.55	21.82	7.27	5.45
G1.5	Management always listen to employees	No		4	18	18	15
		%		27.27	32.73	32.73	27.27

Source: Results obtained from analysis of responses to communication

Analysis of Table 5.7 shows that 52.72 percent of respondents feel that any changes that affect them are not clearly communicated to them; 69.09 percent of respondents feel that communication is not done timeously, which could be the reason why 41.81 percent feel that they cannot express their feelings. As a result, 65 percent of respondents feel that management are not listening to employees.

These statistics indicate a lack of communication, which can have disastrous consequences for the organisation as a whole. This correlates with the literature, as Cascio (2002:94) states that communication is undeniably important. Milakovich (2006:124) supports this by referring to employees as the “detecting devices that are aware of possible ‘pinches’ or situations that may develop into serious problems”.

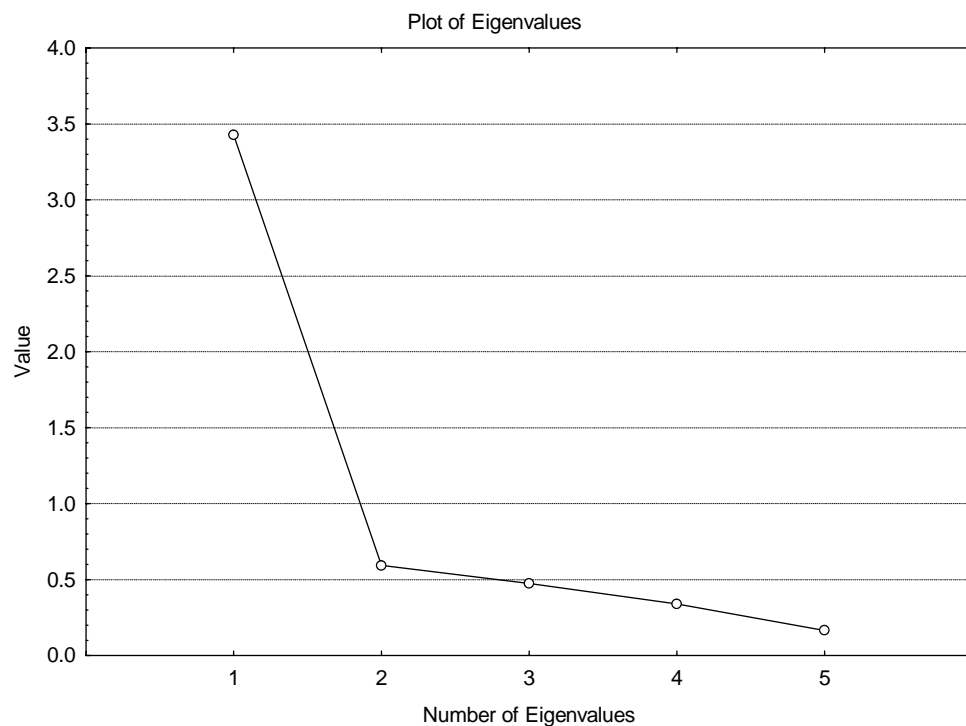
Leary-Joyce (2004:56) states that upward communication is as important as downward communication, yet it is frequently ignored. Employees are usually the ones who do the work; therefore they are the ones that often have ideas and answers.

Correlation analysis of items G1.1 to G1.5 indicate that there is a strong correlation among items (see Table 5.22).

Table 5.22
Correlation analysis on communication

Variable	Correlations (MBA data.sta) Casewise deletion of MD N=55				
	G1.1	G1.2	G1.3	G1.4	G1.5
G1.1	1.00	0.82	0.63	0.58	0.51
G1.2	0.82	1.00	0.70	0.59	0.61
G1.3	0.63	0.70	1.00	0.64	0.50
G1.4	0.58	0.59	0.64	1.00	0.44
G1.5	0.51	0.61	0.50	0.44	1.00

Figure 5.3
Factor analysis of items on communication



Source: Table 5.22 converted to a scree-plot

Factor analysis was done and it indicated that there was high correlation among items. The Scree-plot shows that there was only one eigen value greater than one, meaning only one factor could be formed (see figure 5.3).

Table 5.23

Factor loading on items on communication

Factor Loadings (Unrotated) Extraction: Principal axis factoring (Marked loadings are >.350000)	
Variable	Factor 1
G1.1	-0.839016
G1.2	-0.911385
G1.3	-0.796453
G1.4	-0.705227
G1.5	-0.635255
Expl.Var	3.069801
Prp.Totl	0.613960

Table 5.24

Internal reliability of factor: communication

Summary for scale: Mean=16.2182 Std.Dv.=4.56513 Valid N:55 Cronbach alpha: .883821 Standardised alpha: .883443 Average inter-item corr.: .614667					
variable	Mean if deleted	Var. if deleted	StDv. if deleted	Itm-Totl Correl.	Alpha if deleted
G1_1	12.90909	12.44628	3.527929	0.772738	0.846534
G1_2	12.61818	12.52694	3.539342	0.840845	0.829261
G1_3	13.12727	12.51107	3.537100	0.744200	0.854480
G1_4	13.80000	14.59636	3.820519	0.667654	0.871133
G1_5	12.41818	15.29785	3.911247	0.597675	0.885066

Factor loading proved that all five items belong to communication (see Table 5.23). This factor was the average of items G1.1 to G1.5. Further analysis shows that the factor has a Cronbach alpha of 0.8 and an average inter-item correlation of 0.6, indicating high internal reliability (see Table 5.24).

Table 5.25

Descriptive statistics for factor: communication

Variable	Descriptive Statistics					
	Valid N	Mean	Median	Minimum	Maximum	Std.Dev.
F1(Comm)	55	3.24	3.40	1.20	5.00	0.91

The descriptive statistics in Table 5.25 show that the categories (age, years of service and position) each have a mean of 3.2 (slightly to the right). The different means for all groups in each category fall closely to the overall mean, indicating that respondents are uncertain about the issue of communication (see Table 5.25).

5.8 EMPLOYEE INVOLVEMENT

Table 5.26 shows that most respondents (95.55 percent) have a good working relationship with their colleagues. Work stations are ergonomically as 69.09 percent of respondents reported that they have not experience any physical injuries.

Table 5.26

Responses to employee involvement

	EMPLOYEE INVOLVEMENT		Yes	No
H1. 1	Do you have a good working relationship with your colleagues?	No %	52 94.55	5 5.45
H1. 2	Is your work station well designed	No %	38 69.09	17 30.91
H1. 3	Have you experienced any physical injuries? (If yes, please specify)	No %	17 30.91	38 69.09

Source: Results obtained from analysis of responses to employee involvement

5.9 CONCLUDING REMARKS

In this chapter the results of the empirical study were highlighted. The findings were correlated with the literature review, where relevant. Based on the findings, it can be concluded that there are major gaps between the impact of cost saving on service quality in theory, and what actually happens in the real world.

Reasons for cost savings were not explained to employees. Employees feel comfortable with the new systems and processes in place even though they show low continuous commitment. The morale of employees as a whole is negatively affected.

In Chapter six the focus will be on the main findings. Conclusions will be drawn and recommendations will be made as to how to overcome or minimise the negative impact of cost saving on service quality.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The results of the study were presented in Chapter five. The purpose of this chapter is to determine whether the research findings correspond with or differ from what was revealed in the literature as discussed in chapters two and three.

In this chapter the main findings of the study will be summarised against the main problem and sub-problem as discussed in Chapter one.

Any challenges and limitations that the researcher had to deal with will be highlighted. Lastly, recommendations and opportunities for further research will be made.

6.2 MAIN FINDINGS

The main findings of the research regarding the impact of cost savings on service quality were divided into the following sections:

- The cost savings initiatives
- Resistance to change
- Employee job satisfaction
- Employee commitment
- Employee motivation and
- Communication.

6.2.1 The cost saving initiatives

- The employees have to work overtime because of a staff shortage. As a result they seldom take leave and therefore do not have a well-balanced work-family life

- The majority of the respondents (80 percent) state that the reasons for cost savings were not explained to them and this had a negative impact on their morale

6.2.2 Resistance to change

- All respondents regardless of age, years of service and position, feel comfortable with the new systems and processes in place
- They are willing to adopt new practices, learn new skills and participate in group work

6.2.3 Employee job satisfaction

- The majority of respondents find their work meaningful
- Employees with more than 20 years experience are experiencing the highest degree of job insecurity and they feel that they are not treated fairly with regard to their job performance. They may decide to leave sooner and their expertise will be lost
- Subordinates place a high degree of trust in their supervisors
- Technicians have to do work that should be done by technologists, because of the shortage of technologists

6.2.4 Employee commitment

- Respondents are strongly committed to their jobs
- They not sure whether the organisation has treated them well.
- Respondents strongly agree that they can easily take their skills to another organisation
- There is uncertainty among respondents as to whether they would stay with the organisation until retirement age

The high degree of uncertainty could be because respondents are hoping that conditions will improve in the future.

6.2.5 Employee motivation

- Respondents feel that they are not well compensated for the work they are doing despite the fact that they are putting in extra effort to meet organisational goals
- Money does not appear to be a motivational factor, even though 50.90 percent of employees agree that they are motivated by money

One can conclude that employees would, apart from getting a pay cheque at the end of every month, prefer to be better compensated in other ways.

6.2.6 Communication

- The changes that affect employees are not communicated to them.
- Communication is not done timeously and respondents do not have a chance to express their feelings.

The lack of communication gives the impression that employees do not count at all, even though they are the ones that are doing the work.

6.2.7 Employee involvement

- Respondents have a good working relationship with their colleagues.

The main problem and sub-problems will now be reviewed to determine whether any gaps in the literature have been filled and whether the research objectives have been met.

- Main Problem

The main problem is to evaluate the impact of cost saving measures on service quality.

- Sub-problem one

What criteria do management use to determine the need for cost saving?

Sub-problem one was addressed in Chapter two. Cost savings go beyond just systems and processes. It is the quality of the service that is affected by these cost saving initiatives that should be the focal point. It was mentioned in section 2.2 that managers should explain to employees or make them aware of the goals of the cost savings. Employees, in turn, should be given a chance to share their ideas. It seems that this was not the case at all and employee morale suffered a blow. Management is obviously more interested in the hard facts (that is, the profits and losses) at the expense of employees.

The low staffing level is an area of great concern. The long working hours will undoubtedly affect an employee's work-family life. An imbalanced work-family life will lead to stress and eventually burnout; employees will not be able to perform to the best of their ability and service quality will suffer.

- Sub-problem two

How do the cost saving initiatives impact on employee behaviour?

In Chapter three the impact of the cost savings on employee behaviour was discussed. The research findings in Chapter five gave an idea of the consequences of these cost saving initiatives on employee behaviour. This provides a solution for sub-problem two. The overall resistance to the change was low.

The cost savings initiatives had a negative impact on the employees as a whole. The psychological contract seems to have been violated and employees feel that they have been done an injustice.

6.3 PROBLEMS AND LIMITATIONS

The research process went smoothly. However, certain areas of concern need to be taken into account; for example the sample size and respondent biases.

The response rate was high (92 percent). Respondents were easy to reach, either physically or through the internal mailing system. The number of respondents that participated in the research was sufficient, thus ensuring that the sample was truly representative of the whole population.

6.4 RECOMMENDATIONS

Recommendations based on the research findings include:

- Employee perception of fairness differs. The research has shown that the most experienced people feel that they have not been treated fairly with regard to their job performance. Management should continuously assess the working situation to find out what employees really want from their jobs. Good recognition and incentive programmes may assist in boosting productivity and employee morale
- The research has shown that most employees feel that they can easily take their skills to another organisation. To avoid this, employees should be encouraged to take part in various projects. This approach can be used as a way of retaining employees, thus keeping the skills within the organisation.
- Any changes that affect employees must always be communicated to them in a timely manner. Good two-way communication is a valuable tool to elicit feedback from employees. In this way staff will feel value,; job satisfaction will increase and employees will have a normative commitment to the organisation. Employees will trust management.

6.5 OPPORTUNITIES FOR FURTHER RESEARCH

Research conducted during this study was confined to the Ibhayi Region in the Eastern Cape Province. Since the NHLS operates in the entire country, it would be advisable to conduct further research surveys in other regions. The findings of the research conducted in those areas can then be compared to the findings of the Ibhayi Region. The experience of employees, as a result of the cost savings initiatives, in other areas may differ; for example, they may have been well informed about the cost saving initiatives prior to the implementation process. This in itself would give management an idea of what sort of employee behaviour can be expected.

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ANNEXURE 1

SURVEY COVERING LETTER

5 June 2006

Dear respondent

ASSESSING THE IMPACT OF COST SAVING ON SERVICE QUALITY

I am currently studying toward my Masters in Business Administration (MBA) degree at the Nelson Mandela Metropolitan University. Information is needed to complete my dissertation.

It would be appreciated if you can assist me by completing the questionnaire and return it to me by Friday 1 July 2006. This will give me the information required in my dissertation. If you would like a copy of the summary of the findings, please let me know by contacting the Haematology department at the Livingstone laboratory at 041-4513317.

Yours sincerely

Fiona van Rayner
Haematology Department
Livingstone laboratory

ANNEXURE 2

QUESTIONNAIRE

SECTION A: BIOGRAPHICAL DATA

Please supply the following information by ticking the appropriate box

A.1 Which department do you work in

Haematology	<input type="checkbox"/>
Biochemistry	<input type="checkbox"/>
Microbiology	<input type="checkbox"/>
Histology	<input type="checkbox"/>
Receiving office	<input type="checkbox"/>
Accounts	<input type="checkbox"/>

A.2. Please indicate your gender

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

A.3. Please indicate your age

20 – 29 years	<input type="checkbox"/>
30 – 39 years	<input type="checkbox"/>
40 – 49 years	<input type="checkbox"/>
50 – 59 years	<input type="checkbox"/>
60 years and older	<input type="checkbox"/>

A.4. How long had you been working for this company?

Less than 5 years	
5 – 10 years	
11- 20 years	
20 – 30 years	
More than 30 years	

A.5. Please indicate your highest level of education.

Matric	
Diploma	
Degree	
Post graduate	
Other (Please specify).....	

A.6 What is your current position at the company?

Data capturer	
Technician	
Medical technologist	
Chief technologist	
Supervisor	

SECTION B: COST SAVING INITIATIVES

B.1 Please tick the appropriate box

Which of the following cost savings initiatives do you find most disturbing in your work?

B1.1	Application of ISO 15189 Standards to improve operations	
B1.2	Staffing levels	
B1.3	Overtime	
B1.4	New technology	
B1.5	All of the above	

B.2. Please answer the following questions by ticking the appropriate block

		Yes	No
B2.1	With the application of ISO standards do you feel that the laboratory is more efficient in its operations?		
B2.2	Did you find it easy to accept and conform to the new standards and procedures?		
B2.3	Do you feel that your department is adequately staffed to manage the workload?		
B2.4	Do you feel that you are adequately trained to run all the benches in your department?		
B2.5	Even though you feel that you are doing your best, do you sometimes find that the work is not done as required?		
B2.6	Do you work overtime?		
B2.7	Does the current work situation affect your work-family-life balance?		
B2.8	Do you often (twice a month or more) take leave to get away from the work situation?		
B2.9	Have you experienced any physical injuries as a result of your work?		
B2.10	Did management at any time explain to you the reasons for cost saving?		
B2.11	Did the changes affect your morale in a positive way?		
B2.12	Did the changes affect your morale in a negative way?		

SECTION C: EMPLOYEE RESISTANCE TO CHANGE

C.1. Please indicates the degree to which you agree or disagree with the following statements.

	EMPLOYEE RESISTANCE TO CHANGE	Strongly agree	Agree	Uncertain	Disagree	Strongly
C1.1	I feel comfortable with the new systems and processes in place					
C1.2	I always share information with others					
C1.3	Management have their own agenda					
C1.4	Management tries to manipulate the system.					
C1.5	I am prepared to adopt new working practices					
C1.6	I am prepared to learn new skills.					
C1.7	I refuse to participate in any group work					
C1.8	I often say negative things about management					

SECTION D: EMPLOYEE JOB SATISFACTION

D.1. Please provide the following information by ticking the appropriate block

		Yes	No
	EMPLOYEE JOB SATISFACTION		
D1.1	Do you perceive your work as meaningful?		
D1.2	Does your job provide you the needed job security that you seek?		
D1.3	Do you feel that working conditions have changed since you started working for this organisation?		
D1.4	Does your supervisor communicate to you that your work is important?		
D1.5	Do you feel that your supervisor is treating everyone fairly with regard to his or her performance management?		
D1.6	Do you trust your supervisor enough to share any personal problems you might have?		
D1.7	Do you receive regular, timely feedback regarding your job performance?		
D1.8	Were you provided with opportunity for added responsibility (not just more tasks)?		
D1.9	Do you perceive that you have ownership of your work?		

SECTION E: EMPLOYEE COMMITMENT

E.1. Please indicate the degree to which you agree or disagree with the following statements

	EMPLOYEE COMMITMENT	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
E1.1	I am strongly committed to my job.					
E1.2	The organisation has treated me well in accordance with the conditions of service.					
E1.3	I can easily take my skills to any other organisation					
E1.4	I would remain in the employ of this organisation until retirement age					

SECTION F: EMPLOYEE MOTIVATION

F.1. Please indicate the degree to which you agree or disagree with the following statements

	EMPLOYEE MOTIVATION	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
F1.1	I look forward to coming to work every morning					
F1.2	I feel excited when I am asked to do a different task every day					
F1.3	I am well compensated for the work that I am doing					
F1.4	I find new opportunities at work very challenging					
F1.5	I still put in extra effort to ensure that organisational goals are achieved					
F1.6	I am motivated by money					

SECTION G: COMMUNICATION

G.1. Please indicate the extent to which you agree or disagree with the following statements

	COMMUNICATION	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
G1.1	Any changes that affect me are always clearly communicated to me					
G1.2	Communication is always done timeously					
G1.3	Through communication I am allowed to express my feelings					
G1.4	I know what is expected of me and therefore I still feel a sense of belonging to this organisation					
G1.5	Management always listen to employees					

SECTION H: EMPLOYEE INVOLVEMENT

E.1. Please provide the following information by ticking the appropriate block

	EMPLOYEE INVOLVEMENT	Yes	No
H1.1	Do you have a good working relationship with your colleagues?		
H1.2	Is your work station well designed		
H1.3	Have you experienced any physical injuries? (If yes, please specify)		